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Preface

To weather the stock market storm, it is better to well-equip yourself before setting sail. This booklet provides you an overview of Hong Kong stock market and valuable information on investment.



Overview of Hong Kong stock market

Stocks are certificates issued by a company to its investors for fund raising purposes and they are evidence of capital ownership of the company. In general, holders of such stocks are entitled to receive dividend paid by the company. Stocks can be traded on the stock exchange if they are listed. Currently, Hong Kong Exchanges and Clearing Limited (“HKEx”) is the only institution in Hong Kong which provides securities trading services in secondary market as well as initial public offering and placement in primary market.

➤ Hang Seng Index and China Enterprises Index

Hang Seng Index is a key index that reflects the movement of Hong Kong stock market. This index is compiled and computed by Hang Seng Indexes Company Limited (“Hang Seng Indexes”), which reviews the constituents of the index on a quarterly basis. These constituent stocks are generally known as Blue Chips, covering more than 60% of the total market capitalization of Hong Kong stock market. As of 27 January 2012, there were 48 constituent stocks of Hang Seng Index. The weighting of each constituent stock in the Hang Seng Index adopts freefloat-adjusted market capitalization weighted methodology.

In addition, Hang Seng Indexes also compiles China Enterprises Index, which is also known as HSCEI or H-shares Index. It is an important index that reflects the movement of H-shares listed in Hong Kong. H-shares are foreign shares issued by enterprises incorporated in the Mainland that are listed in Hong Kong. These enterprises may also issue RMB denominated ordinary shares in the Mainland, which are known as A-shares. A-shares and H-shares are not interchangeable and they are often priced differently (with H-shares at a discount in most cases) due to different valuations between the bourses in the Mainland and Hong Kong. As of 27 January 2012, there were 40 constituent stocks of HSCEI.

➤ Main Board and Growth Enterprise Market

Main Board and Growth Enterprise Market (GEM) are the market places provided by the HKEx for capital formation by different types of companies. The Main Board is a market for more established businesses with a longer history and a profit record, or fulfil alternative financial tests.

Established by HKEx in 1999 with reference to NASDAQ in the United States, GEM is a stock market different from the Main Board. GEM aims to offer a financing channel to emerging enterprises that have considerable growth potential but do not fulfil the track record requirements for listing on the Main Board. Therefore, the listing requirements for GEM are less demanding than those for the Main Board. Most companies listed on GEM are technology companies and are usually assigned a four-digit stock code beginning with 8.

➤ Derivative trading

Derivatives are geared investment products and their prices are linked to underlying assets. Investors may enter the market with relatively smaller amount of capital through derivative trading. Derivative trading is active in Hong Kong stock market. On average, derivative trading accounts for about 30% of the total market turnover*. Investors should fully understand the characteristics and the associated risks before investing in derivatives as the risks of derivative trading are generally higher than stock trading. Derivatives that can be traded on HKEx including warrants and callable bull/bear contracts (CBBC). Besides, futures and option contracts are available for trading on Hong Kong Futures Exchange Limited.

*Extracted from the market highlights statistics reports of HKEx in Q4 2011.

➤ Reminder for derivative trading — Investor characterisation

Financial derivatives are in great variety. To enhance protection on the investing public and to comply with the relevant guidelines stated by Securities and Futures Commission (“SFC”) and Hong Kong Monetary Authority, banks are obliged to assess their clients’ knowledge in derivatives and classify them into different categories based on the assessment result as to ensure them understand the risks involved in derivative trading before transaction. Meanwhile, investors should also inquire about and fully understand the product features of derivatives and the inherent risks involved before making investment decision.

➤ Trading hours of HKEx⁺

Pre-opening Auction Session	Buyers and sellers may place at-auction limit orders from 9:00am – 9:28am. The trading system will match orders in offering price and time sequence by finding out the final indicative equilibrium prices. Unmatched orders will be put in the price queue when the market opens.
Morning Session	9:30am - 12:00pm
Afternoon Session	1:00pm - 4:00pm
Closing Auction Session	Starting from 3:59pm, nominal price will be recorded once every 15 seconds. The median of these 5 nominal prices will be taken as the closing price.

⁺ Subject to the trading hours announced by HKEx

➤ Pricing mechanism for stock trading

Share prices are determined by the market. Investors can generally make use of limit order or market order for securities trading. Investors can control the stock buying / selling price via limit order, and the transaction will be completed if the price is accepted by seller / buyer on the other side. Investors can also choose to trade via market order for transaction in real-time market price.

➤ Stock settlement and relevant transaction fees

Following the completion of stock transaction, relevant shares and settlement amount will be credited to the investor's securities account or settlement account within the second working day after the transaction date. To provide convenience to investors of day trading, many banks and securities brokerage firms offer special stock settlement arrangement such that investors may use the proceeds from the sale of shares to perform other securities transaction immediately.

Both buyers and sellers are required to pay the brokerage fee determined by the banks and securities brokerage firms as well as other transaction fees including stamp duty, transaction levy and transaction fee charged by Hong Kong SAR Government, SFC and HKEx correspondingly.



Introduction to equity-related activities of companies

After a glance through Hong Kong Stock Market, investors should also note the equity-related activities of companies as these activities would be closely related to shareholders' interests. Some common equity-related activities as follows:

➤ Offering

Initial Public Offering ("IPO") means an unlisted enterprise raising funds from investors by means of public offering and the shares of the enterprise can be traded publicly at HKEx subsequently. In the event of oversubscription of new shares, the issuer will allocate shares by ballot. Investor can subscribe for new shares by using the Yellow Form or the White Form:

Yellow Form	White Form
<ul style="list-style-type: none"> ➤ Subscribe for shares through a bank or a brokerage firm ➤ Allotted shares will be deposited directly into the securities account of the investor ➤ Sell order can be placed on the first day of listing 	<ul style="list-style-type: none"> ➤ Subscribe for the shares under the name of an individual ➤ Share certificate will be mailed to the applicant directly ➤ Shareholder has to deposit the share certificate into a securities account with a bank or a brokerage firm before trading

➤ Dividend distribution and scrip dividend

The return of stocks is composed of dividend and capital gain (potential rise of share price). The policy of dividend distribution varies from company to company, for example, dividend payout on a quarterly or yearly basis while some might adopting repurchase shares instead. The dividend distribution policy of a company has significant bearing on the share price. In general, the dividend payout ratio of a company at a fast-growing stage would be lower since a portion of the earnings is reserved for future expansion. On the other hand, the dividend payout ratio of some well-established companies such as public utilities and real estate investment trusts etc., are relatively high and stable or even guaranteed.

In addition to receiving cash dividend, shareholder can opt for scrip dividend, whereby the company pays dividend to shareholder in the form of new shares. In that case, if the dividend is HK\$100, and the share price is HK\$10, then 10 shares will be issued to the shareholder. The shortcoming of scrip dividend is that shareholder may receive fractional shares (i.e. the number of shares is less than a board lot). Fractional shares are generally sold at a discount of the market price. Therefore, it is more appropriate for a swing trader or an investor holding a small number of shares to consider receiving cash dividend.

