HKATS Trading Procedures

TABLE OF CONTENTS

CHAPTER 1   OPERATION OF HKATS

1.1   *HKATS*

HKATS is a trading system operated by the Exchange, with the host configuration provided by the Exchange and trading workstations located at Exchange Participants' premises. Exchange Participants' trading is conducted on HKATS through their connections to the central gateway of HKATS using applications developed by Exchange Participants based on the HKATS Application Programming Interface software ("API") sub-licensed to them by the Exchange or via HKATS Online, a browser-based frontend application granted access to Exchange Participants by the Exchange. The functionality of HKATS is set out in the HKATS User's Guide provided by the Exchange to all Exchange Participants which trade through HKATS.

CHAPTER 2   ACCESS TO HKATS

2.2   *Access Eligibility*

All Exchange Participants are eligible to trade through HKATS, subject to obtaining the prior approval of the Exchange in the form of a registration. Exchange Participants registered to trade through HKATS can either conduct trading through their connections to the central gateway of HKATS using API applications or via HKATS Online. They are in fact the exclusive means of access to HKATS by Exchange Participants. Each Exchange Participant must subscribe for and execute the HKFE-HKATS Subscription and Licence Agreement in the manner specified hereinafter in section 2.3 for each API or HKATS Online connection before it will be permitted to gain access to HKATS.

2.3   *Application Procedure for HKATS Access*

The following outlines the application process in respect of each Exchange Participant wishing to trade through HKATS:

2.3.1   *Execution of Subscription and Licence Agreement and other related forms*

An Exchange Participant will be required to sign a subscription and licence agreement in such form as may from time to time be prescribed by the Exchange ("HKFE-HKATS Subscription and Licence Agreement").

An Exchange Participant shall also sign such other related forms as may be required by the Exchange, such as the form requesting connection to HKATS prescribed by the Exchange and published on the HKEX website from time to time.

2.3.2 *(Repealed)*

2.3.5 *Assign New Usernames and User Node(s)*

Upon receipt of the executed HKFE-HKATS Subscription, Licence Agreement and completed the Request for Connection to HKATS Form, the Exchange will inform the Exchange Participant of its HKATS Username(s) and password(s) for accessing HKATS. The Exchange Participant shall follow such security and control measures pertaining the use of HKATS Usernames and passwords as are from time to time specified and advised by the Exchange. The Exchange Participant shall notify the Exchange on any change in the information provided on the Request for Connection to HKATS Form, including any deletion of HKATS Usernames.

2.3.7 *(Repealed)*

2.3.8 *Cancellation of Exchange Participant Connection / Username(s) /Exchange Participant Node(s)*

Exchange Participants which would like to terminate HKATS trading may do so by completing and submitting to the Exchange such HKATS connection termination request form as may be prescribed by the Exchange and published on the HKEX website from time to time.

2.3.9 *Resetting of User Password*

An Exchange Participant may request the Exchange to reset any password or to reissue a password notification letter by completing and submitting to the Exchange such resetting password form as may be prescribed by the Exchange and published on the HKEX website from time to time.

2.4 *Security Measures*

There are three levels of security control, via hardware level, application level and user level.

At the hardware level, registered Exchange Participant nodes can only be connected to the network through the authorization procedures prescribed by the Exchange. When a user attempts to log on to the HKATS host computer via an Exchange Participant node, HKATS will automatically verify the node address to check if it is an authorized one. Without appropriate connection authority, the access will be denied.

At the application level, Exchange Participants may gain access to the HKATS host computer via the API or HKATS Online, which are the exclusive means of access to HKATS to ensure high system integrity.

At the user level, the application is protected from unauthorized access by means of username-password control. All valid users are granted a unique username, password as well as a signum. When a user attempts to log on, HKATS will check to see if that username is registered by looking into the central database of the host system. The username must also match with the password. Failure to comply with any one of the above conditions will result in access being denied.

It is the duty of every Exchange Participant and its registered HKATS users to keep confidential the password or passwords allocated to it or them.

For security purpose and also to ensure the uniqueness of each user type, their authority and accessibility will be confined to different sets of legal transaction type and menu access type respectively.

CHAPTER 3   DEALING FUNCTIONALITY

3.4   *Limit Order Entry*

Limit Orders with a specified validity time can be entered through the "Enter Order Window" feature. This Window can be brought up from the "Order Actions" heading contained in the HKATS Online menu bar. Authorized Persons should adjust the ID (i.e. the delivery month, the option series or the series name), price and quantity as needed. After confirmation, an Order is entered. Any unmatched Order is then displayed in the Central Orderbook.

Limit Orders may also be entered through the "Execute Order Window" feature as more thoroughly described in section 3.6.

