
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Bank of East Asia, Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



BEA 東亞銀行

The Bank of East Asia, Limited
東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

**POSSIBLE OFF-MARKET SHARE BUY-BACK
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to The Bank of East Asia, Limited

**Goldman
Sachs**

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this Circular, unless the context requires otherwise. A letter from the Board is set out on pages 9 to 19 of this Circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on page 20 of this Circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 21 to 39 of this Circular.

The notice of EGM of The Bank of East Asia, Limited to be held at 2/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong on Monday, 28th March, 2022 at 11:30 a.m. is set out on pages 7 and 8 of this Circular.

Please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Bank's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter to be sent by the Bank's share registrar, Tricor Standard Limited, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). **Completion and return of the form of proxy will not preclude a member from attending and voting at the EGM electronically or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.**

9th March, 2022

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This Circular (both English and Chinese versions) is now available in printed form and on the websites of the Bank at www.hkbea.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Notwithstanding any choice of means for the receipt of Corporate Communications (i.e. either receiving a printed copy or by electronic means through the Bank's website) previously made by Shareholders and communicated to the Bank, Shareholders may at any time change their choice, free of charge, by giving reasonable notice in writing to the Bank's Share Registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by fax to (852) 2810 8185 or by email to BEA0023-ecom@hk.tricorglobal.com specifying your request together with your full name and contact telephone number.

SPECIAL ARRANGEMENTS FOR THE EGM

According to the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation in force, including a ban on the conducting of physical general meeting of companies, the EGM will be held at 2/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong with the minimum number of persons present as is legally required to form a quorate meeting by Directors or other senior staff members who are Shareholders or proxy.

Given the above, **NO OTHER SHAREHOLDER, PROXY OR CORPORATE REPRESENTATIVE SHOULD ATTEND THE EGM IN PERSON.** Any other person who attempts to do so will be excluded and will not be permitted entry to the venue of the EGM.

Shareholders wishing to attend and vote at the EGM electronically should follow the instructions on the notification letter (the “**Notification Letter**”) to be sent by the Bank’s share registrar, Tricor Standard Limited, on the day after the date of this Circular, on how to access the webcast. You will be able to access the live webcast at the start of the EGM until its conclusion.

Shareholders who wish to attend the EGM electronically and exercise his/her voting rights can be achieved in one of the following ways:

- (1) attend the EGM electronically according to the Notification Letter which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the EGM or other persons as his/her proxy by providing their email address for receiving the designated log-in username and password to attend and vote on his/her behalf electronically.

Your proxy’s authority and instruction will be revoked if you attend and vote electronically at the EGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the “**Intermediary**”) and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, you will be asked to provide your email address. The login details will be emailed to you by the Bank’s share registrar, Tricor Standard Limited.

The Bank strongly encourages Shareholders to appoint the chairman of the EGM as his/her proxy to exercise his/her right to vote at the EGM in accordance with his/her instructions and to return his/her proxy form(s) to the Bank’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the Notification Letter as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). This is to ensure that your vote is counted if you are unable to attend electronically on the day of the EGM.

Completion and return of the form of proxy will not preclude a member from attending and voting at the EGM electronically or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

SPECIAL ARRANGEMENTS FOR THE EGM

For those non-registered holders whose shares are held in the Central Clearing and Settlement System, they are strongly encouraged to vote through HKSCC Nominees Limited by giving instructions to their brokers or custodians.

If you would like to submit a question on the business of the meeting in advance, please send your questions to the email account (BEA0023-EGM@hk.tricorglobal.com) or call us at +852 2980-1333 for further assistance if any.

You can also submit questions during the EGM through the webcast link provided or you can call +852 2980-1333. The Board will arrange for as many of the questions asked to be answered as possible at the EGM.

Subject to the development of the COVID-19 pandemic, the Bank may be required to change the meeting arrangements for the EGM at short notice. Shareholders are advised to check the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Bank (www.hkbea.com) for further announcement(s) and update(s) on such arrangements and/or further special measures to be taken.

DEFINITIONS

In this Circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Announcement”	the announcement of the Bank dated 28th January, 2022 in relation to the Share Buy-back
“Bank”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 23)
“Bank Holding Company Act”	the United States Bank Holding Company Act of 1956 (as amended)
“Board”	the board of Directors
“business day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Stock Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong
“Buy-back Deed”	the share buy-back deed, in the agreed form set out in Appendix 3 to this Circular
“Buy-back Price”	the price to be paid for each Buy-back Share, as described in the section headed “III. The Buy-back Deed – Consideration” in “The Letter from the Board” in this Circular
“Buy-back Shares”	246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares, beneficially owned by the Elliott Parties and to be transferred to the Bank for cancellation pursuant to the terms and conditions of the Buy-back Deed
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Circular”	the Circular to the Shareholders dated 9th March, 2022
“Deed of Undertaking”	a deed of undertaking dated 28th January, 2022 executed by the Elliott Parties in favour of the Bank undertaking, subject to the satisfaction of the shareholder approval condition set out therein, to enter into the Buy-back Deed
“Directors”	the directors of the Bank

DEFINITIONS

“EGM”	the extraordinary general meeting of the Bank to be held at 2/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong on Monday, 28th March, 2022 at 11:30 a.m. or any adjournment thereof
“Elliott”	Elliott Investment Management L.P., which manages funds including its flagship fund, Elliott Associates, L.P., together with their respective affiliates, including the Elliott Parties
“Elliott Internal Group Transfer”	the transfer on 27th December, 2021 by Elliott International, L.P. to Wakeland Securities L.P. (which is wholly owned by Elliott International, L.P.) of 108,601,552 Shares
“Elliott Parties”	Elliott International, L.P., The Liverpool Limited Partnership, Wakeland Securities L.P., Artan Investments Limited, Frasco Investments Limited, Milton Investments Limited, Parlan Investments Limited and Trevet Investments Limited
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates
“Financial Adviser”	Goldman Sachs (Asia) L.L.C., a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the financial adviser appointed to advise the Bank on the Share Buy-back
“FRB”	the board of governors of the United States Federal Reserve
“Group”	the Bank and its subsidiaries
“HKMA”	Hong Kong Monetary Authority
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICBC USA”	Industrial and Commercial Bank of China (USA) N.A. (formerly known as The Bank of East Asia (USA) N.A.)
“Independent Board Committee”	the independent committee of the Board comprising all the non-executive Directors (including the independent non-executive Directors) namely, Professor Arthur LI Kwok-cheung, Dr. Allan WONG Chi-yun, Mr. Aubrey LI Kwok-sing, Mr. Winston LO Yau-lai, Mr. Stephen Charles LI Kwok-sze, Dr. Daryl NG Win-kong, Mr. Masayuki OKU, Dr. the Hon. Rita FAN HSU Lai-tai, Mr. Meocre LI Kwok-wing, Dr. the Hon. Henry TANG Ying-yen, Dr. Delman LEE, Mr. William Junior Guilherme DOO, Dr. David MONG Tak-yeung and Dr. Francisco Javier SERRADO TREPAT

DEFINITIONS

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Share Buy-back and the Share Buy-back Deed
“Independent Shareholder(s)”	Shareholder(s) of the Bank other than (i) the Elliott Parties; (ii) parties acting in concert with the Elliott Parties (including but not limited to Elliott and Elliott Associates, L.P.); and (iii) any other Shareholder(s) who has a material interest in the Buy-back Deed and/or the Share Buy-back which is different from the interests of all other Shareholders
“Last Trading Day”	28th January, 2022, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Announcement
“Latest Practicable Date”	4th March, 2022, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling 90 days after the date on which the Buy-back Deed is entered into or such other date as may be agreed in writing between the Bank and the Elliott Parties
“Outstanding Staff Share Options”	unvested and vested share options outstanding as at the Latest Practicable Date to subscribe for ordinary shares of the Bank granted under the staff share option schemes adopted by the Bank on 19th April, 2011 and 19th April, 2016
“Register of Members”	the register of members of the Bank
“Relevant Period”	the period commencing 6 months preceding the date of the Announcement up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Buy-back”	the possible purchase of the Buy-back Shares by the Bank for cancellation pursuant to the terms and conditions of the Buy-back Deed, which constitutes an off-market share buy-back by the Bank pursuant to the Share Buy-back Code

DEFINITIONS

“Share Buy-back Code”	the Code on Share Buy-backs issued by the SFC
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	fully paid ordinary shares of the Bank
“SMBC”	Sumitomo Mitsui Banking Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

NOTICE OF EGM

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of the members of The Bank of East Asia, Limited (the “**Bank**”) will be held at 2/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong on Monday, 28th March, 2022 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendment the following resolution as a special resolution. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Bank dated 9th March, 2022 (the “**Circular**”):

“THAT:

- (a) the terms of the agreed form of the Buy-back Deed (a copy of which is tabled at the EGM and marked “A” and initialled by the chairman of the EGM for identification purposes) proposed to be entered into between the Bank and each of the Elliott Parties in relation to an off-market share buy-back by the Bank of 246,510,173 Shares held by the Elliott Parties on the terms contained therein at an aggregate consideration of HK\$2,903,889,837.94, be and are hereby approved; and
- (b) the Directors (or a duly authorised person thereof) of the Bank be and are hereby authorised to take all such steps to implement and give effect to the Buy-back Deed and the transactions thereunder (including but not limited to the execution of all documents or deeds as they may consider necessary or appropriate in relation thereto and the making of any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions) as they think fit.”

By Order of the Board
Alson LAW Chun-tak
Company Secretary

Hong Kong, 9th March, 2022

NOTICE OF EGM

Notes:

- (a) As set out in the Special Arrangements for EGM detailed in the Circular, the EGM will be held with the minimum number of persons present as is legally required to form a quorate meeting by Directors or other senior staff members who are Shareholders or proxy. **NO other Shareholder, proxy or corporate representative should attend the EGM in person. Any other person who attempts to do so will be excluded and will not be permitted entry to the venue of the EGM.**
- (b) We are enabling Shareholders to participate electronically at the EGM. Shareholders wishing to attend and vote at the EGM electronically should follow the instructions set out in the notification letter (the "Notification Letter") to be sent by the Bank's share registrar, Tricor Standard Limited, on the day after the date of the Circular. **As Shareholders will not be permitted to attend the EGM in person, the Bank strongly encourages Shareholders to appoint the chairman of the EGM as his/her proxy to exercise his/her right to vote at the EGM in accordance with his/her instructions and to return his/her proxy form(s) to the Bank's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the Notification Letter as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). This is to ensure that your vote is counted if you are unable to attend electronically on the day of the EGM. Completion and return of the form of proxy will not preclude a member from attending and voting at the EGM electronically or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.**
- (c) For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the Register of Members will be closed from Wednesday, 23rd March, 2022 to Monday, 28th March, 2022 (both days inclusive). In order to qualify for voting at the EGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on Tuesday, 22nd March, 2022.
- (d) Due to the potentially unpredictable development of the COVID-19 pandemic, the Bank may be required to change the meeting arrangements for the EGM at short notice. Shareholders are advised to check the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Bank (www.hkbea.com) for further announcement(s) and update(s) on such arrangements and/or further special measures to be taken.
- (e) As set out in the Letter from the Board included in the Circular, the resolution set out in this Notice shall be voted on by poll and the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM. Please refer to the Circular for details of the matters for which the resolution is concerned.
- (f) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:30 a.m. on the date of the EGM, the meeting will be postponed or adjourned. The Bank will post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Bank to notify Shareholders of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force.

LETTER FROM THE BOARD

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

Board of Directors:

Dr. the Hon. Sir David LI Kwok-po[#] *(Executive Chairman)*
Professor Arthur LI Kwok-cheung* *(Deputy Chairman)*
Dr. Allan WONG Chi-yun** *(Deputy Chairman)*
Mr. Aubrey LI Kwok-sing*
Mr. Winston LO Yau-lai*
Mr. Stephen Charles LI Kwok-sze*
Mr. Adrian David LI Man-kiu[#] *(Co-Chief Executive)*
Mr. Brian David LI Man-bun[#] *(Co-Chief Executive)*
Dr. Daryl NG Win-kong*
Mr. Masayuki OKU*
Dr. the Hon. Rita FAN HSU Lai-tai**
Mr. Meocre LI Kwok-wing**
Dr. the Hon. Henry TANG Ying-yen**
Dr. Delman LEE**
Mr. William Junior Guilherme DOO**
Dr. David MONG Tak-yeung**
Dr. Francisco Javier SERRADO TREPAT*

Registered Office:

10 Des Voeux Road Central
Hong Kong

[#] *Executive Director*

^{*} *Non-executive Director*

^{**} *Independent Non-executive Director*

9th March, 2022

To the Independent Shareholders

Dear Sir or Madam,

I. INTRODUCTION

Reference is made to the Announcement and the announcements dated 9th February, 2022, 10th February, 2022, and 18th February, 2022 in relation to the Share Buy-back.

On 28th January, 2022, each of the Elliott Parties executed the Deed of Undertaking in favour of the Bank. Pursuant to the Deed of Undertaking and subject to the satisfaction of the shareholder approval condition set out therein, each of the Elliott Parties has irrevocably undertaken to execute the Buy-back Deed with the Bank in relation to an off-market share buy-back by the Bank of 246,510,173 Shares held by the Elliott Parties, representing approximately 8.43% of the total number of issued Shares. For further details of the Deed of Undertaking and the Buy-back Deed, please refer to the sections headed “Deed of Undertaking” and “Buy-back Deed (Agreed Form)” below.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with information in connection with the convening of the EGM and explanation in connection with the resolution regarding the Buy-back Deed and Share Buy-back to be proposed at the EGM.

The Bank is a company incorporated in Hong Kong. Under section 240 of the Companies Ordinance, a listed company may not enter into a contingent purchase contract relating to its shares prior to obtaining the requisite special resolution of its shareholders. Although the form of the Buy-back Deed has been negotiated and agreed between the Bank and the Elliott Parties, the Bank will not execute the Buy-back Deed unless and until it has obtained approval from at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM. It is the Bank's intention to execute the Buy-back Deed immediately following the conclusion of the EGM if the requisite approval from the Independent Shareholders has been obtained.

Goldman Sachs (Asia) L.L.C. has been appointed as the financial adviser to the Bank in connection with the Share Buy-back.

II. THE DEED OF UNDERTAKING

Date

28th January, 2022

Parties

Sellers: The Elliott Parties

Purchaser: The Bank

Principal Terms

Pursuant to the Deed of Undertaking, each of the Elliott Parties has irrevocably undertaken to the Bank that it shall, subject to the approval of the Buy-back Deed and the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM, duly execute the Buy-back Deed immediately after conclusion of the EGM.

The Deed of Undertaking shall terminate at 5:00 pm on the 70th day immediately following the date of the Announcement (i.e., 8th April, 2022) or on such other date as may be agreed between the Elliott Parties and the Bank.

