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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)

CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE FOR ACQUISITION AND DEVELOPMENT OF LAND IN QIANHAI, THE PRC

The Bank is pleased to announce that on 7th December, 2016, the Bank, together with KHL and KPL, its joint bidders, won the land bid of Qianhai Authority to acquire the land use rights of the Land at a total consideration of RMB3,020 million (approximately HK\$3,412.6 million) for the development of the Project.

Following the successful bidding of the Land, the Bank, KHL and KPL entered into the Agreement relating to the development of the Project on 7th December, 2016. Pursuant to the Agreement, the Bank, KHL and KPL will establish the PRC JV in Qianhai with a total investment of RMB5,220 million (approximately HK\$5,898.6 million) to hold the land use rights of the Land and develop the Project, and will hold 25%, 50% and 25% of the equity interest in the PRC JV, respectively.

KHL and KPL are subsidiaries of a Majority Controlled Company of Mr. Kuok Khoon-ean, an Independent Non-executive Director of the Bank, and his family members. As such, KHL and KPL are Associates of Mr. Kuok Khoon-ean and Connected Persons of the Bank. Accordingly, the Transaction constitutes a connected transaction for the Bank under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios calculated under Chapter 14A of the Listing Rules with reference to the estimated total capital commitment of the Bank for the PRC JV is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the First Announcement with respect to the joint bidding of Land in Qianhai and payment of Deposit. Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as those defined in the First Announcement.

The Bank is pleased to announce that on 7th December, 2016, the Bank, together with KHL and KPL, its joint bidders, won the land bid of Qianhai Authority to acquire the land use rights of the Land at a total consideration of RMB3,020 million (approximately HK\$3,412.6 million) for the development of the Project. As disclosed in the First Announcement, the Deposit of RMB604.0 million (approximately HK\$682.52 million) has been paid and will be refunded to each of the Parties subject to payment of the consideration in accordance with the land use right transfer agreement.

THE LAND AND THE PROJECT

The land use type of the Land is for commercial use and will be granted for a term of 40 years. The Bank intends to use its respective portion of the Land mainly for self-use purpose.

The PRC JV, which will be established by the Bank, KHL and KPL through their respective special purpose vehicle, is required to enter into the land use right transfer agreement with Qianhai Authority within 3 months of the date of this announcement for the acquisition of the Land and shall pay the consideration within 5 working days from the date of signing of the land use right transfer agreement.

THE PRC JV AND THE AGREEMENT

On 7th December 2016, the Bank, KHL and KPL entered into the Agreement relating to the PRC JV for the Project, which set out, among other things, the formation of the PRC JV, the corporate governance structure of the PRC JV, the operation and management of the Project, as well as other rights and obligations of the Parties in respect of the PRC JV and the Project. The major terms of the Agreement are summarized as follows:

- Date:** 7th December, 2016.
- Parties:** (1) the Bank;
(2) KHL (a Connected Person of the Bank); and
(3) KPL (a Connected Person of the Bank).
- Shareholding:** Upon the establishment of the PRC JV, the Bank, KHL and KPL will through their respective special purpose vehicle own 25%, 50% and 25% of the equity interest in the PRC JV, respectively.
- Scope of business:** Unless otherwise unanimously agreed among the Parties, the sole business of PRC JV shall be the acquisition, construction, development, operation, leasing and property management of the Land.
- Management of the Project:** Notwithstanding that the Land is an asset of the PRC JV, KHL and KPL shall only develop, manage and operate the Kerry Project while the Bank shall only develop, manage and operate the BEA Project and shall only be entitled to participate in the profits and losses of the Kerry Project and the BEA Project respectively as if each project were a separate and stand-alone business.

Board composition: The board of directors of the PRC JV shall consist of no more than 4 directors, of which the Bank shall be entitled to nominate 1 director, KHL shall be entitled to nominate 2 directors and KPL shall be entitled to nominate 1 director.

