THE STOCK EXCHANGE OF HONG KONG LIMITED

OPTIONS TRADING RULES

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CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

101. In these Options Trading Rules, unless the context otherwise requires:-

"affiliate"	means a company that is either a subsidiary of an Options Exchange Participant (or vice versa) or shares a parent company with the Options Exchange Participant and that parent company owns at least 40 percent of both companies;
"AFRC Transaction Levy"	means the levy payable to the Accounting and Financial Reporting Council pursuant to the provisions of section 50A of the Accounting and Financial Reporting Council Ordinance;
"After Business Period"	means the time period after trading but before batch processing on each Business Day when input of clearing functions into DCASS by SEOCH Participants is no longer allowed;
"Articles"	has the same meaning as in the Exchange Rules;
"Authorized Person"	means a person employed or engaged by an Options Trading Exchange Participant to gain access to HKATS and for the purpose of gaining access to HKATS via the HKATS Risk Functions to establish, monitor and implement Prescribed Risk Controls, an Authorized Person may include a person appointed for such purpose by the GCP which clears the Options Trading Exchange Participant's trades if it is an NCP;
"Block Trade"	means any trade which is executed via the Block Trade Facility;
"Block Trade Contract"	means an option class designated by the Board as an option class that may be executed as a Block Trade pursuant to these Options Trading Rules and the Operational Trading Procedures;
"Block Trade Facility"	means the function of HKATS as specified by the Exchange to be used for Block Trades execution;
"Board"	has the same meaning as in the Exchange Rules;
"Business Day"	means a day on which the Exchange is open for trading stock options;

"CCASS"	has the same meaning as in the Exchange Rules;
"CCMS"	has the same meaning as in the Clearing Rules;
"Central Orderbook"	means a file resident in the Options Trading System which contains the records of all unmatched orders to buy or sell Options Contracts through the Options Trading System;
"Chief Executive"	has the same meaning as in the Exchange Rules;
"Clearing Agreement"	means a written agreement between a GCP and an NCP as required by Options Trading Rule 302(4)(b);
"Clearing Rules"	means the clearing rules of SEOCH as from time to time in effect;
"Client Account"	means the account of an Options Trading Exchange Participant, designated "A1" by HKATS;
"Client Contract"	has the same meaning as in Options Trading Rule 411 or 411A(b), as the context may require;
"Client Identity Guidance Note"	has the same meaning as in the Exchange Rules;
"closing contract"	means a short (long) Contract, resulting from an Options Contract which was designated as a closing contract by a person, the effect of which is the elimination of the rights and obligations arising under an identical but long (short) Contract in the same option series entered into by the same person comprised in an open position, and which decreases that open position, and "closing", "close" and "closed" shall be construed accordingly;
"Commission"	has the same meaning as in the Exchange Rules;
"Contract"	means an Options Contract, a Client Contract, an Options Broker Client Contract, an OCH Contract or an NCP Contract, as the context may require;
"controller"	has the meaning assigned to it by section 18(1) of the Ordinance;
"Currency of the Contract"	has the same meaning as in the Clearing Rules;
"Daily Margin"	has the same meaning as in the Clearing Rules;
"DCASS"	has the same meaning as in the Clearing Rules;
"delivery obligation"	has the same meaning as in the Clearing Rules;

"designated GCP"	means, in relation to an Options Contract executed by an NCP, the GCP designated by the NCP to clear such Contract;
"designated HKEX staff"	has the same meaning as in the Exchange Rules;
"Error Trade"	has the meaning ascribed to it in Options Trading Rule 540;
"Exchange"	has the same meaning as in the Exchange Rules;
"Exchange Participant"	has the same meaning as in the Exchange Rules;
"Exchange Participant Admission Appeals Committee"	means a committee convened to review decisions of the Board in respect of application for Exchange Participantship in accordance with the Exchange Participant Admission Appeals Procedures as prescribed by the Exchange from time to time;
"Exchange Rules"	means "the Rules of The Stock Exchange of Hong Kong Limited" ;
"Exchange Traded Options Business"	means business related to Options Contracts and all matters incidental to Options Contracts, including Contracts arising from Options Contracts pursuant to these Options Trading Rules and the Clearing Rules, exercise of Contracts, delivery obligations, Premium settlement and delivery of SEOCH Collateral;
"exercise"	means the process carried out in accordance with the Clearing Rules and these Options Trading Rules pursuant to which delivery obligations arise;
"Fee Schedule"	means the list of fees attached to the Operational Trading Procedures or the Operational Clearing Procedures;
"GCP"	has the same meaning as in the Clearing Rules;
"give-up"	means a process whereby Contracts may be either discharged and novated into new Contracts or cancelled and replaced by a new Contract pursuant to these Options Trading Rules and the Clearing Rules;
"HKATS"	means the automated trading system made available by the Exchange for trading in Options Contracts and which is operated by HKFE;
"HKATS Risk Functions"	means such HKATS software as each Options Trading Exchange Participant is required by the Exchange to install, and if it is an NCP, to arrange for the GCP which clears its trades to install, in order to establish, monitor and implement Prescribed Risk

	Controls for the Exchange Participant;
"HKATS Username"	means a unique set of numbers and characters which identifies the Options Trading Exchange Participant or, with regard to HKATS Risk Functions, the SEOCH Participant gaining access to HKATS;
"HKCC"	has the same meaning as in the Exchange Rules;
"HKCC Participant"	has the same meaning as in the Exchange Rules;
"HKEX"	means Hong Kong Exchanges and Clearing Limited;
"HKEX staff"	means staff of HKEX or staff of a company of which HKEX is a controller, including without limitation, staff of, the Exchange;
"HKEX website"	means the official website of HKEX at http://www.hkex.com.hk or at such other website address specified by HKEX from time to time;
"HKFE"	means Hong Kong Futures Exchange Limited;
"HKSCC"	has the same meaning as in the Exchange Rules;
"HKSCC Rules"	has the same meaning as in the Exchange Rules;
"holder"	has the same meaning as in the Standard Contract;
"Hong Kong dollars" or "HK$"	means the lawful currency of Hong Kong;
"House Account"	means the accounts of an Options Trading Exchange Participant, designated "P1" or "M1" (Market Maker account) by HKATS;
"Intra-day Margin"	has the same meaning as in the Clearing Rules;
"Investor Compensation Levy"	means the levy payable to the Commission pursuant to the provisions of section 4 of the Securities and Futures (Investor Compensation - Levy) Rules;
"Limit Order"	means an order where a bid or offer/ask price is specified, which can be executed at the specified price or a better price;
"liquid capital"	has the meaning assigned to it by the Securities and Futures (Financial Resources) Rules;
"Long-Only Restriction"	has the same meaning as in Options Trading Rule 207;

