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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 51% ISSUED SHARE CAPITAL OF
THAI GALLERY (HK) LIMITED

THE ACQUISITION

The Board is pleased to announce that on 6 February 2017 (after trading hours), the Company and the Vendors entered into the Acquisition Agreement in relation to the sale and purchase of the Sale Shares, representing 51% of the issued share capital of the Target Company for a consideration of RMB12,750,000 in cash.

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.

The Board is pleased to announce that on 6 February 2017 (after trading hours), the Company and the Vendors entered into the Acquisition Agreement in relation to the sale and purchase of the Sale Shares, representing 51% of the issued share capital of the Target Company.

THE ACQUISITION AGREEMENT

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

Date:

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

As at the date of this announcement, the Target Company is in the course of establishing the WFOE in the PRC. The WFOE shall enter into the Operation Agreement and the Agreement after its establishment.

Consideration

The consideration is RMB12,750,000 (equivalent to approximately HK\$14,406,225) and shall be payable by the Company to the Vendors in the following manner:

- (i) RMB2,550,000 (equivalent to approximately HK\$2,881,245) payable within 10 business days from the signing of the Acquisition Agreement and set up of WFOE;
- (ii) RMB7,012,500 (equivalent to approximately HK\$7,923,424) payable within 10 business days from Completion; and
- (iii) RMB3,187,500 (equivalent to approximately HK\$3,601,556) payable within 10 business days from 6 months after the Completion.

The consideration was determined after arm's length negotiations between the Company 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 Acquisition Agreement and the transactions contemplated thereunder according to the Listing Rules and all applicable laws;
- (b) the WFOE has been legally established and the entire registered capital of which is owned by the Target Company;
- (c) the Operation Agreement which is legally effective under the PRC laws having been signed by the WFOE and the PRC Company;
- (d) the Agreement which is legally effective under the PRC laws having been signed by the WFOE, the Vendors' Private Companies and the PRC Company;
- (e) the Company having obtained approval from the Stock Exchange on the Acquisition Agreement and the transactions contemplated (where relevant);
- (f) the Target Company having repaid all shareholders' loan (if any);
- (g) 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 May 2017 (or such other date as the parties agree in writing), the 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 Acquisition Agreement. In that case, the Vendors shall refund any consideration received from the Purchaser.

Completion

Completion of the Acquisition Agreement shall take place on the 3rd Business Day after all conditions precedent are fulfilled or waived by the Company (or such other date as agreed between the Company 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 the WFOE at nil consideration.

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

Profit Guarantee

Pursuant to the 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 2017, 31 December 2018 and 31 December 2019 shall be not less than RMB3,000,000 (equivalent to approximately HK\$3,389,700).

In the event that the Guaranteed Profit for any of the relevant financial years ending 31 December 2019 can not 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:

$$\text{Compensation} = \left[\text{RMB3,000,000} - \begin{array}{c} \text{actual amount of} \\ \text{net profit after tax} \\ \text{for the relevant} \\ \text{financial year} \end{array} \right] \times \frac{\text{RMB25,000,000}}{\text{RMB4,000,000}} \times 51\%$$

In the event that the audited net profit after tax of the Target Company for any of the three financial years ending 31 December 2019 is more than RMB4,000,000 (equivalent to approximately HK\$4,519,600), the Purchaser shall pay the Vendors an amount (the “**Amount**”) to be calculated in the formula below:

$$\text{Amount} = \left[\begin{array}{c} \text{Actual amount of} \\ \text{net profit after tax} \\ \text{for the relevant} \\ \text{financial year}^{(\text{Note})} \end{array} - \text{RMB4,000,000} \right] \times \frac{\text{RMB25,000,000}}{\text{RMB4,000,000}} \times 51\%$$

