

For Immediate Release

BEA Launches USD Floating Booster Index Linked Deposit – Series 2

Hong Kong, 17 May 2004 – The Bank of East Asia (“BEA”) today announced the launch of a principal protected investment product – USD Floating Booster Index Linked Deposit – Series 2 (the “Linked Deposit”) today. This Linked Deposit is an alternate investment opportunity for investors who anticipate that the interest rate will only rise gradually over the next couple of years.

The Linked Deposit is one of the many investment products that are currently being offered under the Linked Deposit Series of BEA. Under the Linked Deposit arrangement, the principal is 100% protected along with the first year annual coupon rate fixed at 8%. The return of the Linked Deposit is linked to the movements of the USD LIBOR (London Interbank Offered Rate). Coupon payments will be paid quarterly and the maximum investment tenor is 5 years. BEA can exercise its right to call and terminate the Linked Deposit (the “Callable Right”) on any scheduled Coupon Payment Date, which in turn may shorten the investment period.

This Linked Deposit should be suitable for investors who expect the interest rate will not rise significantly during the investment tenor. Recent US economic data showed 1st quarter business productivity grew at an annual pace of 3.5% and that the unit labour costs rose by 0.5%. With the unit labour cost rising just modestly and the unemployment rate still stays at 5.6%, it is very hard to see the prices of goods and services taking off drastically. The chances for the US Fed to raise rates aggressively in the next FOMC meeting, which is scheduled on 30 June 2004, to be unlikely.

History has shown that for the last decade, the 3-month LIBOR has never reached higher than 6.9% and the average quarterly increment is only approximately 0.25%. The likelihood of a drastic rate hike in the next couple of years should be slim. Hence, the current economic environment in the US cannot tolerate too high Fed funds rate, at least not in the near future when the US presidential election will take place in November 2004.

The Linked Deposit is designed for investors who have a low risk threshold, but aiming at a better return than that currently offered by normal time deposits. This investment product is structured based on the premise of the abovementioned economic forecasts and assumptions to provide a 100% principal protection plus a possible step-up coupon return.

The launch period for the Linked Deposit will be from 17 May 2004 to 21 May 2004. No subscription fee or management fee will be levied for placing the Linked Deposit. Early withdrawal of the Linked Deposit is only allowed from the 2nd year onwards (along with associated administrative fees). BEA will also provide overdraft facility with a competitive interest rate to its selected customers upon request.

For further details, please refer to the Principal Brochure of USD Floating Booster Index Linked Deposit – Series 2.

Details of the Linked Deposit:

Offer Period	17 May 2004 – 21 May 2004
Minimum Deposit Amount for each Investor	USD 10,000 or its multiple
Minimum Aggregate Amount for all Investors	USD 10,000,000
Settlement Date	27 May 2004
Maturity Date	27 May 2009 (subject to the BEA's Callable Right)
Fees & Charges	No fees and charges are payable by investors. All related charges incurred by BEA are already inherently contained in and subsumed into the calculation of the interest rate and other variables under the Deposit.
Early Withdrawal	Redemption prior to maturity is only permitted from the 2 nd year onwards and is subject to costs, losses, and expenses absolutely determined by BEA.

Disclaimer:

Floating Booster Index Linked Deposit – Series 2 is not the same as nor should it be treated as a substitute for normal time deposits. By participating in such Linked Deposit, the investors are committed to holding the Linked Deposit until maturity (unless BEA calls and terminates the Linked Deposit before maturity). The potential risk is that if the 3-month LIBOR rises sharply and trades beyond 10% 15 months afterwards and stays at this level for the remaining investment period, investors will then receive no Coupon Payment on the relevant Coupon Payment Dates and need to hold the Linked Deposit for 5 years until maturity unless BEA calls and terminates the Linked Deposit during the investment tenor. The higher the LIBOR, the lower the investment return will be. Investors have to bear the reinvestment risk if BEA calls and terminates the Linked Deposit.

Investors should note that in case of early redemption of 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 upon the Bank exercises its Callable Right, as the case may be. This Linked Deposit is denominated in USD. Investors who wish or intend to convert the Deposit Amount and / or Coupon Amount into a different currency (e.g. Hong Kong Dollar) are subject to the relevant foreign exchange risk. Investors should fully understand all the risks associated with the Linked Deposit before making an investment decision. Investors should seek independent legal and financial advice.

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