➤ Share split and share consolidation

When shares are traded in the market, the minimum quantity for trading is one board lot, which consists of a certain number of shares varying from stock to stock. Share split means a company increasing the total number of shares by a certain multiple so as to enhance the liquidity of its shares, or reducing the size of a board lot to lower the minimum subscription fee. Share consolidation means consolidating shares on a pro-rata basis and reducing the number of shares so as to cut the administrative expenses. Share consolidation often occurs on “low price stock” or “penny stock”. The par value per share is increased after share consolidation, and therefore investor would fear that share consolidation would provide room for downward movement. Share consolidation itself actually has no effect on shareholder interest. In the event of share split or share consolidation, the share price would be adjusted on the day when such split or consolidation takes effect.

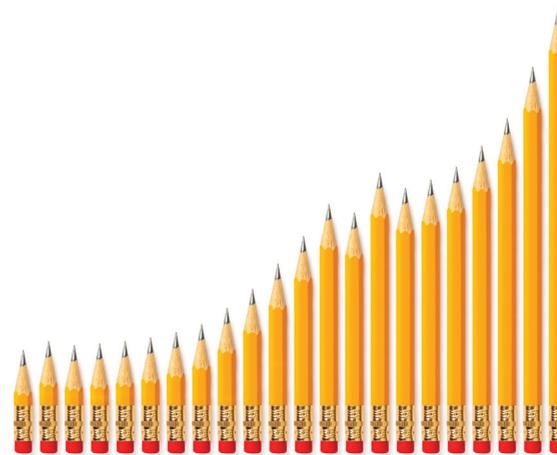
➤ Rights issue and placement

For the purpose of repaying debts or business development, a listed company can obtain refinancing from the capital market through rights issue and placement in addition to obtaining loans from banks. Many investors are not sure about the difference between rights issue and placement. In fact, the most significant difference between them is that a rights issue is a way to raise funds from all existing shareholders.

In short, rights issue means that each shareholder is granted rights relating to a certain number of shares in proportion to their shareholding preceding the ex-rights date. A person holding rights can subscribe for the new shares at the specified price per rights share. In order to attract existing shareholder, price per rights share is usually at a discount to the share price immediately preceding the ex-rights date. The rights will be listed on HKEx for trading for a period of time. A shareholder may sell his / her rights if he / she has no intention to subscribe for rights shares. As each shareholder will be granted pro-rata rights, dividend will not be diluted following the rights issue.

Regarding placement, it means that the listed company raises funds from existing shareholders or new investors, but not all shareholders. Placement can be implemented in two common ways. One option is that significant shareholders sell their shares to other investors and no new shares are issued. Therefore, shareholder interest basically remains unaffected. Another option is that the company issues new shares to new investors. In this case, the proportion of shareholding held by existing shareholders will be decreased and the earnings per share will be diluted. As the placing price is at a certain discount, the share price of the company will be under pressure for a period of time. However, the share price could also go up if the placement is made for the purpose of business expansion and the market expects the company earnings to grow in the future.

Main Board and GEM listed issuers are required to disclose corporate announcements, shareholder circulars and other corporate communication (e.g. annual reports and prospectuses) in compliance with the disclosure requirements set out under the Listing Rules. The relevant information could be accessed from the HKExnews website of HKEx.



Fundamental analysis and technical analysis

Securities analysis mainly falls into two approaches, namely fundamental analysis and technical analysis. Fundamental analysis assumes the prices of all securities will eventually reflect their reasonable values. It values an enterprise and forecasts its share price movement based on the conditions of the enterprise, the outlook of the industry and the macro-economy, etc. Meanwhile, technical analysis assumes that stock trading behaviour has reflected various fundamental factors and that the movement of prices follow certain trends. Chart and data analysis are employed to forecast the best timing for trading stocks.

➤ Fundamental analysis

Price/Earnings (P/E) ratio and Price-to-Book (P/B) ratio

P/E ratio and P/B ratio are objective indicators of the theory of capital market investment for investment analysis.

Price/Earnings (P/E) ratio = share price / earnings per share

P/E ratio reflects how many years it would take for an investor to recover his / her investment. For example, if a share is currently traded at HK\$10 and its earnings per share for last year was HK\$1, then the P/E ratio is 10. Assuming future earnings per share remains unchanged, it would take an investor 10 years to recover the sum initially invested. In general, the lower the P/E ratio, the cheaper the valuation of the share would be. However, investors are willing to invest in stocks with higher P/E ratio in the case of a fast-growing company. This is because investors forecast a shorter recovery period of investment sum as the P/E ratio will decrease if the company's earnings are expected to increase in the following year. Forward P/E ratio (current share price / expected earnings per share) is often used to value a stock, while it is only a forecasted figure. This explains why investors normally prefer companies with good track records.

Price-to-book (P/B) ratio = share price / book value per share

Book value is the value derived by the assets of an enterprise less its liabilities. If the P/B ratio is lower than 1, the share price is at a discount while if it is higher than 1, the share price is at a premium. P/B ratio is often used to measure enterprises with significant changes in asset values, such as banks and real estate developers, etc.

Debt ratio

There are two types of debt ratios. Debt-to-equity ratio is calculated on the basis of equity interest, while the debt-to-asset ratio is calculated on the basis of the company assets. There is no set standard, and same type of stocks is compared to determine the soundness of debt ratio. For example, the debt ratio of an industrial or infrastructure enterprise would be higher because of larger investments involved. Investors should note that enterprises of high debt ratios would possibly face the risk of broken capital chain in an environment of tightening credit policy and hiking interest rates.

In addition to the above objective indicators, an annual report of a company can help investors understand more about its business nature, including its cycle, output and sales, market competition and financial condition, etc. for investment analysis.

Annual report

Investors can access information like business overview, market and operating environment as well as financial statements from an annual report. Financial statements mainly consist of consolidated income statement, balance sheet and cash flow statement. Consolidated income statement records income, earnings, costs and earnings per share, etc in that financial year.

Moreover, macro-economic factors such as government policies and financial crises may also have a significant impact on the overall performance of the stock market. For example, Hang Seng Index hit its historical high of nearly 32,000 in mid-2007 for expecting mainland investors to buy stocks in Hong Kong. But, this record high was followed by a downturn due to the impact of the subprime mortgage crisis in the United States and the financial tsunami.

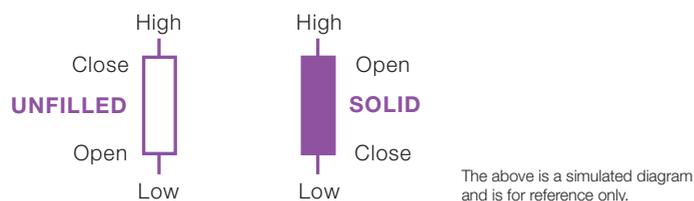
Fundamental analysis is generally used by value investors. In addition to fundamental analysis, many investors are also fond of using technical analysis as a supplement, especially in the case of derivative trading or swing trading. Two frequently-used analytical tools are briefly introduced below.



› Technical analysis

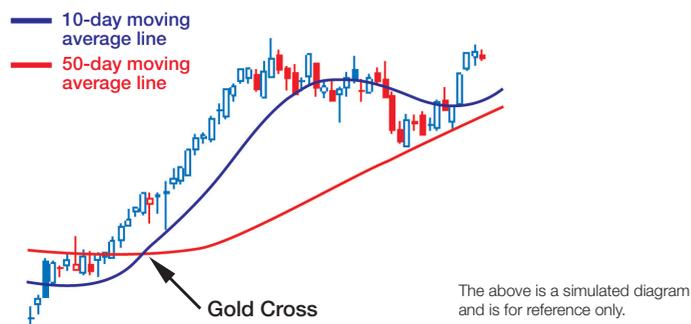
Candle stick

Candle stick is an ancient technical analytical tool, originally from the rice trade during the age of Tokugawa Bakufu in Japan. A candle stick records the movement of the share price with its opening, closing, highest and lowest price of a stock on a trading day. If the closing price is higher than the opening price, the body of the candle is unfilled. If the closing price is lower than the opening price, the body of the candle is solid. The candle sticks of a few consecutive days can form different patterns for analysis.



