FIFTEENTH SCHEDULE
DESIGNATED INDEX ARBITRAGE SHORT SELLING, STOCK FUTURES HEDGING SHORT SELLING, STRUCTURED PRODUCT HEDGING SHORT SELLING AND OPTIONS HEDGING SHORT SELLING REGULATIONS ("REGULATIONS")

INTRODUCTION

(1) [Repealed]

DESIGNATED INDEX ARBITRAGE SHORT SELLING

(2) Notwithstanding anything to the contrary contained in these Rules, Designated Index Arbitrage Short Selling shall be conducted in accordance with these Regulations.

(3) Designated Index Arbitrage Short Selling shall only be concluded once the following stocks are automatically struck through the system: (i) underlying stocks of an index or indexes designated by the Exchange from time to time ("Designated Index"); and (ii) underlying stocks of the Tracker Fund of Hong Kong which is based on a Designated Index.

(4) Designated Index Arbitrage Short Selling may only be conducted by an Exchange Participant which is registered with the Exchange as a Designated Index Arbitrage Short Selling Participant under Regulation (5) below. Designated Index Arbitrage Short Selling may be conducted by a Designated Index Arbitrage Short Selling Participant for (i) its own account; (ii) for the account of any affiliate which has designated the Designated Index Arbitrage Short Selling Participant to conduct Designated Index Arbitrage Short Selling on its behalf; (iii) for the account of an HKFE Participant which has designated the Designated Index Arbitrage Short Selling Participant to conduct Designated Index Arbitrage Short Selling on its behalf; or (iv) for the account of any person which is an affiliate of an HKFE Participant and which has designated the Designated Index Arbitrage Short Selling Participant to conduct Designated Index Arbitrage Short Selling on its behalf. For the purposes of Designated Index Arbitrage Short Selling, the term "affiliate", in relation to a company, means a subsidiary of the company, the holding company of the company or a subsidiary of the holding company of the company.

(5) An Exchange Participant which wishes to be registered as a Designated Index Arbitrage Short Selling Participant shall apply to the Exchange by completing such form and complying with such instructions as may from time to time be prescribed by the Exchange. The Exchange Participant shall also apply to the Exchange to register those persons for whose account the Exchange Participant will be conducting Designated Index Arbitrage Short Selling ("registered arbitrageur"). The decision as to whether or not to permit an Exchange Participant to be registered as a Designated Index Arbitrage Short Selling Participant or to allow the Exchange Participant to conduct Designated Index Arbitrage Short Selling for any person is entirely at the discretion of the Exchange. The Exchange may impose such conditions as it thinks fit on the registration of any Designated Index Arbitrage Short Selling Participant.

(6) The Designated Index Arbitrage Short Selling Participant shall ensure, and procure that its registered arbitrageur shall ensure, that Designated Index Arbitrage Short Selling may only be conducted if the following criteria are satisfied and continue to be satisfied:

(a) the aggregate percentage of the weighting in the Designated Index (as at the close of trading on the previous trading day) of the stocks comprising the Designated Index that are sold on the Exchange as part of the Designated Index Arbitrage Transaction must not be less than 95%;

(b) the underlying stocks of the Designated Index that are sold as part of a Designated Index Arbitrage Transaction shall be in relative proportion to their weightings in the Designated Index. The percentage of the weighting of each stock that is sold as part of a Designated Index Arbitrage Transaction must not deviate from its weighting in the Designated Index (as at the close of trading on the previous trading day) by more than 10%; and

(c) the total dollar value of the underlying stocks of the Designated Index that are sold as part of the Designated Index Arbitrage Transaction does not exceed or fall below the notional value of the TraHK Units purchased or positions in the relevant HKFE Stock Index Futures Contract established as part of the Designated Index Arbitrage Transaction by more than 4%.