"lot"	has the same meaning as in the Standard Contract;
"margin"	means Daily Margin or Intra-day Margin and any amount to be paid by a client calculated pursuant to Options Trading Rule 424 or by an NCP calculated pursuant to Options Trading Rule 536, as the context may require;
"Market Maker"	means an Options Trading Exchange Participant which is registered as market maker by the Exchange, as more particularly described in Chapter 6, the Second Schedule to these Options Trading Rules and the Operational Trading Procedures. For the purposes of these Options Trading Rules and Operational Trading Procedures, the term "Market Maker" shall include "Primary Market Maker" and "Regular Market Maker";
"Market Maker jobbing transaction"	has the same meaning as in the Exchange Rules;
"Minimum Volume Threshold"	means the minimum volume that an order must satisfy in order for it to be executed as a Block Trade, and unless otherwise determined by the Board, the minimum volume threshold for each Block Trade Contract shall be 500 lots;
"NCP"	means an Options Trading Exchange Participant which is not a SEOCH Participant;
"NCP Contract"	has the same meaning as in the Clearing Rules;
"nominal price"	has the same meaning as in the Exchange Rules;
"OCH Contract"	has the same meaning as in the Clearing Rules;
"Omnibus Account"	means an options trading account opened with an Options Exchange Participant by a client in respect of which the Options Exchange Participant is notified that the account is to be operated for a customer, or a number of customers, of the client and not the client itself;
"opening contract"	means a Contract, resulting from an Options Contract which was designated by a person as an opening contract, the effect of which is the creation or increase of an open position;

"open position"	means, in relation to an option series, a position that arises if a person is a party to a Contract which has not been closed or exercised, and which will be regarded as:- (1) "short" if he is the writer of that Contract; or (2) "long" if he is the holder of that Contract;
"Operational Clearing Procedures"	has the same meaning as in the Clearing Rules;
"Operational Trading Procedures"	means the practices, procedures and administrative requirements prescribed by the Exchange from time to time relating to the trading of Options Contracts on the Exchange;
"option class"	means the set of all possible option series on the same underlying security;
"option series"	means the underlying security, expiry, strike price, option type (put or call) capable of being specified in HKATS by an Options Trading Exchange Participant pursuant to these Options Trading Rules;
"Options Broker Client Contract"	has the same meaning as in Options Trading Rule 411A;
"Options Broker Exchange Participant"	means a person registered as such by the Exchange pursuant to Chapter 2 of these Options Trading Rules and "Options Broker Exchange Participantship" shall be construed accordingly;
"Options Broker Exchange Participant Account"	means an options trading account opened in accordance with Options Trading Rule 409A with an Options Trading Exchange Participant by an Options Broker Exchange Participant for its own account or for the account of one or more affiliates;
"Options Broker Member"	means a person registered as such by the Exchange pursuant to the Options Trading Rules effective immediately prior to the Scheme Effective Date and "Options Broker Membership" shall be construed accordingly;
"Options Broking Agreement"	means a written agreement between an Options Trading Exchange Participant and an Options Broker Exchange Participant as required by Options Trading Rule 401A;

"Options Clearing System"	means DCASS, CCMS and/or any other facility provided by the Exchange or SEOCH for the clearing of Contracts;
"Options Client Agreement"	means a written agreement between an Options Exchange Participant and a client as required by the Code Of Conduct for Persons Licensed by or Registered with the Commission made under the Ordinance in force from time to time (SFC Code of Conduct);
"Options Contract"	means a contract made pursuant to Options Trading Rule 513 incorporating the terms and conditions of the Standard Contract for a particular option series;
"Options Exchange Participant"	means a person registered by the Exchange as either an Options Trading Exchange Participant or an Options Broker Exchange Participant, as the context may require and "Options Exchange Participantship" shall be construed accordingly;
"Options Hedging Short Selling"	has the same meaning as in the Exchange Rules;
"Options Hedging Transaction"	has the same meaning as in the Exchange Rules;
"Options Member"	means a person registered by the Exchange as either an Options Trading Member or an Options Broker Member effective immediately prior to the Scheme Effective Date, as the context may require and "Options Membership" shall be construed accordingly;
"Options System"	means the Options Trading System and the Options Clearing System and any other facility provided by the Exchange or SEOCH for the transaction of Exchange Traded Options Business;
"Options System Operator"	means the Exchange, SEOCH or such person(s) as may from time to time be the operator of the Options Trading System and/or the Options Clearing System;
"Options System User Test"	means the examination by that name as may from time to time be approved by the Board;
"Options Trade Confirmation"	means a written confirmation by which an Options Exchange Participant notifies each client of the details of each Client Contract and each Options Broker Client Contract;

"Options Trading Exchange Participant"	means a person registered as such by the Exchange pursuant to Chapter 2 of these Options Trading Rules and "Options Trading Exchange Participantship" shall be construed accordingly;
"Options Trading Member"	means a person registered as such by the Exchange pursuant to the Options Trading Rules effective immediately prior to the Scheme Effective Date and "Options Trading Membership" shall be construed accordingly;
"Options Trading Rules"	means these rules, as from time to time in effect;
"Options Trading System"	means HKATS, the system provided by the Exchange for the trading of Options Contracts;
"order"	means a Limit Order;
"Ordinance"	means the Securities and Futures Ordinance and any subsidiary legislation made thereunder;
"person"	includes an individual, a partnership, an incorporated company and an unincorporated association;
"Premium"	means the amount payable by a holder and payable to a writer of a Contract in respect of the writing of that Contract;
"Prescribed Risk Controls"	means such prescribed controls and limits as the Exchange and SEOCH may from time to time require Options Trading Exchange Participants and SEOCH Participants to establish using the HKATS Risk Functions in order to manage the risks associated with orders placed and trades executed through their own connections to HKATS or connections granted by the Exchange through them, and in the case of a GCP which clears trades for NCP, its NCPs' connection to HKATS or connections granted by the Exchange through such NCP;
"price"	has the same meaning as in the Standard Contract;
"Primary Market Maker"	means a Market Maker which is registered as a Primary Market Maker by the Exchange, as more particularly described in Chapter 6, the Second Schedule to these Options Trading Rules and the Operational Trading Procedures;