Moving average

Moving average is a technical indicator to show the average movement of the share price in a specific period. Frequently-used moving average lines include 10-day, 20-day, 100-day and 250-day ones. Investors can make use of single or two or more moving average lines to identify buy or sell signals. For example, a buy signal, which is also known as gold cross, meaning that moving average line of a shorter period rises to cross a moving average line of a longer period. Moving average lines provide support for an index or an individual stock in a general trend. The stock price immediately rebounds when it dips to the 50-day moving average line (as shown in the following chart) and it is a strong proof of upward momentum in which the stock price is set to surge, albeit slight adjustments.



Portfolio allocation

One of the key principles of investment risk management is to avoid investing in one single type of asset. As the saying goes, “Never put all eggs in one basket” since they all will be broken if the basket is dropped accidentally. Below are some major points investors should note in managing investment risks.

› Risk appetite

Risk appetite is the degree of risk exposure that an investor is willing to take and it varies among investors. For example, young people may seek portfolios of high returns but also with high risks. They could cover losses, if any, through working. On the contrary, retired people may be relatively conservative and they prefer capital preservation. Risk appetite is affected by personal factors (such as investment positioning, age, income and family conditions, etc.) as well as macro-economic conditions, for example, risk appetite of the market tends to be higher when the global economy is booming. Since investment of high return usually carries high risk, an investor should allocate assets based on his / her own risk appetite.

› Systematic risk and non-systematic risk

Risk management is vital to successful investment. Risks related to stock investment can be classified into two main categories, namely systematic risk and non-systematic risk.

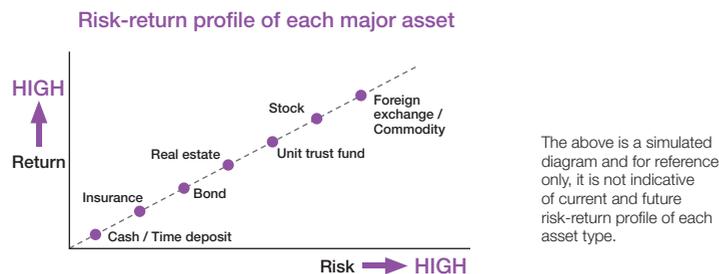
A systematic risk is the risk resulting from external factors of a company and is generally related to the macro-economy such as financial crisis and economic cycle, etc. Though such risk will affect the prices of nearly all assets, however, an investor can still diversify the risk properly by asset allocation, e.g. holding different types of assets including time deposit, stock and gold, etc.

A non-systematic risk is a company-specific risk relating to the operation of the company, financial condition and climate of the industry, etc. Such risk can be avoided effectively by investment diversification, for example, an investor can invest in companies of relatively low relevance by diversification, such as, holding relatively stable utilities stocks and high-growth high-tech stocks, and portfolio adjustment in regard to the changes of market conditions and policy.

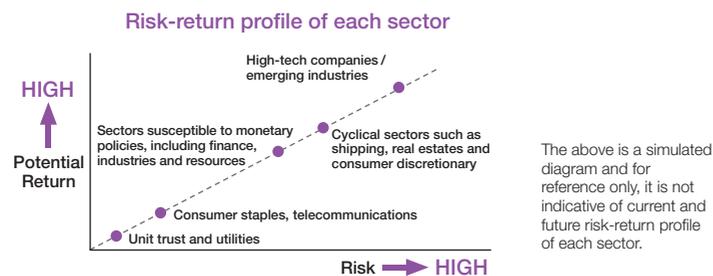


› Portfolio allocation

There are various types of investment products in the market, ranging from traditional investments like time deposit, stock, bond and real estate, etc. to financial derivatives. Investment risk and return varies among investment products. The following chart summarizes the relationship between risk and return of each major asset:



In addition to asset allocation, it is advised not to invest in one single type of asset. Generally speaking, low-risk stocks can usually be found in sectors with transparent earnings, stable performance and are less susceptible to economic cycles which include real estate investment trusts and public utilities, etc. On the contrary, high-tech stocks and emerging industries can be very tricky. Many investors suffered heavy losses from the internet bubble burst in 2000. However, if an investor happened to have bought shares of Apple Inc. 10 years ago, he / she would have possibly enjoyed a return of more than 40% per year. The following chart summarizes the relationship between risk and return of each major sector:



This booklet aims to provide readers with basic knowledge of stock investment only. Investors are advised to read more books on investment theories and learn by practice, so as to develop their own investment philosophies.

Glossary

- 1. Candle Stick:** A tool for technical analysis which records the opening, closing, highest and lowest price of a stock on a trading day. If the closing price is higher than the opening price, the body of the candle is unfilled. If the closing price is lower than the opening price, the body of the candle is solid
- 2. Debt Ratio:** There are two types of debt ratios. Debt-to-equity ratio is calculated on the basis of equity interest, while the debt-to-asset ratio is calculated on the basis of assets of the company. There is no set standard, and same type of stocks is compared to determine the soundness of debt ratio
- 3. Fundamental Analysis:** Assumes the prices of all securities will eventually reflect their reasonable values. It values an enterprise and forecasts its share price movement based on the conditions of the enterprise, the outlook of the industry and the macro-economy, etc.
- 4. Hang Seng Index:** A key index that reflects the movement of Hong Kong stock market. Hang Seng Index constituent stocks are known as Blue Chips, covering more than 60% of the total market capitalization of Hong Kong stock market
- 5. Initial Public Offering:** An unlisted enterprise raises funds from investors by means of public offering and the shares of the enterprise can be traded publicly at HKEx subsequently. In the event of oversubscription of new shares, the issuer will allocate shares by ballot
- 6. Moving Average:** A technical indicator to show the average movement of the share price in a specific period. Frequently-used moving average lines include 10-day, 20-day, 100-day and 250-day ones. Investors can make use of single or two or more moving average lines to identify buy or sell signals
- 7. Non-systematic Risk:** Company-specific risk that is related to the operation of the company, financial position and climate of the industry, etc. Such risk can be avoided effectively by investment diversification
- 8. Placement:** Listed companies raise funds from existing shareholders or new investors but not all shareholders. The share price of a company is generally under pressure following placement if issuance of new shares is involved since the earnings per share will be diluted
- 9. Price-to-Book (P/B) ratio:** The share price divided by the book value per share. Book value is the value derived by the assets of an enterprise less liabilities. If the P/B ratio is lower than 1, the share price is at a discount while if it is higher than 1, the share price is at a premium
- 10. Price-to-Earnings (P/E) ratio:** The share price divided by the earnings per share. P/E ratio reflects how many years it would take for an investor to recover his / her investment. In general, the lower the P/E ratio, the cheaper the valuation of share would be