III. THE BUY-BACK DEED (AGREED FORM)

Parties

Sellers: The Elliott Parties

Purchaser: The Bank

LETTER FROM THE BOARD

Buy-back Shares

Each of the Elliott Parties agrees to sell or procure the sale of, and the Bank agrees to buy back, an aggregate of 246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares, and representing all of the Shares currently held by the Elliott Parties in the Bank. Upon completion of the Share Buy-back, the Elliott Parties will not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Bank.

Consideration

The Buy-back Price for each Buy-back Share is HK\$11.78, representing:

- (i) a discount of approximately 5.91% to the closing price of HK\$12.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 7.24% to the closing price of HK\$12.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 6.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$12.65 per Share;
- (iv) a discount of approximately 5.97% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$12.53 per Share;
- (v) a discount of approximately 3.31% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day of approximately HK\$12.18 per Share;
- (vi) a discount of approximately 0.33% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$11.82 per Share; and
- (vii) a discount of approximately 66.17% to the audited net asset value of the Bank of approximately HK\$34.82 per Share as at 31st December, 2021, calculated based on the Bank's audited consolidated net asset value of approximately HK\$101,778 million as at 31st December, 2021 and 2,922,635,532 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The total consideration for the Share Buy-back will be approximately HK\$2,904 million. The consideration for the Share Buy-back was determined following commercial and arms' length negotiations between the parties taking into account the prevailing market conditions. The consideration will be settled in cash by the Bank from its internal resources at completion.

Other than the total consideration for the Share Buy-back described above, no other consideration or benefit in any form has been or will be paid by the Bank to any of the Elliott Parties and/or any parties acting in concert with them in connection with the Share Buy-back.

On 24th February, 2022, the Board declared a second interim dividend for the year ended 31st December, 2021 in cash in an amount of HK\$0.35 per Share. The Buy-back Price shall not be adjusted by an equivalent amount regardless of whether the ex-entitlement date is before or after the completion of the Share Buy-back.

Conditions

The Bank will enter into the Buy-back Deed only if it is approved by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM duly convened and held in accordance with the Share Buy-back Code and the Companies Ordinance. It is the Bank's intention to execute the Buy-back Deed immediately following the conclusion of the EGM if the requisite approval from the Independent Shareholders has been obtained.

The completion of the Share Buy-back will be subject to and conditional upon the prior satisfaction (or, where applicable, waiver) of the following conditions:

- (a) the approval by the Executive of the buy-back by the Bank of the Buy-back Shares pursuant to the Share Buy-back Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;
- (b) confirmation from the FRB that it does not object to the Bank's determination that the Bank no longer controls ICBC USA for the purposes of the Bank Holding Company Act; and
- (c) each of the warranties set out in the Buy-back Deed remaining true and accurate in all material respects.

The condition set out in paragraph (b) is required due to the fact that SMBC, a bank holding company under the Bank Holding Company Act, owns more than 5% of a class of voting shares of the Bank, and the Bank has previously been deemed to be a bank holding company with respect to ICBC USA for the purposes of the Bank Holding Company Act because the Bank historically controlled ICBC USA. Under the Bank Holding Company Act, a bank holding company like SMBC is required to obtain the prior approval of the FRB to acquire more than 5% of a class of voting shares of another bank holding company and any subsequent increase in shareholding thereafter. As a result, SMBC was required to, and did, obtain the approval of the FRB for its initial acquisition of more than 5% of the voting shares of the Bank and subsequently to increase its holding to up to 19.9%. SMBC's shareholding percentage would increase to approximately 21.47% as a result of the Share Buy-back and, accordingly, the FRB's prior approval for that increased percentage holding in the Bank would be required if the Bank is still deemed by the FRB to be a bank holding company for purposes of the Bank Holding Company Act.

LETTER FROM THE BOARD

As noted, the Bank has previously been deemed to be a bank holding company with respect to ICBC USA. In January 2020, however, the FRB released a new rule that establishes specific standards for determining whether a company controls another company or a bank for purposes of the Bank Holding Company Act (the “**Final Control Rule**”). In the Final Control Rule, the FRB establishes rebuttable presumptions of control, including in circumstances where a company is divesting a stake in a bank or other company. Under the Final Control Rule, the Bank’s shareholding in ICBC USA does not trigger any of the rebuttable presumptions of control. For this reason, the FRB may take the view that the Bank no longer controls ICBC USA and therefore is no longer a bank holding company for purposes of the Bank Holding Company Act. Accordingly, the Bank intends to seek the confirmation described in paragraph (b). If the Bank is no longer deemed to be a bank holding company, then SMBC would not need to seek prior approval of the FRB for the increase in its percentage shareholding in the Bank.

The condition set out in paragraph (a) cannot be waived by any party. The Bank (and not the Elliott Parties) may at any time waive the condition set out in paragraph (b). Either the Elliott Parties or the Bank may waive the condition set out in paragraph (c), in each case with regard to the warranties given by the other.

If any of the conditions are not satisfied or (where applicable) waived on or before the Long Stop Date, either the Elliott Parties or the Bank may terminate the Buy-back Deed.

As at the Latest Practicable Date, none of the conditions set out in paragraphs (a) to (c) had been satisfied or waived.

Completion

Subject to the satisfaction (or waiver) of the condition in paragraph (c) above, completion of the Share Buy-back shall take place on the tenth business day immediately following the day on which the last of the conditions set out in paragraphs (a) and (b) above is satisfied or (where applicable) waived or such other day as the Bank and the Elliott Parties may agree.

IV. REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

When deciding to propose the Share Buy-back, the Bank took into consideration that the Share Buy-back (i) is a good opportunity for the Bank to enhance its return on equity and its earnings per share; and (ii) will result in an increase in the consolidated net asset value per share attributable to the Shareholders of approximately 6% based on the audited consolidated balance sheet of the Group as at 31st December, 2021.

Furthermore, the Share Buy-back facilitates the exit of the Elliott Parties, a sizeable Shareholder, in an orderly fashion. Given the current stock price of the Bank, the Bank considers the Share Buy-back an efficient use of capital for the Bank.

LETTER FROM THE BOARD

V. FINANCIAL EFFECTS OF THE SHARE BUY-BACK

Net assets per Share attributable to the Shareholders

Assuming that the Share Buy-back had taken place on 31st December, 2021, the Share Buy-back would have resulted in an increase in the consolidated net asset value per Share attributable to the Shareholders of approximately 6% based on the audited consolidated balance sheet of the Group as at 31st December, 2021.

Basic earnings per Share

Assuming that the Share Buy-back had taken place on 1st January, 2021 and the Buy-back Shares had been bought back in full and cancelled, the Share Buy-back would have resulted in an increase in the Group's basic earnings per Share of approximately 9% based on the audited consolidated income statement of the Group for the year ended 31st December, 2021.

Total liabilities

The consideration for the Share Buy-back will be settled in cash and, as such, the Share Buy-back will not have an impact on the liabilities of the Group.

Working capital

As the consideration for the Share Buy-back will be settled in cash, there will be an impact on the working capital or gearing position of the Group in the amount of the cash consideration. The cash payment for the consideration represents approximately 5.3% of the cash and balances with banks of the Group as at 31st December, 2021.

The Bank considers that such impact will not have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Based on the above, the Bank considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic earnings per Share, total liabilities or working capital.

VI. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date:

- (a) there were 2,922,635,532 Shares in issue;
- (b) save for 36,336,128 Outstanding Staff Share Options, there were no outstanding warrants, options, derivatives or securities convertible into Shares and the Bank had not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into Shares;
- (c) the Elliott Parties legally or beneficially owned, controlled or had direction over 246,510,173 Shares (representing approximately 8.43% of the issued Shares);

LETTER FROM THE BOARD

- (d) no party acting in concert with the Elliott Parties legally or beneficially owned, controlled or had direction over any Shares;
- (e) none of the Elliott Parties or any parties acting in concert with any of them held any securities, warrants or options convertible into or derivatives in respect of the Shares; and
- (f) none of the Elliott Parties or any parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Bank.

Save for the Elliott Internal Group Transfer, none of the Elliott Parties or any parties acting in concert with any of them acquired or disposed of any voting rights of the Bank or dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Bank during the Relevant Period.

VII. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE BANK

Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Bank and cancelled. The percentage interest of all other Shareholders in the issued Shares will be proportionally increased following the cancellation of the Buy-back Shares.

Set out below for illustrative purposes is the shareholding structure of the Bank as at the Latest Practicable Date and as it will be immediately after completion of the Share Buy-back assuming that there is no other change in the shareholdings of the Bank before completion of the Share Buy-back:

	As at the Latest Practicable Date		Immediately after the completion of the Share Buy-back	
	No. of Shares	% of issued voting Shares	No. of Shares	% of issued voting Shares
Elliott Parties ⁽²⁾	246,510,173	8.43	–	–
Independent Shareholders				
– SMBC ⁽¹⁾	574,516,317	19.66	574,516,317	21.47
– Criteria Caixa, S.A., Sociedad Unipersonal ⁽¹⁾	508,519,684	17.40	508,519,684	19.00
– Guoco Management Company Limited ⁽¹⁾	435,691,137	14.91	435,691,137	16.28
– Directors ^{(1), (3)}	196,084,154	6.71	196,084,154	7.33
– Other Independent Shareholders	961,314,067	32.89	961,314,067	35.92
Total	2,922,635,532	100	2,676,125,359	100

Notes:

- (1) The interests of the Shareholders/Directors set out in this table are as recorded in the register kept by the Bank as required under Part XV of the SFO, save that since the latest disclosures made under Part XV of the SFO, the Bank has been notified that (a) the shareholding of SMBC increased to 574,516,317 Shares on 1st April, 2020 and (b) the shareholding of Criteria Caixa, S.A., Sociedad Unipersonal increased to 508,519,684 Shares on 4th October, 2019, in each case as a result of the relevant Shareholder's election to receive new shares in lieu of cash dividend issued by the Bank on 1st April, 2020 and 4th October, 2019, respectively, under the Bank's scrip dividend schemes.

LETTER FROM THE BOARD

(2) *The Shares held by the Elliott Parties (which comprise all of the Buy-back Shares) are as follows: 117,872,021 shares held by Elliott International L.P.; 108,601,552 shares held by Wakeland Securities L.P.; 20,035,600 shares held by The Liverpool Limited Partnership; 200 shares held by Artan Investments Ltd; 200 shares held by Frasco Investments Ltd; 200 shares held by Milton Investments Ltd; 200 shares held by Parlan Investments Ltd; and 200 shares held by Trevet Investments Ltd.*

(3) *The Shares held by the Directors (as disclosed pursuant to Part XV of the SFO) are as follows:*

Name	Capacity and nature	No. of Shares	Total No. of Shares	% of issued voting Shares
David LI Kwok-po ⁽¹⁾	Beneficial owner	88,160,000	102,517,810	3.51
	Interest of spouse	2,215,755		
	Interest of corporation	458,594		
	Executor of estate	11,683,461		
Arthur LI Kwok-cheung ⁽²⁾	Beneficial owner	13,085,663	42,206,417	1.45
	Interest of corporation	17,437,293		
	Executor of estate	11,683,461		
Allan WONG Chi-yun ⁽³⁾	Beneficial owner	464,393	17,879,763	0.61
	Interest of spouse	136		
	Founder and beneficiary of discretionary trust	17,415,234		
		17,415,234		
Aubrey LI Kwok-sing ⁽⁴⁾	Beneficial owner	868,168	18,795,612	0.64
	Interest of spouse	26,203		
	Founder/Settlor of trust	17,901,241		
Stephen Charles LI Kwok-sze ⁽⁵⁾	Beneficial owner	11,752,581	13,575,104	0.47
	Administrator of estates	1,822,523		
Adrian David LI Man-kiu ⁽⁶⁾	Beneficial owner	1,095,959	3,250,799	0.11
	Settlor/Founder of discretionary trust	2,154,840		
Brian David LI Man-bun ⁽⁷⁾	Beneficial owner	2,679,902	3,500,184	0.12
	Interest of corporation	820,282		
David MONG Tak-yeung ⁽⁸⁾	Interest of corporation	6,041,926	6,041,926	0.21

(1) *David LI Kwok-po was deemed to be interested in 2,215,755 Shares through the interests of his spouse, Penny POON Kam-chui. He was also deemed to be interested in 458,594 Shares held by David LI Kwok-po Charitable Foundation Limited, a charitable institution of which David LI Kwok-po is a director and the sole member. He was also deemed to be interested in 11,683,461 Shares held by an estate of which he is one of the executors. Arthur LI Kwok-cheung was also deemed to be interested in the same block of 11,683,461 Shares as one of the executors of the estate.*

(2) *Arthur LI Kwok-cheung was deemed to be interested in 17,437,293 Shares held by Dapa Company Limited, which is wholly-owned by him. He was also deemed to be interested in 11,683,461 Shares held by an estate of which he is one of the executors.*

(3) *Allan WONG Chi-yun was deemed to be interested in 136 Shares through the interests of his spouse, Margaret KWOK Chi-wai (deceased). He was also deemed to be interested in 17,415,234 Shares held by a discretionary trust, Allan Wong 2011 Trust, of which Allan WONG Chi-yun is a founder and an eligible beneficiary.*

(4) *Aubrey LI Kwok-sing was deemed to be interested in 26,203 Shares through the interests of his spouse, Elizabeth WOO. He was also deemed to be interested in 17,901,241 Shares held by LEVA Trust of which he is the founder/settlor.*

(5) *Stephen Charles LI Kwok-sze was deemed to be interested in 1,822,523 Shares held by two estates of which he is one of the administrators.*

LETTER FROM THE BOARD

- (6) *Adrian David LI Man-kiu had made a voluntary disclosure of 2,154,840 Shares indirectly held by a discretionary trust of which he was the settlor/founder but has no influence on how the trustee exercises its discretion. Adrian David LI Man-kiu does not have discretion over the voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the Share Buy-back with respect to of such 2,154,840 Shares.*
- (7) *Brian David LI Man-bun was deemed to be interested in 820,282 Shares held by Triple Kingdom Limited, which is wholly-owned by him.*
- (8) *David MONG Tak-yeung was deemed to be interested in 5,306,771 Shares held by Shun Hing Electronic Trading Co. Ltd., which is 42.38% owned by him and 735,155 Shares held by Shun Hing Technology Co. Ltd, which is 42.5% owned by him. David MONG Tak-yeung does not have discretion over the voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the Share Buy-back with respect to of such Shares respectively held by Shun Hing Electronic Trading Co. Ltd. and Shun Hing Technology Co Ltd.*

VIII. OTHER ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Elliott Parties or any parties acting in concert with any of them had secured an irrevocable commitment to vote in favour of or against the Buy-back Deed and/or the Share Buy-back;
- (b) save for the Deed of Undertaking, none of the Elliott Parties or any parties acting in concert with any of them had any arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of any of the Elliott Parties which might be material to the Buy-back Deed and/or the Share Buy-back;
- (c) none of the Elliott Parties or any parties acting in concert with any of them had any agreement or arrangement to which the Elliott Parties or any parties acting in concert with any of them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Buy-back Deed and/or the Share Buy-back;
- (d) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any of the Elliott Parties or any parties acting in concert with any of them on the one hand, and the Bank or any parties acting in concert with it on the other hand;
- (e) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) any of the Elliott Parties or any parties acting in concert with any of them; or (b) the Bank, its subsidiaries or associated companies; and
- (f) apart from the Buy-back Price for the Buy-back Shares under the Buy-back Deed, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Bank or any parties acting in concert with it to the Elliott Parties or any parties acting in concert with any of them in connection with the Buy-back.