"quote"	means a Limit Order to buy and a Limit Order to sell Options Contracts in the same option series simultaneously entered into the Options Trading System by a Market Maker, as more particularly described in the Operational Trading Procedures;
"quote request"	means an instruction issued through the Options Trading System, in response to which Market Makers are obliged to provide quotes, as more particularly described in the Operational Trading Procedures;
"recognized exchange controller"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"registered business address"	has the same meaning as in the Exchange Rules;
"Regular Market Maker"	means a Market Maker which is not a Primary Market Maker;
"Renminbi" or "RMB"	means the lawful currency of the People's Republic of China excluding, for the purposes of this definition only, Hong Kong, Macau and Taiwan;
"Responsible Officer"	has the same meaning as in the Exchange Rules;
"Scheme Effective Date"	has the same meaning as in the Exchange Rules;
"securities"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"SEHK-HKATS Agreement"	means the agreement in such form as may be prescribed by the Exchange from time to time which is entered into between the Exchange and an Options Trading Exchange Participant entitling such Options Trading Exchange Participant to participate in the trading of Options Contracts on HKATS in accordance with Chapter 5 of these Options Trading Rules;
"Self-match Prevention" or " SMP"	means the prevention of the matching in the Options Trading System during the trading hours of orders that are tagged with the same SMP ID whereby the relevant order(s) will be automatically cancelled in accordance with the specified SMP Instruction;
"SEOCH"	means The SEHK Options Clearing House Limited;
"SEOCH Board"	means the board of directors of SEOCH, and where the context so permits, any committee of that board;
"SEOCH Collateral"	has the same meaning as in the Clearing Rules;

"SEOCH Participant"	has the same meaning as in the Clearing Rules;
"Settlement Amount"	has the same meaning as in the Standard Contract;
"Settlement Currency"	has the same meaning as in the Clearing Rules;
"SFC Transaction Levy"	means the levy payable to the Commission pursuant to the provisions of section 394 of the Ordinance;
"SMP ID"	means a code, number or identifier to be used for tagging orders entered into the Options Trading System for the account of the same Options Trading Exchange Participant, client or other person in such manner as the Exchange may from time to time prescribe for the purpose of SMP;
"SMP Instruction"	means either of the following instructions specified by the relevant Options Trading Exchange Participant for an SMP ID in relation to new and existing orders in separate order queues that are tagged with such SMP ID that might otherwise have been matched:- (a) "Cancel Aggressive", that is, the newly entered order or, if such newly entered order is partially matched before any existing order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such newly entered order will be cancelled by the Options Trading System; or (b) "Cancel Passive", that is, the existing order or, if such existing order is partially matched before the newly entered order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such existing order will be cancelled by the Options Trading System;
"Standard Contract"	means the standard terms and conditions applicable to an Options Contract as specified by the Exchange from time to time as set out in the Sixth Schedule to these Options Trading Rules;
"Stock Exchange Trading Right"	has the same meaning as in the Exchange Rules;
"strike price"	has the same meaning as in the Standard Contract;
"System"	has the same meaning as in the Exchange Rules;

"System Input Cutoff Time"	means 6:45 p.m. or such other time after the close of trading from time to time prescribed by SEOCH as the system input cutoff time of DCASS on each Business Day;
"trade"	means a purchase or sale of one or more Options Contracts, in accordance with these Options Trading Rules, carried out on the Options Trading System unless otherwise prescribed by the Exchange, and "traded" and "trading" shall be construed accordingly;
"trading day"	has the same meaning as in the Exchange Rules;
"Transaction Levy"	means the levy payable pursuant to the provisions of section 394 of the Ordinance;
"Transaction Register"	means the log-b file resident in the Options Trading System which contains the records of all Options Contracts arising from the matching of orders in the Options Trading System;
"underlying security"	means the security comprised in the lot the subject of a Contract;
"Unusual Market Condition"	means in relation to any option class(es), any unusual trading activity or volume in such option class(es) or such other conditions as the Chief Executive may determine which deviate from the normal operation of such option class(es);
"writer"	has the same meaning as in the Standard Contract; and
"Year 2000 Compliant"	means that neither performance nor functionality of any system is affected by dates prior to, during and after the Year 2000. In particular : no value for current date will cause any interruption in operation; date-based functionality must behave consistently for dates prior to, during and after Year 2000; in all interfaces and data storage, the century in any date must be specified either explicitly or by unambiguous algorithms or inference rules; and Year 2000 must be recognized as a leap year.

Interpretation

102. Where the context so permits, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

103. Subject to Options Trading Rule 101, any definitions of words defined in the Exchange Rules, Clearing Rules, HKSCC Rules, the Ordinance, the Companies Ordinance or the

Articles shall, if not inconsistent with these Options Trading Rules or with the subject or context, apply to these Options Trading Rules.

104. The headings shall not affect the construction or interpretation hereof.

105. The interpretation by the Exchange of the Options Trading Rules and the Operational Trading Procedures shall be final, conclusive and binding on all Options Exchange Participants and the parties to all Contracts.

Applicability of the Exchange Rules

106. To the extent capable of being construed as applicable and except as expressly disapplied or modified, the Exchange Rules shall apply to Options Exchange Participants in relation to the carrying on by them of Exchange Traded Options Business.

107. In construing these Options Trading Rules, these Options Trading Rules shall prevail over the Exchange Rules where there is any inconsistency in relation to Exchange Traded Options Business. This shall be without prejudice to the right of the Exchange to treat any breach of these Options Trading Rules as a breach of the Exchange Rules (and vice versa).

Amendment

108. Subject to the Ordinance and the Articles, the Board shall have the power to add to, vary, repeal, enforce or waive any of these Options Trading Rules.