For the avoidance of doubt, as long as a Designated Index Arbitrage Transaction:

(i) satisfies the criteria set forth above, any sale of an underlying stock of a Designated Index may be conducted on the same trading day that the Designated Index Arbitrage Transaction is effected; or

(ii) satisfies criteria (a) and (c) set forth above, any sale of an underlying stock of a Designated Index, which has a percentage weighting deviation that exceeds 10% of its weighting in the Designated Index provided that such underlying stock is not one of the stocks comprising the aggregate percentage that satisfy criterion (a), may be conducted on the same trading day that the Designated Index Arbitrage Transaction is effected

and such sale of an underlying stock shall be part of that Designated Index Arbitrage Transaction.

(7) A Designated Index Arbitrage Short Selling Participant, or a Designated Index Arbitrage Short Selling Participant on behalf of a registered arbitrageur, may conduct Designated Index Arbitrage Short Selling for the purpose of rebalancing a Designated Index Arbitrage Transaction. The Exchange may at any time limit the number of shares or the total value of shares sold as part of the rebalancing of a Designated Index Arbitrage Transaction. A Designated Index Arbitrage Short Selling Participant shall notify the Exchange, in such manner as prescribed by the Exchange from time to time, if the total value of shares sold for the purpose of rebalancing a Designated Index Arbitrage Transaction in one trading day exceeds 4% of the total value of the Designated Index Arbitrage Transaction (valued as at the previous trading day).

(8) A Designated Index Arbitrage Short Selling Participant shall ensure, and procure that its registered arbitrageur shall ensure, that the closing-out or unwinding of a Designated Index Arbitrage Transaction shall be conducted if:

(i) on a business day other than the last trading day of a Stock Index Futures Contract Month, (a) the purchase of underlying stocks and the sale of Stock Index Futures Contracts or TraHK Units to close-out the Designated Index Arbitrage Transaction are contemporaneous; (b) the value of the underlying stock purchased as part of the closing-out transaction is not less than 95% of the total value of the Designated Index Arbitrage Transaction (valued as at the day of the closing-out transaction); and (c) the value of the underlying stocks of the Designated Index that are purchased as part of the closing-out transaction does not exceed or fall below by more than 4% of the notional value of the TraHK Unit sold or of the positions held in the relevant HKFE Stock Index Futures Contract of the Designated Index Arbitrage Transaction (valued as at the day of the closing-out transaction); or

(ii) on the last trading day of a Stock Index Futures Contract Month, (a) the purchase of underlying stocks and the expiration of Stock Index Futures Contracts, including any sale of Stock Index Futures Contract, occur on the same business day; and (b) the value of the underlying stocks of the Designated Index that are purchased as part of the closing-out transaction does not exceed or fall below by more than 4% the notional value of the positions in the relevant HKFE Stock Index Futures Contract of the Designated Index Arbitrage Transaction.

For the purpose of this Regulation, the term "contemporaneous" means the execution of the closing-out transaction within a certain time period as prescribed by the Exchange from time to time.

(9) The Exchange reserves the right at any time to alter any percentage set out in Regulation (6) and Regulation (8), and to impose any condition on such alteration as it thinks fit.

(10) A Designated Index Arbitrage Short Selling Participant shall ensure that so long as it is registered as a Designated Index Arbitrage Short Selling Participant, the following conditions are at all times satisfied:

(a) Designated Index Arbitrage Transactions are only conducted for its own account or for the account of its registered arbitrageur;

(b) it has designated and each of its registered arbitrageurs has designated an HKFE Participant which is registered with HKFE as a Designated Index Arbitrage Participant under the Rules of HKFE to conduct on HKFE such parts of the Designated Index Arbitrage Transaction that need to be conducted on HKFE;

(c) each of its registered arbitrageurs which conducts Designated Index Arbitrage Short Selling as part of its Designated Index Arbitrage Transactions trades for its own account only; and

(d) such other conditions as may from time to time be prescribed by the Exchange.

(11) Designated Index Arbitrage Short Selling could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).