- 11. Rights Issue:** One of the ways that a listed company can obtain refinancing from the capital market. Each shareholder is granted rights relating to a certain number of shares in proportion to their shareholding preceding the ex-rights date and can subscribe for the new shares at a specified price per rights share. A shareholder may sell his / her rights at the HKEx if he / she has no intention to subscribe for rights shares
- 12. Risk Appetite:** The degree of risk exposure that an investor is willing to take when making an investment
- 13. Scrip Dividend:** A company pays dividend to shareholders in the form of new shares. The shortcoming of scrip dividend is that a shareholder may receive fractional shares (i.e. the number of shares is less than a board lot), which are generally sold at a discount of the market price
- 14. Systematic Risk:** The risk resulting from external factors of a company and is generally related to the macro-economy and such risk will affect the prices of nearly all assets
- 15. Technical Analysis:** Assumes that stock trading behaviour has reflected various fundamental factors and that the movement of prices follow certain trends. Chart and data analysis are employed to forecast the best timing for trading stocks

Important Notice:

1. This material is not intended to provide any investment advice and should not be relied upon as such. This material and its contents shall not constitute and shall not be construed as providing any professional advice, or any offer, solicitation or recommendation to the purchase or sale of any investment products or services.
2. Part of the information in this material is derived from third party sources. Whilst Bank of China (Hong Kong) Limited (the "Bank") believes such source is reliable, the Bank does not make any representation, guarantee or promise as to the accuracy, completeness or correctness of such information or opinions provided in this material, and shall not be liable to any loss or damage incurred by any person caused by direct or indirect usage of such information in this material or its contents stated herein. Contents in this material are subject to change without prior notice.
3. In case of any discrepancy(ies) between the Chinese and English versions of this booklet, the Chinese version shall prevail.

Risk Disclosure:

The following risk disclosure statements cannot disclose all the risks involved. You should undertake your own research and study before you trade or invest. You should carefully consider whether trading or investment is suitable in light of your own financial position and investment objectives. You are advised to seek independent financial and professional advice before you trade or invest. You should seek independent professional advice if you are uncertain of or have not understood any aspect of the following risk disclosure statements or the nature and risks involved in trading or investment.

Risk of Investment:

Investment involves risk, and the offering document should be read for further details. (Where past performance is quoted) the past performance figures shown are not indicative of future performance.

Risk Disclosure of Securities Trading:

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

Risk Disclosure of Growth Enterprise Market Stocks Trading:

Growth Enterprise Market (GEM) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid. You should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited. Companies listed on GEM are usually not required to issue paid announcements in gazetted newspapers. You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

Risk Disclosure of Warrants and Callable Bull / Bear Contracts (“CBBC”) Trading:

The price of the warrants and CBBC may fall in value as rapidly as it may rise and investors may sustain a total loss of their investment. Past performance of the underlying asset is not an indicator of future performance. You should ensure that you understand the nature of the warrants and CBBC and carefully study the risk factors set out in the relevant listing documents of the warrants and CBBC and, where necessary, seek professional advice. Warrants that are not exercised will have no value upon expiry. CBBC have a mandatory call feature and, when the price of the underlying asset reaches the call price, will be early terminated immediately, in which case: (i) Category N CBBC investors will not receive any cash payment; and (ii) Category R CBBC investors may receive a cash payment called the Residual Value, which may be zero.

Contents in this material are updated in March 2012.

This material is issued by Bank of China (Hong Kong) Limited and the contents have not been reviewed by the Securities and Futures Commission of Hong Kong.

Content

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- 10 Other investment services
Wealth Management secured overdraft facility
Po Sang Futures Limited
- 11 General Terms and Conditions

An overview of BOCHK Securities Trading Service

With BOCHK’s one-stop securities trading services, you can grasp investment opportunities with ease. Simply set up your securities account via Internet Banking or any BOCHK’s branches to take advantage of multiple trading channels, various value-added services and latest market information offered by BOCHK, allowing you to make wise investment decisions in the ever-changing market.



Why choose BOCHK Securities Trading Service?

> Comprehensive securities services

Comprehensive securities services including securities trading, warrant / Callable Bull / Bear Contracts (“CBBC”) trading, dividends and bonus shares collection, stock custody and Corporate Action handling, etc. will cater for your investment needs. Moreover, you can leverage on BOCHK securities margin trading service, monthly stocks savings plan, Initial Public Offering (“IPO”) subscription and financing services, etc. to expand your investment horizons.

> Multiple trading channels

You can conveniently conduct securities trading via BOCHK Internet Banking, Mobile Banking, Automated Stock Trading Hotline, Manned Investment Trading Hotline and any of the designated branches that provide over-the-counter trading services.

> Convenient and reliable trading platform

Relevant trading instructions of local securities via BOCHK will be directly sent to AMS/3 of the Hong Kong Exchanges and Clearing Limited (“HKEx”) for matching, making the transactions safe and convenient.

> Free market information

Free financial market information, Real-time Quote* and other stock information such as Streaming and Price Alert are available. The brand-new warrant / CBBC Information web page is also provided to help you get-in-touch with the market pulse.

*Real-time Quote service is subject to the relevant terms and conditions.



<https://m.bochk.com>



<http://www.bochk.com>

> Wide range of order types

BOCHK offers a selection of order types via trading channel, including Enhanced Limit Order, Market Order, At-auction Limit Order and At-auction Order.

Enhanced Limit Order	<ul style="list-style-type: none"> > Limit order allows you to control over the executed price with the buy/sell price not be higher/lower than the specified price. For Enhanced Limit Order, it will allow matching of up to 10 price queues (i.e. the best price queue and up to the 10th queue at 9 spreads away), the matched price is equal to or better than the current limit price > The sell order price of an Enhanced Limit Order can be matched up to 9 spreads lower than the current bid price. The buy order price can be matched up to 9 spreads higher than the current ask price
Market Order	<ul style="list-style-type: none"> > Market Order is an order which has no specified price > Order will be executed at the current bid/ask price at the time when the order is processed > The buy/sell order will be matched up to the 10 best price queues in the prevailing market and up to a maximum of 10 spreads above/below the nominal price at the time when the order is processed
At-auction Limit Order	<ul style="list-style-type: none"> > At-auction Limit Order is an order with a specified price set during the pre-opening session > A buy/sell order with a specified price higher/lower than or equal to the final Indicative Equilibrium Price will be matched at the final Indicative Equilibrium Price
At-auction Order (Applicable to sell order only)	<ul style="list-style-type: none"> > At-auction Order is an order with no specified price and entitled to a higher matching priority than an At-auction Limit Order > An At-auction Order entered into the trading system during the pre-opening session will be matched at the final Indicative Equilibrium Price

How BOCHK Securities Trading Service help you grasp investment opportunities?

Scenario 1

Mr. Chan is bullish on the prospects of a listed company which has outperformed over the past year. He wants to invest in that company's stock but he only has HK\$40,000 on hand for investment. He believes investing HK\$100,000 in that stock would help him capture higher investment returns.

To cite this scenario as an example, BOCHK securities margin trading service perhaps could help Mr. Chan to obtain additional investment funds at a competitive borrowing cost.

*The above scenario is a simulated scenario, it shall not constitute as providing any offer, solicitation or recommendation to the purchase or sale of any investment product or service.

> Securities margin trading service

Features

High stock loanable percentage

With additional investment funds of up to 60% of the prevailing market value of designated stocks, you can capture higher potential returns.

Preferential margin loan interest rate

Preferential interest rate is offered to your margin loan. The interest will be calculated on the basis of daily outstanding amount and settled every month, enabling you to benefit from lower investment costs.

Bonus interest income

You can earn interest income from the balance of your securities margin trading account.