Exclusion of Liability

109A. The Options System is complex and the Exchange, SEOCH, HKFE and a recognized exchange controller which is the controller of the Exchange do not accept any liability whatsoever, and no claim may be brought against any of them or their respective staff, officers, agents and employees, in respect of any error in, or interruption in or suspension of the operation of, the Options System, except in respect of anything not done or not omitted to be done in good faith by the Exchange. In particular, neither the Exchange, SEOCH, HKFE nor a recognized exchange controller which is the controller of the Exchange including their respective staff, officers, agents and employees nor any person from whom the Exchange has obtained a licence, directly or indirectly, in connection with the use of the Options System shall have any liability in connection with, or arising out of, any ability or inability to use the computer programs involved in the functioning of the Options System (whether based in contract, tort, misrepresentation, warranty or other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim).

109B. The Exchange, SEOCH, HKFE and a recognized exchange controller which is the controller of the Exchange will not be liable to any Options Trading Exchange Participant or to any other person in respect of anything done or omitted to be done in good faith by it in connection with the operations of the Options System, the provision of services and facilities available thereunder, and all other matters as contemplated in these Options Trading Rules.

109C. The Exchange, SEOCH, HKFE and a recognized exchange controller which is the controller of the Exchange will not be liable for any action taken or for any failure,

hindrance or delay in the provision of services or the performance in whole or in part of their obligations under these Options Trading Rules or under any OCH Contract if such action, failure, hindrance or delay arises out of causes beyond their control. Such causes may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour disputes, mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by Options Trading Exchange Participants), interruptions (whether in whole or in part) of power supplies or other utility or services, any law decree, regulation or order of any government, competent authority or any court or tribunal, and any other causes beyond the control of the Exchange (whether or not specified in the Exchange Rules), SEOCH, HKFE or a recognized exchange controller which is the controller of the Exchange.

Governing Law

110. The Options Trading Rules, the Operational Trading Procedures and all Contracts shall be governed by, and construed in accordance with, the laws of Hong Kong.

Notice

111. Unless otherwise provided in these Options Trading Rules, all notices, requests, demands or other communications from the Exchange to Options Exchange Participants may be given orally or in writing, in person or by post, by electronic or wire transmission, by telephone or facsimile, by posting on the HKEX website, or by any means of computer data transmission including, but in no way limited to broadcast messages via HKATS or e-mail.

112. Any communication disseminated via DCASS or HKATS or e-mail or posted on the HKEX website will constitute written notice for the purpose of these Options Trading Rules and the Clearing Rules.

113. Unless otherwise provided in these Options Trading Rules or HKATS, all notices from Options Exchange Participants to the Exchange shall be given in writing and sent to the Exchange in person, by facsimile, by post or such other means as may be acceptable to the Exchange. Notice by Options Exchange Participants shall be deemed to have been given at the time of receipt by the Exchange.

Transitional Provisions

114. Without limiting the generality of Options Trading Rule 115, with effect from the Scheme Effective Date and unless the context otherwise requires, the terms "Options Member", "Options Trading Member" and "Options Broker Member" in the Options Trading Rules prior to the Scheme Effective Date have been substituted with the terms "Options Exchange Participant", "Options Trading Exchange Participant" and "Options Broker Exchange Participant" respectively. Each Options Member, Options Trading Member and Options Broker Member immediately prior to the Scheme Effective Date that was, or was deemed to be an Exchange Participant under the Exchange Rules or the repealed Exchanges and Clearing Houses (Merger) Ordinance was deemed automatically to have become an Options Exchange Participant, Options Trading Exchange Participant and Options Broker Exchange Participant respectively and shall continue to be bound by these Options Trading Rules and Operational Trading Procedures.

115. For the avoidance of doubt:

(i) these Options Trading Rules and Operational Trading Procedures;

(ii) all rights, privileges, obligations and liabilities accrued to or incurred by any person (including without limitation an Options Exchange Participant, an Options Trading Exchange Participant and an Options Broker Exchange Participant) prior to the Scheme Effective Date; and

(iii) all registrations and approvals made or granted to a person (including without limitation an Options Exchange Participant, an Options Trading Exchange Participant and an Options Broker Exchange Participant) which were valid immediately prior to the Scheme Effective Date

shall remain valid and binding on that person whatever capacity in which those rights, privileges, obligations, liabilities, registrations or approvals have been accrued, incurred, made or granted.

CHAPTER 2

OPTIONS TRADING EXCHANGE PARTICIPANTSHIP

Participation

201. In order to conduct any Exchange Traded Options Business for clients, an Exchange Participant must become admitted and registered by the Exchange as an Options Exchange Participant under either one of the following categories:

(1) Options Trading Exchange Participant; or

(2) Options Broker Exchange Participant.

201A. An Options Broker Exchange Participant is not permitted to have access to the Options System but is entitled to conduct Exchange Traded Options Business for the account of its clients by entering into Options Broker Client Contracts with an Options Trading Exchange Participant and corresponding Client Contracts with its clients, in each case acting as principal.

202. The Board shall have the power to permit certain Options Trading Exchange Participants to participate as Market Makers, as further described in these Options Trading Rules and the Operational Trading Procedures.

Qualification

203. To be eligible for registration as an Options Exchange Participant, an applicant must be able to comply at all times with each of the requirements set out in Options Trading Rule 302 or 302A as applicable and must be able to demonstrate, to the satisfaction of the Exchange, the ability to comply at all times with such requirements.

Applications

204. All applications for Options Exchange Participantship must be submitted in writing in accordance with the procedures from time to time prescribed by the Exchange. Each applicant must provide the Exchange with such further information as the Exchange may require for dealing with the application.

205. [Repealed]

Approval or Refusal

206. The Board has the right to reject any application made under Options Trading Rule 204. If the Board rejects an application to be an Options Exchange Participant, the applicant may, within 14 Business Days after it is notified of the Board's decision, appeal in writing to the Exchange Participant Admission Appeals Committee whose decision will be final.

