

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF BEA LIFE LIMITED
AND ENTRY INTO DISTRIBUTION ARRANGEMENTS**

On 24th March, 2021, the Bank entered into the Share Sale and Framework Agreement with AIA in relation to the sale of BEA Life to AIA.

On the same day, the Bank entered into the Regional Distribution Agreement with AIA setting out the framework for the arrangements proposed to be entered into under which the AIA Group will be the exclusive provider of life insurance products for the Bank's personal banking customers in Hong Kong, the PRC and Macau, including for the avoidance of doubt the Greater Bay Area. Pursuant to the Regional Distribution Agreement, further Distribution Agreements are proposed to be entered into in relation to each of Hong Kong and the PRC (and, if applicable, Macau).

The consideration payable under the Share Sale and Framework Agreement for the shares in BEA Life and the Bank's entry into and compliance with the distribution arrangements contemplated in the Regional Distribution Agreement is HK\$5,070 million in cash.

In addition, on 24th March, 2021, BEA Life and Blue Cross entered into an agreement under which the Portfolio will be transferred from Blue Cross to BEA Life.

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but all are less than 25%, the Transaction constitutes a discloseable transaction of the Bank under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to: (a) the announcement published by the Bank on 23rd September, 2020 in relation to, among other things, the Bank's completion of its comprehensive strategic review of its portfolio of businesses and assets and its resulting decision to initiate a sale process for BEA Life, as part of which the Bank would seek to enter into a long-term exclusive distribution agreement to provide an ongoing source of revenue for the Bank as a distributor of insurance products through its banking platform; and (b) the announcement published by the Bank on 24th February, 2021 in relation to its 2020 final results, in which it announced, among other things, that it had launched the sale process for BEA Life and the Portfolio.

The Bank is pleased to announce that, on 24th March, 2021, the Bank entered into the Share Sale and Framework Agreement with AIA in relation to the sale of BEA Life to AIA.

On the same day, the Bank entered into the Regional Distribution Agreement with AIA setting out the framework for the arrangements pursuant to which the AIA Group will be the exclusive provider of life insurance products for the Bank's personal banking customers in the Covered Markets.

In addition, on 24th March, 2021, BEA Life and Blue Cross entered into a portfolio transfer agreement under which the Portfolio will be transferred from Blue Cross to BEA Life.

The material terms of the Share Sale and Framework Agreement and the Distribution Agreements are summarised below.

SHARE SALE AND FRAMEWORK AGREEMENT

Sale of BEA Life shares

The Share Sale and Framework Agreement was entered into between the Bank and AIA on 24th March, 2021. Pursuant to the Share Sale and Framework Agreement, the Bank conditionally agreed to sell, and AIA conditionally agreed to purchase, all the issued shares in the share capital of BEA Life.

Consideration

The consideration payable under the Share Sale and Framework Agreement for the shares in BEA Life and the Bank's entry into and compliance with the distribution arrangements contemplated in the Regional Distribution Agreement is HK\$5,070 million in cash, plus an amount equivalent to notional interest on that sum for the period from 30th September, 2020 to Closing.

The consideration was determined after arm's length negotiations between the Bank and AIA following a comprehensive auction process and taking into account (i) the historical business and financial performance of BEA Life; (ii) the expected value generated from the exclusive distribution agreements between the Bank and AIA; (iii) the valuation of trading comparable companies; and (iv) recent precedent transactions, taking into account the current market environment.

Conditions

Closing of the Disposal is subject to the satisfaction (or, where applicable, waiver) of the following conditions, or their satisfaction subject only to Closing:

- (i) any person that will become a "controller" (as defined under the Insurance Ordinance) of BEA Life as a result of the Disposal having obtained written approval or a written notice of no objection from the Insurance Authority to become a "controller" of BEA Life, and (if required) the Insurance Authority having indicated its non-objection to the arrangements under the transitional services agreement to be entered into on Closing;
- (ii) in respect of the Scheme, (if required by the SFC) notice of the change of controlling shareholder of BEA Life pursuant to the Code on Investment-Linked Assurance Schemes having been given to the participants of the Scheme and the SFC's prescribed notice period to the participants of the Scheme having expired;
- (iii) subject to certain conditions, there having been no change of control of, sale or transfer of all or substantially all of the assets or business in Hong Kong of, or cessation of business in Hong Kong by, the Bank;
- (iv) the accuracy of certain fundamental warranties; and

- (v) subject to certain exceptions, no material adverse effect having occurred and being continuing.

