

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

Contract Specifications
for
Hang Seng China Enterprises Index (HSCEI) Futures

Position Limits

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Client. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract.

Contract Specifications
For
Mini-Hang Seng China Enterprises Index (HSCEI) Futures

Position Limits

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Client. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract.

Contract Specifications
for
Hang Seng China Enterprises Index (HSCEI) Options

The following Contract Specifications shall apply to the Hang Seng China Enterprises Index Option Contract^{**}:-

Position Limits

Position delta for Mini-Hang Seng China Enterprises Index Futures, and Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long and short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Client. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract.

^{**} The Mini-Hang Seng China Enterprises Index Option Contract and the Hang Seng China Enterprises Index Option Contract are fungible. Positions in these two Exchange Contracts will be netted automatically (in the case of House and Market Maker accounts) or may be closed out (in the case of Client account) in accordance with the Clearing House Rules.

Contract Specifications
For
Mini-Hang Seng China Enterprises Index (HSCEI) Options

The following Contract Specifications shall apply to the Mini-Hang Seng China Enterprises Index Option Contract*:

<u>Underlying Index/Index</u>	<u>Hang Seng China Enterprises Index (the share price index of that name compiled, computed and disseminated by Hang Seng Indexes Company Limited).**</u>
<u>Contract Multiplier</u>	<u>HK\$10 per Index point.**</u>
<u>Contract Months</u>	<u>Spot Month, the next calendar month and the next two calendar quarter months (i.e. quarter months are March, June, September and December).</u>
<u>Trading Hours</u>	<u>9:15 a.m. - 12:00 noon (morning trading session) and 1:00 p.m. - 4:30 p.m. (afternoon trading session) (Hong Kong time)</u> <u>There is no afternoon session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.</u>
<u>Trading Hours on Expiry Day</u>	<u>9:15 a.m. - 12:00 noon (morning trading session) and 1:00 p.m. - 4:00 p.m. (afternoon trading session) (Hong Kong time)</u> <u>There shall be no afternoon trading session if the Expiry Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve.</u>
<u>Trading Method</u>	<u>The Exchange's Automated Trading System (HKATS).</u>
<u>Expiry Day</u>	<u>The Business Day immediately preceding the last Business Day of the Contract Month.</u>
<u>Option Premium</u>	<u>Quoted in whole Index points.</u>
<u>Contracted Value</u>	<u>Option Premium multiplied by the Contract Multiplier.</u>

Strike Prices

Strike Prices shall be set as follows:

<u>HSCEI (Index points)</u>	<u>Intervals</u>
<u>Below 2,000</u>	<u>50</u>
<u>At or above 2,000 but below 8,000</u>	<u>100</u>
<u>At or above 8,000</u>	<u>200</u>

On any Business Day, new consecutive Strike Prices may be set for, or added to, each Option Contract (other than the Spot Month Option Contract on or after the 5th Business Day preceding the Expiry Day) such that at all times there will be Strike Prices representing not less than 10% above, at, and not less than 10% below the at-the-money Strike Price of the Option Contract. On any Business Day in a given month, the at-the-money Strike Price of each Option Contract shall be the previous Business Day's Closing Quotation (as defined in the HKCC Rules) of (i) the Spot Month Mini-HSCEI Futures Contract for any day prior to the Expiry Day; and (ii) the next month Mini-HSCEI Futures Contract for any day on or after the Expiry Day, rounded off to the nearest Strike Price, unless the Closing Quotation is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price.

Strike Prices shall be set on a temporary basis at other intervals as may from time to time be determined by the Chief Executive in consultation with the Commission or at other intervals as may from time to time be determined by the Board in consultation with the Commission. The Exchange reserves the right to introduce new or delete existing Strike Prices at any time.

Exercise Style

European Style options which may only be exercised on Expiry Day.

Settlement on Exercise

Cash settlement of the Final Settlement Value.

Final Settlement Day

The Business Day immediately following the Expiry Day.

Official Settlement Price

The Official Settlement Price for Mini-Hang Seng China Enterprises Index Options shall be a number, rounded down to the nearest whole number, determined by the Clearing House and shall be the average of the values of the Hang Seng China Enterprises Index compiled, computed and disseminated by Hang Seng Indexes Company Limited* taken at (i) five (5) minute intervals from five (5) minutes after the start of, and up

to five (5) minutes before the end of, the Continuous Trading Session of SEHK; and (ii) the close of trading on SEHK on the Expiry Day. The Chief Executive of the Exchange has the power under the Regulations for trading Stock Index Options to determine the Official Settlement Price under certain circumstances.

Position Limits

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and

Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures and Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Client. For this purpose, the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract.

Large Open Positions

2,500 open contracts in any one series per Exchange Participant for the Exchange Participant's own behalf; and

2,500 open contracts in any one series per Client.

Minimum Fluctuation

One Index point.