207. The Exchange will give written notice of approval or rejection to each applicant. Any approval may be granted subject to such conditions as the Board thinks fit, in particular, regarding satisfaction of the requirements set out in Options Trading Rule 302 or 302A,

as applicable. If such conditions are not satisfied within the time period specified in the notice of approval (or such longer period as the Board may allow), the approval may be suspended or revoked without further notice. The Exchange may also restrict the Options Exchange Participant to a certain type and/or quantity of Exchange Traded Options Business if the Exchange, in its absolute discretion, forms the view that the Options Exchange Participant's operational capabilities make it necessary. In the case of an Options Broker Exchange Participant, the Exchange may grant approval subject to a restriction that the Options Broker Exchange Participant shall not be allowed (except in respect of its Options Broker Exchange Participant Account) to sell Options Contracts other than for the purpose of closing out an existing long options position (the "Long-Only Restriction").

Registration

208. The Exchange will inform the applicant in writing as to the date on which the approval comes into effect and, on that day, it shall become an Options Exchange Participant. Particulars of the applicant will be entered in the register maintained pursuant to Options Trading Rule 209.

Registers

209. The Exchange will maintain a register of Options Exchange Participants containing the full name and address of each Options Exchange Participant together with the date of its admission, the category of Options Exchange Participantship under which it is registered and, if applicable whether its Exchange Traded Options Business is subject to the Long-Only Restriction, and such other information as is required by law or by the Board from time to time.

209A. [Repealed]

209B. [Repealed]

209C. The register kept by the Exchange under Options Trading Rule 209 will be open for public inspection on payment of a sum as the Board may from time to time prescribe.

Publication of a list of Options Exchange Participants

209D. The Exchange shall maintain and keep up to date at regular intervals a list of Options Exchange Participants in each category in existence at the time. The Exchange shall publish such lists on the HKEX website or by such other means as it considers appropriate.

Access to HKATS

210. [Repealed]

210A. Each Options Trading Exchange Participant that wishes to connect to HKATS must comply with the requirements under Options Trading Rules 500 and 500A.

211. [Repealed]

212. [Repealed]

213. [Repealed]

213A. [Repealed]

214. [Repealed]

CHAPTER 3

OPTIONS EXCHANGE PARTICIPANTS' OBLIGATIONS

Compliance with the Options Trading Rules

301. Each Options Exchange Participant shall at all times:-

(1) adhere strictly to, and be bound by, these Options Trading Rules, the Operational Trading Procedures and any conditions set out in the notice of approval of its Options Exchange Participantship; and

(2) comply with the decisions, directions, directives, guidelines, determinations, findings of fact and/or interpretation of the Board and/or any other person or body of persons in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on them by or pursuant to these Options Trading Rules, the Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures, the Exchange Rules and, to the extent applicable, the HKSCC Rules.

Continuing Obligations

302. Each Options Trading Exchange Participant shall at all times:-

(1) be an Exchange Participant and in compliance with the Exchange Rules;

(2) notify the Exchange in writing immediately upon:

(a) [Repealed]

(b) [Repealed]

(c) any change in the information supplied to the Exchange on the Request for Connection to HKATS Form

(3) [Repealed]

(4) have arrangements in place for the clearing of all OCH Contracts arising from its Exchange Traded Options Business either:-

(a) by being, and maintaining its status as, a SEOCH Participant; or

(b) by having a valid, binding and effective Clearing Agreement with at least one GCP pursuant to which such one or more GCPs agree to clear the OCH Contracts of that Options Trading Exchange Participant.

Unless or until the Options Trading Exchange Participant is or becomes a SEOCH Participant or has a valid, binding and effective Clearing Agreement with a GCP, it shall not be allowed to trade Options Contracts on or through the facilities of the Exchange;

(4A) where it is an NCP and has entered into Clearing Agreements with more than one GCP, ensure that each of its trades is designated to the relevant GCP for clearing

on the basis of the HKATS log-in through which the trade is executed or in such other manner as the Exchange may specify, and have arrangements in place to notify the GCP of such designation. An NCP which has appointed only one GCP to clear its trades is deemed to have all trades executed by itself designated to the GCP for clearing;

(5) comply with all applicable provisions of the Clearing Rules and the Operational Clearing Procedures;

(6) pay all amounts of margin, Settlement Amount and Premium payable by it when due;

(7) before writing an Options Contract or before exercising an OCH Contract or an NCP Contract, ensure that it will be able to satisfy any resulting delivery obligations;

(8) have installed at one or more registered business addresses such computer equipment and software as may be specified by the Exchange and the Options System Operator for gaining access to HKATS and ensure that such computer equipment is operated and maintained in accordance with the requirements of the Exchange;

(9) have in place, to the satisfaction of the Exchange, staff and internal operating and security procedures necessary, amongst other things, to enable it always to have access to HKATS for the purpose of conducting its Exchange Traded Options Business and, where applicable, for processing instructions from its clients and for the purpose of providing professional services to its clients;

(10) [Repealed]

(11) pay all levies, duties, charges and fees payable from time to time by it in its capacity as an Options Trading Exchange Participant when due;

(12) maintain accurate daily records of all Contracts to which it is or has been party and of its Exchange Traded Options Business, and make such regular and other returns as may from time to time be required by the Exchange; and

(13) [Repealed]

(14) be able to demonstrate, to the satisfaction of the Exchange, the ability to comply with the above at all times.

302A. Each Options Broker Exchange Participant shall at all times:-

(1) be an Exchange Participant and in compliance with the Exchange Rules;

(2) [Repealed]

(3) [Repealed]

(4) have in place exclusively with one Options Trading Exchange Participant, which is a Direct Clearing Participant of SEOCH or a GCP, an Options Broking Agreement;

(5) if the Options Broker Exchange Participant is, or becomes, subject to the Long-Only Restriction to inform such Options Trading Exchange Participant of this restriction;

(6) before giving instructions to an Options Trading Exchange Participant to write an Options Broker Client Contract, or to exercise an Options Broker Client Contract, ensure that it will be able to satisfy any resulting delivery obligations;

(7) have in place, to the satisfaction of the Exchange, staff, computer equipment and internal operating and security procedures necessary, amongst other things, to enable it always to have access to updated price information regarding options traded on the Exchange for the purpose of conducting its Exchange Traded Options Business and, where applicable, for processing instructions from its clients and for the purpose of providing professional services to its clients;

(8) [Repealed]

(9) pay all levies, duties, charges and fees payable from time to time by it in its capacity as an Options Broker Exchange Participant when due;

(10) maintain accurate daily records of all Contracts to which it has been party and of its Exchange Traded Options Business, and make such regular and other returns as may from time to time be required by the Exchange; and

(11) [Repealed]

(12) be able to demonstrate, to the satisfaction of the Exchange, the ability to comply with the above at all times.