IX. GENERAL INFORMATION

The Bank

Incorporated in 1918, the Bank is a leading Hong Kong-based financial services group listed on the Stock Exchange with total consolidated assets of HK\$907,470 million (US\$116,394 million) as of 31st December, 2021. The Bank provides a comprehensive range of corporate banking, personal banking, wealth management, and investment services to customers throughout Greater China and beyond through an extensive network of approximately 150 outlets covering Hong Kong, Macau, Taiwan, Mainland China, Southeast Asia, the United Kingdom and the United States. For more information, please visit www.hkbea.com.

LETTER FROM THE BOARD

The Elliott Parties

The Elliott Parties are part of Elliott, which manages approximately US\$48 billion of assets. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it one of the oldest funds under continuous management. The Elliott funds' investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and employees of Elliott.

X. IMPLICATIONS UNDER THE SHARE BUY-BACK CODE

The Share Buy-back constitutes an off-market share buy-back by the Bank under the Share Buy-back Code. The Bank has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Bank.

Completion of the Share Buy-back will be conditional on, among others, approval of the Share Buy-back by the Executive. Therefore, the Bank will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code.

The Share Buy-back will not result in any change of control (as defined in the Takeovers Code).

XI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders on the Share Buy-back and the Buy-back Deed. The Independent Board Committee comprises Professor Arthur LI Kwok-cheung, Dr. Allan WONG Chi-yun, Mr. Aubrey LI Kwok-sing, Mr. Winston LO Yau-lai, Mr. Stephen Charles LI Kwok-sze, Dr. Daryl NG Win-kong, Mr. Masayuki OKU, Dr. the Hon. Rita FAN HSU Lai-tai, Mr. Meocre LI Kwok-wing, Dr. the Hon. Henry TANG Ying-yen, Dr. Delman LEE, Mr. William Junior Guilherme DOO, Dr. David MONG Tak-yeung and Dr. Francisco Javier SERRADO TREPAT, being all of the non-executive Directors (including the independent non-executive Directors), all of whom do not have any direct or indirect interest in the Share Buy-back other than (where applicable) being Shareholders. The advice of the Independent Board Committee is set out in the "Letter from the Independent Board Committee" in this Circular.

The Independent Financial Adviser has, with the approval of the Independent Board Committee, been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Buy-back is, or is not, fair and reasonable and as to voting. The advice of the Independent Financial Adviser is set out in the "Letter from the Independent Financial Adviser" in this Circular.

XII. EGM

The EGM will be held to consider and approve, among others, the Share Buy-back and the Buy-back Deed. The notice of the EGM is set out on pages 7 and 8 of this Circular.

LETTER FROM THE BOARD

As required by the Share Buy-back Code, the Elliott Parties (which beneficially hold in aggregate 246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares) and the parties acting in concert with them will abstain from voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the Share Buy-back.

Save for the Elliott Parties and parties acting in concert with them, no Shareholder is required to abstain from voting on the resolution approving the Buy-back Deed and the Share Buy-back.

All votes at the EGM will be taken by poll in accordance with Rule 2 of the Share Buy-back Code.

XIII. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders who are entitled to vote at the EGM, the Register of Members will be closed from Wednesday, 23rd March, 2022 to Monday, 28th March, 2022 (both days inclusive). In order to qualify for voting at the EGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on Tuesday, 22nd March, 2022.

XIV. RECOMMENDATIONS

Taking into account the reasons for and benefits of the Share Buy-back set out in the section headed "IV. Reasons for and Benefits of the Share Buy-back", the Directors (including the non-executive Directors who are members of the Independent Board Committee, after taking advice from the Independent Financial Adviser) are of the opinion that the terms of the Buy-back Deed and the Share Buy-back are fair and reasonable and in the interests of the Bank and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on page 20 of this Circular and the "Letter from the Independent Financial Adviser" as set out on pages 21 to 39 of this Circular which contain their respective recommendations to the Independent Shareholders regarding the Buy-back Deed and the Share Buy-back. The Independent Shareholders are advised to read those letters before deciding to how to vote on the resolution to be proposed at the EGM.

XV. FURTHER INFORMATION

Your attention is drawn to the financial information of the Group set out in Appendix 1 to this Circular, the general information set out in Appendix 2 to this Circular and the form of Buy-back Deed set out in Appendix 3 to this Circular.

Yours faithfully,
For and on behalf of the Board of
The Bank of East Asia, Limited

David LI Kwok-po
Executive Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

To the Independent Shareholders

9th March, 2022

Dear Sir or Madam,

POSSIBLE OFF-MARKET SHARE BUY-BACK

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on the terms of the Buy-back Deed and the Share Buy-back in accordance with Rule 2 of the Share Buy-back Code, the details of which are set out in the circular issued by the Bank to the Shareholders dated 9th March, 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board and the letter of advice from the Independent Financial Adviser set out in the Circular. Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we concur with the view of Independent Financial Adviser and consider that the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

Yours faithfully,

Independent Board Committee

The Bank of East Asia, Limited

Professor Arthur LI Kwok-cheung* (*Deputy Chairman*)

Dr. Allan WONG Chi-yun** (*Deputy Chairman*)

Mr. Aubrey LI Kwok-sing*

Mr. Winston LO Yau-lai*

Mr. Stephen Charles LI Kwok-sze*

Dr. Daryl NG Win-kong*

Mr. Masayuki OKU*

Dr. the Hon. Rita FAN HSU Lai-tai**

Mr. Meocre LI Kwok-wing**

Dr. the Hon. Henry TANG Ying-yen**

Dr. Delman LEE**

Mr. William Junior Guilherme DOO**

Dr. David MONG Tak-yeung**

Dr. Francisco Javier SERRADO TREPAT*

* *Non-executive Director*

** *Independent Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Buy-back, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited

21 Wing Wo Street
Central
Hong Kong

9th March, 2022

To the Independent Board Committee and the Independent Shareholders

The Bank of East Asia, Limited

10 Des Voeux Road, Central
Hong Kong

Dear Sir or Madam,

POSSIBLE OFF-MARKET SHARE BUY-BACK

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Buy-back, details of which are set out in the “Letter from the Board” contained in the circular of the Bank dated 9th March, 2022 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 28th January, 2022, each of the Elliott Parties executed the Deed of Undertaking in favour of the Bank. Pursuant to and subject to the conditions of the Deed of Undertaking, each of the Elliott Parties has irrevocably undertaken to execute the Buy-back Deed with the Bank in relation to an off-market share buy-back by the Bank of 246,510,173 Shares held by the Elliott Parties, representing approximately 8.43% of the total number of issued Shares. It is the Bank’s intention to execute the Buy-back Deed immediately following the conclusion of the EGM if the requisite approval from the Independent Shareholders has been obtained.

Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Bank and cancelled. The percentage interest of all other Shareholders in the issued Shares will be proportionally increased following the cancellation of the Buy-back Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Share Buy-back constitutes an off-market share buy-back by the Bank under the Share Buy-back Code. The Bank has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM.

Completion of the Share Buy-back will be conditional on, among others, approval of the Share Buy-back by the Executive. Therefore, the Bank will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code.

As required by the Share Buy-back Code, the Elliott Parties (which beneficially hold in aggregate 246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares) and the parties acting in concert with them will abstain from voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the Share Buy-back.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Professor Arthur LI Kwok-cheung, Dr. Allan WONG Chi-yun, Mr. Aubrey LI Kwok-sing, Mr. Winston LO Yau-lai, Mr. Stephen Charles LI Kwok-sze, Dr. Daryl NG Win-kong, Mr. Masayuki OKU, Dr. the Hon. Rita FAN HSU Lai-tai, Mr. Meocre LI Kwok-wing, Dr. the Hon. Henry TANG Ying-yen, Dr. Delman LEE, Mr. William Junior Guilherme DOO, Dr. David MONG Tak-yeung and Dr. Francisco Javier SERRADO TREPAT, being all of the non-executive Directors (including the independent non-executive Directors), has been formed to advise the Independent Shareholders as to (i) whether the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

We (i) are not associated or connected, financial or otherwise, with the Bank or each of the Elliott Parties, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Bank or each of the Elliott Parties, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Circular. Given that (i) remuneration for our engagement to opine on the Share Buy-back is at market level and not conditional upon the outcome of the resolution to be proposed at the EGM; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Bank (other than our said remuneration) or each of the Elliott Parties, their respective controlling shareholders or any parties acting in concert with any of them; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Bank or each of the Elliott Parties, their respective controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Buy-back.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Deed of Undertaking and the Buy-back Deed; (ii) the annual report of the Bank for the year ended 31st December, 2020 (the “**2020 Annual Report**”); (iii) the annual results announcement of the Bank for the year ended 31st December, 2021 (the “**2021 Annual Results Announcement**”); and (iv) other information set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Bank, the Directors and the management of the Bank (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Bank will notify the Independent Shareholders of any material changes to information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Bank contained or referred to in the Circular, and information relating to the Bank provided to us by the Bank and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Bank.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the principal factors and reasons set out below:

1. Background information of the Bank and Elliott Parties

1.1 Principal business of the Bank

Incorporated in 1918, the Bank is a leading Hong Kong-based financial services group which provides a comprehensive range of corporate banking, personal banking, wealth management, and investment services to customers throughout Greater China and beyond through an extensive network of approximately 150 outlets covering Hong Kong, Macau, Taiwan, Mainland China, Southeast Asia, the United Kingdom and the United States.

The following table summarises selected key segments assets and profit contribution to the Group for the year ended 31st December, 2020 as set out in the 2020 Annual Report and as at/for the year ended 31st December, 2021 as set out in the 2021 Annual Results Announcement.

Operating segment	Description of segment	Segment assets As at 31st December, 2021 HK\$ million	Segment profit/(loss) before tax	
			For the year ended 31st December, 2020 HK\$ million	For the year ended 31st December, 2021 HK\$ million
<i>Hong Kong operations</i>				
Personal banking	Includes branch operations, personal internet banking, consumer finance, property loans and credit card business to individual customers in Hong Kong	119,858	1,776	1,664
Corporate banking	Includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates in Hong Kong	169,032	1,491	1,797
Treasury markets	Includes treasury operations and securities dealing in Hong Kong	229,919	410	372
Wealth management	Includes private banking business and investment products & advisory in Hong Kong	25,191	600	527

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Operating segment	Description of segment	Segment assets As at 31st December, 2021 HK\$ million	Segment profit/(loss) before tax	
			For the year ended 31st December, 2020 HK\$ million	For the year ended 31st December, 2021 HK\$ million
Centralised operations	Include supporting units of banking operations in Hong Kong	11,407	(1,768)	(1,852)
Others	Mainly include insurance business, trust business, securities & futures broking and corporate financial advisory carried out by subsidiaries operating in Hong Kong and other supporting units of Hong Kong operations located outside Hong Kong	5,896	904	1,433
<i>Mainland operations</i>				
Mainland China operations	Mainly include the back office unit for Mainland China operations in Hong Kong, all subsidiaries and associates operating in Mainland China, except those subsidiaries carrying out data processing and other back office operations for Hong Kong operations in Mainland China	266,576	(1,048)	374
<i>Overseas operations</i>				
Overseas operations	Mainly include the back office unit for overseas banking operations in Hong Kong, Macau Branch, Taiwan Branch and all branches, subsidiaries and associates operating in overseas	123,687	815	1,500
<i>Corporate management</i>				
Corporate management	Absorbs the regulatory capital cost of loan capital issued by the Bank and receives, from Hong Kong operations, the interest income on business activities funded by capital instruments issued by the Bank	–	426	321
Inter-segment elimination		(44,096)	–	–
Total		907,470	3,606	6,136

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, Hong Kong has been the Group's main geographical segment in terms of assets, followed by Mainland China, and then the overseas operations which include those in Macau, Taiwan, Singapore, Malaysia, the United Kingdom and the United States. Hong Kong market remained to be the largest profit contributor during the years ended 31st December, 2020 and 31st December, 2021. The Group's Mainland China operations incurred losses during the year ended 31st December, 2020 due mainly to significant impairment losses on financial instruments, but had since improved during the year ended 31st December, 2021 where it returned to profitability.

In terms of business segment, corporate banking overtook personal banking to become the largest profit contributor during the year ended 31st December, 2021 as interest income from personal banking was affected by low interest rates. While treasury market segment has had large asset allocation, profit contribution was comparatively lower. Wealth management and others business segments meanwhile continued to provide a steady profit contribution.

1.2 Financial information of the Group

The tables below set out a summary of certain financial information of the Group for the years ended 31st December, 2019, 2020 and 2021 extracted from the 2020 Annual Report and the 2021 Annual Results Announcement respectively.

Extracted from consolidated income statement

	For the year ended		
	31st December,		
	2021	2020	2019
	HK\$ million	HK\$ million	HK\$ million
	(audited)	(audited)	(audited)
Net interest income	11,185	11,550	14,566
Non-interest income	5,098	5,760	5,189
Operating income	16,283	17,310	19,755
Operating expenses	(9,321)	(8,963)	(9,891)
Impairment losses	(1,679)	(5,090)	(7,253)
Operating income after impairment losses	5,283	3,257	2,611
Profit attributable to owners of the parent	5,270	3,614	3,260

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Extracted from consolidated statement of financial position

	As at 31st December,		
	2021 HK\$ million (audited)	2020 HK\$ million (audited)	2019 HK\$ million (audited)
<i>Cash and balances with banks</i>	55,088	56,377	51,525
<i>Placements with and advances to banks</i>	74,742	66,849	62,280
Total assets	907,470	884,420	865,198
Total liabilities	(791,420)	(770,624)	(755,560)
Total equity	116,050	113,796	109,638
Total equity attributable to owners of the parent	101,778	98,885	95,307

Year ended 31st December, 2020 compared to the year ended 31st December, 2019

When compared with the previous financial year, net interest income decreased by approximately 20.7% to approximately HK\$11,550 million in the year ended 31st December, 2020 as interbank rates dropped significantly following substantial cuts to the US federal funds target rate in March 2020. We noted that the target rate was reduced to a range of 0%-0.25% from a range of 1%-1.25% previously and it had remained at this level throughout 2020, affecting the Group's interest income from the interbank market. The low interest environment also hurt net interest margins. An improvement in non-interest income, due in part to successful efforts to drive fees and commissions from personal wealth management and syndicated loan businesses etc., from approximately HK\$5,189 million in the previous year to approximately HK\$5,760 million for the year ended 31st December, 2020 could not offset the decline in net interest income, resulting in a drop in operating income from approximately HK\$19,755 million in the year ended 31st December, 2019 to approximately HK\$17,310 million in the year ended 31st December, 2020.