AIA may waive any of the conditions in paragraphs (iii), (iv) and (v). If any of the conditions are not satisfied (or, where applicable, waived) within 12 months, the Share Sale and Framework Agreement may be terminated by either party. As the Disposal is conditional, it may or may not proceed. Shareholders of the Bank and potential investors are advised to exercise caution when dealing in the securities of the Bank.

Other provisions

The Share Sale and Framework Agreement contains covenants, representations, warranties, undertakings and indemnities which are usual and customary for a transaction of this nature and scale.

DISTRIBUTION AGREEMENTS

Exclusive distribution arrangements

The Regional Distribution Agreement was entered into between the Bank and AIA on 24th March, 2021 and sets out the framework for the arrangements pursuant to which the AIA Group will be the exclusive provider of life insurance products for the Bank's personal banking customers in the Covered Markets.

Distribution Agreements will initially be entered into in respect of personal banking customers in Hong Kong and the PRC. If the Bank commences the sale of life insurance products to personal banking customers in Macau in the future, Macau will be within the scope of the exclusive partnership.

Term and termination

Each Distribution Agreement will have a term of 15 years from Closing subject to extension for up to three years or earlier termination in certain circumstances.

Fees

AIA Group members shall pay to the Bank commissions in respect of life insurance products which are sold through the Bank's distribution channels in the Covered Markets. Certain contingent fees and an outperformance bonus may also be payable in connection with the Distribution Agreements, in each case subject to production levels and other factors. AIA Group members will also provide allowances for use by either party as an expense reimbursement for sales and marketing activities.

OTHER AGREEMENTS

On 24th March 2021, Blue Cross entered into a portfolio transfer agreement with BEA Life to transfer the Portfolio to BEA Life. The transfer will be effected by way of a scheme of transfer under section 24 of the Insurance Ordinance and will not be conditional on the Disposal, but will be conditional on the scheme of transfer being sanctioned by the Hong Kong court. The consideration for such transfer shall be equal to the net asset value of the Portfolio on closing of the portfolio transfer.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the sale of BEA Life (including the Portfolio) along with entry into long term exclusive Distribution Agreements between the Bank and the AIA Group are in the best interests of the Bank as it will generate substantial value in the interests of the Bank's shareholders, consistent with the objectives laid out in the strategic review concluded in September 2020. By entering into the

Distribution Agreements, the Bank will be able to generate long-term sustainable fee income by distributing the AIA Group's protection, health and savings insurance solutions to the Bank's substantial personal banking customer base in Hong Kong and Mainland China, with a particular priority to capturing the significant wealth creation opportunities of the Greater Bay Area.

The Directors (including the independent non-executive Directors) believe that the terms and conditions of the Share Sale and Framework Agreement, the Distribution Agreements and the other agreements to be entered into as part of the Transaction are fair and reasonable and the Transaction is in the interests of the Bank and its shareholders as a whole.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, AIA (and the other relevant AIA Group members) and its ultimate beneficial owners are third parties independent of the Bank and the Bank's connected persons.

FINANCIAL EFFECT OF THE TRANSACTION AND USE OF PROCEEDS

The carrying amount of BEA Life was approximately HK\$2,571 million as at 31st December, 2020, and the audited net profits attributable to BEA Life for each of the two financial years ended 31st December, 2019 and 31st December, 2020 were respectively HK\$470 million and HK\$213 million (before tax and extraordinary items) and HK\$419 million and HK\$224 million (after tax and extraordinary items).

The Bank is expected to book a profit in the amount of approximately HK\$1,000 million in respect of the Disposal. The profit is calculated with reference to the net sale proceeds attributable to the Bank after deducting relevant transaction costs and expenses, and the carrying amount of BEA Life as at 31st December, 2020, and also includes the release of mark-to-market gains from reserves.

It is expected that part of the proceeds from the Disposal will be paid to shareholders, with the quantum and format to be determined by the board of Directors of the Bank post completion of the Disposal, taking into account the prevailing market conditions and regulatory expectations at the time. The proceeds will also be used to support future business development of the Bank.

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\$884.4 billion (US\$ 114.1 billion) as of 31st December, 2020.

The Bank offers customers a comprehensive range of corporate banking, personal banking, wealth management, and investment services through an extensive network of more than 170 outlets covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and United States. For more information, please refer to the Bank's website at www.hkbea.com.

BEA Life

BEA Life is a wholly owned subsidiary of the Bank providing a comprehensive range of life insurance products to both individual and corporate customers in Hong Kong. Reporting gross written premiums of HK\$5.4 billion in 2020, it distributes through the Bank's extensive network of branches and online channels. Immediately after Closing, the Bank will cease to hold any equity interest in BEA Life and BEA Life will cease to be a subsidiary of the Bank and will be a wholly owned subsidiary of AIA.

AIA

AIA is a wholly owned subsidiary of AIA Group Limited and is the lead operating entity within the AIA Group, which comprises the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau and New Zealand, and a 49 per cent joint venture in India.

The business that is now AIA Group was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$326 billion as of 31st December, 2020.

AIA Group meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. AIA Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia, AIA Group serves the holders of more than 38 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of the Stock Exchange under the stock code “1299” with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios under Rule 14.07 the Listing Rules is more than 5% but all are less than 25%, the Transaction constitutes a discloseable transaction of the Bank under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set out below:

“AIA”	AIA Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of AIA Group Limited as at the date of this announcement
“AIA Group”	AIA Group Limited and its subsidiaries
“Bank”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability the shares of which are listed on the Main Board of the Stock Exchange
“BEA Life”	BEA Life Limited, a company incorporated in Hong Kong with limited liability which is wholly owned by the Bank as at the date of this announcement
“Blue Cross”	Blue Cross (Asia-Pacific) Insurance Limited, a company incorporated in Hong Kong with limited liability which is wholly owned by the Bank as at the date of this announcement

“Closing”	completion of the Disposal
“Closing Date”	the date of Closing
“connected person”	has the meaning given to it in the Listing Rules
“Covered Markets”	Hong Kong, the PRC and Macau, including for the avoidance of doubt the Greater Bay Area
“Directors”	the directors of the Bank
“Disposal”	the proposed sale of all the issued shares in BEA Life by the Bank pursuant to the Share Sale and Framework Agreement
“Distribution Agreements”	the Regional Distribution Agreement, the Hong Kong Distribution Agreement, the PRC Distribution Agreement and any other distribution agreement entered into pursuant to the Regional Distribution Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Distribution Agreement”	the distribution agreement in respect of Hong Kong proposed to be entered into between the Bank and AIA International Limited as soon as reasonably practicable after the date of the Regional Distribution Agreement
“Insurance Authority”	the Insurance Authority of Hong Kong
“Insurance Ordinance”	the Insurance Ordinance (Chapter 41 of the laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Portfolio”	the residual portfolio of the long-term business of Blue Cross
“PRC”	the People’s Republic of China, excluding for this purpose Hong Kong, Macau and Taiwan
“PRC Distribution Agreement”	the distribution agreement in respect of the PRC proposed to be entered into between the Bank and AIA Life Insurance Company Limited on the Closing Date
“Regional Distribution Agreement”	the regional distribution agreement dated 24 th March, 2021 between the Bank and AIA
“Scheme”	Prosperity Link Insurance, being the investment-linked assurance scheme offered by BEA Life
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Sale and Framework Agreement”	the share sale and framework agreement dated 24 th March, 2021 between the Bank and AIA in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”

the Disposal and the proposed entry into the arrangements under the Distribution Agreements and other related agreements

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

Hong Kong, 24th March, 2021

As at the date of this announcement, the Board of Directors of the Bank comprises 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*