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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 THE ACQUISITION
OF 51% ISSUED SHARE CAPITAL OF THAI GALLERY (HK) LIMITED**

Reference is made to the announcements of the Company dated 6 February 2017 and 14 February 2017 in relation to the Acquisition. The Board is pleased to announce that on 17 March 2017 (after trading hours), the Vendors and the Purchaser entered into the New Acquisition Agreement to terminate the Acquisition Agreement and set out the new terms for the Acquisition. Under the New Acquisition Agreement, the new consideration for the acquisition of the Sale Shares, representing 51% of the issued share capital of the Target Company, is RMB19,380,000 (equivalent to approximately HK\$21,810,252).

To the best knowledge, information and belief of the Directors of the Company, having made all reasonable enquiries, the Vendors are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios is greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirements under the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 6 February 2017 and 14 February 2017. On 6 February 2017, the Vendors and the Purchaser entered into the Acquisition Agreement to acquire 51% of the issued share capital of the Target Company at RMB12,750,000 (equivalent to approximately HK\$14,348,850) and a subsidiary of the Target Company will have an option to acquire the entire equity interest in the PRC Company at the consideration of RMB1 or the minimum price required by the PRC laws.

On 17 March 2017, the Vendors and the Purchaser entered into the New Acquisition Agreement to terminate the Acquisition Agreement and set out the new terms for the acquisition of 51% of the issued share capital of the Target Company. The new consideration for the Acquisition is RMB19,380,000 (equivalent to approximately HK\$21,810,252) and the option to acquire the entire equity interest in the PRC no longer exists, but catering management services will be provided to the PRC Company by a subsidiary of the Target Company, namely Taihuan Shanghai. Also, Thai Gallery (Italy) will become a subsidiary of the Target Company by Completion.

THE NEW ACQUISITION AGREEMENT

The principal terms of the New Acquisition Agreement are summarised as follows:

Date:

17 March 2017 (after trading hour)

Parties:

- (i) Purchaser: Yummy Holdings Limited, a wholly-owned subsidiary of the Company
- (ii) Vendor: Mr. Ng and Mrs. Ng

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors are Independent Third Parties.

Subject matter

Pursuant to the New Acquisition Agreement, the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares, being 51% of the issued share capital of the Target Company.

Consideration

The consideration is RMB19,380,000 (equivalent to approximately HK\$21,810,252) and shall be payable by the Purchaser to the Vendors in the following manner:

- (i) RMB1,938,000 (equivalent to approximately HK\$2,181,025) payable within 10 business days from the signing of the New Acquisition Agreement;
- (ii) RMB3,876,000 (equivalent to approximately HK\$4,362,050) payable within 10 business days from the signing of the Catering Management Agreement by Taihuan Shanghai and the PRC Company;

- (iii) RMB7,752,000 (equivalent to approximately HK\$8,724,101) payable within 10 business days from completion of due diligence investigation on Thai Gallery (Italy) and completion of the acquisition of the entire equity interest of Thai Gallery (Italy) by the Target Company;
- (iv) RMB2,907,000 (equivalent to approximately HK\$3,271,538) payable within 10 business days from the Completion; and
- (v) RMB2,907,000 (equivalent to approximately HK\$3,271,538) payable within 10 business days from 6 months after the Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendors and was determined with reference to the following: (i) the business development and future prospects of the Target Company; and (ii) the Guaranteed Profit. The consideration will be funded by the internal resources of the Group.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of certain conditions which include, inter alia:

- (a) the Board and Shareholders (where relevant) having approved the New Acquisition Agreement and the transactions contemplated thereunder according to the Listing Rules and all applicable laws;
- (b) the due diligence investigation in respect of Thai Gallery (Italy) having been completed and the Purchaser being satisfied with the results of such due diligence investigation;
- (c) the Target Company has successfully acquired the entire issued share capital of the Thai Gallery (Italy);
- (d) the Catering Management Agreement which is legally effective under the PRC laws having been signed by Taihuan Shanghai and the PRC Company;
- (e) the Company having obtained approval from the Stock Exchange on the New Acquisition Agreement and the transactions contemplated thereunder (where relevant);
- (f) the Target Company having repaid all shareholders' loan (if any);
- (g) the majority of the board members of the Target Company, Taihuan Shanghai and Thai Gallery (Italy) having been appointed by the Purchaser respectively;
- (h) the shareholders' agreements in relation to the Target Company, Taihuan Shanghai and Thai Gallery (Italy) having been signed by the Purchaser and the Vendors; and

- (i) the warranties, guarantees and undertakings given by the Vendors are true and accurate on the date of Completion and the Vendors have performed or complied with such warranties, guarantees and undertakings on or before the Completion Date.