Convenient service

You can set up your account and make margin at any branch of BOCHK. You can also trade or execute margin transfer transactions via Internet Banking or Manned Investment Trading Hotline.

Free notification service

You can enjoy free SMS notification service on the transaction result after successful registration of your mobile phone number.

Funds flexibility

You can use Available Investment Amount of your securities margin account for subscription of IPO shares.

Notes: For the risks of securities trading and margin trading, please refer to page 11-12 of this material.

Scenario 2

A company is planning to list and launch IPO on HKEx. Mr. Chan would like to subscribe for the company's IPO shares to capture potential returns.

To cite this scenario as an example, BOCHK IPO shares subscription service (White / Yellow Application Form) perhaps can help Mr. Chan to subscribe for new shares through multiple channels and Yellow Form application with extended subscription hours.

*The above scenario is a simulated scenario, it shall not constitute as providing any offer, solicitation or recommendation to the purchase or sale of any investment product or service.

> IPO shares subscription

Features

In general, you can subscribe for IPO shares via one of the following channels:

Yellow Application Form	White Application Form
<ul style="list-style-type: none">> Allotted IPO shares will be deposited directly into your securities account> Allotted shares can be traded on the first day of listing> Payment will be debited directly from your settlement account	<ul style="list-style-type: none">> Allotted IPO share certificate will be sent to you by mail> Allotted shares can be traded only after depositing share certificate into a securities account (around 10 working days is needed)> Payment could be made via cheque, cashier's order, PPS payment or Internet Banking

Furthermore, you can leverage on BOCHK IPO financing service to obtain additional investment funds at competitive borrowing cost to subscribe for IPO shares.

Notes: For the risk of securities trading, please refer to page 11-12 of this material.

Scenario 3

Mr. Chan believes that investing in the stock market regularly as a kind of savings and would help him generate ideal potential returns in the long run. However, the current market environment is bearish and fluctuating and so he is hesitated to rush into the stock market.

To cite this scenario as an example, BOCHK monthly stocks savings plan could enhance Mr. Chan's investment flexibility, enabling him to invest in a series of selected stocks with monthly contribution. Dollar Cost Averaging of monthly stocks savings plan minimizes the impact of short-term market fluctuation.

*The above scenario is a simulated scenario, it shall not constitute as providing any offer, solicitation or recommendation to the purchase or sale of any investment product or service.

> Monthly stocks savings plan

Features

Low contribution amount

You can invest in BOCHK's selected stocks according to your own preference. The minimum monthly contribution is as low as HK\$1,000 (A maximum of two stocks can be invested with the monthly contribution amount of HK\$1,000. For each additional stock, an additional contribution in integral multiple of HK\$500 has to be made. A maximum of ten stocks can be selected in each plan).

Competitive transaction fee

Handling fee is only 0.25% of the total monthly contribution amount with a minimum charge of HK\$50 (including brokerage fee, stamp duty, transaction levy and transaction charge). You can enjoy waivers on safe custody and collection fees of shareholder entitlements (i.e. dividend) to save more.

Selling at market price with more flexibility

You can adjust the monthly contribution amount or the stock portfolio according to your investment needs without handling charges, enabling you to grasp every investment opportunity with greater flexibility. What's more, you can sell the stocks in the plan at market price (even if the number of shares is less than one lot) to enjoy higher returns.

Convenient payment methods

Contribution amount can be made through autopay with your securities settlement account or BOC Credit Card. You can earn the credit card bonus points* by settling the contribution amount with BOC Credit Card.

*Subject to the relevant terms and conditions. For details, please refer to the relevant promotional leaflet for details.

Notes: For the risk of securities trading, please refer to page 11-12 of this material.

Scenario 4

The stock that Mr. Chan purchased earlier has risen to a certain extent. He would like to take the profit first, however, he believes that the stock will continue its uptrend in the near future.

To cite this scenario as an example, investing in relevant warrants could help Mr. Chan take the profit first and continue to capture the potential returns of investing in that stock. Besides, he can access the latest market information from BOCHK Warrant and CBBC Information web page.

*The above scenario is a simulated scenario, it shall not constitute as providing any offer, solicitation or recommendation to the purchase or sale of any investment product or service.

> Warrant and Callable Bull / Bear Contracts ("CBBC")

Apart from conventional stock investment, derivative instrument is another investment alternative of which warrant and CBBC are quite popular. As warrant and CBBC are geared investment products, their prices are linked to the underlying assets. When utilizing properly, you can manage risks effectively by entering the market with relatively small amount of capital. Nevertheless, geared investment products can potentially bring about higher losses as well as profits.

Besides, experienced investors can also leverage on warrant and CBBC to ensure profit-taking and free up capital. For example, when you make a profit on a specific stock, you can opt to sell the ordinary stock for profit-taking, while investing a small amount of capital on a related warrant for potential profits if the stock price rises continuously. Warrant can also be used for risk management, for example, long-term investors can consider buying put warrant to mitigate portfolio losses when market plunges.

Features of Warrant

One of the main differences between warrant and ordinary stock is that the value of a warrant is affected by many factors as compared with an ordinary stock. These factors include the value of the underlying asset, investment period, strike price, implied volatility, market interest rate and dividend, etc. The value of the underlying asset and implied volatility are generally considered to be the most influential factors. In addition, you can bid on both increase and decrease in value when buying a warrant. To avoid any investment mistake, it is important for you to distinguish between the two most common warrants.

Call warrant	If you are optimistic towards the underlying asset, a Call warrant can be considered to capitalise on the rise in value.
Put warrant	If you are pessimistic towards the underlying asset, a Put warrant can be considered to take advantage of the drop in value.

Warrants traded on HKEx are settled in cash in order to facilitate automatic exercise. Every warrant has a maturity date which normally ranges from six months to five years. Since the intrinsic value of the warrant will decrease over time, investors seldom hold it until maturity. If the warrant is settled on the expiry date, the final cash settlement amount will be calculated as follows:

Call warrant	$(\text{Final settlement price} - \text{Strike price}) / \text{Conversion ratio}$
Put warrant	$(\text{Strike price} - \text{Final Settlement price}) / \text{Conversion ratio}$

The risk of trading a geared investment product such as a warrant is generally higher than investing in an ordinary stock. However, depending on the applicable terms, the risk of investing in different warrants can vary considerably. You have to pay attention to the effective gearing of the warrant. Some of the expiring warrants can have the effective gearing of 10 times or more. The risks associated with this type of warrant are naturally higher than those with effective gearing of 2 to 3 times.

Features of CBBC

CBBC is another popular derivative instrument in recent years. Locally issued CBBC primarily links with the Hang Seng Index and usually comes with an early redemption clause ("Call provision"), which adds to the investment risks in a volatile market. Every CBBC has assigned a call price at the time when it is issued. The assigned call price of a callable bull contract is equivalent to or higher than the strike price, while the assigned call price of a callable bear contract is equivalent to or lower than the strike price. If the underlying asset's price reaches the call price at any time, the CBBC will be expired immediately and redeemed by the issuer. At the same time, trading of the CBBC will also be terminated.

When the mandatory redemption comes into effect for a category-N CBBC, no residual value will remain for investors. When a category-R CBBC is called, investors can retrieve some of the value, which is calculated by the settlement method mentioned in the listing documents. However, investors may still lose their entire investment amount in extreme cases.