302B. (1) It is the duty of every Options Exchange Participant to ensure that any systems it uses for the purposes of conducting its Exchange Traded Options Business, including accounting system and back-office clearing and settlement systems, shall be Year 2000 Compliant.

(2) An Options Exchange Participant shall immediately report any failure, error or defect in its systems which is directly or indirectly caused by its systems not being Year 2000 Compliant and rectify such failure, error or defect. All losses, damages, demands, costs (including legal costs) and expenses arising out of directly or indirectly as a result of or in connection with any failure, error or defect shall be borne by the Options Exchange Participant concerned.

(3) The Exchange, HKFE and a recognized exchange controller which is the controller of the Exchange shall have no liability for any losses, damages, demands, costs (including legal costs) and expenses suffered or incurred directly or indirectly as a result of or in connection with the Options System or any system upon which the Exchange, HKFE or a recognized exchange controller which is the controller of the Exchange is/are reliant in the operations of the Options System is not Year 2000 Compliant.

302C. The Exchange may enter into an arrangement, provided that the Board considers the arrangement to be conducive to the object of the market, with any person or body which, in the opinion of the Board, exercises a regulatory function under Hong Kong or under

foreign law. Where the Exchange has entered into such an arrangement, the Board may from time to time prescribe, in the context of such arrangement, the characteristics of a person an Options Exchange Participant is or is not entitled to treat as a client, the types of orders that an Options Exchange Participant may accept from a client and the procedures that an Options Exchange Participant must follow in accepting and handling orders from a client, including the documentation which must be provided to the client and the documentation and any representations that must be obtained from the client and maintained by the Options Exchange Participant, and such other criteria as the Board may consider appropriate with reference to particular Options Contracts specified by the Board.

303. [Repealed]

304. [Repealed]

Transaction Levies and Investor Compensation Levy

305. Applicable SFC Transaction Levy at the rate for the time being specified by the Ordinance shall be paid in respect of each Options Contract. No AFRC Transaction Levy and Investor Compensation Levy are payable in respect of each Options Contract in accordance with the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively. The SFC Transaction Levy, the AFRC Transaction Levy and the Investor Compensation Levy at the rates for the time being specified in the Securities and Futures (Levy) Order, the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation - Levy) Rules respectively, shall be paid in respect of every purchase and sale of underlying securities pursuant to the exercise of an OCH Contract.

No Transfer of Options Trading Exchange Participantship

306. Options Exchange Participantship shall not be capable of being transferred except with the permission of the Board, and no Options Exchange Participant shall attempt to sell or transfer its Options Exchange Participantship.

307. An Options Exchange Participant must not pledge or mortgage, or create any trust, charge, lien or other encumbrance over, its Options Exchange Participantship.

308. An Options Exchange Participant must not assign any of its rights, benefits or privileges as an Options Exchange Participant and such rights, benefits and privileges shall be incapable of assignment.

309. The Exchange will not recognize, be bound by or in any way be compelled to recognize (even if it has notice of the same) any purported dealing or disposal made in contravention of Options Trading Rules 306 to 308 (inclusive).

Resignation as an Options Exchange Participant

310. An Options Exchange Participant may resign its Options Exchange Participantship by giving written notice at any time to the Exchange of its intention to do so.

311. Following any notice of resignation, the Exchange may take any of the steps set out in Options Trading Rule 704 and give such directions to the resigning Options Exchange Participant as the Exchange shall think fit in order, among other things, to ensure the

orderly winding down of its Exchange Traded Options Business, including requiring the Options Exchange Participant to close, give-up or allow the expiration of Contracts to which it is party.

312. The resignation of an Options Exchange Participant shall take effect only when there remain no open positions of that Options Exchange Participant, all its delivery obligations have been met, all its obligations to the Exchange and SEOCH, as applicable, have been met, and the Exchange notifies the Options Exchange Participant that its Options Exchange Participantship is cancelled pursuant to these Options Trading Rules.

313. [Repealed]

314. If an Options Exchange Participant, in its capacity as an Exchange Participant, gives notice to the Board to relinquish all of the Stock Exchange Trading Rights registered in its name at that time, it shall, upon giving any such notice, be treated as having given notice of resignation as an Options Exchange Participant and Options Trading Rules 311 and 312 shall apply accordingly.

315. Every NCP or Options Broker Exchange Participant which gives notice of resignation of its Options Exchange Participantship to the Exchange shall, at the time it gives such notice or within such time period specified by the Exchange, submit for approval to the Exchange a plan for the orderly winding down of its Exchange Traded Options Business including, but not limited to, the closing, give-up, exercise or expiration, in accordance with these Options Trading Rules and the Clearing Rules, of all Contracts to which it is party, and shall provide a copy of such plan at the same time, if it is an NCP, to each GCP with whom it has a Clearing Agreement or, if it is an Options Broker Exchange Participant, to the Options Trading Exchange Participant with whom it has an Options Broking Agreement.

Incapacity

316. If any of the events giving rise to incapacity in the Exchange Rules occurs in relation to an Exchange Participant which is also an Options Exchange Participant, that Exchange Participant shall be treated as having given a notice of resignation as an Options Exchange Participant and of its Options Exchange Participantship on the date of such event, and Options Trading Rules 311 and 312 shall apply accordingly.

Confidentiality by the Exchange

317. All information in the possession of the Exchange relating to an Options Exchange Participant or its clients will be kept confidential by the executives and other staff or officers of the Exchange and HKEX having access to the same in accordance with procedures made by the Exchange. The Exchange, however, may disclose any information at any time:-

(1) to SEOCH;

(2) to the Commission;

(3) to HKSCC;

(4) to HKFE;

(5) to any insurer, insurance broker or banker in connection with the arrangement of support for the Reserve Fund;

(6) to any professional advisers or consultants of the Exchange;

(7) as required by the laws of Hong Kong;

(8) to any exchange, clearing house, regulatory authority or any organization (whether in Hong Kong or elsewhere) with whom HKEX or the Exchange has entered into an information sharing arrangement or agreement;

(9) to any recognized exchange controller;

(10) to any company of which a recognized exchange controller which is a controller of the Exchange is a controller, or

(11) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to be appointed in accordance with the Ordinance or, as the context may require, their designees,

provided that, in any such case, the confidentiality of the information is made known to the recipient.

