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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 and 4 December 2017 (the “**Announcements**”) 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**”).

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 Group a 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:

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

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 Guaranteed Profit of RMB2,570,000 to the Group. The Vendors shall make a compensation of approximately RMB26.3 million to the Group in accordance with the above formula.

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, as of the date of this announcement, the Group has not received any compensation from the Vendors despite repeated requests. The Group is currently having internal discussion and also seeking legal advice as to possible legal actions that can be taken towards the Vendors for the compensation. 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, 3 April 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.