In conclusion, Hong Kong's warrant and CBBC market is mature and offers investor another geared investment channel in addition to investing in ordinary stocks. You are advised to thoroughly study the characteristics and risks of every derivative instrument before making any investment.

Warrant / CBBC Information web page

BOCHK Warrant / CBBC Information web page provides you with comprehensive information, including:

> Commentary	> CBBC Close to Call Level
> Investor Education	> Newly Listed CBBC
> Warrants / CBBC Comparison	> Upcoming CBBC
> Chart Analysis	> Warrant / CBBC Calculator

Visit BOCHK website at www.bochk.com to browse the brand-new **Warrant / CBBC Information** with just a few clicks:

Visit www.bochk.com ▶ **Investment Services** ▶ **Securities** ▶ click **Market Information: Warrant and CBBC Information** under **Related Links** on the right side of the page

Notes: For the risks of securities trading and warrants and CBBC trading, please refer to page 11-12 of this material.



Mobile Browsing

The screenshot displays the BOCHK Warrant / CBBC Information web page. It includes a navigation menu with 'Home', 'Commentary', and 'Investor Education'. The 'Commentary' section is active, showing a list of articles with titles in Chinese and their respective dates. Below this, there are search filters for 'Warrant/CBBC Search' with options for 'All', 'Call', and 'Put', and maturity date ranges. The page also features several tables: 'Top 5 Warrants Movers', 'Top 5 CBBC Movers', and 'Top 5 CBBC Close to Call Level'. Each table lists the code, name, and various performance metrics like 'Netted', 'Change', and 'Change%'.

Other investment services

Scenario 5

Mr. Chan believes that the stock of a listed company is undervalued and would like to buy a large lot of its shares. However, he is worried that he will be short of cash afterwards for any urgent needs.

To cite this scenario as an example, *Wealth Management* secured overdraft facility could provide Mr. Chan with extra cash flow to meet his financial needs.

*The above scenario is a simulated scenario, it shall not constitute as providing any offer, solicitation or recommendation to the purchase or sale of any investment product or service.

> Wealth Management secured overdraft facility

Features

Wealth Management secured overdraft facility offers you a preferential interest rate. The overdraft limit is calculated on the basis of your secured asset value multiplied by a loan ratio, and will be adjusted on a daily basis. Interest is calculated on the basis of daily overdrawn amount and you can make repayment at anytime for added financial flexibility.

Notes: For the risks of securities trading and for providing authority to repledge your securities collateral etc., please refer to page 11-12 of this material.

> Po Sang Futures Limited

Po Sang Futures Limited is a wholly-owned subsidiary of BOCHK. It is a well-established futures trading company since 1986 and provides multiple trading channels with simple account opening procedure. For details, please visit Po Sang Futures Limited website at www.posangfutures.com.



General Terms and Conditions:

1. The above products and services are subject to the relevant terms and conditions. For details, please refer to the relevant promotional leaflet or contact the staff of Bank of China (Hong Kong) Limited (the "Bank").
2. The Bank reserves the right to change, suspend or terminate the above products and services and to amend the relevant terms and conditions at any time at its sole discretion without prior notice to customers.
3. In case of any dispute(s), the decision of the Bank shall be final.
4. In case of any discrepancy(ies) between the Chinese and English versions of this material, the Chinese version shall prevail.

Important Notice:

1. This material is not intended to provide any investment advice and should not be relied upon as such. This material and its contents shall not constitute and shall not be construed as providing any professional advice, or any offer, solicitation or recommendation to the purchase or sale of any investment product or service.
2. Part of the information in this material is derived from third party sources. Whilst the Bank believes such source is reliable, the Bank does not make any representation, guarantee or promise as to the accuracy, completeness or correctness of such information or opinions provided in this material, and shall not be liable to any loss or damage incurred by any person caused by direct or indirect usage of such information in this material or its contents stated herein.
3. Contents in this material are subject to changes without prior notice.
4. All contents in this material are for reference only and are not supposed to be edited, copied or extracted.

Risk Disclosure:

The following risk disclosure statements cannot disclose all the risks involved. You should undertake your own research and study before you trade or invest. You should carefully consider whether trading or investment is suitable in light of your own financial position and investment objectives. You are advised to seek independent financial and professional advice before you trade or invest. You should seek independent professional advice if you are uncertain of or have not understood any aspect of the following risk disclosure statements or the nature and risks involved in trading or investment.

Risk of Investment:

Investment involves risk, and the offering document should be read for further details. (Where past performance is quoted) the past performance figures shown are not indicative of future performance.

Risk Disclosure of Securities Trading:

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

Risk Disclosure of Warrants and Callable Bull/Bear Contracts (“CBBC”) Trading:

The price of the warrants and CBBC may fall in value as rapidly as it may rise and investors may sustain a total loss of their investment. Past performance of the underlying asset is not an indicator of future performance. You should ensure that you understand the nature of the warrants and CBBC and carefully study the risk factors set out in the relevant listing documents of the warrants and CBBC and, where necessary, seek professional advice. Warrants that are not exercised will have no value upon expiry. CBBC have a mandatory call feature and, when the price of the underlying asset reaches the call price, will be early terminated immediately, in which case: (i) Category N CBBC investors will not receive any cash payment; and (ii) Category R CBBC investors may receive a cash payment called the Residual Value, which may be zero.

Risk of Securities Margin Service:

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as “stop-loss” or “stop-limit” orders. You may be called upon at short notice to make additional margin or interest payments. If the required margin or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

Risk of Providing an Authority to Repledge your Securities Collateral etc.:

There is risk if you provide us with an authority that allows us to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of our settlement obligations and liabilities. If your securities or securities collateral are received or held by us in Hong Kong, the above arrangement is allowed only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and be limited to not more than 12 months. If you are a professional investor, these restrictions do not apply. Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if we issue you a reminder at least 14 days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority. You are not required by any law to sign these authorities. But an authority may be required by us, for example, to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. We should explain to you the purposes for which one of these authorities is to be used. If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although we are responsible to you for securities or securities collateral lent or deposited under your authority, a default by us could result in the loss of your securities or securities collateral. A cash account not involving securities borrowing and lending is available from us. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash account.

The information contained in this material is updated in March 2012.

This material is issued by Bank of China (Hong Kong) Limited and the contents have not been reviewed by the Securities and Futures Commission of Hong Kong.

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Handy Guide for BOCHK Securities Trading Service

With BOCHK's comprehensive securities trading service and multiple trading channels, you can capture every investment opportunity with ease.



Internet Banking



Mobile Banking



Investment Service Hotline
(including Manned Investment Trading Hotline and Automated Stock Trading Hotline)



Designated branches with securities trading service

This material provides a step-by-step guide to securities trading conducted via BOCHK's multiple trading channels, catering for your diverse investment needs.

BOCHK Internet Banking

Simply login to BOCHK Internet Banking through the following steps to manage your finances and investment anytime, anywhere.

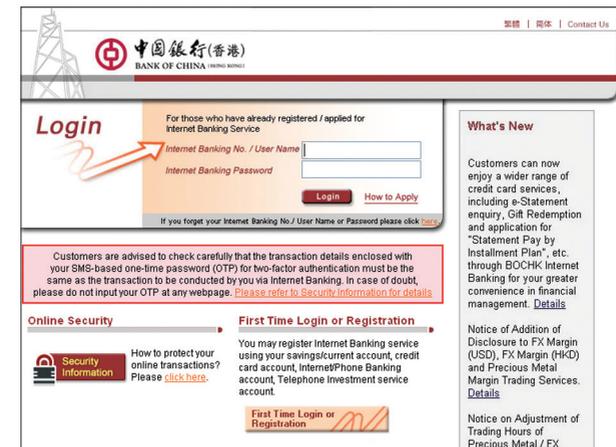
> Login steps

- 1 Visit BOCHK website www.bochk.com, select **Online Login** ▶
Personal Customers ▶ Internet Banking



- 2 Enter your Internet Banking No. / User name and Internet Banking Password ▶ **Login**

If you have pre-set to login to Internet Banking with 1) "Security Device", please enter Internet Banking No. / User Name and Internet Banking Password and then input a one-time Security Code generated by the "Security Device"; or 2) "e-Certificate", please enter Internet Banking No. / User Name and Internet Banking Password. Then insert your Smart ID into the smart card reader or connect your i-key, and followed with the "e-Certificate" Password.



Steps of Securities Trading

1 Login to Internet Banking ▶ Investment ▶ Securities ▶ Trading

The screenshot shows the BOCHK Internet Banking homepage. The navigation menu includes: Banking, Bill Payment, Investment, Loans, Insurance, Credit Card, BOC Wealth Express, MPF, e-Statement, Open Account, Assistant, My Setting. The 'Investment' menu is expanded, showing: Overview, Securities, Funds, Precious Metal, Equity Linked Deposits, Currency Linked Deposits, Investment Deposit, Structured Deposit, Debt Securities/Certificates of Deposit, WFO - Subscription/Financing, and Questionnaire on Inv. Preference / Video. The 'Last login record' section shows a successful login at 20:20. The 'HK Major Indices' table is visible:

Index	Value	Change	% Change
GEM	7224.32	↓ 112.55	(1.49%)
HS30	11,111.11	↓ 112.55	(1.49%)

3 Verify the order details ▶ Confirm

The screenshot shows the 'Trading' page with the following order details:

Account	Securities Account 012-875-63-83981-2
Order Type	Enhanced Limit Order
Buy/Sell	Buy
Stock Code	02388 BOC HONG KONG
Order Quantity	1,000 Shares
Currency	HKD
Order Price	18.500
Transaction Amount	18,500.00
Good Till Date	(HK Date) 2014/09/29

Buttons: Back, Confirm, Cancel

2 Enter the required trading order details ▶ Agree & Submit

The screenshot shows the 'Trading' page with the following order entry details:

Account	Securities Account 012-875-63-83981-2
Order Type	Enhanced Limit Order
Buy/Sell	Buy
Stock Code	2388
Order Quantity	1000 Shares
Order Price	18.5

Thereby confirm that I have read and understand the following risk disclosure related to securities trading.

Risk of securities trading
The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

For trading listed RMB products, I hereby confirm that I have read and understand the relevant risk (Note 1).
For trading Growth Enterprise Market stocks, I hereby confirm that I have read and understand the relevant risk (Note 2).
For trading Nasdaq-Amex securities at the Stock Exchange of Hong Kong Limited, I hereby confirm that I have read and understand the relevant risk (Note 3).

Buttons: Agree & Submit, Reset

4 An Order Number will be displayed if the order is accepted by the system (You can enquire the order status with the relevant Order Number)

The screenshot shows the 'Trading' page with a confirmation message:

BUY - Order is being processed. The processing status will be sent you later by E-mail and SMS (if applicable).
Order Number: 0408010015991

Account	Securities Account 012-875-63-83981-2
Order Type	Enhanced Limit Order
Buy/Sell	Buy
Stock Code	02388 BOC HONG KONG
Order Quantity	1,000 Shares
Currency	HKD
Order Price	18.500
Transaction Amount	18,500.00
Additional Charges*	150.49 (Brokerage Fee of HKD 100.00 included)
Total Amount	18,650.49
Good Till Date	(HK Date) 2014/09/29
Order Date & Time	(HK Time) 2012/01/13 11:26:42

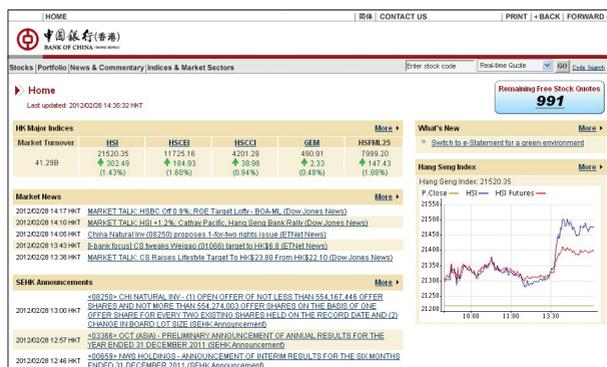
*The additional charges also include stamp duty, transaction levy and trading fee.

Buttons: Save

► Steps to access market information

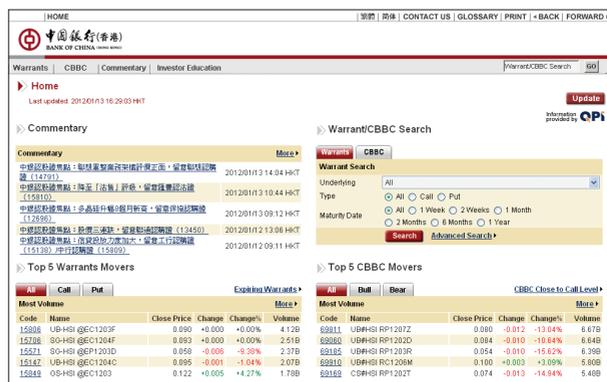
BOCHK's Stock Information web page provides you with the latest Hong Kong stock market information including market news, major indices, market turnover and SEHK announcements, etc.

Login to Internet Banking ► Investment ► Securities ► Stock Information



You can also browse the brand-new Warrant / CBBC Information web page for relevant market information including Warrant / CBBC Comparison, Warrant / CBBC Calculator and commentary, etc.

Login to Internet Banking ► Investment ► Securities ► Warrant & CBBC Information



Mobile Browsing

For details of Internet Banking service, please refer to [Internet Banking Service Directory](#) or visit BOCHK website to browse [Online Securities Trading Service Demo](#) on the various features of Internet Banking and operational steps.

Visit BOCHK website www.bochk.com ► Investment Services ► Securities ► click [Online Securities Trading Service Demo](#) under [Related Links](#) on the right side of the page.

BOCHK Mobile Banking

Through the simple and user-friendly interface of BOCHK Mobile Banking, you can easily access to a wide range of banking and securities services anytime, anywhere with your mobile handset.