The Purchaser may waive any or all conditions precedent, save and except conditions (a) and (e) above. If the conditions precedent are not fulfilled or waived on or before 31 August 2017 (or such other date as the parties agree in writing), the New Acquisition Agreement shall be of no effect, subject to the liability of any party to the other in respect of the antecedent breaches of the terms pursuant to the New Acquisition Agreement. In that case, the Vendors shall refund any consideration received from the Purchaser.

Completion

Completion of the New Acquisition Agreement shall take place on the 3rd Business Day after all conditions precedent are fulfilled or waived by the Purchaser (or such other date as agreed between the Purchaser and the Vendors).

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the Vendors will hold the remaining 49% shareholding interest in the Target Company.

The Vendors undertake that they and they shall procure the Vendors' Private Companies to enter into agreement (the form and content of which shall be to the satisfaction of the Purchaser in its absolute discretion) to assign the ownership of the IP Rights to the Target Company or Taihuan Shanghai.

If the application for the transfer of IP Rights is not submitted within 1 year after Completion (or such other time as the Purchaser and the Vendors may agree), the Purchaser shall be entitled to rescind the New Acquisition Agreement. The Target Company and/or the Taihuan Shanghai shall be licensed to use the IP Rights at nil consideration during the period from Completion until the IP Rights are assigned to the Target Company or Taihuan Shanghai.

Profit Guarantee

Pursuant to the New Acquisition Agreement, the Vendors guarantee to the Purchaser that the audited net profit after tax of the Target Company for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall be not less than RMB6,000,000 (equivalent to approximately HK\$6,752,400), RMB7,000,000 (equivalent to approximately HK\$7,877,800) and RMB8,000,000 (equivalent to approximately HK\$9,003,200) respectively.

In the event that the Guaranteed Profit for any of the relevant financial years ending 31 December 2020 cannot be met, the Vendors shall pay the Purchaser a compensation (the “**Compensation**”) in cash, within 10 Business Days after the auditor’s report have been issued in respect of the relevant financial year. The Compensation shall be calculated in accordance with the following formula:

$$\text{Compensation} = \left[\begin{array}{r} \text{Guaranteed} \\ \text{Profit for} \\ \text{the relevant} \\ \text{financial year} \end{array} - \begin{array}{r} \text{Actual amount of} \\ \text{net profit after tax} \\ \text{for the relevant} \\ \text{financial year} \end{array} \right] \overset{\text{Note 1}}{\text{X}} \frac{\text{RMB38,000,000}}{\text{RMB6,000,000}} \text{X } 51\%$$

Note 1: the ceiling of this figure is RMB3,000,000

In the event that the audited net profit after tax of the Target Company for the financial year ending 31 December 2018 is more than RMB6,000,000 (equivalent to approximately HK\$6,752,400), the Purchaser shall pay the Vendors an amount to be calculated in the formula below:

$$\left[\begin{array}{r} \text{Actual amount of} \\ \text{net profit after tax} \\ \text{for the financial} \\ \text{year ending 31} \\ \text{December 2018} \end{array} - \text{RMB6,000,000} \right] \overset{\text{Note 2}}{\text{X}} \frac{\text{RMB38,000,000}}{\text{RMB6,000,000}} \text{X } 51\%$$

Note 2: the ceiling of this figure is RMB9,000,000

In the event that the audited net profit after tax of the Target Company for the financial year ending 31 December 2019 is more than RMB7,000,000 (equivalent to approximately HK\$7,877,800), the Purchaser shall pay the Vendors an amount to be calculated in the formula below:

$$\left[\begin{array}{r} \text{Actual amount of} \\ \text{net profit after tax} \\ \text{for the financial} \\ \text{year ending 31} \\ \text{December 2019} \end{array} - \text{RMB7,000,000} \right] \overset{\text{Note 3}}{\text{X}} \frac{\text{RMB38,000,000}}{\text{RMB6,000,000}} \text{X } 51\%$$