Operating expenses decreased by approximately 9.4% due to lower staff costs, mainly due to one-time social insurance contribution exemption granted in Mainland China amid the COVID-19 outbreak, and lower internet platform charges, which were directly correlated to a lower volume of businesses during the year. Net charge for impairment losses on financial instruments declined significantly by approximately 35.6% mainly due to reduction in impairment losses recorded by Mainland China operations where impaired loan ratio decreased from 3.8% to 3.1%. Consequently, operating income after impairment losses increased from approximately HK\$2,611 million to approximately HK\$3,257 million in the year ended 31st December, 2020 notwithstanding the lower operating income as described in the paragraph above. Profit attributable to owners of the parent was further boosted by net profit on sale of subsidiaries and associates. There was no such material gain from disposal in the previous year.

Year ended 31st December, 2021 compared to the year ended 31st December, 2020

Net interest income continued to decrease by approximately 3.2% in the year ended 31st December, 2021 compared to the previous year due to the prolonged low interest rate environment. Non-interest income decreased by approximately 11.5% in the year ended 31st December, 2021 as net insurance profit was lower compared to 2020, mainly due to a shorter period of revenue contribution from life insurance business following the disposal of BEA Life Limited ("**BEA Life**") as described below. Consequently, operating income decreased by some 5.9% to approximately HK\$16,283 million in the year ended 31st December, 2021 compared with approximately HK\$17,310 million in the year ended 31st December, 2020.

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Operating expenses were approximately 4.0% higher as the Group continued to invest in technology and talent, partially offset by efficiency gains from automation and straight-through processing which had begun to take effect, and will continue to benefit the Group in the medium to long term. This resulted in cost-to-income ratio increasing from approximately 51.8% during the year ended 31st December, 2020 to approximately 57.2% during the year ended 31st December, 2021. Impairment losses for the year ended 31st December, 2021 (which consisted of impairment losses on financial instruments only) were significantly lower at approximately HK\$1,679 million compared with impairment losses for year ended 31st December, 2020 (which consisted of HK\$4,674 million of impairment losses on financial instruments and HK\$416 million of impairment losses on associate and other assets) of approximately HK\$5,090 million in the previous year due mainly to significant improvements in asset quality observed in Mainland China's corporate and retail banking businesses, despite negative news surrounding Mainland property exposure towards the end of 2021. Consequently, operating income after impairment losses improved from approximately HK\$3,257 million for the year ended 31st December, 2020 to approximately HK\$5,283 million for the year ended 31st December, 2021. Net profit on sale of assets held for sales increased by approximately HK\$1,010 million, mainly due to the disposal of BEA Life. The positive effect was partially offset by share of losses from associates and joint ventures, mainly attributable to an associate operating in Mainland China which made certain write-downs on its investment products to reflect their fair value; there were no similar write-downs during the year ended 31st December, 2020. As a result of the above, profit attributable to owners of the parent increased correspondingly.

Financial position as at 31st December, 2021, 31st December, 2020 and 31st December, 2019

Total equity attributable to owners of the parent had increased from approximately HK\$95,307 million as at 31st December, 2019 to approximately HK\$101,778 million as at 31st December, 2021 as the Group had continued to be profitable. Total asset and total liabilities had generally increased in tandem over this period. The Group has also had stable level of liquidity, having maintained cash and balances with banks, and placements with and advances to banks of over HK\$110,000 million as at each of 31st December, 2021, 31st December, 2020 and 31st December, 2019 respectively.

In summary, the Group's overall business performance has improved despite deterioration in net interest margin, compensated by lower impairment losses on financial instruments as economies gradually recover, as evidenced by the Gross Domestic Product ("GDP") growth of Hong Kong in 2021 after a contraction in 2020⁽¹⁾; as well as higher GDP growth of Mainland China from 2.2% in 2020 to 8.1% in 2021⁽²⁾. The quality of the Group's assets, principally relating to its loan and debt portfolios, has improved. Meanwhile, it has been maintaining a strong financial position, giving it adequate resources to take advantage of opportunities, such as the Share Buy-back, to enhance value to the Independent Shareholders.

Notes:

(1) Source: Census and Statistics Department, The Government of the Hong Kong SAR

(2) Source: National Bureau of Statistics of China

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1.3 Outlook statement

The Bank has stated in the 2021 Annual Results Announcement that it sees the Mainland economy entering a period of transition as new regulations guided investment toward sectors that would support China's long-term competitiveness and sustainable growth. These measures will keep economic fundamentals strong, reducing systemic risks and laying the foundation for an advanced industrial economy based on common prosperity. Meanwhile, with the development of the Greater Bay Area, a focus area of the Bank, still in its infancy; the Bank believes the best is yet to come. It also stated that as the Bank becomes an increasingly digital, asset-efficient bank, it has become more agile, collaborative and productive. Fee-based revenue streams are being expanded. The Bank will be able to take advantage of change, and ready to capitalise on its strengths as cross-boundary financial connectivity widens and expands.

We note that the Bank, which also has substantial business operations in Mainland China where its operating income constituted approximately 29.2% of the Group's total operating income for the year ended 31st December, 2021, should benefit from its continued development. The Group's net fee and commission income has been increasing in the past few years, underpinned by growth in such income from retail wealth management, trust and other fiduciary activities, securities brokerage businesses and sale of third party insurance policies. We are of the view that the Group's above stated reasonable business outlook supports the Share Buy-back as a good opportunity for Independent Shareholders to increase their stake in the Bank without having to contribute any capital outlay.

1.4 Elliott Parties

According to the paragraph headed "IX. General information" in the "Letter from the Board" of the Circular, Elliott Parties, comprising Elliott International, L.P., The Liverpool Limited Partnership, Wakeland Securities L.P., Artan Investments Limited, Frasco Investments Limited, Milton Investments Limited, Parlan Investments Limited and Trevet Investments Limited, are part of Elliott, which manages approximately US\$48 billion of assets. Its flagship fund, Elliott Associates, L.P., was founded in 1977. The Elliott funds' investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and employees of Elliott.

As stated in the "Letter from the Board", as at the Latest Practicable Date, Elliott Parties beneficially held in aggregate 246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares. This is equivalent to the number of Buy-back Shares.

2. Principal terms of the Deed of Undertaking and the Buy-back Deed

2.1 The Deed of Undertaking

On 28th January, 2022, each of the Elliott Parties executed the Deed of Undertaking in favour of the Bank. Pursuant to the Deed of Undertaking, each of the Elliott Parties has irrevocably undertaken to the Bank that it shall, subject to the approval of the Buy-back Deed and the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM, duly execute the Buy-back Deed immediately after conclusion of the EGM.

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We note that the above condition is a regulatory requirement under the Share Buy-back Code which allows the Independent Shareholders to approve or reject the Share Buy-back and is therefore fair and reasonable.

2.2 The Buy-back Deed (agreed form)

The form of the Buy-back Deed is set out in Appendix 3 to the Circular and has been negotiated and agreed between the Bank and the Elliott Parties, pursuant to which each of the Elliott Parties agrees to sell or procure the sale of, and the Bank agrees to buy back, an aggregate of 246,510,173 Shares, representing approximately 8.43% of the total number of issued Shares, and representing all of the Shares currently held by the Elliott Parties in the Bank.

As stated in the paragraph headed “III. The Buy-back Deed (agreed form)” in the “Letter from the Board” of the Circular, the Buy-back Price for each of the Buy-back Share shall be HK\$11.78. The total consideration for the Share Buy-back shall be approximately HK\$2,904 million. The consideration will be settled in cash by the Bank from its internal resources at completion. The completion of the Share Buy-back will be subject to and conditional upon the prior satisfaction (or, where applicable, waiver) of the following conditions,

- (a) the approval by the Executive of the buy-back by the Bank of the Buy-back Shares pursuant to the Share Buy-back Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;
- (b) confirmation from the FRB that it does not object to the Bank’s determination that the Bank no longer controls ICBC USA for the purposes of the Bank Holding Company Act; and
- (c) each of the warranties set out in the Buy-back Deed remaining true and accurate in all material respects.

The condition set out in paragraph (a) above cannot be waived by any party. The Bank (and not the Elliott Parties) may at any time waive the condition set out in paragraph (b) above. Either the Elliott Parties or the Bank may waive the condition set out in paragraph (c) above, in each case with regard to the warranties given by the other.

According to the Management, it is the Bank’s intention to execute the Buy-back Deed immediately following the conclusion of the EGM if the requisite approval from the Independent Shareholders has been obtained. We note that under Section 240 of the Companies Ordinance, a listed company may buy back its own shares in the form of a contingent buy-back contract only after it obtains authorisation by special resolution of its shareholders. As the Bank is incorporated in Hong Kong, the above arrangement is to comply with such regulatory requirement.

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3. Evaluation of the Buy-back Price

As stated in the “Letter from the Board” of the Circular, the Buy-back Price of HK\$11.78 represents:

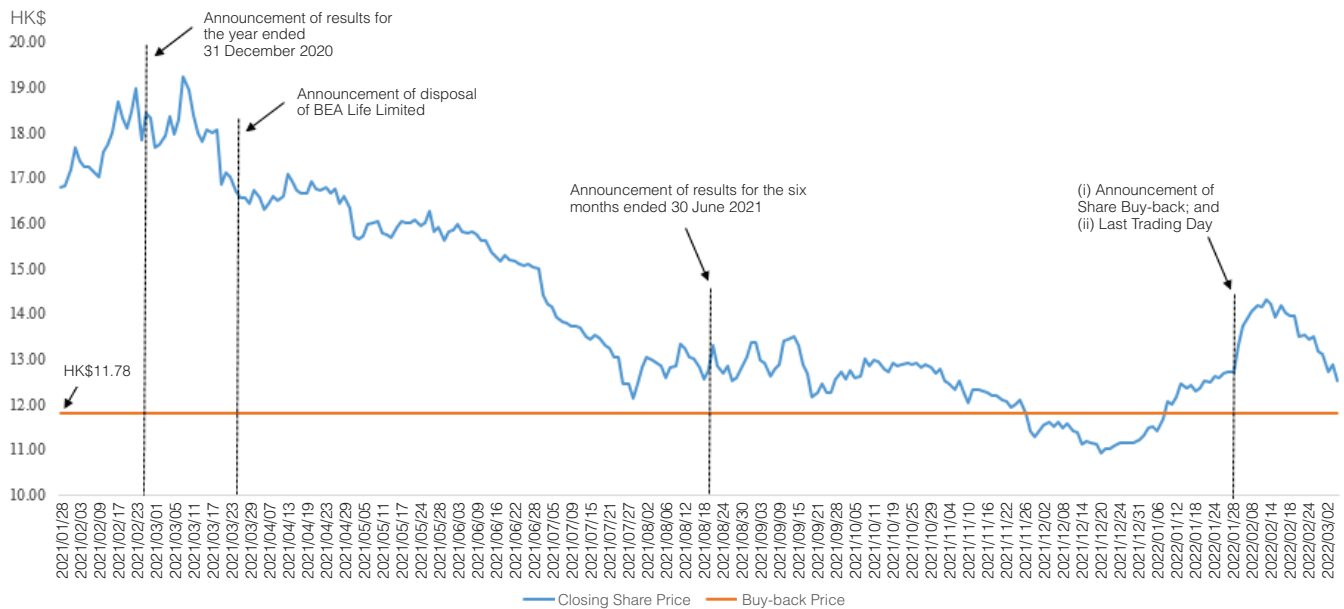
- (a) a discount of approximately 5.91% to the closing price of HK\$12.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 7.24% to the closing price of HK\$12.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 6.89% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$12.65 per Share;
- (d) a discount of approximately 5.97% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$12.53 per Share;
- (e) a discount of approximately 3.31% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day of approximately HK\$12.18 per Share;
- (f) a discount of approximately 0.33% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$11.82 per Share; and
- (g) a discount of approximately 66.17% to the audited net asset value of the Bank of approximately HK\$34.82 per Share as at 31st December, 2021, calculated based on the Bank’s audited consolidated net asset value of approximately HK\$101,778 million as at 31st December, 2021 and 2,922,635,532 Shares in issue as at the Latest Practicable Date.

With reference to the Bank’s announcement dated 4th March, 2022 in relation to the disposal of Blue Cross (Asia-Pacific) Insurance Limited and interests in Blue Care JV (BVI) Holdings Limited, as disclosed in the paragraph headed “IV. Material change” in Appendix 1 to the Circular, assuming that the Blue Cross Disposal and the Blue Care Disposal had taken place on 31st December, 2021, the Bank’s consolidated net asset value as at 31st December, 2021 would have been approximately HK\$103,352 million, and the consolidated net asset value per Share of the Bank would have been approximately HK\$35.36 (calculated based on 2,922,635,532 Shares in issue as at the Latest Practicable Date). The Buy-back Price represents a discount of approximately 66.69% to the aforesaid consolidated net asset value per Share.

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3.1 Historical Share price performance

The chart below illustrates the historical closing prices of Shares in the past year from 28th January, 2021 to the Last Trading Day and subsequent to that up to the Latest Practicable Date (the “Review Period”).



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing price of the Shares were HK\$19.24 per Share recorded on 9th March, 2021 and HK\$10.90 per Share recorded on 20th December, 2021 respectively, where the Buy-back Price, being HK\$11.78 per Share, is within the aforesaid range of the closing price of the Shares. The average daily closing price per Share over the Review Period was approximately HK\$14.17 per Share, and the Buy-back Price represents a discount of approximately 16.9% to such average of closing prices.

As illustrated in the graph above, the Shares had generally traded at higher than the Buy-back Price of HK\$11.78 per Share during the Review Period. Between 28th January, 2021 and 9th March, 2021, closing price of the Shares had traded between HK\$16.80 per Share and HK\$19.24 per Share. After recording the high on 9th March, 2021, the Share closing price had generally been on a downward trend and reached HK\$12.58 per Share on 6th August, 2021 before the Bank's issuance of its results announcement for the six months ended 30th June, 2021. Closing price of the Shares then remained stable, hovering between HK\$11.92 per Share and HK\$13.50 per Share from 7th August, 2021 to 25th November, 2021. The Share closing price then decreased and dropped to a level below the Buy-back Price and reached its lowest at HK\$10.90 per Share on 20th December, 2021. The Share closing price rebounded since end December 2021 and reached HK\$12.70 per Share on the Last Trading Day. It continued to increase subsequent to the Bank's issuance of the Announcement to the high of HK\$14.30 per Share on 11th February, 2022, but had since retreated to HK\$12.52 per Share as at the Latest Practicable Date, which is at similar level to the Share closing price on the Last Trading Day.

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Overall, we did not notice any underlying reason for the general downward trend between March 2021 and December 2021, nor the rebound of closing prices of Shares thereafter. Considering the Buy-back Price is lower than the closing prices of Shares during most of the Review Period, and that it represents a discount of approximately 16.9% to the average closing prices of the Shares during the Review Period as well as a discount to the (i) closing prices of the Shares as at the Last Trading Day and the Latest Practicable Date; and (ii) average of the closing prices of the Shares for the five, 10, 20 and 30 trading days up to and including the Last Trading Day respectively as illustrated above, we are of the view that Buy-back Price is fair and reasonable from the point of view of the historical trading prices of Shares.

3.2 Historical liquidity of the Shares

As at the Latest Practicable Date, a total of 2,922,635,532 Shares were in issue, of which 961,314,067 Shares were held by public Shareholders. The table below sets out information of the market trading liquidity of Shares during the Review Period:

Month	Average daily trading volume (number of Shares)	Average daily trading volume as a percentage to total number of issued Shares ⁽¹⁾	Average daily trading volume as a percentage to total number of issued Shares held by public Shareholders ⁽²⁾
January 2021	1,306,714	0.04%	0.14%
February 2021	1,303,998	0.04%	0.14%
March 2021	1,924,936	0.07%	0.20%
April 2021	1,183,913	0.04%	0.12%
May 2021	1,984,066	0.07%	0.21%
June 2021	1,434,947	0.05%	0.15%
July 2021	2,711,220	0.09%	0.28%
August 2021	7,339,422	0.25%	0.76%
September 2021	4,613,304	0.16%	0.48%
October 2021	1,384,384	0.05%	0.14%
November 2021	1,540,898	0.05%	0.16%
December, 2021	1,328,558	0.05%	0.14%
January 2022 (up to and including the Last Trading Day)	1,621,366	0.06%	0.17%
February 2022	2,382,232	0.08%	0.25%
March 2022 (up to and including the Latest Practicable Date)	1,525,124	0.05%	0.16%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Based on the total number of issued Shares as at each month on period end.

(2) Based on the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

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We note that the trading activities of the Shares had not been high during the Review Period. As illustrated in the above table, the percentage of average daily trading volume to the total number of issued Shares ranged from approximately 0.04% to 0.25%. When compared to the total number of Shares held by public Shareholders, the percentage ranged from approximately 0.12% to 0.76%. The average daily trading volume of the Shares during the Review Period was approximately 2,386,143 Shares, representing approximately 0.08% of the total number of issued Shares and approximately 0.25% of the total number of Shares held by public Shareholders as at the Latest Practicable Date respectively.

As an illustration, assuming Elliott Parties were to dispose of the number of Buy-back Shares in the market and using the average daily trading volume during the Review Period as reference, it would theoretically require a period of approximately 103 trading days to complete the transaction. We are of the view that in the absence of the Share Buy-back, the Elliott Parties' divestment activities in the market would possibly cause a considerable downward pressure on the price of the Shares. The Share Buy-back therefore enables the Bank and Elliott Parties to maintain an orderly market trading by conducting the transaction off-market. We are of the view that the above is beneficial to the Bank and the Independent Shareholders as a whole.

3.3 Comparable analysis

In evaluating the Buy-back Price, we have also made reference to the price-to-net asset value or price-to-book ratio ("**P/B Ratio(s)**"), which is a commonly used valuation yardstick for banks, of other listed companies on the Stock Exchange which principally engage in banking business in Hong Kong, and derive revenue mainly from personal and corporate banking businesses (the "**Comparables**"). Based on these selection criteria, we have identified four Comparables.

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Whilst there exists no company which can be of exactly the same business model, scale of operation, trading prospect, target markets, product mix and capital structure, we nevertheless believe the Comparables selected based on the aforesaid criteria is appropriate to serve as a benchmark reference for our comparable analysis purpose. We have conducted our research and the Comparables are exhaustive based on the selection criteria set out above and would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Buy-back Price. Our relevant findings are summarised in the following table:

Stock code	Company name	P/B Ratio (based on the share price on Last Trading Day) <i>(times)</i>	P/B Ratio (based on the share price on Latest Practicable Date) <i>(times)</i>	Market Capitalisation as at the Latest Practicable Date <i>(HK\$ billion)</i>
0011	Hang Seng Bank Limited	1.73	1.56	269.4
2388	BOC Hong Kong (Holdings) Limited	1.07	0.99	290.2
2356	Dah Sing Banking Group Limited	0.35	0.33	9.7
0626	Public Financial Holdings Limited	0.32	0.30	2.6
	Highest	1.73	1.56	
	Lowest	0.32	0.30	
	Simple average	0.87	0.80	
0023	The Bank¹	0.34	0.34	34.4

Source: annual reports of the Comparables

Notes:

(1) The P/B Ratios and market capitalisation of the Bank are calculated based on the Buy-back Price.

(2) The calculations for the Comparables are based on:

(a) the closing prices of their shares on the Last Trading Day and the Latest Practicable Date;

(b) the number of outstanding shares as disclosed in their latest monthly returns available on the Last Trading Day; and

(c) their book value per the latest published audited financial positions of the Comparables.

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As shown above, the P/B Ratio (based on the share price on the Last Trading Day) of the Comparables ranges from approximately 0.32 times to 1.73 times with simple average of approximately 0.87 times. The P/B Ratio of the Bank of approximately 0.34 times based on the Buy-back Price is at the low end of the aforesaid P/B Ratio range and represents a discount of approximately 60.9% to the aforesaid simple average P/B Ratio of the Comparables. Similar trend is observed based on the share price on the Latest Practicable Date.

We note that the market capitalisation of the Bank is substantially larger than Dah Sing Banking Group Limited and Public Financial Holdings Limited, while it is substantially smaller than Hang Seng Bank Limited and BOC Hong Kong (Holdings) Limited. There may also be differences in operating efficiency such as net interest margin and cost-to-income ratios. Notwithstanding this, we are of the view such disparity does not materially impair the P/B Ratio analysis as they principally operate in similar market and are subject to similar regulatory (such as capital ratio requirements) and business environment in Hong Kong. Based on our analysis above, we are of the view that the Buy-back Price is favourable to the Bank and the Independent Shareholders from the perspective of P/B Ratio valuation with reference to the Comparables.

4. The Bank's rationale for the Share Buy-back

As stated in the paragraph headed "IV. Reasons for and benefits of the Share Buy-back" in the "Letter from the Board" of the Circular, when considering the Share Buy-back, the Bank has taken into consideration that the Share Buy-back (i) is a good opportunity for the Bank to enhance its return on equity and its earnings per share; and (ii) will result in an increase in the consolidated net asset value per share attributable to the Shareholders of approximately 6% based on the audited consolidated balance sheet of the Group as at 31st December, 2021.

In this regard, as elaborated in the paragraph headed "6. Financial effects of the Share Buy-back" below, we note that the Share Buy-back would enhance the Bank's earnings per Share and thus the rate of return on capital, as well as its net asset value per Share, which are beneficial to the Independent Shareholders. Further, we understand from the Management that the Bank has considered its prevailing financial resources before deciding to conduct the Share Buy-back. Based on the audited financial position of the Group as at 31st December, 2021, the Group had a cash and balances with banks of over HK\$55,000 million. It had also delivered solid financial performance during the year ended 31st December, 2021, recording profit attributable to owners of the parent of approximately HK\$5,270 million. The total cash required to conduct the Share Buy-back will be approximately HK\$2,904 million, representing approximately 5.3% of the cash and balances with banks of the Group as at 31st December, 2021. Based on the Group's prevailing financial performance and financial position, we concur with the Management's view that the Group is in reasonable financial health and that it has the necessary financial resources to conduct the Share Buy-back without significantly compromising its liquidity position required for its normal business operations.

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5. Effects on the shareholding structure of the Bank

The following table illustrates the shareholding structure of the Bank as at the Latest Practicable Date and immediately after completion of the Share Buy-back assuming that there is no other change in the shareholdings of the Bank before completion of the Share Buy-back.

	As at the Latest Practicable Date		Immediately after the completion of the Share Buy-back	
	No. of Shares	% of issued voting Shares	No. of Shares	% of issued voting Shares
Elliott Parties	246,510,173	8.43	–	–
Independent Shareholders				
– SMBC	574,516,317	19.66	574,516,317	21.47
– Criteria Caixa, S.A., Sociedad Unipersonal	508,519,684	17.40	508,519,684	19.00
– Guoco Management Company Limited	435,691,137	14.91	435,691,137	16.28
– Directors	196,084,154	6.71	196,084,154	7.33
– Other Independent Shareholders	961,314,067	32.89	961,314,067	35.92
Total	<u>2,922,635,532</u>	<u>100</u>	<u>2,676,125,359</u>	<u>100</u>

For further details on the shareholding nature of the parties above, please refer to the paragraph headed “VII. Effect on the Shareholding structure of the Bank” in the “Letter from the Board” of the Circular. Assuming there are no changes to the shareholdings of the public Shareholders and the total number of issued Shares of the Bank from the Latest Practicable Date to the date of completion and cancellation of the Buy-back Shares, the interest of the public Shareholders in the Bank’s total number of issued Shares will increase from approximately 32.89% to approximately 35.92%. Meanwhile, there is no significant change in shareholdings in the Bank nor change in control after the completion of the Share Buy-back.

6. Financial effects of the Share Buy-back

As a result of the Share Buy-back, the number of issued Shares would have decreased from 2,922,635,532 Shares as at the Latest Practicable Date to 2,676,125,359 Shares. This section sets out analysis on potential financial effects of the Share Buy-back on the Group. It should be noted that the figures and financial impact shown below are for illustrative purpose only.

6.1 Effects on earnings per Share

As shown in the paragraph headed “V. Financial effects of the Share Buy-back” in the “Letter from the Board” of the Circular, the Group’s earnings per Share would be improved by approximately 9% assuming the Share Buy-back had taken place on 1st January, 2021. The Group has been profitable and the enhancement in earnings per Share means each Shareholder will have a greater share of the Group’s business return after the completion of the Share Buy-back, which is beneficial to the Independent Shareholders.

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6.2 Effects on net assets per Share

As shown in the paragraph headed “V. Financial effects of the Share Buy-back” in the “Letter from the Board” of the Circular, the net assets per Share attributable to the Shareholders would increase by approximately 6% assuming the Share Buy-back had taken place on 31st December, 2021 based on the audited consolidated balance sheet of the Group as at 31st December, 2021, as the Buy-back Price is at a discount to the net assets per Share. The enhancement in net assets per Share means each Shareholder will have a greater share of the Group’s net assets after the completion of the Share Buy-back, which is also beneficial to the Independent Shareholders.

6.3 Effects on total liabilities

As shown in the paragraph headed “V. Financial effects of the Share Buy-back” in the “Letter from the Board” of the Circular, the Share Buy-back has no impact on the liabilities of the Group as the consideration of the Share Buy-back will be settled in cash.

6.4 Effects on working capital

As shown in the paragraph headed “V. Financial effects of the Share Buy-back” in the “Letter from the Board” of the Circular, the amount of cash consideration for the Share Buy-back will be just approximately 5.3% of the Group’s cash and balances with banks as at 31st December, 2021. As the Bank has continued to generate cash from its businesses, we are of the view that the effect on the Group’s working capital is not material.

From the above, we are of the view that overall, the Share Buy-back has apparent positive financial effects on the way the Bank will be valued and perceived by investors and the market, and is in the interest of the Independent Shareholders.

RECOMMENDATIONS

Having considered the above principal factors and reasons, in particular,

- (i) the closing price of Shares during the Review Period had generally been higher than the Buy-back Price;
- (ii) the Buy-back Price values the Group at a P/B Ratio of approximately 0.34 times, which is at the low end of those of the Comparables (using closing share prices on the Last Trading Day and Latest Practicable Date) and represents discounts of approximately 60.9% and 57.5% to the simple average P/B Ratios of the Comparables (using closing share prices on the Last Trading Day and Latest Practicable Date);
- (iii) the Share Buy-back would enable the Bank and Elliott Parties to maintain an orderly market trading by conducting the transaction off-market as otherwise, the divestment activities in the market would possibly cause a considerable downward pressure on the price of the Shares;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Share Buy-back would enhance the Bank's earnings per Share and thus the rate of return on capital, as well as its net asset value per Share, which in turn, is beneficial to the Independent Shareholders;
- (v) the Group is in reasonable financial health and has the necessary financial resources to conduct the Share Buy-back without significantly compromising its liquidity position required for its normal business operations; and
- (vi) the Group's stated reasonable business outlook supports the Share Buy-back as a good opportunity for Independent Shareholders to increase their stake in the Bank without having to contribute any capital outlay,

we consider that the Share Buy-back is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

Yours faithfully,
For and behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Chang Sean Pey
Executive Director

Mr. Arnold Ip ("Mr. Ip") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 30 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

I. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and assets and liabilities of the Group for the three years ended 31st December, 2019, 2020 and 2021, respectively, as extracted from each of the relevant annual reports/final results announcement of the Bank.

	For the year ended 31st December		
	2021	2020	2019
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Consolidated Income Statement			
Operating income	16,283	17,310	19,755
Operating expenses	(9,321)	(8,963)	(9,891)
Impairment losses	(1,679)	(5,090)	(7,253)
Operating profit after impairment losses	<u>5,283</u>	<u>3,257</u>	<u>2,611</u>
Profit for the year before taxation	6,136	3,606	3,198
Income tax	(823)	79	138
Profit for the year	<u>5,313</u>	<u>3,685</u>	<u>3,336</u>
Attributable to:			
Owners of the parent	5,270	3,614	3,260
Non-controlling interests	43	71	76
<i>Note: Certain 2019 comparative figures have been restated to conform to the presentation of 2020.</i>			
Consolidated Statement of Comprehensive Income			
Profit for the year	5,313	3,685	3,336
Other comprehensive income	49	2,075	1,630
Total comprehensive income	<u>5,362</u>	<u>5,760</u>	<u>4,966</u>
Attributable to:			
Owners of the parent	5,319	5,688	4,909
Non-controlling interests	43	72	57
Dividends attributable to shareholders			
Interim dividend	1,022	466	319
Second interim dividend	1,023	700	1,017
	<u>2,045</u>	<u>1,166</u>	<u>1,336</u>
	HK\$	HK\$	HK\$
Earnings per share			
Basic	1.53	0.97	0.89
Diluted	1.53	0.97	0.89
Dividend per share			
Interim dividend	0.35	0.16	0.11
Second interim dividend	0.35	0.24	0.35
	<u>0.70</u>	<u>0.40</u>	<u>0.46</u>

	As at 31st December		
	2021 HK\$ Mn	2020 HK\$ Mn	2019 HK\$ Mn
Consolidated Statement of Financial Position			
Total assets	907,470	884,420	865,198
Total liabilities	<u>791,420</u>	<u>770,624</u>	<u>755,560</u>
Total Equity	<u>116,050</u>	<u>113,796</u>	<u>109,638</u>
Share capital	41,645	41,557	41,379
Reserves	60,133	57,328	53,928
Total equity attributable to owners of the parent	101,778	98,885	95,307
Additional equity instruments	13,968	13,968	13,963
Non-controlling interests	<u>304</u>	<u>943</u>	<u>368</u>
Total Equity	<u>116,050</u>	<u>113,796</u>	<u>109,638</u>

II. FINANCIAL STATEMENTS

The audited consolidated income statement, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements of the Group for the year ended 31st December, 2020 are set out on pages 168 to 363 of the 2020 annual report of the Bank which can be found at https://www.hkbea.com/pdf/en/about-bea/investor-communication/annual-and-interim-reports/2020/E_2020%20Annual%20Report.pdf.

The audited results of the Group for the year ended 31st December, 2021 can be found at https://www.hkbea.com/pdf/en/about-bea/investor-communication/financial-information/E_2021%20Final%20Results%20Announcement.pdf.

The auditors' reports issued by the auditors of the Bank, KPMG, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31st December, 2019, 2020 and 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

In respect of the audited consolidated financial statements of the Group for each of the three years ended 31st December, 2019, 2020 and 2021, there were no items of income or expense which are material.

III. INDEBTEDNESS STATEMENT

As at the close of business on 31st December, 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the posting of this Circular, the Group had the following outstanding indebtedness:

(a) The Group had in place a US\$6,000,000,000 Medium Term Note Programme (the “**Programme**”) under which notes can be issued. The outstanding subordinated and capital securities issues under the Programme were as follows:

- (1) Subordinated fixed rate notes of US\$600 million carrying a coupon of 4% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements were issued on 29th May, 2020 by the Bank. The notes are listed on the Stock Exchange and with maturity on 29th May, 2030 and callable on 29th May, 2025.
- (2) On 18th May, 2017, the Bank issued Additional Tier 1 Capital Securities of US\$500 million, which are undated non-cumulative subordinated capital securities and bear a 5.625% per annum coupon until the first call date on 18th May, 2022. The coupon will be reset every five years, if the Additional Tier 1 Capital Securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.682% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

The first scheduled coupon payment date was 18th November, 2017 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

The Bank has a call option to redeem all the outstanding Additional Tier 1 Capital Securities from 18th May, 2022 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

- (3) On 19th September, 2019, the Bank issued Additional Tier 1 Capital Securities of US\$650 million, which are undated non-cumulative subordinated capital securities and bear a 5.875% per annum coupon until the first call date on 19th September, 2024. The coupon will be reset every five years, if the Additional Tier 1 Capital Securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 4.257% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up, and meet the loss-absorbing capacity requirement.

The first scheduled coupon payment date was 19th March, 2020 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

The Bank has a call option to redeem all the outstanding Additional Tier 1 Capital Securities from 19th September, 2024 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

- (4) On 21st October, 2020, the Bank issued Additional Tier 1 Capital Securities of US\$650 million, which are undated non-cumulative subordinated capital securities and bear a 5.825% per annum coupon until the first call date on 21st October, 2025. The coupon will be reset every five years, if the Additional Tier 1 Capital Securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.527% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up, and meet the loss-absorbing capacity requirement.

The first scheduled coupon payment date was 21st April, 2021 and the coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

The Bank has a call option to redeem all the outstanding Additional Tier 1 Capital Securities from 21st October, 2025 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

- (b) Subordinated fixed rate notes of RMB1,500 million carrying a coupon of 4.94% p.a. were issued on 25th April, 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes will mature on 25th April, 2029 and are callable on 25th April, 2024.
- (c) In addition, as at 31st December, 2021, the Group had deposits from customers, money market takings, interbank and term loans from other banks, certificates of deposit issued, debt securities issued, repurchase and short-sale transactions, direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arise from the normal course of banking business.

Save as set out in (a), (b) and (c) above, and apart from intra-group liabilities, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31st December, 2021.

IV. MATERIAL CHANGE

The Directors confirm that, as at the Latest Practicable Date, save and except for the following information, there had been no material change in the financial or trading position or outlook of the Group since 31st December, 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

As disclosed in the Bank's announcement dated 4th March, 2022, (i) the Bank (as vendor) entered into the share sale agreement dated 4th March, 2022 (the "**Blue Cross Share Sale Agreement**") with AIA Holdings (Hong Kong) Limited ("**AIA Holdings HK**") (as purchaser) and AIA Company Limited ("**AIA**") (as purchaser's guarantor) in relation to the sale of Blue Cross (Asia-Pacific) Insurance Limited ("**Blue Cross**") to AIA Holdings HK; and (ii) Blue Care (BVI) Holdings Limited ("**Blue Care Holdings**") (an indirect wholly-owned subsidiary of the Bank) (as vendor) entered into the share sale agreement dated 4th March, 2022 (the "**Blue Care Share Sale Agreement**") with AIA Holdings HK (as purchaser) and AIA (as purchaser's guarantor) in relation to the sale of all the issued shares in Blue Care JV (BVI) Holdings Limited ("**Blue Care**") held by Blue Care Holdings, comprising 80% of the total issued share capital of Blue Care, to AIA Holdings HK. AIA has agreed to guarantee AIA Holdings HK's obligations under the Blue Cross Share Sale Agreement and the Blue Care Share Sale Agreement.

Each of the completion of the sale under the Blue Cross Share Sale Agreement ("**Blue Cross Disposal**") and the completion of the sale under the Blue Care Share Sale Agreement ("**Blue Care Disposal**") is subject to satisfaction (or, where applicable, waiver) of certain conditions and the requisite regulatory approval(s).

The consideration payable under the Blue Cross Share Sale Agreement, the Blue Care Share Sale Agreement and the distribution agreement proposed to be entered into between the Bank and Blue Cross upon completion of the Blue Cross Disposal is US\$278 million (equivalent to HK\$2,168 million) in cash (in aggregate). The Bank is expected to book an aggregate profit of approximately HK\$1,534 million upon completion of the Blue Cross Disposal and the Blue Care Disposal.

Assuming that the Blue Cross Disposal and the Blue Care Disposal had taken place on 31st December, 2021, the Buy-back Price represented a discount of approximately 66.69% to the consolidated net asset value of the Bank of approximately HK\$35.36 per Share, calculated based on the Bank's consolidated net asset value of approximately HK\$103,352 million as at 31st December, 2021 and 2,922,635,532 Shares in issue as at the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

2021 will be remembered as a turbulent year, with multiple waves of COVID-19 across the globe despite the successful roll-out of vaccines; chip shortages and supply-chain bottlenecks leading to inflationary pressure worldwide; rigorous regulatory action on technology, education and property companies on the Mainland; and a soaring stock-market in the US, but a down year in Hong Kong.

Through it all, the global economy has bounced back, led by resurgent demand from the US. In many ways, the volatility that the Bank endured during the past year has created the conditions for stability ahead. More and more countries are learning to live with COVID-19; the Mainland's transition to an advanced industrial economy is gaining traction; and the US and China are taking tentative steps to finding a new equilibrium in their tense relationship.

In this uncertain environment, the Bank has doubled down on its strengths and executed its vision, which is to be the preferred banking partner in Greater China. Through focusing on the Bank's customers' needs, refining its product mix and service fulfilment capabilities, and improving its risk and compliance functions, the Bank has enhanced the fundamentals of its business and delivered solid financial results. Indeed, profit has increased across all regions, demonstrating the Bank's ability to prosper in the face of adversity. The Bank has also achieved a notable turnaround in loan-loss provisioning, while continuing to support its customers through the challenges of the pandemic.

While the Bank focuses on the resilience of its business, it is also investing in its future. Online banking and digital innovation have changed the playing field for financial services. Digital transformation is part of the Bank's long-term strategy, ensuring that the Bank is prepared for the digital challenges of tomorrow.

At the front end, the Bank is working to strengthen its service channels and improve the interactions that its customers have with the Bank. As the Bank implements straight-through processing and advanced data analytics, it will be able to increase the level of personalisation that the Bank offers, and the speed with which the Bank responds to market changes.

At the back end, increased use of regulatory technology ("**Regtech**") and automation are speeding up key processes, making risk and compliance management more efficient. Continued enhancements to the Bank's technology and cyber security platforms will ensure its resilience in tomorrow's increasingly data and tech-driven environment.

As the Bank transforms, so too do its employees. The Bank is better able to use the digital tools that are increasingly at its disposal; it is collaborating across the Group more effectively; and it is focussing more on value-added work – all to serve the Bank's customers better.

The Bank retains a unique franchise that straddles Hong Kong, the Mainland and its overseas network. Although travel was restricted throughout 2021, the Bank is ramping up efforts to provide its customers with a One Bank experience, delivering seamless and frictionless cross-boundary customer service.

The Bank remains committed to developing responsibly and addressing environmental, social and governance ("**ESG**") concerns in its operations. In November 2021, the Bank's Board-level ESG Committee endorsed the Group's ESG strategy framework, which sets out its vision to be a market leader in sustainability in financial services. The Bank adopted concrete metrics to gauge climate risks in its lending policies. The Bank established a Group carbon-emissions reduction target, and has been making the necessary investments to achieve its set targets for Group emissions. Meanwhile, the Bank has developed innovative new products and solutions to help its customers transition to a low-carbon future. The Bank will continue to strengthen its governance and refine business practices to ensure that the Bank delivers sustainable value to all stakeholders.

As the Bank becomes an increasingly digital, asset-efficient bank, it has become more agile, collaborative and productive. Fee-based revenue streams are being expanded. The Bank is better able to take advantage of change, and ready to capitalise on its strengths as cross-boundary financial connectivity widens and expands.

I. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the Board comprised Dr. the Hon. Sir David LI Kwok-po[#] (Executive Chairman), Professor Arthur LI Kwok-cheung^{*} (Deputy Chairman), Dr. Allan WONG Chi-yun^{**} (Deputy Chairman), Mr. Aubrey LI Kwok-sing^{*}, Mr. Winston LO Yau-lai^{*}, Mr. Stephen Charles LI Kwok-sze^{*}, Mr. Adrian David LI Man-kiu[#] (Co-Chief Executive), Mr. Brian David LI Man-bun[#] (Co-Chief Executive), Dr. Daryl NG Win-kong^{*}, Mr. Masayuki OKU^{*}, Dr. the Hon. Rita FAN HSU Lai-tai^{**}, Mr. Meocre LI Kwok-wing^{**}, Dr. the Hon. Henry TANG Ying-yen^{**}, Dr. Delman LEE^{**}, Mr. William Junior Guilherme DOO^{**}, Dr. David MONG Tak-yeung^{**} and Dr. Francisco Javier SERRADO TREPAT^{*}.

[#] *Executive Director*

^{*} *Non-executive Director*

^{**} *Independent Non-executive Director*

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

II. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
30th July, 2021	12.80
31st August, 2021	13.04
30th September, 2021	12.56
29th October, 2021	12.80
30th November, 2021	11.26
31st December, 2021	11.20
Last Trading Day (i.e., 28th January, 2022)	12.70
31st January, 2022	13.28
28th February, 2022	13.16
Latest Practicable Date (i.e., 4th March, 2022)	12.52

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$14.30 on 11th February, 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$10.90 on 20th December, 2021.

III. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

As at the Latest Practicable Date:

- (a) the issued and paid-up share capital of the Bank comprised 2,922,635,532 Shares;
- (b) all of the Shares in issue ranked *pari passu* in all respects, including as to capital, dividends and voting;
- (c) save for 36,336,128 Outstanding Staff Share Options, there were no outstanding warrants, options or securities convertible into Shares.

During the two financial years preceding the date of the Announcement and up to the Latest Practicable Date, the Bank issued Shares in lieu of dividends, as set out below:

Date of issue	No. of Shares	The market value per Share for calculation of the scrip entitlements (HK\$)
4th October, 2021	3,646,848	12.82
9th April, 2021	2,400,721	17.138
30th September, 2020	1,804,496	16.2564
1st April, 2020	8,312,141	17.9208

Save as disclosed above, the Bank did not issue any Shares and there was no other reorganisation of the capital of the Bank during the two financial years preceding the date of the Announcement.

Since the end of the last financial year of the Bank and during the 12 months immediately preceding the date of this Circular, the Bank has not bought back any Shares.

IV. ADDITIONAL INFORMATION ABOUT INTERESTS IN SHARES AND DEALINGS

- (i) Save as disclosed in the section headed “VII. Effect on the Shareholding Structure of the Bank” in the “Letter from the Board” in this Circular and this section entitled “IV. Additional Information about Interests in Shares and Dealings”, as at the Latest Practicable Date, no Director or any person acting in concert with any of them and no Shareholders holding 10% or more of the voting rights of the Bank was interested (as defined in Part XV of the SFO) in, or had borrowed or lent, any Shares.
- (ii) As at the Latest Practicable Date, David LI Kwok-po, an executive Director of the Bank, is interested in 9,754,588 Outstanding Staff Share Options; Adrian David Li Man-kiu, an executive Director of the Bank, is interested in 4,470,376 Outstanding Staff Share Options; and Brian David Li Man-bun, an executive Director of the Bank, is interested in 3,870,644 Outstanding Staff Share Options.
- (iii) On 4th October, 2021, the Bank issued 23,071 Shares and 695 Shares to Mr. Aubrey LI Kwok-sing, a non-executive Director, and his spouse, respectively, in lieu of dividends.

- (iv) Save as disclosed above, during the Relevant Period, none of the Directors, any person acting in concert with any of them or Shareholders holding 10% or more of the voting rights of the Bank dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Bank.
- (v) As at the Latest Practicable Date, members of the Goldman Sachs group (excluding exempt principal traders and exempt fund managers for the purposes of the Takeovers Code) held interests and short positions in the Shares and underlying Shares as follows:
- (a) long positions 51 American depositary receipts, equivalent to 51 Shares (representing approximately 0.0000017% of the total number of issued Shares) as beneficial owner; and
- (b) short positions: swaps and CFDs with clients referencing 122,600 Shares (representing approximately 0.0042% of the total number of issued Shares).
- (vi) Since the date of the Announcement and up to the Latest Practicable Date, there were no dealings in relevant securities in the Bank by any members of the Goldman Sachs group (excluding exempt principal traders and exempt fund managers) for the purposes of the Takeovers Code).
- (vii) The Bank has been notified that it is the intention of:
- (i) David LI Kwok-po, an executive Director of the Bank, and his spouse Penny POON Kam-chui to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 90,834,349 Shares held by them or a corporation under the control of David LI Kwok-po;
- (ii) Arthur LI Kwok-cheung, a non-executive Director of the Bank, to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 30,522,956 Shares held by him or a corporation under his control;
- (iii) David LI Kwok-po and Arthur LI Kwok-cheung to procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 11,683,461 Shares held by an estate of which they are the executors;
- (iv) Allan WONG Chi-yun, an independent non-executive Director of the Bank, to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 17,879,763 Shares held by him, his spouse (deceased) or a discretionary trust of which he is a founder and an eligible beneficiary;
- (v) Aubrey LI Kwok-sing, a non-executive Director of the Bank, and his spouse Elizabeth WOO to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 18,795,612 Shares held by them or a trust of which Aubrey LI Kwok-sing is the founder/settlor;
- (vi) Stephen Charles LI Kwok-sze, a non-executive Director of the Bank, to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 13,575,104 Shares held by him or the estates of which he is one of the administrators;

- (vii) Adrian David LI Man-kiu, an executive Director of the Bank, to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 1,095,959 Shares held by him;
- (viii) Brian David LI Man-bun, an executive Director of the Bank, to vote or procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 3,500,184 Shares held by him or a corporation under his control;
- (ix) SMBC to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 574,516,317 Shares held by it;
- (x) Criteria Caixa, S.A., Sociedad Unipersonal to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 508,519,684 Shares held by it; and
- (xi) Guoco Management Company Limited to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 435,691,137 Shares held by it.
- (viii) As at the Latest Practicable Date, the Bank had not received any irrevocable commitments for voting in favour of or against the approval of the Share Buy-back at the EGM.

V. PUBLIC FLOAT

The Bank intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Bank will continue to meet that public float requirement after the completion of the Share Buy-back.

VI. DIVIDENDS

The frequency and amount of dividends that have been proposed or paid out by the Bank to the Shareholders, including the Elliott Parties, during the two-year period immediately preceding the date of this Circular are as follows:

	For the year ended 31st December, 2021	For the year ended 31st December, 2020
	HK\$	HK\$
Interim dividend per Share	0.35	0.16
Second interim dividend per Share	0.35	0.24
Total dividend per Share	0.70	0.40

Pursuant to the Bank's articles of association, the Board may from time to time pay to Shareholders interim dividends, subject to its discretion. The Board takes into account prevailing legal and regulatory requirements and the best market practices when considering the payment of dividends.

To strike a balance between the long-term growth of the Group and the interests of Shareholders, the total dividends (other than any special dividend) to be distributed yearly to Shareholders are to be within the range of 30% to 70% of the net attributable profits for the year, after deduction of any distribution to holders of Hybrid/Additional Tier 1 capital instruments.

Interim dividends may be declared half-yearly for the half-year period ending 30th June and the half-year period ending 31st December. Special dividends may be considered by the Board.

VII. LITIGATION

As at the Latest Practicable Date, neither the Bank nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

VIII. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the Deed of Undertaking, the terms of which are set out in this Circular;
- (b) the Blue Cross Share Sale Agreement, details of which are set out in the section headed “IV. Material Change” in Appendix 2 to this Circular; and
- (c) the Blue Care Share Sale Agreement, details of which are set out in the section headed “IV. Material Change” in Appendix 2 to this Circular.

IX. CONSENTS AND QUALIFICATIONS OF EXPERTS

Each of the Financial Adviser and Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with its name and (where applicable) its letter of advice included in the form and context in which it appears.

The following sets out the qualifications of the Financial Adviser and the Independent Financial Adviser:

Name	Qualifications
Goldman Sachs (Asia) L.L.C.	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

X. GENERAL

- (a) The registered office of the Bank is located at 10 Des Voeux Road Central, Hong Kong.
- (b) The company secretary of the Bank is Mr. Alson LAW Chun-tak. He is a Chartered Secretary, a Chartered Governance Professional and a fellow member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (c) The share registrar of the Bank is Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The registered office of the Financial Adviser is at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.
- (e) The registered office of the Independent Financial Adviser is at 21 Wing Wo Street, Central, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese translation in the event of inconsistency.

XI. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the registered office of the Bank at 10 Des Voeux Road Central, Hong Kong during normal business hours on each Business Day, and will be published on the websites of the SFC (www.sfc.hk) and the Bank (www.hkbea.com), in each case from the date of this Circular up to and including the date of the EGM:

- (a) the Bank's articles of association;
- (b) the audited consolidated accounts of the Group for the years ended 31st December, 2019 and 2020 and the final results announcement of the Group for the year ended 31st December, 2021;
- (c) the letter from the Board, the text of which is set out on pages 9 to 19 of this Circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 20 of this Circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 39 of this Circular;
- (f) the written consents given by the experts as referred to in the paragraph headed "Consents and qualifications of experts" in this appendix;
- (g) the Deed of Undertaking;
- (h) the agreed form of Buy-back Deed;
- (i) the Blue Cross Share Sale Agreement; and
- (j) the Blue Care Share Sale Agreement.

Dated [●●●] 2022

The Elliott Parties
(as detailed in the Schedule)
and
The Bank of East Asia, Limited

BUY-BACK DEED
relating to the sale and buy-back of 246,510,173 shares in
The Bank of East Asia, Limited

Linklaters

11th Floor, Alexandra House
Chater Road
Hong Kong
China

Telephone (+852) 2842 4888

Facsimile (+852) 2810 8133/2810 1695

Ref L-231285

Buy-Back Deed

THIS DEED is made on [•••] 2022

between:

- (1) EACH OF THE PERSONS NAMED IN THE SCHEDULE (each an “Elliott Party” and together the “Elliott Parties”); and
- (2) THE BANK OF EAST ASIA, LIMITED, a company incorporated in Hong Kong and listed on the Stock Exchange (stock code: 23) whose registered address is at 10 Des Voeux Road Central, Hong Kong (the “Bank”),

(each of the Elliott Parties and the Bank, a “Party” and collectively the “Parties”)

Whereas:

- (A) As at the date of this Deed, the Elliott Parties hold an aggregate of 246,510,173 Shares (as defined below), representing approximately 8.43% of the issued shares in the Bank.
- (B) The Elliott Parties and the Bank have entered into negotiations relating to a possible transaction for the sale and buy-back of the Sale Shares (as defined below) and relevant shareholders of the Bank have passed a special resolution approving such transaction.
- (C) On and subject to the terms of this Deed, the Elliott Parties have agreed to sell (or procure the sale of), and the Bank has agreed to buy back and cancel, the Sale Shares.

It is agreed as follows:

1 Interpretation

In this Deed, unless the context otherwise requires, the provisions in this Clause 1 apply:

1.1 Definitions

“**Announcement**” means the first announcement published by the Bank on the Stock Exchange web-based announcements system in respect of the proposed sale and buy-back of the Sale Shares under this Deed;

“**Articles of Association**” means the articles of association of the Bank from time to time;

“**Bank Broker**” means a Hong Kong licensed equity broker which is a participant in CCASS and is acting for the Bank in relation to the settlement of the purchase of the Sale Shares which are held by the Elliott Parties through CCASS (if any);

“**Business Day**” means a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Stock Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong;

“**Buy-back Price**” means the price per Sale Share calculated in accordance with Clause 3.1;

“**CCASS**” means the Central Clearing and Settlement System established and operated by HKSCC;

“**CCASS Sale Shares**” has the meaning given to it in Clause 5.1;

“**Closing**” means completion by the Parties of their respective obligations in accordance with Clause 5.3;

“**Closing Date**” means subject to the satisfaction (or waiver in accordance with this Deed) of the Condition set out in Clause 4.1.3, the tenth Business Day immediately following the date on which the last of the Conditions set out in Clauses 4.1.1 and 4.1.2 is satisfied, or such other date as the Parties may agree in writing;

“**Closing Location**” means the office of the Bank at 10 Des Voeux Road Central, Hong Kong;

“**Companies Ordinance**” means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

“**Conditions**” means the conditions as set out in Clause 4.1;

“**Control**” means, as applied to any person, the ability (whether directly or indirectly or conditionally) to: (i) control a majority of the votes able to be cast at general meetings on all, or substantially all, matters; (ii) appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters; or (iii) otherwise direct or cause the direction of the management and policies of such person and “**Controlled**” or “**Controlling**” shall be construed accordingly;

“**DVP**” means a broker-to-broker secure delivery versus payment transaction unconditionally instructed and settled on a T+2 basis under the Continuous Net Settlement (CNS) System in CCASS, as between the Elliott Broker (as seller broker) and the Bank Broker (as buyer broker);

“**EIM**” means Elliott Investment Management L.P.;

“**Elliott Broker**” means a Hong Kong licensed equity broker which is a participant in CCASS and is acting for the Elliott Parties (or such of them that hold Sale Shares through CCASS) in relation to the settlement of the sale of the Sale Shares which are held by the Elliott Parties through CCASS (if any);

“**Elliott Parties’ Bank Account**” means such bank account of the Elliott Parties as is notified in writing by the Elliott Parties to the Bank on or before the date falling four Business Days before the Closing Date;

“**Encumbrance**” means any claim, charge, mortgage, lien (statutory or other), option, equitable right, power of sale, pledge, hypothecation, assignment, usufruct, retention of title, right of pre-emption, right of first refusal, right of way, encroachment, easement or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

“**Executive**” means the Director of the Corporate Finance Division of the SFC;

“**Governmental Authority**” means any court or arbitration tribunal or single arbitrator, administrative, governmental or regulatory body, stock exchange or self-regulatory organization, legislature, department, commission, board, agency, bureau, instrumentality, division, public body or other authority of any nation or government or any political subdivision thereof, whether national, provincial or local, domestic or foreign and including the Securities and Futures Commission and the Hong Kong Monetary Authority;

“**Group**” means:

- (i) in relation to any company, any other company which is a holding company or subsidiary of it or of any such holding company. A company is a “subsidiary” of another company if that other company, directly or indirectly, through one or more subsidiaries:
 - (a) holds a majority of the voting rights in it;
 - (b) is a member or shareholder of it and has the right to appoint or remove a majority of its board of directors or equivalent managing body;
 - (c) is a member or shareholder of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
 - (d) has the right to exercise a dominant influence over it pursuant to its constitutional documents or pursuant to a control contract; or
- (ii) in relation to any of the Elliott Parties, EIM and any person (a) over which EIM exercises ultimate Control or (b) which exercises Control or ultimate Control over EIM or (iii) who is Controlled (or ultimately Controlled) by the same entity as any of the aforementioned persons in the foregoing sub-section (a) or (b), whether now existing or formed or incorporated in the future;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**HK\$**” means Hong Kong dollars, the lawful currency of Hong Kong;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Laws**” means with respect to any person or matter, any and all provisions of any law, statute, regulation, ordinance or code (including the Listing Rules, the Share Buy-backs Code and any other securities or stock exchange regulation or rule), or any order of, or determination by, any Governmental Authority or the Stock Exchange, applicable to such person or matter;

“**Listing Rules**” means the Rules Governing the Listing of Securities on the Stock Exchange;

“**Long Stop Date**” means the date falling 90 days after the date of this Deed or such other date as the Parties may agree in writing;

“**Physical Sale Shares**” has the meaning given to it in Clause 5.1;

“**PRC**” means the People’s Republic of China which, for the purposes of this Deed, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Sale Shares**” means an aggregate of 246,510,173 Shares and “**Sale Share**” means any one of them;

“**SFC**” means the Securities and Futures Commission of Hong Kong;

“**Share Buy-backs Code**” means the Code on Share Buy-backs issued by the SFC;

“**Shares**” means the issued ordinary shares in the Bank;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Surviving Clauses**” means Clauses 1, 7, 8, 9, 10, 11 and 12 and “**Surviving Clause**” means any one of them.

1.2 Singular, plural, gender

References to one gender include all genders and references to the singular include the plural and vice versa.

1.3 References to persons and companies

References to:

1.3.1 a person include any natural person, company, partnership or unincorporated association (whether or not having separate legal personality); and

1.3.2 a company include any company, corporation or body corporate, wherever incorporated.

1.4 Schedules etc.

The Schedules form part of this Deed and shall have the same force and effect as if expressly set out in the body of this Deed. References to this Deed shall include any Recitals and Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Deed. References to paragraphs and Parts are to paragraphs and Parts of the Schedules.

1.5 Reference to documents

References to any document, or to a provision in a document, shall be construed as a reference to such document or provision as amended, supplemented, modified, restated or novated from time to time.

1.6 Information

References to books, records or other information mean books, records or other information in any form including paper and electronically stored data.

1.7 Legal terms

References to any Hong Kong legal term shall, in respect of any jurisdiction other than Hong Kong, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

1.8 Non-limiting effect of words

The words “including”, “include”, “in particular” and words of similar effect shall not be deemed to limit the general effect of the words that precede them and the word “including” or “include” shall be deemed to be followed with “but not limited to”.

1.9 Meaning of “to the extent that” and similar expressions

In this Deed, “to the extent that” shall mean “to the extent that” and not solely “if”, and similar expressions shall be construed in the same way.

2 Sale and Buy-back of the Sale Shares

2.1 On and subject to the terms of this Deed, each of the Elliott Parties agrees to sell or procure the sale of, and the Bank agrees to buy back, the Sale Shares for the Buy-back Price per Sale Share.

2.2 The Sale Shares shall be sold by the Elliott Parties to the Bank free from any Encumbrance, fully paid and with all rights attached or accruing to them on and from the time of Closing.

3 Consideration

3.1 Buy-back Price

3.1.1 The consideration payable by the Bank for each Sale Share (the “**Buy-back Price**”) shall be HK\$11.78.

3.2 Payment of Consideration

The consideration shall be paid by way of cash payment in HK\$ in accordance with Clauses 5.3.1 and 5.3.2, as applicable.

4 Conditions

4.1 Conditions

Closing of the sale and buy-back of the Sale Shares is subject to and conditional upon the prior satisfaction (or waiver by the appropriate Party in accordance with Clause 4.2.1) of the following Conditions:

4.1.1 the approval by the Executive of the buy-back by the Bank of the Sale Shares pursuant to the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

4.1.2 confirmation from the board of governors of the United States Federal Reserve that it does not object to the Bank’s determination that the Bank no longer controls Industrial and Commercial Bank of China (USA) N.A. (formerly known as The Bank of East Asia (USA) N.A.) for the purposes of the United States Bank Holding Company Act of 1956 (as amended); and

4.1.3 each of the warranties set out in Clause 6 remaining true and accurate in all material respects.

4.2 Satisfaction/Non-Satisfaction/Waiver

4.2.1 The Condition in Clause 4.1.1 cannot be waived by any Party. The Bank (and not the Elliott Parties) may waive the Condition in Clause 4.1.2. Either the Elliott Parties or the Bank may waive the Condition in Clause 4.1.3 with respect to the warranties given by the other set out in Clause 6.