Note: the ceiling of this figure is RMB7,000,000

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:

$$\begin{array}{l} \text{Consideration} \\ \text{for the} \\ \text{remaining 49\%} \\ \text{shareholding} \\ \text{interest of the} \\ \text{Target Company} \end{array} = \begin{array}{l} \text{Audited} \\ \text{Consolidated} \\ \text{Net profit of the} \\ \text{Target Group in} \\ \text{the most recent} \\ \text{financial year} \\ \text{that the Option} \\ \text{is exercised} \end{array} \times \frac{\text{RMB25,000,000}}{\text{RMB4,000,000}} \times \frac{\text{Remaining term} \\ \text{of rental}^{(\text{Note})}}{5} \times \begin{array}{l} \text{percentage of} \\ \text{shareholding} \\ \text{interest of the} \\ \text{Target company} \\ \text{to be acquired} \end{array}$$

Note: Remaining term of rental means the number of year(s) remaining in the tenancy agreement in respect of the premises that the Thai Restaurant operates.

Pre-emption right

The Vendors shall also procure the entire equity interest of Thai Gallery S.R.L. to be sold to the Purchaser at the consideration of not more than RMB21,000,000 (equivalent to approximately HK\$23,727,900). Thai Gallery S.R.L. is a company incorporated in Italy and wholly owned by the Vendors' family which operates a restaurant in Italy.

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 the WFOE. The WFOE shall enter into the Operation Agreement with the PRC Company, pursuant to which the WFOE shall provide to the PRC Company operation management service in respect of the Thai Restaurant and the PRC Company shall pay the WFOE a management fee equivalent to 90% of the net revenue of the PRC Company. The Operation Agreement shall be perpetually effective for a period of 20 years and the WFOE has the option to renew for 3 years and for an indefinite number of successive 3 years thereafter.

The WFOE shall also enter into the Agreement with the Vendors' Private Companies and the PRC Company in relation to, inter alia, granting WFOE an option to acquire equity interest in the PRC Company at the consideration of RMB1 or the minimum price as required by the PRC laws. The Vendors' Private Companies also charges the entire registered capital of the PRC Company in favour of the WFOE to secure the performance of obligations by the Vendors' Private Companies under the Agreement and the performance of obligations by the Vendors under the Acquisition Agreement.

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 the PRC Company as at 31 December 2016 was approximately RMB5.7 million and RMB1.2 million respectively. Set out below is the summary of the key financial information extracted from the unaudited management accounts of the PRC Company for the two years ended 31 December 2015 and 2016, which was prepared in accordance with generally accepted accounting principles issued by the Ministry of Finance of the PRC.

	For the year ended 31 December	
	2015	2016
	<i>RMB'million</i>	<i>RMB'million</i>
	Unaudited	Unaudited
Turnover	12.5	6.9
Profit/(loss) before taxation	(0.7)	(0.7)
Profit/(loss) after taxation	(0.7)	(0.7)

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.

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

The terms of the Acquisition Agreement were arrived at after arm's length negotiations between the Company and the Vendors. The Directors consider that the terms of the 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
“Agreement”	the agreement to be entered by the WFOE, the Vendors' Private Companies and the PRC Company
“Amount”	the amount of money payable by the Purchaser to the Vendors in the event the audited net profit after tax of the Target Company for any of the three financial years ending 31 December 2019 is more than RMB4,000,000 (equivalent to approximately HK\$4,519,600)

“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
“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 Acquisition Agreement
“Completion”	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the net profit after tax of the Target Company of RMB3,000,000 (equivalent to approximately HK\$3,389,700) for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 that the Vendors guarantee to the Company pursuant to the 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
“Operation Agreement”	the agreement to be entered into by the Purchaser and the PRC 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
“Target Company”	Thai Gallery (HK) Limited (泰廊香港有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendors
“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 (上海桃悅餐飲管理有限公司)*, both are companies established in the PRC wholly owned by the Vendors and are the registered shareholders of the PRC Company
“WFOE”	a company to be established in the PRC by the Target 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 in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.1299. No representation is made that any amounts in HK\$ and RMB 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, 6 February 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.