Note 3: the ceiling of this figure is RMB10,000,000

In the event that the audited net profit after tax of the Target Company for the financial years ending 31 December 2020 is more than RMB8,000,000 (equivalent to approximately HK\$9,003,200), the Purchaser shall pay the Vendors an amount to be calculated in the formula below:

$$\left[\begin{array}{l} \text{Actual amount of} \\ \text{net profit after tax} \\ \text{for the financial} \\ \text{year ending 31} \\ \text{December 2020} \end{array} - \text{RMB8,000,000} \right] \times \frac{\text{RMB38,000,000}}{\text{RMB6,000,000}} \times 51\%$$

Note 4: the ceiling of this figure is RMB11,000,000

Option

The Vendors jointly and severally and irrevocably granted an exclusive option to the Purchaser pursuant to which the Purchaser has the exclusive right to acquire the remaining 49% shareholding interest of the Target Company (or any part thereof) at the consideration to be calculated by the formula below:

$$\begin{array}{l} \text{Consideration} \\ \text{for the} \\ \text{remaining 49\%} \\ \text{shareholding} \\ \text{interest of the} \\ \text{Target Company} \end{array} = \begin{array}{l} \text{Audited} \\ \text{consolidated net} \\ \text{profit of the} \\ \text{Target Company} \\ \text{in the most} \\ \text{recent financial} \\ \text{year that the} \\ \text{Option is} \\ \text{exercised} \end{array} \times \frac{\text{RMB38,000,000}}{\text{RMB6,000,000}} \times \begin{array}{l} \text{percentage of} \\ \text{shareholding} \\ \text{interest of the} \\ \text{Target Company} \\ \text{to be acquired} \end{array}$$

Expansion

The Vendors undertake to procure and assist Taihuan Shanghai to open a new branch of Thai Restaurant or otherwise a restaurant serving Thai cuisine each year within 3 years from the date of the New Acquisition Agreement.

INFORMATION OF THE TARGET COMPANY

The Vendors have been in the catering industry for over 16 years. In 2000, the Vendors set up the Thai Restaurant, which is currently held by the PRC Company, a company wholly owned by the Vendors. The PRC Company has the relevant licences, approvals and permits for the operation of the Thai Restaurant. The Thai Restaurant was awarded Best Southeast Asian Restaurant (Reader's Pick) in 2016 organised by the website Shanghai WOW!.

The Target Company was incorporated by the Vendors on 23 November 2016 as an investment holding company. As at the date of this announcement, the Target Company is in the course of establishing its PRC subsidiary under the name of Taihuan Shanghai. Taihuan Shnaghai shall enter into the Catering Management Agreement with the PRC Company, pursuant to which Taihuan Shanghai shall provide to the PRC Company operation management service in respect of the Thai Restaurant and the PRC Company shall pay Taihuan Shanghai a fixed management fee in the amount of RMB270,000 (equivalent to approximately HK\$303,858) monthly plus performance bonus (if any) at the end of each year.

Set out below is the summary of the key financial information extracted from the unaudited financial information of the Target Company for the period since the incorporation date of the Target Company on 23 November 2016 to 31 December 2016:

**Since the incorporation date
of the Target Company
on 23 November 2016
up to 31 December 2016**
HK\$'million
Unaudited

Turnover	N/A
Profit/(loss) before taxation	-
Profit/(loss) after taxation	-

The Target Company has not commenced any operation during the period from its incorporation and therefore no turnover had been recorded. The net loss represented the amount of administrative expenses incurred during the relevant period. The above financial information was prepared in accordance with the Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants.

The total assets and net assets of Thai Gallery (Italy) as at 31 December 2016 was approximately EUR1.1 million (equivalent to approximately HK\$9.2 million) and EUR1.0 million (equivalent to approximately HK\$8.4 million) respectively. Set out below is the summary of the key financial information extracted from the unaudited accounts of Thai Gallery (Italy) for the two years ended 31 December 2015 and 2016, which was prepared in accordance with Italian Generally Accepted Accounting Principles (GAAP).

	For the year ended 31 December	
	2015	2016
	<i>EUR'000</i>	<i>EUR'000</i>
	Unaudited	Unaudited
Turnover	53.4	1,503.3
Profit/(loss) before taxation	(187.9)	290.0
Profit/(loss) after taxation	(137.4)	199.0

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

The consumer sector of the PRC is growing rapidly. As disposable income rises, PRC people will spend more on leisure and dining out. The Acquisition offers a chance to tap into the consumer sector, which is believed to be the main driver of the PRC's economy. Also, the restaurant operated by Thai Gallery (Italy) serves to diversify and capture the consumer sectors in different jurisdiction.

The Directors believe that the Acquisition can broaden its revenue streams and bring greater return to the Shareholders.

The terms of the New Acquisition Agreement were arrived at after arm's length negotiations between the Company and the Vendors. The Directors consider that the terms of the New Acquisition Agreement are on normal commercial terms and fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios is greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 51% of the issued share capital of the Target Company by the Purchaser
“Acquisition Agreement”	the sale and purchase agreement dated 6 February 2017 for the proposed acquisition of the 51% of the issued share capital of the Target Company by the Purchaser, which was terminated by the New Acquisition Agreement
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday in Hong Kong) on which banks in Hong Kong and the PRC are open for business

“Catering Management Agreement”	the agreement to be entered into by Taihuan Shanghai and the PRC 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 issued shares of which are listed on the Stock Exchange (stock code: 6128)
“Compensation”	the amount payable by the Vendors to the Purchaser if the Guaranteed Profit cannot be met pursuant to the New Acquisition Agreement
“Completion”	the completion of the Acquisition in accordance with the terms of the New Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the official currency of the European Zone
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the net profit after tax of the Target Company of RMB6,000,000 (equivalent to approximately HK\$6,752,400), RMB7,000,000 (equivalent to approximately HK\$7,877,800) and RMB8,000,000 (equivalent to approximately HK\$9,003,200) for each of the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 respectively that the Vendors guarantee to the Purchaser pursuant to the New Acquisition Agreement
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IP Rights”	the intellectual property rights in use by the PRC Company and the Thai Restaurant (which include but not limited to the trademark “泰廊” and “Thai Gallery” registered in the PRC or overseas)
“Independent Third Parties”	a party independent of and not connected with the Company and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Ng”	Mr. Ng Kok Hey (吳國熙), spouse of Mrs. Ng
“Mrs. Ng”	Ms. Chan Suk Fun (陳淑芬), spouse of Mr. Ng
“New Acquisition Agreement”	the sale and purchase agreement dated 17 March 2017 entered into by the Vendors and the Purchaser in relation to the proposed acquisition of the 51% of the issued share capital of the Target Company
“Option”	the exclusive option granted by the Vendors to the Purchaser to acquire the remaining 49% shareholding interest in the Target Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	Shanghai Mo Nei Restaurant Limited (上海莫內餐飲有限公司)*, a company established in the PRC and wholly owned by the Vendors
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	510 shares of the Target Company, being 51% of the issued share capital of the Target Company
“Shareholder(s)”	holder(s) of share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taihuan Shanghai”	Taihuan Catering Management (Shanghai) Company Limited (泰歡餐飲管理(上海)有限公司)*, a company to be established in PRC with limited liability and will be wholly-owned by the Target Company
“Target Company”	Thai Gallery (HK) Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendors
“Thai Gallery (Italy)”	Thai Gallery S.R.L., a company incorporated in Italy which operates a restaurant serving Thai cuisine in Italy
“Thai Restaurant”	the restaurant serving Thai cuisine in Shanghai, the PRC, which is owned and operated by the PRC Company

“Vendors”	Mr. Ng and Mrs. Ng
“Vendors’ Private Companies”	Yi Jia Restaurant Management (Shanghai) Company Limited (意嘉餐飲管理(上海)有限公司)* and Shanghai Tao Yue Restaurant Management Company Limited (上海桃悦餐飲管理有限公司)*, both are companies established in the PRC wholly owned by the Vendors and are the registered shareholders of the PRC Company
“%”	percentage

* *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.*

For illustration only, amounts in RMB and EUR in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.1254 and EUR1.00 = HK\$8.3581. No representation is made that any amounts in HK\$, RMB and EUR have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 17 March 2017

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Tian Ming; the non-executive Directors are Mr. Michael John Erickson, Mr. Ma Lida and Ms. Huang Yaping; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai.