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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)**

### **CONTINUING CONNECTED TRANSACTIONS RENEWED COOPERATION AGREEMENT**

#### **THE RENEWED COOPERATION AGREEMENT**

Reference is made to the announcement of the Company dated 30 July 2014 and 14 March 2017 (the “**Announcements**”) in relation to the Cooperation Agreement with Pubang.

On 17 December 2019 (after trading hours), Earthasia (Shanghai), an indirect wholly-owned subsidiary of the Company, and Pubang entered into the Renewed Cooperation Agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) (or any of its subsidiaries) all or part of its landscape projects that requires landscape architecture services; and (ii) refer to Earthasia (Shanghai) (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery) ; and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture.

#### **LISTING RULES IMPLICATIONS**

Pubang, being a substantial shareholder of the Company holding approximately 15.60% equity interest in the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) for the proposed annual caps for the transactions contemplated under the Renewed Cooperation Agreement is more than 0.1% but less than 5%, the Renewed Cooperation Agreement, the transactions contemplated thereunder and the proposed Annual Caps are subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE RENEWED COOPERATION AGREEMENT**

### **I. Date**

17 December 2019 (after trading hours)

### **II. Parties**

- i. Earthasia (Shanghai), an indirect wholly-owned subsidiary of the Company
- ii. Pubang, a substantial shareholder of the Company

### **III. Condition Precedent**

The Renewed Cooperation Agreement is conditional upon the fulfillment of the following conditions:

- (a) the Renewed Cooperation Agreement and the transactions contemplated thereunder having been approved by the shareholders of Pubang at its general meeting (where applicable); and
- (b) all necessary actions, consents, permissions, approvals and authorizations having been taken or obtained by the parties in connection with the Renewed Cooperation Agreement and the transactions contemplated thereunder.

### **IV. Term**

Subject to the conditions precedent having been fulfilled, the Renewed Cooperation Agreement shall be valid till 31 December 2022 and renewable by mutual agreement upon expiry, subject to compliance with the requirements of the Listing Rules.

## **V. Subject Matter**

### ***(i) Subcontracting***

- If Pubang (or any of its subsidiaries) is awarded a landscape project, Pubang (or any of its subsidiaries) may subcontract all or part of such landscape project that requires landscape architecture services to Earthasia (Shanghai) (or any of its subsidiaries).
- If Earthasia (Shanghai) (or any of its subsidiaries) is awarded a landscape project that requires services that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery), Earthasia (Shanghai) (or any of its subsidiaries) may subcontract such part of the project to Pubang (or any of its subsidiaries).

The parties shall enter into a separate subcontracting agreement in respect of each subcontracting arrangement to set out subcontracting details which include but not limited to the scope of work, subcontracting fees and payment terms.

### ***(ii) Referral***

- Pubang (or any of its subsidiaries) may refer to Earthasia (Shanghai) (or any of its subsidiaries) clients which require landscape architecture services. Earthasia (Shanghai) (or any of its subsidiaries) shall enter into separate agreement(s) directly with the third party client requiring the services.
- Earthasia (Shanghai) (or any of its subsidiaries) may refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery). Pubang (or any of its subsidiaries) shall enter into separate agreement(s) directly with the third party client requiring the services.

## **VI. Fees and payment terms**

### ***(i) Subcontracting***

The subcontracting fees in respect of each subcontracting arrangement shall be determined based on the following principles:-

- (a) the fees shall be on normal commercial terms after arm's length negotiation;

(b) the fees shall be no less favorable than those offered by independent third parties; and/or

(c) the fees shall be no less favourable than the prevailing market price.

Pursuant to the Renewed Cooperation Agreement, in determining the fees for each subcontracting transaction, the parties will make reference to (i) the profitability of the relevant subcontracted services; (ii) the total sum of the contract between Pubang or Earthasia (Shanghai) (as the case may be) and the third party client; (iii) consider the nature and expected duration of the subcontracted services; and (iv) compare the fee with that of similar projects (where available) with independent third parties.

In the case where Pubang subcontracts services to the Group, after Pubang has approached the Group in respect of the potential landscape architecture services, the sales and marketing department of the Group will formulate a project plan which will include expected project duration, staffing requirement and other costs, delay risk and early termination risk. Based on the assessment of the above factors, the Company would propose a project fee to Pubang which is in line with the Group's internal profitability benchmark given the complexity and risk of the project. The Company will also compare the terms of the subcontracted project with similar projects (where available) recently engaged by the Group with independent third party client to ensure that the fee and other terms will be no less favorable than those offered by independent third parties and prevailing market price.

In the case where the Group subcontracts services to Pubang, the Group will determine the subcontracting fee with Pubang after arm's length negotiation with reference to (i) the total sum of the contract between the Group and the third party client; and (ii) the nature, expected duration, cost and complexity of the subcontracted services. The Group will also solicit quotes from at least two third party subcontractors in order to ensure that the terms are no less favourable than those offered by independent third parties.

The payment terms shall be based on the individual subcontracting agreements. For each subcontracting transaction, the subcontracting party shall disclose the payment terms as agreed with the third party client to the subcontractor. The subcontracting party shall pay the proportional amount of the fees relating to the subcontracted services to the subcontractor within five working days after the subcontracting party receives all or part of the contract sum from the third party client.

