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## The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

### ANNOUNCEMENT – DISCLOSEABLE TRANSACTION Investment in AFH

The Board announces that on 24 April 2007, the Bank entered into the Agreement with AFH in respect of its investment in AFH. Pursuant to the Agreement, the Bank (or one or more of its Affiliates) will subscribe for the New Shares to be issued by AFH and purchase the Existing Shares from the Vendors. Upon Completion, the Bank (or one or more of its Affiliates) will be interested in approximately 25% of the Enlarged Share Capital of AFH.

The Transaction constitutes a discloseable transaction for the Bank under Chapter 14 of the Listing Rules. A circular containing further details of the Transaction will be despatched to the shareholders of the Bank as soon as practicable.

The Bank is pleased to announce that on 24 April 2007, the Bank entered into the Agreement with AFH in respect of its investment in AFH.

#### The Agreement

Date: 24 April 2007

Parties: (1) the Bank  
(2) AFH

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, AFH and its ultimate beneficial owners, including the Vendors, are third parties independent of the Bank and the Bank's connected persons and are not connected persons of the Bank.

#### Subscription and purchase of Shares

Pursuant to the Agreement, the Bank (or one or more of its Affiliates) will subscribe for the New Shares to be issued by AFH and purchase the Existing Shares from the Vendors. The Bank (or one or more of its Affiliates) will negotiate with the relevant shareholders of AFH for the sale of the Existing Shares to the Bank, hence the identity of the Vendors is yet to be determined.

Upon Completion, the Bank (or one or more of its Affiliates) will be interested in approximately 25% of the Enlarged Share Capital of AFH.

#### Issue and purchase price

The subscription price per New Share and the purchase price per Existing Share payable by the Bank (or one or more of its Affiliates) shall each be an amount equal to the higher of (a) 1.3 times of the NTA per Share; or (b) the par value of each Share.

The pricing formula on the subscription price per New Share and the purchase price per Existing Share was arrived at arm's length among the Bank and AFH with reference to the NTA per Share and the par value of each Share. As the exact percentage of Shares to be subscribed and acquired by the Bank has not been determined, the actual amount of consideration payable by the Bank under the Transaction has not been finalised. The estimated amount of consideration payable by the Bank under the Transaction is approximately HK\$1,863,000,000.

The terms for payment of the subscription price for the New Shares and the purchase price for the Existing Shares will be agreed by the relevant parties in the Share Subscription Agreement and the Share Sale and Purchase Agreement respectively. The consideration payable under the Transaction will be financed by the Bank's internal resources.

#### Definitive Agreements

The Bank (or one or more of its Affiliates) will enter into (a) a definitive Share Subscription Agreement with AFH with respect to the subscription of the New Shares and (b) a definitive Share Sale and Purchase Agreement with the Vendors with respect to the purchase of the Existing Shares. AFH shall use its best endeavour to procure the Vendors to enter into the Share Sale and Purchase Agreement with the Bank (or one or more of its Affiliates).

#### Conditions

The Definitive Agreements will be conditional upon, among other things, the receipt of written approvals with respect to the Transaction from:

- the board of directors of AFH and the Board;
- the shareholders of AFH;
- Bank Negara Malaysia, the central bank of Malaysia;
- Securities Commission of Malaysia; and
- any other applicable regulatory authority in Malaysia, Hong Kong or elsewhere.

An announcement will be made by the Bank as soon as the Definitive Agreements have been entered into.

#### Information on the Bank

The Bank is a licensed bank incorporated and domiciled in Hong Kong. The principal activities of the Bank and its subsidiaries are the provision of banking and related financial services and business, corporate and investor services.

#### Information on AFH

AFH is a company incorporated in Malaysia and is regulated by the Bank Negara Malaysia, the central bank of Malaysia. It was listed on the main board of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia, on 4 November 1991. The principal activity of AFH is investment holding. The principal activities of its subsidiaries are commercial banking, hire purchase business, Islamic banking, investment banking, stock-broking, money broking, fund and unit trusts management. The principal activity of its jointly controlled entity and associate is underwriting of life insurance business and general insurance business respectively.

Based on the audited consolidated financial statements of AFH for the year ended 31 December 2006 prepared under the Malaysian FRS, the net profits of AFH before and after taxation and zakat (an Islamic concept of tithing and alms on the Islamic banking business) but before minority interests were approximately RM314,411,000 (equivalent to approximately HK\$716,857,000) and RM226,918,000 (equivalent to approximately HK\$517,373,000) respectively. Based on the audited consolidated financial statements of AFH for the year ended 31 December 2005 prepared under the Malaysian FRS, the net profits of AFH before and after taxation and zakat but before minority interests for the year ended 31 December 2005 were approximately RM326,538,000 (equivalent to approximately HK\$744,507,000) and RM251,538,000 (equivalent to approximately HK\$573,507,000) respectively. The audited consolidated net asset value of AFH was approximately RM3,476,843,000 (equivalent to approximately HK\$7,927,202,000) as at 31 December 2006.

#### Reasons for and benefits of the Transaction

The Transaction is in line with the business strategy of the Bank to grow its business organically through mergers and acquisitions as and when the Board sees appropriate. The Board believes that the investment in AFH will further strengthen the Bank's international markets.

In connection with the Transaction, the Bank intends to enter into other collaborative agreements with AFH to enable their co-operation in the development and operation of AFH's banking business.

The Directors believe that, the Transaction is entered into on normal commercial terms and the terms of the Transaction are fair and reasonable and in the interest of the shareholders of the Bank as a whole.

#### General

**The Transaction constitutes a discloseable transaction of the Bank under Chapter 14 of the Listing Rules. A circular containing further information on the Transaction will be despatched to the shareholders of the Bank as soon as practicable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, AFH and its ultimate beneficial owners, including the Vendors, are third parties independent of the Bank and the Bank's connected persons and are not connected persons of the Bank.**

#### Definitions

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

"Affiliates"	with respect to a corporation, means any corporation that is controlled by, controls or is under common control with that corporation and includes (i) a related corporation of the first-mentioned corporation; and (ii) any corporation where the first-mentioned corporation and its related corporations together, directly or indirectly, have an interest of 20% or more of its voting share capital
"AFH"	AFFIN Holdings Berhad, a company incorporated in Malaysia and the ordinary shares of which are listed on the main board of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia
"Agreement"	the legally binding agreement dated 24 April 2007 entered into between the Bank and AFH in respect of the Bank's investment in AFH
"Bank"	The Bank of East Asia, Limited, a company incorporated in Hong Kong and the ordinary shares of which are listed on the main board of the Stock Exchange
"Board"	the board of Directors
"Completion"	the completion of the issue, allotment and subscription of the New Shares and the sale and purchase of the Existing Shares to be agreed by the relevant parties in the Share Subscription Agreement and the Share Sale and Purchase Agreement respectively
"connected persons"	as defined in the Listing Rules
"control"	with respect to a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of such corporation
"Definitive Agreements"	the Share Subscription Agreement and the Share Sale and Purchase Agreement
"Directors"	directors of the Bank
"Enlarged Share Capital"	the enlarged share capital of AFH, after taking into account the issue and allotment of the new Shares (including the New Shares to be issued and allotted pursuant to the Share Subscription Agreement) and assuming all outstanding stock options and warrants issued by AFH are exercised and all other outstanding convertible securities which are convertible into new Shares, if any, are converted
"Existing Shares"	the relevant existing Shares currently held by the Vendors to be purchased by the Bank (or one or more of its Affiliates) pursuant to the Share Sale and Purchase Agreement
"HK\$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Malaysian FRS"	the Financial Reporting Standards issued by the Malaysian Accounting Standards Board
"New Shares"	the new Shares to be allotted and issued by AFH to the Bank (or one or more of its Affiliates) pursuant to the Share Subscription Agreement
"NTA per Share"	the amount equal to the consolidated net asset value based on AFH's audited consolidated financial statements for the year ended 31 December 2006 minus goodwill over the total number of Shares issued and paid-up as at 31 December 2006
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"Share Sale and Purchase Agreement"	the definitive share sale and purchase agreement to be entered into between the Bank (or one or more of its Affiliates) and the Vendors in respect of the sale and purchase of the Existing Shares
"Share Subscription Agreement"	the definitive share subscription agreement to be entered into between the Bank (or one or more of its Affiliates) and AFH in respect of the issue, allotment and subscription of the New Shares
"Shares"	ordinary shares of par value of RM1.00 each in the share capital of AFH
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the transactions contemplated under the Agreement
"Vendors"	the relevant shareholders holding the Existing Shares

For and on behalf of

**The Bank of East Asia, Limited**  
**Molly HO Kam-lan**  
Company Secretary

Hong Kong, 24 April 2007.

As at the date of this announcement, the Executive Directors of the Bank are: Dr. The Hon. Sir David Li Kwok-po (Chairman and Chief Executive), Mr. Joseph PANG Yuk-wing (Deputy Chief Executive) and Mr. CHAN Kay-cheung (Deputy Chief Executive); Non-executive Directors of the Bank are: Dr. Li Fook-wo, Mr. Aubrey Li Kwok-sing, Dr. William MONG Man-wai, Tan Sri Dr. KHOO Kay-peng, Mr. Richard Li Tzar-kai, Mr. Eric Li Fook-chuen and Mr. Stephen Charles Li Kwok-sze; and Independent Non-executive Directors are: Mr. WONG Chung-hin, Dr. LEE Shau-kee, Dr. Allan WONG Chi-yun, Mr. Winston LO Yau-lai, Mr. Thomas KWOK Ping-kwong, Mr. TAN Man-kou and Mr. Kenneth LO Chun-ming.

For illustration purpose only, translation of RM to HK\$ is based on the rate of RM1 to HK\$2.28. No representation is made that such amount was or could be exchanged at such rate.