

INTRODUCTION

With the evolution of the financial markets, investors have been looking for more effective instruments to increase their investment returns. In response to this investor interest, Hong Kong Exchanges and Clearing Limited (HKEX) introduced stock futures contracts, based on liquid and actively traded individual stocks listed on The Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of HKEX. Through investing in stock futures, investors can participate in the performance of individual listed companies, and at the same time, enjoy the ease of effective short selling and leverage provided by HKEX’s derivatives market.

Since the underlying stocks of these futures contracts are leaders in their industry sectors, individual stock futures can be used to focus on a particular sector when that sector is expected to outperform or underperform the market.

STOCK FUTURES

A stock futures contract is a commitment to buy or sell the financial exposure equivalent to a specific amount of shares (contract multiplier) of the underlying stock at a contracted price on a specified future date.

As stock futures contracts are cash settled, there is no physical delivery of shares when the contract expires.

Upon expiry, profits and losses are credited or debited to the account of the contract buyers/sellers in an amount equal to the difference between the contracted price and the final settlement price times the contract multiplier.

All buyers and sellers of stock futures are required to post margin when opening a position in the market to ensure fulfilment of the contractual obligations. If the margin falls below the stipulated level due to adverse price movements, the investor will be called upon to promptly restore the margin back to the initial level.

Key Features Of Stock Futures	
Leverage Effect	<ul style="list-style-type: none"> As the margins required for carrying stock futures positions are only a fraction of the value of the underlying stock, trading can be done with a smaller capital outlay.
No Stamp Duty	<ul style="list-style-type: none"> Trading stock futures does not incur stamp duty.
Low Transaction Costs	<ul style="list-style-type: none"> The transaction costs of stock futures contracts are only a small fraction of the contract value.
Ease of Short Selling	<ul style="list-style-type: none"> Short positions in stock futures can be easily established, allowing investors to hedge the value of the underlying stock in anticipation of a falling market.
Market Making System	<ul style="list-style-type: none"> To ensure adequate market liquidity, market makers will provide firm bid/offer prices within a maximum spread limit under obligations imposed by HKEX.
Spread Trading Opportunities	<ul style="list-style-type: none"> Single stock futures provide opportunities for investors to trade on the relative performance of different stocks via spread trading.
Clearing House Guarantee	<ul style="list-style-type: none"> As with all other futures contracts traded in HKEX’s derivatives market, stock futures are registered, cleared and guaranteed by clearing house. The clearing house acts as counterparty to all open contracts which effectively reduces counterparty risks between Clearing Participants. The clearing house guarantee does not cover a Clearing Participant’s obligations to its clients. Investors should exercise due care and diligence when deciding through whom they will conduct business.

NOTES ON ADJUSTMENTS

When a company makes changes to its capital structure, by way of rights or bonus issues, for example, the price at which its shares trade changes as soon as trading is ex-entitled, or on the effective date. This can affect open positions.

All other things being equal, the value of a shareholder's portfolio will not change on the ex-date. But the same is not true for the buyer or holder of stock futures on those shares, unless an appropriate adjustment is made to the terms of the futures contract. Without a change to the contracted price or the contract multiplier in the stock futures contract, the share price adjustment will arbitrarily and unfairly affect the value of the stock futures positions.

Clearing house determines the adjustment ratio to maintain the fair value of the futures contracts. These adjustments will only be made for substantial changes. HKEX announces the adjustment details and Exchange Participants are required to inform their clients of these changes.

CONTRACT SUMMARY FOR STOCK FUTURES

Item	Contract Terms
Contract Multiplier	One or more Board Lot(s) of the underlying shares
Contracted Value	Contracted price multiplied by Contract Multiplier
Minimum Fluctuation	\$0.01
Contract Months	Spot month, the next two calendar months, and the next two calendar quarter months
Trading Hours (Hong Kong time)	9:30 am - 12:00 noon & 1:00 pm - 4:00 pm
Last Trading Day	The Business Day immediately preceding the last Business Day of the Contract Month
Final Settlement Day	The first Business Day after the Last Trading Day
Final Settlement Price	The Final Settlement Price shall be the average of the midpoints of the best bid and best ask prices for the underlying common share as quoted in the cash market taken at five-minute intervals during the Last Trading Day
Settlement Method	Cash settled contract of difference
Exchange Fee	\$3.50

LIST OF INFORMATION VENDORS AND ACCESS CODES

Information Vendor	Access Codes
AAStocks.com	221000-223524
ACTIV Financial Systems, Inc.	HKATS Code + "/" + "YY" + "M" + ".HF"
AFE Solutions Ltd	"7" + 5-digits stock code
Bartech (Int'l) Information Network Ltd	HKATS Code + "m" + "y"
Bloomberg L.P.	Stock code = A HK Equity CT <GO>, e.g. 5 = A HK Equity CT <GO> (for Futures on HSBC)
ET Net Ltd	5-digits stock code + "-" + HKATS Code
Infocast Limited	HKATS Code
Quick Corp.	"F" + Stock code + ".yymm/HKF"
QuotePower International Ltd	P11100 – P11154
Reuters Ltd, a Thomson Reuters Company	"O#" + Reuters Code + ":"
SIX Financial Information Ltd	HKATS Code + "y" + "m" + ",113"
Telequote Data International Ltd.	HKATS Code + "m" + "y" OR "H" + Stock code + "m" + "y"

m = contract month , y = contract year

For updated information, please visit: www.hkex.com.hk/eng/market/dv_tradfinfo/infovendor.htm