(12) The Chief Executive may from time to time restrict or prohibit a Designated Index Arbitrage Short Selling Participant from Designated Index Arbitrage Short Selling provided he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition, whether oral or written, shall take effect immediately upon communication to or service on the Designated Index Arbitrage Short Selling Participant from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive.

(13) The Exchange may from time to time exempt any orders, trades and a Designated Short Selling Participant from all or any of the provisions of these Regulations.

(14) A Designated Index Arbitrage Short Selling Participant shall conduct Designated Index Arbitrage Transactions, whether for its own account or for the account of a registered arbitrageur, in a manner consistent with the maintenance of a fair and orderly market.

(15) An Designated Index Arbitrage Short Selling Participant which knows or is informed that a sale order is related to a Designated Index Arbitrage Transaction shall, if it passes the order to another person with a view that he shall input the order into the System, inform him that the order is a sale order relating to a Designated Index Arbitrage Transaction.

(16) An order involving Designated Index Arbitrage Short Selling may be entered into the System during the Pre-Opening Session, the Continuous Trading Session and the Closing Auction Session. Each order effected on the Exchange relating to a Designated Index Arbitrage Transaction shall be entered into the System by a Designated Index Arbitrage Short Selling Participant with a specific transaction indicator assigned by the Exchange followed by a transaction nature indicator and a transaction reference number in the trade reference field (in sequential order). In addition, orders involving Designated Index Arbitrage Short Selling must be entered into the System with a specific short sale indicator in the short sale indicator field. The Designated Index Arbitrage Short Selling Participant shall ensure that the same assigned transaction indicator, transaction nature indicator and transaction reference number are used by the relevant Designated Index Arbitrage Participant (as defined in the Rules of HKFE) when executing such parts of the Designated Index Arbitrage Transaction that correspond to such order on HKFE on its or its registered arbitrageur's behalf. It shall also ensure the same assigned transaction indicator, transaction nature indicator and transaction reference number are used when executing the purchase of TraHK Units as part of a Designated Index Arbitrage Transaction that correspond to the same sale order.

(17) Each Designated Index Arbitrage Short Selling Participant shall keep as part of its records and make available to the Exchange or the Commission for inspection when

requested to do so and within such period of time as specified in its request, all information regarding Designated Index Arbitrage Transactions conducted for its own account or for the account of its registered arbitrageur.

(18) Each Designated Index Arbitrage Short Selling Participant shall procure its registered arbitrageur to make available to the Exchange or the Commission for inspection all books and records regarding such arbitrageur's Designated Index Arbitrage Transactions within 3 business days of the Exchange or the Commission's request or within such other period as may be specified by the Exchange or the Commission in its request.

(19) The Exchange may disclose any information relating to a Designated Index Arbitrage Short Selling Participant or its registered arbitrageur to HKFE or any recognized exchange controller which is the controller of the Exchange in connection with any inquiry, investigation, action or disciplinary proceedings that may be brought against the Designated Index Arbitrage Participant (as defined in the Rules of HKFE) which the Designated Index Arbitrage Short Selling Participant or its registered arbitrageur has designated to conduct Designated Index Arbitrage Transactions on HKFE on its behalf. The Exchange shall also be permitted to use and rely on any information regarding a Designated Index Arbitrage Short Selling Participant or its registered arbitrageur that has been provided by HKFE or any recognized exchange controller which is the controller of HKFE in connection with any inquiry, investigation, action or disciplinary proceedings that may be brought against the Designated Index Arbitrage Short Selling Participant.

(20) Each Designated Index Arbitrage Short Selling Participant shall report all errors relating to a Designated Index Arbitrage Transaction in such manner as may be prescribed by the Exchange from time to time.

STOCK FUTURES HEDGING SHORT SELLING

(21) Notwithstanding anything to the contrary contained in these Rules, Stock Futures Hedging Short Selling shall be conducted in accordance with these Regulations.

(22) Stock Futures Hedging Short Selling shall only be concluded on underlying stocks of a Stock Futures Contract traded on HKFE automatically struck through the System.