Restriction on transfer: Except as otherwise provided in the Agreement, no Party may directly or indirectly dispose of any of its equity interest in the PRC JV during the Lock-up Period. The Parties will further agree on the exit mechanism which would allow the Parties to achieve separate ownership of their projects and may include, where deemed appropriate by the Bank, a right for the Bank to dispose of its interests to KPL and KHL after the Lock-up Period.

Termination: The Agreement may be terminated by mutual agreement of the Parties or upon the occurrence of certain events as set out in the Agreement.

FINANCIAL EFFECTS OF THE TRANSACTION

The total investment of the PRC JV will be RMB5,220 million (equivalent to approximately HK\$5,898.6 million). The Bank's maximum total financial commitment in the PRC JV is estimated at approximately RMB1,305 million (equivalent to approximately HK\$1,474.65 million), which may be further adjusted under certain circumstances as agreed among all Parties such as the adjustment of the gross floor area to be used by the Bank.

The registered capital of the PRC JV will be used for the consideration of acquiring the land use rights of the Land and the initial working capital.

The estimated amount of the construction and development costs of the Project, being the difference between the total investment of the PRC JV and its registered capital, is expected to be financed by external borrowings of the PRC JV, and to be secured by recourse to the Project.

It is currently expected that the funding required by the Bank will be sourced from its internal cash reserves. The funding requirement for making the capital commitment is not expected to have any material impact on the Bank.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Bank has a long history of operating in the PRC and is strongly committed to the China market. Currently, with the support of the Central Government, Qianhai has adopted a series of pilot policies with the view to developing itself into an experimental and exemplary zone for financial innovation in the PRC, and has in particular encouraged Hong Kong financial institutions to invest in the zone. In view of Qianhai's strategic significance, its proximity to Hong Kong and the preferential government policies, the Bank believes that it should, by entering into the Agreement and participating in the Project, establish a foothold in Qianhai and capture new business opportunities available to the first-movers.

The company group of KHL and KPL include experienced property developers which focus on developing premium property projects in Hong Kong, the PRC and the Asia Pacific region. By partnering with KHL and KPL, the Bank expects to make use of their expertise and take advantage of economies of scale in developing the Project.

In light of the above, the Bank believes that the formation of the PRC JV with KHL and KPL for the purpose of investment in and development of the Project is in alignment with the Bank's overall strategy and would benefit its long-term business development.

The amount of the capital commitment of each Party to the PRC JV was determined after arm's length negotiation with reference to the amount of the registered capital of the PRC JV, the shareholding to be held by the Parties, the land premium to be paid to the Qianhai Authority and the estimated construction and development costs.

The Directors (including the Independent Non-executive Directors) have confirmed that they are satisfied that though the Transaction is a minority investment outside the normal course of the Bank's operations, the terms of the Transaction are fair and reasonable, on normal commercial terms and are in the interests of the Bank and the shareholders of the Bank as a whole.

As KHL and KPL are Associates of Mr. Kuok Khoon-ean, an Independent Non-executive Director of the Bank, Mr. Kuok Khoon-ean has abstained from voting on the Board resolution with respect to the Transaction. In addition, Mr. Richard Li Tzar-kai, Mr. William Doo Wai-hoi and Dr. Daryl Ng Win-kong, each an Independent Non-executive Director of the Bank, as well as Dr. Peter Lee Ka-kit, a Non-executive Director of the Bank, have also abstained from voting on the Board resolution with respect to the Transaction due to potential conflict of interests. Save as disclosed above, no other Directors are regarded as having a material interest in the Transaction.

GENERAL INFORMATION

Incorporated in 1918, the Bank is Hong Kong's largest independent local bank, with total consolidated assets of HK\$756.6 billion (US\$97.5 billion) as of 30th June, 2016. Listed on the Stock Exchange, the Bank is a constituent stock of the Hang Seng Index.

The Bank offers customers a comprehensive range of corporate banking, personal banking, wealth management, and investment services through an extensive network of more than 220 outlets covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please refer to the Bank's website at www.hkbea.com.

