

For Immediate Release

**BEA Launches Capital Guaranteed Range Accrual
Index Linked Deposit – Series 7**

Hong Kong, 25th July, 2005 – The Bank of East Asia (“BEA”) today announces the launch of Capital Guaranteed Range Accrual Index Linked Deposit – Series 7 (the “Linked Deposit”). It provides 100% principal protection plus an opportunity to earn a maximum return of 6.00% p.a. depending on the performance of the USD 10-Year Interest Rate. The offering period will be from 26th July to 8th August, 2005.

Although the tenor of the Linked Deposit is set at three years, the coupon that investors will earn for the whole period is only subject to the daily performance of the USD 10-Year Interest Rate during Year 1. In Year 1, the daily range accrual structure allows investors to accumulate coupons on a daily basis (up to 6.00%p.a.) if the USD 10-Year Interest Rate stays at or above 4.250% (Note: as of 5th July, 2005, the USD 10-Year Interest Rate is 4.519%). In the subsequent years, no matter how the USD 10-Year Interest Rate moves, the return that investors will earn is the same as the Coupon Rate in the last quarter of Year 1. Thus, under the best-case scenario (i.e. the USD 10-Year Interest Rate always stays at or above 4.250% in Year 1), investors will be entitled to earn a maximum coupon of 18.00% (i.e. 6.00%p.a.) for the whole three-year investment period.

The three-year investment period may be shortened if the Bank exercises its right to call and terminate the Linked Deposit on any Coupon Payment Date. The shortest possible investment tenor will be three months. Once the Linked Deposit is called and terminated, no further coupons will be paid, apart from the coupon scheduled on such Coupon Payment Date.

The Linked Deposit is designed for investors with a low-risk threshold and who believe that the USD interest rate will rise in the short-term while the long-term interest rate (i.e. USD 10-Year Interest Rate) will remain higher than the short-term interest rate in the coming year.

Growth in the US economy is expected to remain robust after nine consecutive rate hikes since 30th June, 2004. GDP recorded a healthy 3.80% growth in the first quarter of 2005 and overall growth in 2005 and 2006 is expected to be above 3.00%. Supported by the Federal Open Market Committee’s plan to carry out further rate increases at a “measured” pace in view of the economic expansion and an improved job market, the short-term interest rate is expected to rise while the long-term interest rate should remain steady at its current level.

Investors in the Linked Deposit do not need to pay any subscription or management fees when the Linked Deposit is placed, and early withdrawal of the Linked Deposit is allowed from the second year onwards (please refer to the table below for details). BEA will also provide overdraft facilities at a competitive interest rate to selected customers upon request.

During the offering period from now to 8th August, 2005, investors will be entitled to a HKD100 PARKnSHOP gift coupon for the initial subscription amount of USD10,000. An additional HKD50 PARKnSHOP gift coupon will be offered for every subsequent amount of USD5,000. The higher the subscription amount placed by investors, the more gift coupons they will receive.

For further details, please refer to the Principal Brochure of the Capital Guaranteed Range Accrual Index Linked Deposit – Series 7 or visit BEA’s website at www.hkbea.com.

Details of the Linked Deposit:

Offer Period	26 th July, 2005 – 8 th August, 2005
Minimum Deposit Amount for Each Investor	USD5,000 or its multiple
Minimum Aggregate Deposit Amount for All Investors	USD10,000,000
Settlement Date	11 th August, 2005
Maturity Date	11 th August, 2008 (subject to the Bank's Callable Right)
Fees & Charges	No fees and charges are payable by investors. All related charges incurred by the Bank are already inherently contained in and subsumed into the calculation of the coupon rate and other variables under the Linked Deposit.
Early Redemption	Redemption prior to maturity is only permitted starting from one year after the Settlement Date on the third business day of March, June, September, or December and is subject to costs, losses, and expenses absolutely determined by the Bank. Please refer to the Early Redemption section of the Principal Brochure.

Risk Factors:

1. This Linked Deposit is not the same as nor should it be treated as a substitute for normal time deposits.
2. By participating in such Linked Deposit, the investors are committed to holding the Linked Deposit until the Maturity Date (unless the Bank calls and terminates the Linked Deposit prior to the Maturity Date).
3. The potential risk is that if the USD 10-Year Interest Rate falls below 4.250% every day during the First Calculation Period, investors will only get back 100% of the Deposit Amount on the Maturity Date or upon the Bank's exercise of its Callable Right and no coupon will be earned for the whole investment period.
4. Investors have to bear the reinvestment risk if the Bank calls and terminates the Linked Deposit.
5. Investors should note that if they choose to early redeem the Linked Deposit before the Maturity Date, they **may not receive the full original invested capital**. The invested capital would only be 100% protected if investors hold the Linked Deposit until the Maturity Date or the Bank exercises its Callable Right, as the case may be.
6. This Linked Deposit is denominated in USD. Investors who wish or intend to convert the Deposit Amount and / or any coupon into a different currency (e.g. Hong Kong Dollar) are subject to the relevant foreign exchange risk.
7. Investors should fully understand all the risks associated with the Linked Deposit before making an investment decision. Past performance is not necessarily indicative of future performance.
8. Investors should seek independent legal and financial advice.

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