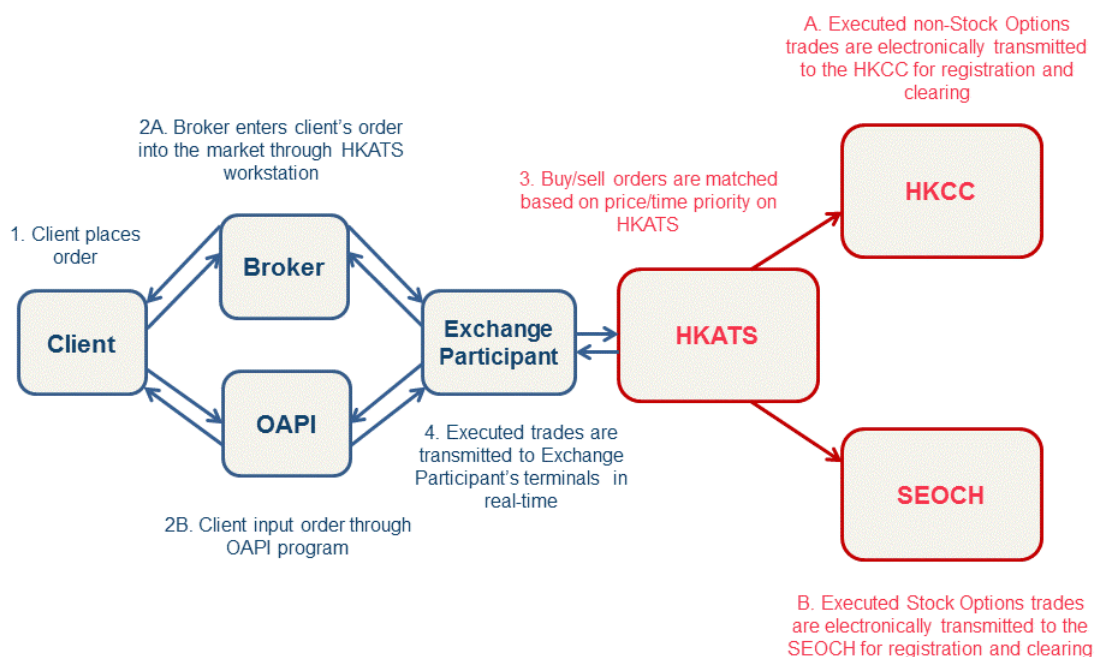


TRADING MECHANISM OVERVIEW

TRADING PROCESSES

HKATS, the trading system for HKEX's Derivatives Market, is an electronic system that automatically matches orders in real-time based on price/time priority. Orders from market participants are placed in the Central Orderbook, and as soon as a trade is being executed, trade information will be reported to the Exchange Participant. At the same instance, depending on which product the trade relates, trade information is transmitted to the HKFE Clearing Corporation Ltd (HKCC) or The SEHK Options Clearing House Ltd (SEOCH) for registration and clearing.



ORDER TYPES

Types	Characteristics
1. Auction Orders	Auction orders are placed without a limit price and are only for the pre-market opening period. An auction order is an order to buy or sell in the market at the Calculated Opening Price (COP). All auction orders will be displayed and matched on a time priority basis. Unmatched auction orders are converted to limit orders on the market open.
2. Limit Orders	A limit order is an order that has a price limit assigned by the market participant. It will be matched automatically by HKATS if the prevailing market price is at the limit price or better.

The above orders can have either active or inactive status. The following will provide further information.

<p>1. Active Order</p>	<p>An active order is an order that is currently placed in the Central Orderbook, which is a database for all the outstanding orders in the marketplace ready to be traded at any time during a trading session. Depending on the validity setting (to be discussed below), once an active order is input to the Central Orderbook, order matching will be performed automatically by HKATS.</p>
<p>2. Inactive Order</p>	<p>An inactive order is an order that is kept in the market participant's Local Orderbook, which is not placed in the market for matching. Therefore, it is not a tradable order unless participant activates the order and places it to the Central Orderbook.</p>

ORDER ATTRIBUTES

The below attributes can be assigned to orders for enhanced characteristics:

Attributes	Characteristics
<p>1. T+1</p>	<p>An order with T+1 attribute will remain active in all sessions including T+1 Session (After-Hours Trading Session). Order with Exp or Date validity and without T+1 attribute will be inactivated during T+1 Session and re-activated in T Session. For markets that do not have T+1 Session, this attribute will have no effect on the orders.</p>
<p>2. Give Up</p>	<p>Order with this attribute will be given up to another company once it is traded. The trade must be taken up by the party specified in order for the give up to be successful.</p>

ORDER VALIDITIES

Any one of the following validities can be selected for each order:

Validities	Characteristics
1. Fok Fill or Kill	Fok validity means that the order is to be matched, immediately after submission, at the exact quantity specified or else it will be canceled automatically by HKATS.
2. Fak Fill and Kill	Fak validity means that the order is to be matched, immediately after submission, as much as possible, up to quantity specified and the remaining unmatched portion, if any, of the order will be canceled automatically by HKATS.
3. Day Rest of day	Day validity means unmatched orders will remain in the Central Orderbook until the market close of the day.
4. Exp Until Expiry	Exp validity means that unmatched orders will remain in the Central Orderbook until the market close of the expiration day of the product.
5. Date Specified Date	Date validity means that unmatched orders will remain in the Central Orderbook until the market close of the business date specified.

COMBINATION TRADES

There are two types of combination trading in the HKATS, namely, standard combinations and Tailor-Made Combinations (TMC).

Combinations	Characteristics
1. Standard Combinations	Standard combinations are pre-defined by the Exchange. They facilitate roll-over activities performed by market participants. Only validities "Day", "Fak" or "Fok" are allowed.

2. Tailor-Made Combinations

The TMC Function is a combination trade facility that enables market participants to create self-defined futures and options strategies through a single order. Like standard orders for options series and futures contracts, TMC orders are matched by HKATS on a price/time priority basis. A combination of future and/or option contracts of the same underlying can be included in a single Tailor-Made Combination.

PRICE BANDING

The following price banding mechanisms may be applicable to specific products and specific trading sessions:

Price Banding Mechanisms	Characteristics
1. Dynamic Price Banding	Dynamic Price Banding is a facility to prevent order entries at a price that is clearly erroneous. Under this mechanism, trades cannot be done outside the floating price band, which is a certain percentage from a pre-determined reference price. The reference price will be adjusted to the last traded price if the last traded price deviates from the reference price more than the update parameter.
2. Price Limit Up/Down Mechanism	Price Limit Up/Down Mechanism is designed to limit price volatility during a trading session. Products that are subjected to this mechanism can only be traded within a pre-defined trading range during the trading session concerned.

For further details, please refer to the HKATS User's Guide under the following link:
http://www.hkex.com.hk/eng/market/dv_tradinfra/DMTradInfra.htm