**(ii) Referral**

The referral fee shall be not more than 3% of the contract sum of the services to be provided by the referee to the third party client. The actual referral fee shall be determined by the parties after arm's length negotiation on normal commercial terms with reference to the contract sum and the profitability of the referred project and shall be no more favourable than those referral fees paid by the Group in respect of other similar projects. The referral fee shall be paid to the referrer within five business days after the referee receives the project fee from the third party client. Should the project fee be paid by the third party client by installment, the referee shall pay the referral fee to the referrer on a pro rata basis within five working days after it receives each installment.

**(iii) Annual Caps**

The historical transaction amount for the three years ended 31 December 2017, 2018 and 2019\* were as follows:

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019*</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Subcontracting and referral fees paid by Pubang Group to the Group	1.9	4.6	2.0
Subcontracting and referral fees paid by the Group to Pubang Group	—	—	—

\* Up to the date of this announcement.

As at the date of this announcement, the annual caps for the years ended 31 December 2017, 2018 and 2019\* have not been exceeded.

The Annual Caps are determined based on (i) the historical transaction amounts for the three years ended 31 December 2019\*; and (ii) the expectation on the business prospects of the Group and Pubang Group during the term of the Renewed Cooperation Agreement.

The proposed Annual Caps are as follows:-

	<b>Proposed Annual Caps</b>		
	<b>For the year ending 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Subcontracting and referral fees payable by Pubang Group to the Group**	4.9	4.9	4.9
Subcontracting and referral fees payable by the Group to Pubang Group**	4.9	4.9	4.9

\*\* *In any event, the aggregate referral fees payable by the parties in each of the year ended 31 December 2017, 2018 and 2019 shall not exceed HK\$3 million.*

## **VII. Early termination**

The parties may, at any time during the contract term, give the other party one month prior written notice to terminate the Renewed Cooperation Agreement.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE RENEWED COOPERATION AGREEMENT**

The Group is principally engaged in the provision of a wide range of landscape architecture services covering landscape assessment, planning, design and other related advisory services in Hong Kong and Mainland China and catering business in Mainland China and Italy. The Group also completed the acquisition of Think High Global Limited on 7 August 2019 which through its subsidiaries is principally engaged in the graphene business. Earthasia (Shanghai), which is an indirect wholly-owned subsidiary of the Company, is principally engaged in providing landscape architecture services.

Pubang Group is principally engaged in landscape construction (including building design), landscape architecture, landscape maintenance and garden nursery.

Pubang Group is specialised in landscape construction whereas the Group is specialised in landscape architecture and does not carry on any construction works. The Pubang Group and the Group have different clientele. The Directors consider that the entering into of the Renewed Cooperation Agreement allows both Pubang Group and the Group to (i) enhance the revenue of their specialised business through the securing of relevant business from subcontracting and referrals; (ii) generate revenue from subcontracting fees and referral fees from business which they are not specialised in; and (iii) expand their business and client networks.

The Directors consider that (i) the entering into of the Renewed Cooperation Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Renewed Cooperation Agreement are on normal commercial terms and, together with the proposed Annual Caps, are fair and reasonable.

## **LISTING RULES IMPLICATIONS**

Pubang, being a substantial shareholder of the Company holding approximately 15.60% equity interest in the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) for the proposed Annual Caps for the transactions contemplated under the Renewed Cooperation Agreement is more than 0.1% but less than 5%, the Renewed Cooperation Agreement, the transactions contemplated thereunder and the proposed Annual Caps are subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Ma Lida (being a non-executive Director) is an employee of Pubang and Pubang Group's board representation in the Group, he has abstained from voting on the relevant board resolution(s) approving the Renewed Cooperation Agreement, the transactions contemplated thereunder and the proposed Annual Caps. Save as disclosed above, none of the Directors has any material interest in the Renewed Cooperation Agreement nor is any of them required to abstain from voting in respect of the relevant board resolution(s).

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the otherwise stated:-

“Annual Caps”	the maximum annual transaction amounts under the Renewed Cooperation Agreement for each of the years ending 31 December 2020, 2021 and 2022
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Earthasia International Holdings Limited (泛亞環境國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 30 July 2014 entered into between Earthasia (Shanghai) and Pubang
“Directors”	the directors of the Company
“Earthasia (Shanghai)”	Earthasia (Shanghai) Company Limited (泛亞景觀設計(上海)有限公司), a company established under the laws of the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party(ies)”	has the meaning ascribed thereto under the Listing Rules
“Independent Shareholders”	shareholders of the Company other than Pubang and its associates



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Pubang”	Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司), a joint stock limited company incorporated under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002663), and a substantial shareholder of the Company
“Pubang Group”	Pubang and its subsidiaries
“Renewed Cooperation Agreement”	the renewed cooperation agreement dated 17 December 2019 entered into between Earthasia (Shanghai) and Pubang
“RMB”	the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

*\* For identification purpose only. The Chinese name has been translated in English in this announcement. In the event of any discrepancies between the Chinese name and the English translation, the Chinese name prevails.*

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

Hong Kong, 17 December 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.*