Trading Fees
(per contract per side)

Exchange Fee HK\$ 1.00
The amount indicated above is subject to change from time to time.

Levies
(per contract per side)

Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance.

Cabinet Trade

No Exchange Fee is payable. Commission Levy and Investor Compensation Levy are applicable.

Exercise Fee

A fee of HK\$1.00 will be charged by the Exchange for each option contract exercised. Option contracts not exercised shall be deemed to have expired worthless and will not be assessed an exercise fee.

Commission Rate

Negotiable.

* The Mini-Hang Seng China Enterprises Index Option Contract and the Hang Seng China Enterprises Index Option Contract are fungible. Positions in these two Exchange Contracts will be netted automatically (in the case of House and Market Maker accounts) or may be closed out (in the case of Client account) in accordance with the Clearing House Rules.

** Same as the Mini-Hang Seng China Enterprises Index Futures Contract.

TRADING PROCEDURES FOR STOCK INDEX FUTURES AND STOCK INDEX OPTIONS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)

CHAPTER 3

MARKET MAKERS IN STOCK INDEX FUTURES AND STOCK INDEX OPTIONS CONTRACTS

3.1 Application for a Market Maker Permit

Upon granting a Market Maker permit in a Stock Index Options Contract and any subsequent approval thereunder, the Exchange shall assign the Market Maker (itself if applicable and each of its market making arrangements if any) with not less than twenty four (24) option series in the Stock Index Options Contract to be determined by the Exchange from time to time. In the case of a Stock Index Options Contract with both Short-dated and Long-dated Options, only option series in Short-dated Options will be assigned. In the case of a Market Maker permit being granted in the Mini-Hang Seng Index Option Contract or Mini-Hang Seng China Enterprises Index Option Contract and any subsequent approval granted thereunder, the Exchange shall assign the Market Maker (itself if applicable and each of its market making arrangement if any) with not less than 12 option series in the Mini-Hang Seng Index Option Contract or Mini-Hang Seng China Enterprises Index Option Contract, to be determined by the Exchange from time to time. A Market Maker permit shall not be applicable to Flexible Options and accordingly all obligations and procedures relating to any market making requirements shall not apply.

3.3 Market Maker Incentives

A Market Maker in a Stock Index Futures Contract or a Stock Index Options Contract shall also be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in other Stock Index Futures Contracts and Stock Index Options Contracts with the same underlying index, provided that (i) the total number of other Stock Index Futures Contracts and Stock Index Options Contracts eligible for reduced Exchange Fees in any calendar month shall not exceed the volume of the Stock Index Futures Contract or the Stock Index Options Contract traded by the Market Maker in its capacity as such in that calendar month; (ii) for Market Makers in the Mini-Hang Seng Index Futures Contract or the Mini-Hang Seng Index Option Contract, the number of other eligible transactions in the Hang Seng Index Futures Contract and the Hang Seng Index Option Contract shall be multiplied by one-fifth; (iii) for Market Makers in the Hang Seng Index Option Contract, the number of other eligible transactions in the Mini-Hang Seng Index Futures Contract and the Mini-Hang Seng Index Option Contract shall be multiplied by five; ~~and~~ (iv) for Market Makers in the Hang Seng China Enterprises Index Futures Contract or the Hang Seng China Enterprises Index Option Contract, the number of other eligible transactions in the Mini-Hang Seng China Enterprises Index Futures Contract and the Mini-Hang Seng China Enterprises Index Option Contract shall be multiplied by five; ~~and~~ (v) for Market Makers in the Mini-Hang Seng China Enterprises Index Futures Contract or the Mini-Hang Seng China Enterprises Index Option Contract, the number of other eligible transactions in the Hang Seng China Enterprises Index Futures Contract and the Hang Seng China Enterprises Index Option Contract shall be multiplied by one-fifth.

APPENDIX B - FEES

Description	Amount ¹
<i>Exchange trading fees</i>	
HSCEI Futures	House/Client a/c 3.5/Lot MM a/c 0.5/Lot MM in HSCEI Options ² <u>or Mini-HSCEI Options²</u> 1.00/Lot
HSCEI Options	House/Client a/c 3.5/Lot MM a/c 0.5/Lot MM in HSCEI Futures ² <u>or Mini-HSCEI Options²</u> 1.00/Lot
Mini-HSCEI Futures	House/Client a/c 2.00/Lot MM in HSCEI Futures ¹ or 0.7/Lot HSCEI Options ² <u>or Mini-HSCEI Options²</u>
<u>Mini-HSCEI Options</u>	<u>House/Client a/c 1.00/Lot</u> <u>MM a/c 0.20/Lot</u> <u>MM in HSCEI Options or</u> <u>HSCEI Futures² 0.35/Lot</u>

¹ Unless otherwise specified, the amounts listed in this appendix are in HK dollars

² The number of contracts that are eligible for a reduced Exchange Fee may be limited as specified in the Procedures relating to Stock Index Futures and Stock Index Options contained in these Rules