The principal activity of KPL is investment holding and the principal activities of KPL's subsidiaries and Associates comprise property development, investment and management in Hong Kong, the PRC and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and integrated logistics and international freight forwarding.

KHL is the controlling shareholder of KPL and is principally engaged in investment holding.

IMPLICATIONS UNDER THE LISTING RULES

As KHL and KPL are subsidiaries of a Majority Controlled Company of Mr. Kuok Khoon-ean, an Independent Non-executive Director of the Bank, and his family members. As such, KHL and KPL are Associates of Mr. Kuok Khoon-ean and Connected Persons of the Bank. Accordingly, the Transaction constitutes a connected transaction for the Bank under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios calculated under Chapter 14A of the Listing Rules with reference to the estimated total capital commitment of the Bank for the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Agreement”	the master agreement dated 7 th December, 2016 entered into between the Bank, KHL and KPL
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“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)
“BEA Project”	the development, construction , operation and management of a building for office and commercial use mainly by the Bank and its subsidiaries on a site area with permissible total above ground gross floor area of 28,000 square metres, subject to further adjustment as agreed by all the Parties
“Board”	the board of Directors
“Central Government”	the central government of PRC
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit”	an amount of RMB604.0 million (approximately HK\$682.52 million) paid by the Parties (in the proportions of 25%, 50% and 25% by the Bank, KHL and KPL, respectively) in order to participate in the public bidding process in respect of the Land held on 7 th December, 2016 in Qianhai, Shenzhen, the PRC

“Directors”	the directors of the Bank
“First Announcement”	the announcement made by the Bank on 2 nd December, 2016 in respect of the joint bidding of Land in Qianhai and payment of Deposit
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kerry Project”	The development, construction, operation and management of a building for office and commercial use and a hotel by KPL, KHL and their subsidiaries
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong with limited liability
“KPL”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683)
“Land”	the land plot located at Land Parcel 02 & 04, Unit 7, Qianwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, the PRC (中國深圳市前海深港現代服務業合作區前灣片區七單元 02、04 街坊) (Land Parcel No.: T102-0260), with a site area of approximately 19,262.18 square meters for commercial use and a gross floor area of approximately 111,000 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	10 years from the date of (i) filing of the completion certificate or (ii) passing of planning inspection (whichever is earlier)
“Majority Controlled Company”	has the meaning ascribed to it under the Listing Rules
“Party(ies)”	party(ies) to the Agreement
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“PRC JV”	the joint venture company to be established in the PRC with limited liability and, upon its establishment, will be owned as to 25%, 50% and 25% by the Bank, KHL and KPL respectively through their respective special purpose vehicle
“Project”	the project in connection with the development of a financial and commercial complex on the Land
“Qianhai”	深圳市前海深港現代服務業合作區 (Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen City)
“Qianhai Authority”	深圳市前海深港現代服務業合作區管理局 (Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (English name for identification purposes only))
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the entering into of the Agreement and the formation of the PRC JV to develop the Project thereunder
“%”	per cent

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

Hong Kong, 7th December, 2016

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars have been calculated by using an exchange rate of RMB1 equal to HK\$1.13. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po[#] (Chairman & Chief Executive), 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. Richard LI Tzar-kai**, Mr. Kenneth LO Chin-ming**, Mr. Stephen Charles LI Kwok-sze*, Mr. William DOO Wai-hoi**, Mr. KUOK Khoon-ean**, Dr. Isidro FAINÉ CASAS*, Dr. Peter LEE Ka-kit*, Mr. Adrian David LI Man-kiu[#] (Deputy Chief Executive), Mr. Brian David LI Man-bun[#] (Deputy Chief Executive), Dr. Daryl NG Win-kong**, Mr. Masayuki OKU*, Dr. the Hon. Rita FAN HSU Lai-tai** and Mr. Meocre LI Kwok-wing***

[#] *Executive Director*

* *Non-executive Director*

** *Independent Non-executive Director*