4.2.2 The Bank shall use reasonable endeavours to ensure the satisfaction of the Conditions set out in Clauses 4.1.1 and 4.1.2 as soon as reasonably practicable following the date of this Deed and shall notify the Elliott Parties promptly in writing upon each of such conditions having been satisfied.

4.2.3 If any of the Conditions are not satisfied or (where applicable) waived on or before 5:00 p.m. on the Long Stop Date, the Elliott Parties (acting together) or the Bank may, in its/their sole discretion, terminate this Deed by written notice to the other Party.

4.2.4 If this Deed is terminated in accordance with Clause 4.2.3:

- (i) subject to Clause 4.2.4(iii), none of the Elliott Parties or the Bank shall have any claim against the other under this Deed;
- (ii) except for this Clause 4.2.4, and the Surviving Clauses, all the provisions of this Deed shall lapse and cease to have effect; but
- (iii) neither the lapsing of those provisions nor their ceasing to have effect shall affect any accrued rights or liabilities of any party to this Deed in respect of damages for non-performance of any obligation under this Deed falling due for performance prior to such lapse and cessation.

5 Closing

5.1 No later than four Business Days before the Closing Date, the Elliott Parties shall give written notice to the Bank setting out (a) the number of Sale Shares which are held by each Elliott Party through CCASS (the “**CCASS Sale Shares**”) and in physical certificated form (the “**Physical Sale Shares**”), respectively and (b) to the extent any Sale Shares are held through CCASS, the name of the Elliott Broker together with such broking account details for the Elliott Broker as will permit the Bank Broker to undertake the DVP transaction for the relevant Sale Shares with the Elliott Broker.

5.2 If any Sale Shares are held through CCASS, the Bank shall, as soon as reasonably practicable following receipt of the notice referred to in Clause 5.1, give written notice to the Elliott Parties setting out the name of the Bank Broker together with such broking account details for the Bank Broker as will permit the Elliott Broker to undertake the DVP transaction for those CCASS Sale Shares with the Bank Broker.

5.3 Subject to Clause 4, Closing shall take place at 10:00 a.m. on the Closing Date or at such other time or on such other date as may be agreed between the Elliott Parties and the Bank in writing. At Closing:

5.3.1 in respect of any CCASS Sale Shares, the Elliott Parties and the Bank shall give irrevocable instructions to the Elliott Broker and the Bank Broker, respectively, to settle on a DVP basis the sale and purchase of the CCASS Sale Shares at the Buy-back Price per Sale Share and shall provide to each other evidence of such irrevocable instructions having been given; and

5.3.2 in respect of any Physical Sale Shares:

- (i) the Elliott Parties shall deliver to the Bank:
 - (a) duly executed instrument(s) of transfer in respect of the Physical Sale Shares in favour of the Bank;
 - (b) duly executed contract note(s) in respect of the Physical Sale Shares in favour of the Bank;
 - (c) the share certificate(s) relating to the Physical Sale Shares in the name of the relevant Elliott Parties; and
 - (d) a cheque for the amount of the Elliott Parties' share of the stamp duty in connection with the sale and buy-back of the Physical Sale Shares in favour of the Government of Hong Kong; and
- (ii) the Bank shall pay, or procure the payment of, the Buy-back Price in respect of each of the Physical Sale Shares in cleared funds in HK\$ to the Elliott Parties' Bank Account, the payment of which shall be evidenced by delivery of a Form MT103 in respect of such funds to the Elliott Parties.

5.4 Closing shall have taken place once all obligations in Clause 5.3 have been fulfilled.

5.5 The Bank is not obliged to purchase any of the Sale Shares unless the Elliott Parties sell all of the Sale Shares simultaneously (or on the same day in accordance with this Clause 5) and the Elliott Parties are not obliged to sell any of the Sale Shares unless the Bank buys all of the Sale Shares simultaneously (or on the same day in accordance with this Clause 5).

5.6 If a Party fails to comply with any obligation in Clause 5.1, 5.2 or 5.3, the Bank (in the case of non-compliance by any of the Elliott Parties) or the Elliott Parties (acting together, in the case of non-compliance by the Bank) shall be entitled (in addition to and without prejudice to all other rights or remedies available) by written notice to the other:

5.6.1 to terminate this Deed (other than the Surviving Clauses) without liability on its part;

5.6.2 to effect Closing so far as reasonably practicable having regard to the defaults which have occurred; or

5.6.3 to fix a new date for Closing (being not more than ten Business Days after the agreed date for Closing) in which case the provisions of Clause 5.3 shall apply to Closing as so deferred but provided such deferral may only occur once.

6 Warranties

6.1 Each Party warrants to the other Parties that:

- 6.1.1** it is duly organised and has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this Deed and each document to be executed by it at or before Closing;
- 6.1.2** its obligations under this Deed and each document to be executed by it at or before Closing are, or when the relevant document is executed will be, enforceable in accordance with their respective terms;
- 6.1.3** it is not in receivership or liquidation and it has not taken steps to enter into liquidation; no petition has been presented for its winding up and there are no grounds on which a petition or application could be based for the appointment of a receiver for any of its assets or business, or for its winding up; and
- 6.1.4** subject to the satisfaction of the Conditions in Clauses 4.1.1 and 4.1.2, it has obtained all consents and approvals which are required for it to enter into and perform its obligations in accordance with this Deed and such consents and approvals are valid and in full force and effect.

6.2 Each of the Elliott Parties warrants to the Bank that:

- 6.2.1** the Sale Shares have been validly issued and are fully paid;
- 6.2.2** the relevant Elliott Party is the sole beneficial owner of the Sale Shares set out opposite its name in Schedule 1 and holds such Sale Shares free and clear of any Encumbrance and has the right to exercise all voting and other rights attaching to such Sale Shares (including the full power, right and authority to transfer the Sale Shares to the Bank);
- 6.2.3** the Sale Shares comprise all of the Shares owned (legally and/or beneficially) by the Elliott Parties;
- 6.2.4** other than the Elliott Parties, no members of EIM's Group owns (legally and/or beneficially) any Shares;
- 6.2.5** other than pursuant to this Deed, no person has any agreement or option, or right or privilege (whether pre-emptive or contractual, actual or contingent) capable of becoming an agreement or option, for the purchase from any of the Elliott Parties of any Sale Shares or to require the transfer of any Sale Shares; and
- 6.2.6** subject to the satisfaction of the Conditions and to the provisions of the Articles of Association, there will be no restriction on the transfer of the Sale Shares to the Bank at Closing.

- 6.3** Each warranty under this Clause 6 is separate and independent and is not limited by reference to any other warranty or any other provision in this Deed.
- 6.4** Each warranty under this Clause 6 is true and accurate as of the date of this Deed and will be true and accurate at Closing as if it had been repeated immediately prior to Closing.

7 Announcements

Save for any customary commercial commentary which is not inconsistent with the terms of the Announcement (provided such commentary is in compliance by the Parties with any applicable restrictions under the Share Buy-backs Code), no announcement, communication or circular in connection with the existence or the subject matter of this Deed shall be made or issued by or on behalf of any of the Elliott Parties (or any other member of EIM's Group) or any member of the Bank's Group to any third party without the prior written consent of the Elliott Parties and the Bank (such consent not to be unreasonably withheld or delayed). This shall not affect any announcement, communication, or circular required by Law (including the Listing Rules) or any Governmental Authority (or the Stock Exchange) (each a "**Communication**") but the Party with an obligation to make or issue such a Communication (or whose holding company has such an obligation) shall first consult with the other Party, allow the other Party reasonable opportunity to comment on the relevant draft Communication, and take into account such comments, in each case insofar as is reasonable in the circumstances, before complying with such obligation. For the avoidance of doubt, to the extent that a Party has complied with the foregoing obligations in respect of certain information or disclosure which is included or to be included in an announcement, communication or circular, any further announcement, communication or circular with respect to the same or materially similar information or disclosure shall not be subject to the consultation with or consent by the other Party.

8 Costs

- 8.1** Each Party shall pay its own fees, expenses and disbursements in relation to the negotiation, preparation, execution, performance and implementation of this Deed and each document referred to in it.
- 8.2** Each Party shall pay and bear its own stamp duty and fixed duty on instruments, Stock Exchange trading fees and SFC transaction levies payable on any transfer of Sale Shares (if any).

9 Notices

- 9.1** Any notice or other communication in connection with this Deed (each, a "**Notice**") shall be:
- 9.1.1** in writing in English; and
- 9.1.2** delivered by hand, e-mail, recorded or special delivery or courier using an internationally recognised courier company.

9.2 A Notice to the Bank shall be sent to it at the following address, or to such other person or address as the Bank may notify to the Elliott Parties from time to time:

Address: 6/F, BEA Building, 10 Des Voeux Road Central, Hong Kong

Email: lawact@hkbea.com/liskc@hkbea.com

Attention: Alson Law Chun-Tak/Samson Li Kai-Cheong

9.3 A Notice to the Elliott Parties shall be sent to them at the following address, or to such other person or address as the Elliott Parties may notify to the Bank from time to time:

Address: c/o Elliott Investment Management L.P., 40 West 57th Street, New York, New York 10019

Email: egreenberg@elliottmgmt.com and sgrinsell@elliottmgmt.com

Attention: Elliot Greenberg/Scott Grinsell

9.4 Subject to Clause 9.5, a Notice shall be effective upon receipt and shall be deemed to have been received:

9.4.1 at the time recorded by the delivery company, in the case of recorded delivery;

9.4.2 at the time of delivery, if delivered by hand or courier;

9.4.3 at the time of sending if sent by e-mail, provided that receipt shall not occur if the sender receives an automated message that the e-mail has not been delivered to the recipient.

9.5 A Notice that is deemed by Clause 9.4 to be received after 5.00 p.m. on any day, or on a Saturday, Sunday or public holiday in the place of receipt, shall be deemed to be received at 9.00 a.m. on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

9.6 For the purposes of this Clause 9, all references to time are to local time in the place of receipt. For the purposes of Notices by e-mail, the place of receipt is the place in which the Party to whom the Notice is sent has its postal address for the purpose of this Deed.

10 Miscellaneous

10.1 Whole agreement

10.1.1 This Deed contains the whole agreement between the Parties relating to the sale and buy-back of the Sale Shares to the exclusion of any terms implied by Law which may be excluded by contract and supersedes any previous written or oral agreement between the Parties in relation to the sale and buy-back of the Sale Shares.

10.1.2 Each of the Parties agrees and acknowledges that, in entering into this Deed, it is not relying on any representation, warranty or undertaking not expressly set out in it.

10.1.3 Each of the Parties agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in or in connection with this Deed shall be for breach of the terms of this Deed and each of the Parties waives all other rights and remedies (including rights and remedies to claim damages in tort or under statute or civil codes) in relation to any such representation, warranty or undertaking.

10.1.4 Nothing in this Clause 10.1 excludes or limits any liability for or remedy against fraud or wilful misconduct.

10.2 Variation

No variation of this Deed shall be effective unless in writing and signed by or on behalf of each of the Parties.

10.3 Assignment

Except as otherwise expressly provided by this Deed, none of the Elliott Parties or the Bank may, without the prior written consent of the other Parties, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Deed.

10.4 Counterparts

This Deed may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any Party may enter into this Deed by executing any such counterpart.

10.5 Invalidity

10.5.1 If any provision in this Deed shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the Parties.

10.5.2 If and to the extent it is not possible to delete or modify the provision, in whole or in part, under, then such provision or part of it shall, if and to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Deed and the legality, validity and enforceability of the remainder of this Deed shall, subject to any deletion or modification made under Clause 10.5.1, not be affected.

10.6 Further assurances

Each of the Parties shall, and shall use reasonable endeavours to procure that any necessary third party shall, from time to time execute such documents and perform such acts and things as any of them may reasonably require to transfer the Sale Shares to the Bank and to give the other the full benefit of this Deed.

10.7 Time

10.7.1 Time is of the essence in this Deed in respect of any date, times or period determined under this Deed and as regards any date, time and period which may be substituted for them in accordance with this Deed or by agreement in writing between the Parties.

10.7.2 All references to dates and times in this Deed are to dates and times in Hong Kong.

10.8 Third party rights

Except as otherwise expressly stated in this Deed, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of, or enjoy any benefit under, this Deed.

10.9 Waiver

The express or implied waiver by any Party of any of its rights or remedies arising under this Deed or by law shall not constitute a continuing waiver of the right or remedy waived or a waiver of any other right or remedy.

11 Governing Law

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with Hong Kong Law. Each of the Parties irrevocably submits to the exclusive jurisdiction of the courts of the Hong Kong.

12 Appointment of Process Agent

12.1 Each of the Elliott Parties hereby irrevocably appoints The Law Debenture Corporation(H.K.) Limited of Suite 1301, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as its agent to accept service of process in Hong Kong in any legal action or proceedings arising out of this Deed, service upon whom shall be deemed completed whether or not forwarded to or received by the relevant Elliott Party.

12.2 The Elliott Parties agrees to inform the Bank in writing of any change of address of such process agent within three Business Days of such change.

12.3 If the Elliott Parties' process agent ceases to be able to act as such or to have an address in Hong Kong, each of the Elliott Parties irrevocably agrees to appoint a new process agent in Hong Kong acceptable to the Bank and to deliver to the Bank within three Business Days a copy of a written acceptance of appointment by the process agent.

12.4 Nothing in this Deed shall affect the right to serve process in any other manner permitted by law or the right to bring proceedings in any other jurisdiction for the purposes of the enforcement or execution of any judgment or other settlement in any other courts.

SIGNED, SEALED AND DELIVERED as a DEED on the date shown at the beginning.

The Elliott Parties

Executed as a deed by **Elliott International, L.P.**
acting by its authorised signatory



[insert name]

Executed as a deed by **The Liverpool Limited Partnership** acting by its authorised signatory



[insert name]

Executed as a deed by **Wakeland Securities L.P.**
acting by its authorised signatory



[insert name]

Executed as a deed by **Artan Investments Limited**
acting by its authorised signatory



[insert name]

Executed as a deed by **Frasco Investments Limited**
acting by its authorised signatory



[insert name]

Executed as a deed by **Milton Investments Limited**
acting by its authorised signatory



[insert name]

Executed as a deed by **Parlan Investments Limited**
acting by its authorised signatory



[insert name]

Executed as a deed by **Trevet Investments Limited**
acting by its authorised signatory



[insert name]

The Bank

Executed as a deed by **THE BANK OF EAST ASIA, LIMITED** and signed on behalf of the Bank by two directors

} _____
Director

} _____
Director

**The Schedule
The Elliott Parties**

Name of Elliott Party	Registered Address of Elliott Party	Number of Sale Shares
Elliott International, L.P.	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	117,872,021
The Liverpool Limited Partnership	c/o Appleby Corporate Services (Bermuda) Ltd., Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	20,035,600
Wakeland Securities L.P.	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	108,601,552
Artan Investments Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	200
Frasco Investments Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	200
Milton Investments Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	200
Parlan Investments Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	200
Trevet Investments Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	200