



The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

CONNECTED TRANSACTION

The Board is pleased to announce that on 17th May, 2006, the Bank has formed the JV Company with certain connected persons, Dr. William MONG Man-wai and Mr. Stephen Charles LI Kwok-sze, both being directors of the Bank and Dr. Simon LI Fook-sean, an ex-director of the Bank, and their respective associates and certain independent third parties.

The JV Company is owned as to: 51.11% by the Bank; 16.67% by Dr. William MONG Man-wai and his associates; 3.33% by Mr. Stephen Charles LI Kwok-sze and his associates; 1.11% by Dr. Simon LI Fook-sean and the remaining 27.78% interest in the JV Company is held by several independent third parties. The sole business of the JV Company is its investment in US\$90 million or equivalent worth of the shares in the global offering of Bank of China Limited, a joint stock company incorporated in the People's Republic of China with limited liability and whose shares are to be listed on the Stock Exchange on 1st June, 2006.

As the applicable percentages ratios for the transaction in respect of the JV Company are more than 0.1% but less than 2.5% for the Bank, such transaction constitutes a connected transaction for the Bank under Rule 14A.32 (1) of the Listing Rules and is only subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approvals requirement.

Formation of the JV Company

The Bank of East Asia, Limited (the "Bank") is pleased to announce that on 17th May, 2006, the Bank has formed a joint venture company, Manilink Company Limited (the "JV Company") with Dr. William MONG Man-wai and his associates; Mr. Stephen Charles LI Kwok-sze and his associates and Dr. Simon LI Fook-sean, the father of Mr. Stephen Charles LI Kwok-sze, who retired as a director of the Bank with effect from 7th April, 2006 and certain independent third parties.

As Dr. William MONG Man-wai and Mr. Stephen Charles LI Kwok-sze are Non-executive Directors of the Bank and Dr. Simon LI Fook-sean is an ex-director of the Bank, they are connected persons of the Bank, the formation of the JV Company with Dr. William MONG Man-wai, Mr. Stephen Charles LI Kwok-sze and Dr. Simon LI Fook-sean and their respective associates is a connected transaction for the Bank under Rule 14A.32 (1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Information about the JV Company

The JV Company was incorporated in the British Virgin Islands with limited liability on 6th April, 2006. The total issued share capital of the JV Company is US\$90, comprising of 90 shares of US\$1 each, all of which have been fully paid up.

The sole business of the JV Company is its investment in US\$90 million or equivalent worth of the shares in the global offering of Bank of China Limited, a joint stock company incorporated in the People's Republic of China with limited liability and whose shares are to be listed on The Stock Exchange of Hong Kong Limited on 1st June, 2006. The JV Company has entered into an agreement with the Bank of China Limited on 9th May, 2006 with regard to its proposed subscription of US\$90 million or equivalent worth of shares in the institutional tranche of the global offering of Bank of China Limited. The JV Company will finance the acquisition of the US\$90 million or equivalent worth of shares of Bank of China Limited by shareholders loan contributed by its shareholders in proportion to their respective shareholdings in the JV Company.

Shareholdings of the JV Company

The JV Company is owned as to: 51.11% by the Bank; 16.67% by Dr. William MONG Man-wai and his associates; and 3.33% by Mr. Stephen Charles LI Kwok-sze and his associates and 1.11% by Dr. Simon LI Fook-sean and the remaining 27.78% interest in the JV Company is held by independent third parties not connected with the chief executive, substantial shareholders of the Bank and its subsidiaries or any of their respective associates who are clients of the Bank. It is agreed that profit and loss in the JV Company will be shared by the Bank and the other shareholders in proportion to their respective shareholdings in the JV Company. The total funding commitment of the Bank in the JV Company in the form of capital and shareholders loan is US\$46 million, representing its 51.11% interest in the JV Company. It is expected that such commitment will be funded from the Bank's internal resources. A wholly owned subsidiary of the Bank, The Bank of East Asia (Nominees) Limited, will act as the sole director of the JV Company. The JV Company will be regarded as a subsidiary of the Bank and its accounts will be consolidated into the accounts of the Bank.

Reasons and benefit of the JV

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.

As the JV Company will hold the US\$90 million or equivalent worth of shares of Bank of China Limited, the investment in the JV Company represents a good investment opportunity for the Bank and it is in line with the business strategy of the Bank to form strategic alliance with banks in the People's Republic of China.

In addition to its commitment to subscribe for the Bank of China Limited shares through the JV Company, the Bank has also entered into an agreement with Bank of China Limited on 9th May, 2006 to subscribe for US\$90 million or equivalent worth of shares in the institutional tranche of the global offering of Bank of China Limited.

As the capital and the funding requirements of the JV Company are contributed by the Bank and the other shareholders in proportion to their respective shareholdings in the JV Company, the Directors (including the independent non-executive directors) have confirmed that the investment in the JV Company was entered into on normal commercial terms and are fair and reasonable and in the interests of the Bank and its shareholders as a whole.

General

As the applicable percentages ratios for the transaction in respect of the JV Company are more than 0.1% but less than 2.5% for the Bank, the transaction is only subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approvals requirement.

By Order of the Board
Molly HO Kam-lan
Company Secretary

Hong Kong, 18th May, 2006.

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 of the Bank 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 Chin-ming.