(23) Stock Futures Hedging Short Selling may only be conducted by an Exchange Participant which is registered with the Exchange as a Designated Stock Futures Hedging Short Selling Participant for the account of an HKFE Participant which is a market maker in the Stock Futures Market of HKFE and which has designated the Designated Stock Futures Hedging Short Selling Participant to conduct Stock Futures Hedging Short Selling on its behalf. An Exchange Participant which wishes to be registered as a Designated Stock Futures Hedging Short Selling Participant shall apply to the Exchange by completing such form and complying with such instructions as may from time to time be prescribed by the Exchange.

(24) In applying for Designated Stock Futures Hedging Short Selling Participant registration under Regulation (23), the Exchange Participant shall also apply to the Exchange to register the HKFE Participant for whose account the Exchange Participant will be conducting Stock Futures Hedging Short Selling. Each Exchange Participant may only register one HKFE Participant for whose account the Exchange

Participant will be conducting Stock Futures Hedging Short Selling. The decision as to whether or not to allow the Exchange Participant to conduct Stock Futures Hedging Short Selling for any person is entirely at the discretion of the Exchange. The Exchange may impose such conditions as it thinks fit on the registration of any Designated Stock Futures Hedging Short Selling Participant.

(25) Stock Futures Hedging Short Selling could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).

(26) The Chief Executive may from time to time restrict or prohibit a Designated Stock Futures Hedging Short Selling Participant from Stock Futures Hedging Short Selling provided he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition, whether oral or written, shall take effect immediately upon communication to or service on the Designated Stock Futures Hedging Short Selling Participant from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive.

(27) The Exchange may from time to time exempt any orders, trades and a Designated Stock Futures Hedging Short Selling Participant from all or any of the provisions of these Regulations.

(28) Each Designated Stock Futures Hedging Short Selling Participant shall keep as part of its records and make available to the Exchange or the Commission for inspection when requested to do so and within such period of time as specified in its request, all information regarding Stock Futures Hedging Transactions conducted for the account of the HKFE Participant.

(29) An order involving Stock Futures Hedging Short Selling may be entered into the System during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. Each order effected on the Exchange as part of a Stock Futures Hedging Transaction shall be entered into the System by a Designated Stock Futures Hedging Short Selling Participant with a specific transaction indicator assigned by the Exchange in the trade reference field. In addition, orders involving Stock Futures Hedging Short Selling must be entered into the System with a specific short sale indicator in the short sale indicator field.

(30) The Exchange may disclose any information relating to a Designated Stock Futures Hedging Short Selling Participant or the HKFE Participant to HKFE or any recognized exchange controller which is the controller of the Exchange in connection with any inquiry, investigation, action or disciplinary proceedings that may be brought against the HKFE Participant. The Exchange shall also be permitted to use and rely on any information regarding a Designated Stock Futures Hedging Short Selling Participant or the HKFE Participant that has been provided by HKFE or any recognized exchange controller which is the controller of HKFE in connection with any inquiry, investigation, action or disciplinary proceeding that may be brought against the Designated Stock Futures Hedging Short Selling Participant.

(31) A Designated Stock Futures Hedging Short Selling Participant which knows or is informed that an order is related to a Stock Futures Hedging Transaction shall, if it

passes the order to another person with a view that he shall input the order into the System, inform him that the order is an order relating to a Stock Futures Hedging Transaction.

(32) Each Designated Stock Futures Hedging Short Selling Participant shall report all errors relating to a Stock Futures Hedging Transaction in such manner as may be prescribed by the Exchange from time to time.

STRUCTURED PRODUCT HEDGING SHORT SELLING

(33) Notwithstanding anything to the contrary contained in these Rules, Structured Product Hedging Short Selling shall be conducted in accordance with these Regulations.

(34) Structured Product Hedging Short Selling shall only be concluded on underlying stocks of a single stock derivative warrant or a single stock CBBC automatically struck through the System.

