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This Letter is important and requires your immediate attention.

If you are in any doubt about the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.



The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

Executive Directors:

Dr. The Hon. David LI Kwok-po (*Chairman and Chief Executive*)

Mr. Joseph PANG Yuk-wing (*Deputy Chief Executive*)

Mr. CHAN Kay-cheung (*Deputy Chief Executive*)

Registered Office:

10 Des Voeux Road Central
Hong Kong.

Non-executive Directors:

Dr. LI Fook-wo

Dr. The Hon. Simon LI Fook-sean

Mr. Aubrey LI Kwok-sing

Dr. William MONG Man-wai

Tan Sri Dr. KHOO Kay-peng

Mr. Richard LI Tzar-kai

Independent Non-executive Directors:

Mr. WONG Chung-hin

Dr. LEE Shau-kee

Dr. Allan WONG Chi-yun

Mr. Winston LO Yau-lai

Mr. Thomas KWOK Ping-kwong

Dear Shareholder,

25th August, 2004

INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE, 2004 SHARE OPTION IN LIEU OF CASH DIVIDEND

1. Particulars of the Scrip Dividend Scheme

On 30th July, 2004 your Directors declared an interim dividend of HK\$0.28 per share for the six months ended 30th June, 2004 in cash and that any shareholder entitled to receive such dividend would be given the option to elect to receive new, fully paid shares in lieu of cash ("Scrip Dividend Scheme"). The dividend will be paid on or about Wednesday, 15th September, 2004 to shareholders whose names were on the Register of Members at the close of business on Wednesday, 25th August, 2004. The last date on which transfers were accepted for registration for participation in the Scrip Dividend Scheme was 20th August, 2004.

Shareholders thus have the choice of receiving:

- (a) cash of HK\$0.28 in respect of each share; or
- (b) an allotment of shares of HK\$2.50 each credited as fully paid ("New Shares") having a market value (as set out below) equal to the amount of dividend which shareholders could elect to receive in cash; or
- (c) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted, the market value of the New Shares means the average closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the existing shares of the Bank from Monday, 30th August, 2004 to Friday, 3rd September, 2004. The exact number of New Shares to which a shareholder electing to receive New Shares in lieu of cash will be entitled may only be determined after the close of business on 3rd September, 2004. The basis of allotment of the New Shares will be published in the press on Monday, 6th September, 2004.

Fractional entitlements to the New Shares in respect of choices (b) and (c) above will be disregarded and the benefit thereof will accrue to the Bank. The New Shares will, on issue, not be entitled to the interim dividend in respect of the six months ended 30th June, 2004, but will rank *pari passu* in all other respects with the existing shares.

2. Conditions of Scrip Dividend Scheme

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the New Shares.

3. Share Certificates and Stock Exchange Listing

Application has been made to the Listing Committee of the Stock Exchange for a listing of and permission to deal in the New Shares. The certificates for the New Shares will be sent by ordinary mail to shareholders at their own risk on or about Wednesday, 15th September, 2004. No part of the shares or other debt securities of the Bank is listed or dealt in on any stock exchange other than the Stock Exchange.

4. Central Clearing and Settlement System ("CCASS")

Shares issued by the Bank have been admitted as eligible securities for deposit and settlement in CCASS established and operated by Hong Kong Securities Clearing Company Limited. Dealings in the shares of the Bank may be settled through CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

5. Form of Election

A Form of Election is enclosed (*see Note*) with this letter for use by shareholders who wish to receive the interim dividend in New Shares or to make a permanent election to receive shares in lieu of any future dividends to be payable in cash with a scrip alternative. Please complete and return the enclosed Form of Election to reach Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, **by 4:00 p.m. on Thursday, 9th September, 2004.**

*Note: The Form of Election has not been enclosed for the shareholders who have previously elected to receive their dividends in scrip or in cash permanently. If you wish to change the permanent election, please inform Standard Registrars Limited by notice in writing **by 4:00 p.m. on Thursday, 9th September, 2004.***

If you wish to receive your dividend in cash in respect of the current interim dividend, you need take no action. Shareholders who do not make an election to receive their dividend in scrip will receive the dividend in cash.

If you wish to receive New Shares in lieu of cash dividend in respect of the current interim dividend, you should complete Box D and fill in the number of registered shares for which you wish your dividend to be paid in shares.

If you wish to receive New Shares in lieu of cash dividend in respect of the current interim dividend and all future dividends permanently, you should enter a (✓) in Box E. A permanent election cannot be made in respect of part of your registered shares.

If you wish to receive all future dividends in cash permanently, you should sign the section on Permanent Receipt of Cash Dividend on the reverse side of the Form of Election.

6. Shareholders Resident Outside Hong Kong

All shareholders resident outside Hong Kong should consult their bankers or other professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to participate in the Scrip Dividend Scheme. Such shareholders receiving a copy of this letter and/or a Form of Election outside Hong Kong may not treat the same as an invitation to participate in the Scrip Dividend Scheme unless such invitation could lawfully be made to him without having to comply with any registration or other legal requirements in the relevant territory.

The Bank has made enquiries regarding the feasibility of extending the Scrip Dividend Scheme to shareholders with registered addresses in the United States of America or Canada. Since registration or filing or other procedure will need to be carried out in relation to the Scrip Dividend Scheme to comply with the relevant securities legislation in these two countries, the Directors have formed the view that it is not expedient to make available the Scrip Dividend Scheme to these shareholders. Therefore, shareholders whose registered address are in the United States of America or any of its territories or possessions or in Canada will not be permitted to participate in the Scrip Dividend Scheme. Such shareholders will receive the 2004 interim dividend wholly in cash and no Form of Election is being sent to such shareholders.

Yours faithfully,
Molly HO Kam-lan
Company Secretary