LIST OF STOCK FUTURES

SEHK Code	Underlying Stock	HKATS Code	Contract Multiplier (Shares)
1	CK Hutchison Holdings Limited	CKH	500
2	CLP Holdings Limited	CLP	500
3	The Hong Kong and China Gas Company Limited	HKG	1,000
4	The Wharf (Holdings) Limited	WHL	1,000
5	HSBC Holdings Plc.	HKB	400
6	Power Assets Holdings Limited	HEH	500
11	Hang Seng Bank Limited	HSB	100
12	Henderson Land Development Company Limited	HLD	1,000
16	Sun Hung Kai Properties Limited	SHK	1,000
17	New World Development Company Limited	NWD	1,000
19	Swire Pacific Limited 'A'	SWA	500
23	The Bank of East Asia, Limited	BEA	200
66	MTR Corporation Limited	MTR	500
119	Poly Property Group Co., Ltd	POL	10,000
267	CITIC Pacific Limited	CIT	1,000
293	Cathay Pacific Airways Limited	CPA	1,000
330	Esprit Holdings Limited	ESP	100
386	China Petroleum & Chemical Corporation	CPC	2,000
388	Hong Kong Exchanges and Clearing Limited	HEX	100
410	SOHO China Ltd.	SOH	10,000
493	GOME Electrical Appliances Holding Ltd	GOM	50,000
494	Li & Fung Limited	LIF	2,000
656	Fosun International Ltd	FOS	10,000
700	Tencent Holdings Ltd.	TCH	1,000
728	China Telecom Corporation Limited	CTC	2,000
762	China Unicom (Hong Kong) Limited	CHU	2,000
857	PetroChina Company Limited	PEC	2,000
861	Digital China Holdings Ltd.	DIG	5,000
874	Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd.	BAI	2,000
883	CNOOC Limited	CNC	1,000
902	Huaneng Power International, Inc.	HNP	2,000
939	China Construction Bank Corporation	CCB	1,000
941	China Mobile Limited	CHT	500
981	Semiconductor Manufacturing International Corporation	SMC	50,000
998	China CITIC Bank Corporation Ltd.	CTB	50,000
1055	China Southern Airlines Co. Ltd.	SOA	10,000
1060	Alibaba Pictures Group Ltd.	ALI	50,000
1088	China Shenhua Energy Co. Ltd.	CSE	10,000
1171	Yanzhou Coal Mining Co. Ltd.	YZC	10,000
1288	Agricultural Bank of China Ltd.	ABC	50,000
1336	New China Life Insurance Co. Ltd.	NCL	5,000
1359	China Cinda Asset Management Co., Ltd.	CDA	50,000
1378	China Hongqiao Group Ltd.	CHQ	10,000
1398	Industrial and Commercial Bank of China Limited	ICB	1,000
1668	China South City Holdings Ltd.	CTY	10,000
1766	CRRR Corporation Ltd.	CRR	10,000

SEHK Code	Underlying Stock	HKATS Code	Contract Multiplier (Shares)
1800	China Communications Construction Company Limited	CCC	1,000
1816	CGN Power Co., Ltd.	CGN	50,000
1898	China Coal Energy Co. Ltd.	CCE	10,000
1918	Sunac China Holdings Ltd.	SUN	10,000
1988	China Minsheng Banking Corp., Ltd.	MSB	10,000
2038	FIH Mobile Limited	FIH	1,000
2238	Guangzhou Automobile Group Co., Ltd.	GAC	10,000
2318	Ping An Insurance (Group) Company of China, Ltd.	PAI	500
2328	PICC Property and Casualty Company Limited	PIC	2,000
2333	Great Wall Motor Co. Ltd.	GWM	10,000
2357	AviChina Industry & Technology Co. Ltd.	AVI	10,000
2388	BOC Hong Kong (Holdings) Limited	BOC	500
2600	Aluminum Corporation of China Limited	ALC	2,000
2628	China Life Insurance Company Limited	CLI	1,000
2822	CSOP FTSE China A50 ETF	CSA	5,000
2823	iShares FTSE A50 China Index ETF	A50	5,000
2883	China Oilfield Services Ltd.	CHO	10,000
2899	Zijin Mining Group Co., Ltd.	ZJM	10,000
3188	China AMC CSI 300 index ETF	AMC	2,000
3328	Bank of Communications Co., Ltd.	BCM	1,000
3333	Evergrande Real Estate Group Ltd.	EVG	50,000
3888	Kingsoft Corporation Ltd	KSO	5,000
3968	China Merchants Bank Co., Ltd.	CMB	500
3988	Bank of China Limited	BCL	1,000
6030	CITIC Securities Co. Ltd.	CTS	10,000
6837	Haitong Securities Co. Ltd.	HAI	10,000
6863	China Huishan Dairy Holdings Co. Ltd.	HUD	50,000
6886	Huatai Securities Co., Ltd.	HTS	10,000

The most updated stock futures contract specifications, list of stock futures and board lot sizes are available at www.hkex.com.hk.

ENQUIRY

EQD@hkex.com.hk

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