(35) Structured Product Hedging Short Selling may only be conducted by a Structured Product Hedging Participant which is appointed by an issuer to conduct Structured Product Hedging Transaction for the account of that issuer or the account of any associates of that issuer.

(36) Structured Product Hedging Short Selling could be made on the Exchange below the best current ask price.

(37) The Chief Executive may from time to time restrict or prohibit a Structured Product Hedging Participant from Structured Product Hedging Short Selling provided he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition, whether oral or written, shall take effect immediately upon communication to or service on the Structured Product Hedging Participant from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive.

(38) The Exchange may from time to time exempt any orders, trades and a Structured Product Hedging Participant from all or any of the provisions of these Regulations.

(39) Each Structured Product Hedging Participant shall keep as part of its records and make available to the Exchange or the Commission for inspection when requested to do so and within such period of time as specified in its request, all information regarding Structured Product Hedging Transactions conducted for the account of the issuer or the account of any associates of that issuer.

(40) An order involving Structured Product Hedging Short Selling may only be entered into the System during the Continuous Trading Session. An order involving Structured Product Hedging Short Selling must be entered into the System with a specific short sale indicator in the short sale indicator field and in such manner as the Exchange shall from time to time determine.

(41) A Structured Product Hedging Participant which knows or is informed that an order is related to a Structured Product Hedging Short Selling shall, if it passes the order to another person with a view that he shall input the order into the System, inform him that the order is an order relating to a Structured Product Hedging Short Selling.

(42) The Exchange has absolute discretion at any time to prohibit any Exchange Participant from being appointed or acting as a Structured Product Hedging Participant either generally or in relation to a particular structured product on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive.

OPTIONS HEDGING SHORT SELLING

(43) Notwithstanding anything to the contrary contained in these Rules, Options Hedging Short Selling shall be conducted in accordance with these Regulations.

(44) Options Hedging Short Selling transaction shall only be concluded in the underlying stock of an Options Contract automatically struck through the System.

(45) Options Hedging Short Selling may only be conducted by a Market Maker or an Exchange Participant which is registered by the Exchange on the application of a Market Maker as an Options Hedging Participant to conduct Options Hedging Transactions for the account of that Market Maker or for the account of the affiliate of that Market Maker in whose account market making positions are held.

(46) Options Hedging Short Selling could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).

(47) The Chief Executive may from time to time restrict or prohibit a Market Maker or an Options Hedging Participant from Options Hedging Short Selling provided he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition, whether oral or written, shall take effect immediately upon communication to or service on the Market Maker or the Options Hedging Participant, as the case may be, from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive.

(48) The Exchange may from time to time exempt any orders, trades, Market Makers and Options Hedging Participants from all or any of the provisions of these Regulations.

(49) Each Market Maker and Options Hedging Participant shall keep as part of its records and make available to the Exchange or the Commission for inspection when requested to do so and within such period of time as specified in its request, all information

regarding Options Hedging Transactions conducted by the Market Maker for its own account or for the account of an affiliate or conducted by the Options Hedging Participant for the account of a Market Maker or for the account of an affiliate of a Market Maker.

(50) An order involving Options Hedging Short Selling may be entered into the System during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. An order involving Options Hedging Short Selling must be entered into the System with a specific short sale indicator in the short sale indicator field and in such manner as the Exchange shall from time to time determine.

(51) A Market Maker or an Options Hedging Participant which knows or is informed that an order is related to an Options Hedging Short Selling shall, if it passes the order to another person with a view that it shall input the order into the System, inform it that the order is an order relating to an Options Hedging Short Selling.

(52) Each Market Maker and Options Hedging Participant shall report all errors relating to an Options Hedging Transaction in such manner as may be prescribed by the Exchange from time to time.

(53) The Exchange has absolute discretion at any time to prohibit any Exchange Participant from being appointed or acting as an Options Hedging Participant either generally or in relation to a particular Options Contract on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive.