

For Immediate Release

BEA Launches Range Accrual (HIBOR) Index Linked Deposit

Hong Kong, 28th June 2004 – The Bank of East Asia (“BEA”) today announced the launch of a principal protected investment product – Range Accrual (HIBOR) Index Linked Deposit (the “Linked Deposit”). This Linked Deposit is a good 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 opportunity to earn a maximum coupon of 30%. The return of the Linked Deposit is linked to the movements of the HKD 3-Month HIBOR (Hong Kong Inter-bank Offered Rate). Any coupon payments will be made 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.

The Daily Accrual structure enables investors to accumulate coupon on a daily basis if the 3-Month HIBOR stays within certain pre-defined ranges. In addition, the step-up range mechanism allows investors to enjoy a greater opportunity to accumulate coupons even in a monetary tightening cycle where interest rate will be raised to combat anticipated inflation. This Linked Deposit should be suitable for investors who expect the interest rate will not rise significantly during the tenor of the deposit.

Since the second half of 2003, Hong Kong has been experiencing strong and broadening recovery. Key economic numbers released so far have been pointing to a better future for Hong Kong with stabilising or improving unemployment and domestic consumption, easing deflationary pressure and a bottoming out of the residential property market. Nevertheless, in the first quarter of 2004, the Composite Consumer Price Index in Hong Kong still registered a decline of 1.8%. Accordingly, even if the US Fed has to raise its rates before the November Presidential election, there is a high chance that Hong Kong may not follow suit. In addition, it is now generally believed that even the US interest rate has to go up, the magnitude should be quite modest. Against this background, the current investment environment should be desirable for investment opportunities that link with interest rates.

The Linked Deposit is designed for investors who have a low risk threshold, but aiming for 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 and will provide a 100% principal protection together with the potential for a Daily Accrual Coupon return.

The launch period for the Linked Deposit will be from 28th June 2004 to 6th July 2004. No subscription fee or management fee will be levied for placing the Linked Deposit. Early Redemption of the Linked Deposit will only be allowed one year after the

Settlement Date (along with associated administrative fees). BEA will also provide overdraft facility with a competitive interest rate to investors upon request.

For further details, please refer to the Principal Brochure of Range Accrual (HIBOR) Index Linked Deposit.

Details of the Linked Deposit:

Offer Period	28 th June 2004 – 6 th July 2004
Minimum Deposit Amount for each Investor	HKD 50,000 or its multiple
Minimum Aggregate Amount for all Investors	HKD 50,000,000
Settlement Date	9 th July 2004
Maturity Date	9 th July 2009 (subject to 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 Redemption	Redemption prior to maturity is only permitted from one year after the Settlement Date and is subject to costs, losses, and expenses absolutely determined by BEA.

Disclaimer:

This Linked Deposit 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 HIBOR rises sharply and trades beyond 3% immediately after the Settlement Date and keeps rising to above their predefined ranges in every subsequent years (4% in Year 2, 4.5% in Year 3, 5% in Year 4 and 5.5% in Year 5) and never falls within any of the predefined ranges, 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 3-Month HIBOR, the greater the opportunity that no coupon will be paid. 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 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 BEA exercises its Callable Right, as the case may be. 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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