317A. The Board may direct an Options Exchange Participant to provide it with any information requested by an exchange, clearing house, regulatory authority or an organization (whether in Hong Kong or elsewhere) with whom HKEX or the Exchange has entered into an information sharing arrangement or agreement.

Fees

318. The fees and charges set out in the Fee Schedule shall be payable by Options Exchange Participants in respect of the functions specified in the Fee Schedule. These fees and charges, and the functions in respect of which they are payable, may be added to, changed or withdrawn at any time.

CHAPTER 4

OPTIONS EXCHANGE PARTICIPANTS AND THEIR CLIENTS

Options Broking Agreement

401. (1) [Repealed]

(2) [Repealed]

401A. No Options Trading Exchange Participant shall accept any instructions from an Options Broker Exchange Participant in relation to the transaction of any Exchange Traded Options Business for the account of the clients of that Options Broker Exchange Participant, unless and until:-

(1) the Options Trading Exchange Participant is a Direct Clearing Participant of SEOCH or a GCP;

(2) the Options Trading Exchange Participant has entered into an Options Broking Agreement with that Options Broker Exchange Participant, and such Options Broking Agreement must incorporate the principles underlying the Uniform Options Broking Agreement prescribed by the Board from time to time and set out in the First Schedule to these Options Trading Rules;

(3) the Options Trading Exchange Participant has lodged with the Exchange one copy of the Options Broking Agreement executed pursuant to Options Trading Rule 401A(2) and such copy shall be certified by a Responsible Officer of that Options Trading Exchange Participant;

(4) the Options Trading Exchange Participant has delivered to such Options Broker Exchange Participant a written statement of the full name and address of the Options Trading Exchange Participant and the full name and contact details of the Responsible Officer who will be primarily responsible for that Options Broker Exchange Participant's affairs as a client of that Options Trading Exchange Participant;

(5) the Options Trading Exchange Participant has opened a separate DCASS account with SEOCH in respect of the transactions carried by it for the Options Broker Exchange Participant.

401B. An Options Broker Exchange Participant shall only be a party to one Options Broking Agreement at any time. The Exchange may impose limits on the number of Options Broking Agreements into which an Options Trading Exchange Participant may enter.

401C. For the avoidance of doubt, an Options Broker Exchange Participant that has entered into an Options Broking Agreement with an Options Trading Exchange Participant will be a client of that Options Trading Exchange Participant for the purposes of these Options Trading Rules, the Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures and, to the extent applicable, the Exchange Rules and the HKSCC Rules.

402. Any change in the details contained in the statement supplied to an Options Broker Exchange Participant pursuant to Options Trading Rule 401(A)(4) must, wherever

possible, be notified to the Options Broker Exchange Participant prior to such change taking effect.

403. [Repealed]

Disclosure of Client's Information

404. An Options Exchange Participant shall, upon the request of the Exchange or any designated HKEX staff disclose (or where appropriate, cause its clients to disclose) to the Exchange or such designated HKEX staff, all information regarding the identity of a client about which the Options Exchange Participant is required to be satisfied on reasonable grounds in accordance with the SFC Code of Conduct and the Client Identity Guidance Note, within such period as is specified in the Client Identity Guidance Note. Such information includes the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a transaction (and the instruction given) and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the transaction and/or bear its commercial or economic risk and such other information as the Exchange or any designated HKEX staff may request.

405. [Repealed]

406. [Repealed]

407. [Repealed]

Restrictions on Client Business

408. [Repealed]

409. An Options Exchange Participant shall not accept as a client, or otherwise effect any Exchange Traded Options Business for, any Exchange Participant which is not an Options Exchange Participant unless the Options Exchange Participant receives a written undertaking from the Exchange Participant that all such Exchange Traded Options Business effected by the Options Exchange Participant for the Exchange Participant will be transacted for the Exchange Participant's own account as principal (and not for the account of any of the Exchange Participant's clients).

409A. If an Options Broker Exchange Participant wishes to effect any Exchange Traded Options Business for its own account or for the account of an affiliate, it may do so as a client of the Options Trading Exchange Participant with whom it has entered into an Options Broking Agreement, pursuant to an Options Client Agreement and through an Options Broker Exchange Participant Account. The Options Broker Exchange Participant shall, when giving any instructions to the Options Trading Exchange Participant in respect of Exchange Traded Options Business, identify whether the instruction is in respect of the Omnibus Account or the Options Broker Exchange Participant Account.

409B. Where the Options Trading Exchange Participant carries an Omnibus Account and an Options Broker Exchange Participant Account for the Options Broker Exchange Participant, the Options Trading Exchange Participant shall not accept instructions from the Options Broker Exchange Participant in respect of Exchange Traded Options Business unless the Options Broker Exchange Participant identifies whether the

instruction is in respect of the Omnibus Account or the Options Broker Exchange Participant Account.

410. (a) [Repealed]

(b) [Repealed]

(c) [Repealed]

Client Contracts

411. Where an Options Trading Exchange Participant enters into an Options Contract pursuant to an Options Client Agreement, there shall arise a contract between that client and that Options Trading Exchange Participant as principals to such contract (a Client Contract). That Client Contract shall be on identical terms to the Options Contract that gave rise to it except that the Options Trading Exchange Participant shall, if buying under that Options Contract, sell to the client under the Client Contract (and vice versa). The Client Contract shall arise by operation of the Options Client Agreement to which the client is a party and this Options Trading Rule.

