

For Immediate Release

BEA Launches USD and HKD Floating Booster Index Linked Deposit – Series 3

Hong Kong, 16th August 2004 – The Bank of East Asia (“BEA”) today announced the launch of a principal protected investment product – USD and HKD Floating Booster Index Linked Deposit – Series 3 (the “Linked Deposit”). The offer period will be from 16th to 20th August 2004. 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 being currently offered under the Linked Deposit Series of BEA. Under the Linked Deposit arrangement, the principal is 100% protected along with the first quarter of Year 1 and Year 3 annual coupon rate being fixed at 5.75% for USD and 5.25% for HKD. A new coupon reset feature is embedded in the first quarter of Year 3 which provides an opportunity for investors to earn coupon again even if the rate rises drastically beyond 7.5% for USD and 6.25% for HKD 3 months after the settlement date. The return of the Linked Deposit is linked to the movements of the USD LIBOR (London Interbank Offered Rate) for USD tranche and HIBOR (Hong Kong Interbank Offered Rate) for HKD tranche. Coupon payments will be made quarterly and the maximum investment tenor is 4 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. Even though the Fed Funds Rate was increased by 25bps to 1.5%, it is forecasted of a moderate slowing in the US over the next year, based on the fading of fiscal and monetary stimulus, significantly higher oil prices, and higher interest rates. A slowing US economy should temper the Fed’s pace as it would not want to endanger a fragile expansion. Since the US Fed is now balancing the threats of inflation and deflation, this round of tightening will be longer and milder than in the past.

As in the Hong Kong front, the key economic data shows Hong Kong economy is heading towards a better future, with unemployment rate held at a two-year low of 6.9%, retail sales rose by 14.5% in June. However, it is generally anticipated that Hong Kong would follow similar trend of the US and any aggressive tightening is not expected in the near future.

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.

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 Brochures of USD and HKD Floating Booster Index Linked Deposit – Series 3.

Details of the Linked Deposit:

Offer Period	16 th August 2004 – 20 th August 2004
Minimum Deposit Amount for each Investor	USD 10,000 or its multiple / HKD 50,000 or its multiple
Minimum Aggregate Amount for all Investors	USD 10,000,000 / HKD 50,000,000
Settlement Date	25 th August 2004
Maturity Date	25 th August 2008 (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 Linked Deposit.
Early Withdrawal	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:

Floating Booster Index Linked Deposit – Series 3 is not the same as nor should it be treated as a substitute for normal time deposits. The potential risk is that if the 3-Month LIBOR or HIBOR rises sharply and trades beyond 7.5% and 6.25% respectively after the 1st quarter of Year 1 and stays at this level until the scheduled coupon reset date, investors will then receive no Coupon Payment on the relevant Coupon Payment Dates after the 1st Coupon Payment Date and before the said coupon reset date. After the reset of the coupon, if the 3-Month LIBOR or HIBOR rises sharply again and trades beyond 9.5% and 8.25% respectively after the 1st quarter of Year 3 and stays at this level for the remaining investment period, investors will then receive no further Coupon Payment after such coupon reset date and need to hold the Linked Deposit until maturity unless BEA calls and terminates the Linked Deposit during the investment tenor. The higher the LIBOR or HIBOR, the lower would be the investment return. 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 and the guaranteed coupon. 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. In the case of USD tranche, 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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