3.4.1   Limit Orders entered into the Central Orderbook must include the following information:

a) time, delivery month, option series or series name as applicable;
b) buy or sell;
c) price;
d) quantity; and
e) validity time or conditions.

3.4.2   Time-Stamping Rule

Every Exchange Participant must immediately time-stamp each Order received from Clients, by way of recording the time, date and complete particulars of trading instructions received from Clients. For trading through HKATS, the time an Order is accepted by HKATS as well as the trade execution time will automatically be recorded in HKATS.

3.6   *Order Execution through Use of the Execute Order Window Feature*

Authorized Persons may also execute Orders using the "Execute Order Window" by double clicking either the bid or ask side ("Reference Price"), depending on the desired order action, in the "Price Information Window", "Price Depth Window" or "Order Depth Window".

When the "Execute Order Window" comes up, the "Price", "Quantity", and "Average Price" fields will be displayed. Where no adjustment is made to such fields, the "Price" field will display the "Reference Price" which will represent the worst bid or ask price, as the case may be, at which an Authorized Person may execute an Order for the quantity specified in the "Quantity" field. The "Quantity" field will display the total quantity available for execution at the "Reference Price" which, where applicable

will include all better bid or ask prices available in the Market. The "Average Price" field will display an indicative average price at which the Authorized Person may execute the Order for the quantity shown in the "Quantity" field. The "Price" and the "Quantity" fields can be adjusted by scrolling the respective arrow up or down. If the Authorized Person changes the price level or quantity, the "Quantity" or the "Price" field, as the case may be, as well as the "Average Price" field will be recalculated automatically. If the quantity available in the relevant Market is less than the quantity specified in the "Quantity" field, a zero will be displayed in the "Average Price" field to reflect this situation. If the Authorized Person confirms the Order, the Order will be executed at the quantity then available in the Market. The validity time must also be specified: (i) Fill or Kill; or (ii) Fill and Kill (Default).

When entering a Limit Order, the Authorized Person must specify a price in the "Price" field, i.e. he must set a floor or a ceiling price at which his Order will be executed for such quantity as is available in the Market.

3.12   *[Repealed]*

3.13   *Trade History*

The "Trade History Window" displays information of trades that an Authorized Person's own Exchange Participant firm has made.

CHAPTER 4   MARKET MAKERS

4.3   *Market Making on HKATS*

In order to be entitled to Market Maker Incentives, Market Makers shall fulfil their market making requirements by providing Quotes on HAKTS using the "Price Quotation Window" or "Quote Reply Window" of HKATS Online or the equivalent price quotation functions of API connections. The use of these windows is described in more detail in the HKATS User's Guide.

CHAPTER 6   REPORTING SERVICES

Through the HKATS Online trading application, trade data can be both displayed and exported via the "Ticker" and the "Trade History" Windows:

6.1   Ticker Window - trades can be exported through use of this Window.

6.2   Trade History Window - all trades done by an Exchange Participant firm during a Business Day can be exported.

CHAPTER 7   CONTINGENCY PROCEDURES

7.3   *Equipment Failure*

In case of a failure, error or defect in any of the equipment relating to the trading of an Exchange Participant on HKATS (including but not limited to network equipment and communication lines), whether installed at the Exchange Participant's office premises or any other location, the Exchange Participant shall report the incident to the HKATS hotline immediately. Exchange Participants are requested to follow the procedures stipulated in the HKATS User's Guide regarding equipment failure.

In case of any connectivity failure during the after-hours trading session, an Exchange Participant can apply to rent an HKATS terminal at the SOS Centre temporarily. The Exchange has the absolute discretion to determine whether or not to approve these applications.

An Exchange Participant experiencing a temporary loss of connectivity to HKATS may also request the Exchange to delete orders from or conduct other processes on HKATS on its behalf ("On-Behalf-Of Processing"). On-Behalf-Of Processing is principally intended for real contingency situations to reduce the financial risk of an Exchange Participant when there is an unexpected temporary failure in system access. It is not intended to be a long-term alternative for the Exchange Participant. The Exchange Participant is expected to restore its access to HKATS in the shortest time practicable. On-Behalf-Of Processing is subject to the availability of the resources of the Exchange at the time of an Exchange Participant's request. The Exchange will appraise each request for On-Behalf-Of Processing on a case-by-case basis and shall have the absolute discretion to turn down any request which it deems inappropriate. The Exchange shall not be liable to any Exchange Participant for any On-Behalf-Of Processing conducted on its behalf.

A fee shall be payable by an Exchange Participant for renting an SOS HKATS terminal and for any On-Behalf-Of Processing executed by the Exchange on its behalf.

Appendix II

[Repealed]