► Login steps

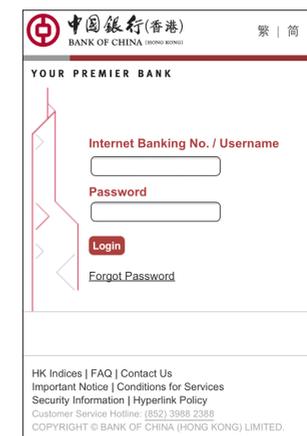
Search "BOCHK" from App Store or Google Play and download BOCHK mobile application



Or visit BOCHK Mobile Banking via <https://m.bochk.com> with your mobile handset

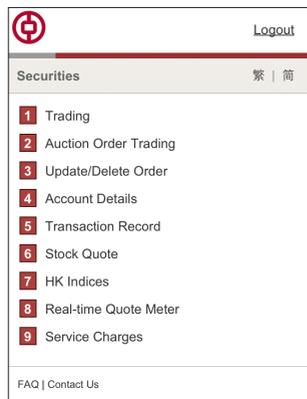
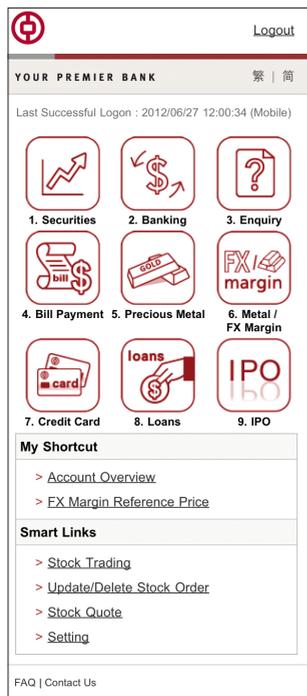
► Enter Internet Banking No. / Username and Internet Banking Password

► [Login](#)



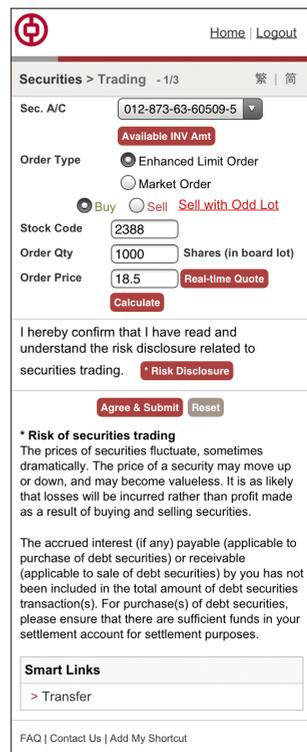
> Steps of Securities Trading

- 1** Select **Securities** on the main page of Mobile Banking
 ▶ **1 Trading**

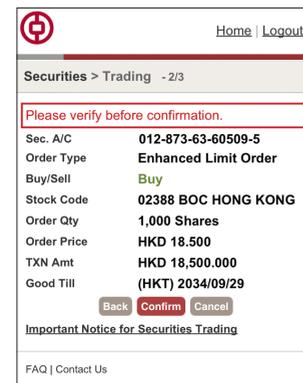


- 2** Select Sec. A/C
 (click **Available INV Amt** to check the available investment amount)

- 3** Enter order details
 ▶ **Agree & Submit**



- 4** Verify the order details
 ▶ **Confirm**

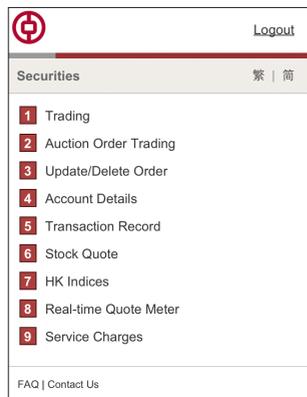
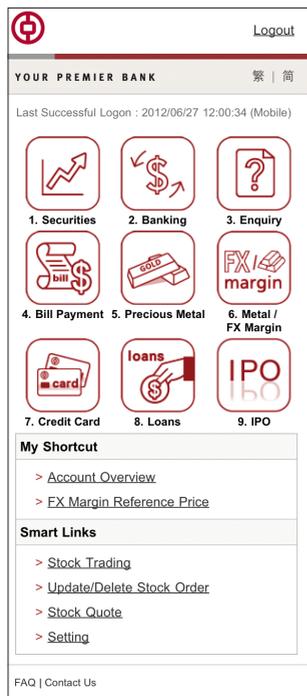


- 5** An Order Number will be displayed if the order is accepted by the system (You can enquire the order status with the relevant Order Number)

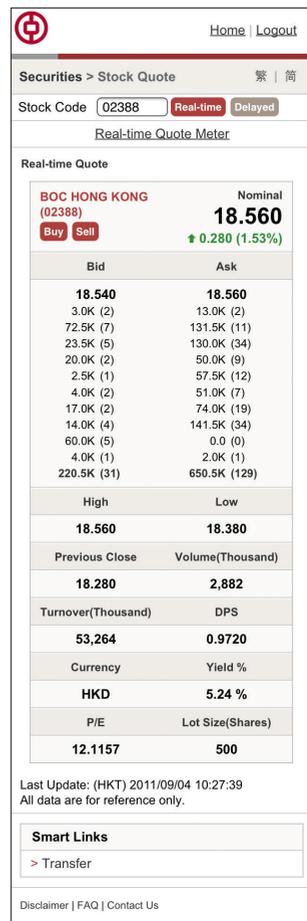


Steps of Stock Quote enquiry

- 1 Select **Securities** on the main page of Mobile Banking
 - 6 **Stock Quote**



- 2 Enter stock code ▶ select **Real-time** or **Delayed** for stock quote



For details of Mobile Banking service, please refer to **Mobile Banking Service Directory** or visit BOCHK website to browse **Mobile Banking Service Demo**.

Visit BOCHK website at www.bochk.com
 ▶ Personal Banking ▶ Mobile Banking ▶ click **Service Demo** under **Related Links** on the right side of the page

Investment Service Hotline

Simply dial BOCHK Investment Service Hotline (852) 3988 2688 to enjoy the following securities trading services:

- ▶ Automated Stock Trading Hotline
- ▶ Manned Investment Trading Hotline
- ▶ Securities Margin Trading
- ▶ Submission of Corporate Action
- ▶ IPO Shares Subscription Service

Service hours of BOCHK Investment Service Hotline

Securities and Securities Margin Trading	Mon – Fri 9:30am – 12:00pm 1:00pm – 4:00pm (subject to the trading hours of Hong Kong Exchanges and Clearing Limited)
IPO Shares Subscription Service	Mon – Fri 9:00am – 5:30pm Sat 9:00am – 1:00pm
Equity-linked Deposit (Put Option)	Mon – Fri 9:30am – 12:00pm 1:00pm – 3:55pm

Designated branches with securities trading service

With extensive branch network of BOCHK, you can enjoy securities trading service at over 160 designated branches.

For addresses of designated branches, please visit BOCHK website at www.bochk.com ▶ **About Us** ▶ **Contact Us** ▶ **Hong Kong Branch Locator**

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2. Part of the information in this material is derived from third party sources. Whilst the Bank believes such source is reliable, the Bank does not make any representation, guarantee or promise as to the accuracy, completeness or correctness of such information or opinions provided in this material, and shall not be liable to any loss or damage incurred by any person caused by direct or indirect usage of such information in this material or its contents stated herein.
3. Contents in this material are subject to changes without prior notice.
4. All the contents in this material are for reference only and are not supposed to be edited, copied or extracted.

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Risk Disclosure of Equity-linked Deposits (ELD):

The outcome of an investment in an ELD will depend upon market conditions during the deposit period. The price of the linked stock may go up or down during such period. The market value of the linked stock (if applicable) transferred to you is more than likely to be lower than the principal amount of the ELD. You should be prepared to accept the principal amount of an ELD being returned in the form of the linked stock.

You should understand the extent of the exposure to risk inherent in an ELD. There is no guarantee that you will get a return on your investment or any yield from an ELD. You may suffer capital loss if the price of the linked stock goes down and in extreme cases, you may lose a substantial part of the principal amount. You have been advised to consult professional advisers in case of any concerns about the nature of an ELD.

Risk of Securities Margin Service:

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin or interest payments. If the required margin or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

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