411A. Where an Options Trading Exchange Participant enters into an Options Contract pursuant to an Options Broking Agreement between that Options Trading Exchange Participant and an Options Broker Exchange Participant, the following shall, by operation of this Options Trading Rule, occur:

(a) pursuant to, and by operation of, the Options Broking Agreement, there shall arise immediately a contract between the Options Broker Exchange Participant and the Options Trading Exchange Participant as principals to such contract (an Options Broker Client Contract), being on identical terms to the Options Contract that gave rise to it except that the Options Trading Exchange Participant shall, if buying under that Options Contract, sell to the Options Broker Exchange Participant under the Options Broker Client Contract (and vice versa); and

(b) pursuant to, and by operation of, an Options Client Agreement between that Options Broker Exchange Participant and its client, there shall arise immediately a contract between the Options Broker Exchange Participant and its client as principals to such contract (a Client Contract) being on identical terms to the Options Broker Client Contract that gave rise to it except that the Options Broker Exchange Participant shall, if buying under the Options Broker Client Contract, sell to that client under the Client Contract (and vice versa).

412. Every Client Contract and Options Broker Client Contract shall be validly made at the time when the Options Contract which gave rise to it is validly executed on the Options Trading System.

413. [Repealed]

414. (1) [Repealed]

(2) [Repealed]

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) [Repealed]

(7) [Repealed]

(8) [Repealed]

(9) [Repealed]

(10) [Repealed]

(11) [Repealed]

(12) [Repealed]

(13) [Repealed]

(14) [Repealed]

(15) [Repealed]

Exercise of Client Contracts

415. (1) Each Client Contract comprised in a long open position of a client of an Options Trading Exchange Participant may be exercised by an Options Trading Exchange Participant by taking the following actions:-

(a) if it is an NCP, by requesting its designated GCP to exercise an OCH Contract allocated to the relevant DCASS accounts of the GCP with SEOCH in respect of the Options Trading Exchange Participant's Client Account comprised in a long open position of that Options Trading Exchange Participant in the same option series as that Client Contract; or

(b) if it is a SEOCH Participant, by exercising an OCH Contract allocated to its relevant client account in DCASS or by exercising an OCH Contract allocated to its relevant DCASS accounts with SEOCH in respect of an Options Broker Exchange Participant Account comprised in a long open position of that SEOCH Participant in the same option series as that Client Contract.

At the time at which such OCH Contract is validly exercised pursuant to the Clearing Rules, that Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised.

(2) A Client Contract comprised in a long open position of a client of an Options Broker Exchange Participant may be exercised by the Options Broker Exchange Participant requesting its designated Direct Clearing Participant or GCP to exercise an OCH Contract allocated to the Direct Clearing Participant or GCP's relevant DCASS accounts with SEOCH in respect of that Options Broker

Exchange Participant's Omnibus Account, being an OCH Contract comprised in a long open position of that Direct Clearing Participant or GCP in the same option series as the Client Contract. At the time at which such OCH Contract is validly exercised pursuant to the Clearing Rules, that Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised.

415A. On an expiry day, DCASS will automatically generate exercise requests in respect of all open long positions in expiring contracts which meet the exercise criterion prescribed (i) by the relevant SEOCH Participant; or (ii) if no such exercise criterion is prescribed by the SEOCH Participant, by SEOCH. Any automatically generated exercise requests, except those denied by the Options Trading Exchange Participant (if it is a SEOCH Participant) or any of its designated GCPs (if it is an NCP) before the System Input Cutoff Time on the expiry day in accordance with the Operational Clearing Procedures, are deemed as exercise requests validly entered by that Options Trading Exchange Participant (if it is a SEOCH Participant) or its designated GCPs (if it is an NCP) pursuant to the Clearing Rules. At the time at which an OCH Contract allocated to any of its designated GCP's relevant DCASS accounts with SEOCH in respect of the Options Trading Exchange Participant's Client Account (if it is an NCP) or to any of its client accounts in DCASS, or to any of its relevant DCASS accounts with SEOCH in respect of an Options Broker Exchange Participant (if it is a Direct Clearing Participant or GCP) is so exercised by the automatically generated exercise request pursuant to the Clearing Rules:

(1) in the case of allocation to any of its designated GCP's relevant DCASS accounts with SEOCH in respect of the Options Trading Exchange Participant's Client Account (if it is an NCP) or to any of its client accounts in DCASS, or to any of its relevant DCASS accounts with SEOCH in respect of an Options Broker Exchange Participant Account (if it is a Direct Clearing Participant or GCP), the relevant Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised.

(2) in the case of allocation to any of the relevant DCASS accounts of a Direct Clearing Participant or a GCP with SEOCH in respect of an Options Broker Exchange Participant's Omnibus Account, the relevant Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised. Where any such Client Contract representing an underlying Options Broker Client Contract is so exercised, the matching Client Contract effected in accordance with Options Trading Rule 411A between the Options Broker Exchange Participant and its client shall also be treated as having been validly exercised.

416. Following notification of exercise pursuant to Clearing Rule 505 in respect of an OCH Contract comprised in a short open position of an Options Trading Exchange Participant allocated to any of its client accounts in DCASS (if it is a Direct Clearing Participant or GCP) or to any of its designated GCP's relevant DCASS accounts with SEOCH in respect of the Options Trading Exchange Participant's Client Account (if it is an NCP), that Options Trading Exchange Participant shall select a Client Contract from among all Client Contracts comprised in short open positions of clients in the same option series as that Contract. The Client Contract so selected shall, by operation of the Options Client Agreement and this Options Trading Rule, for all purposes be treated as having been validly exercised at the time of such selection.

416A. The Options Trading Exchange Participant shall notify an Options Broker Exchange Participant of details of exercise pursuant to Clearing Rule 505 in respect of an OCH Contract allocated to any of the relevant DCASS accounts maintained by it with SEOCH for that Options Broker Exchange Participant promptly.

416B. Where an Options Broker Exchange Participant receives notification pursuant to Options Trading Rule 416A the exercise of an Options Broker Client Contract, the Options Broker Exchange Participant shall select a Client Contract from among all Client Contracts comprised in short open positions of clients in the same option series as that Options Broker Client Contract. The Client Contract so selected shall also be treated for all purposes as having been validly exercised.

417. Upon exercise of a Client Contract or Options Broker Client Contract pursuant to Options Trading Rule 415, 415A, 416 or 416B, delivery obligations shall arise. Such delivery obligations shall be performed in accordance with the Options Client Agreement and (as between an Options Trading Exchange Participant and an Options Broker Exchange Participant) the Options Broking Agreement and in a manner which enables the performance of related delivery obligations under the OCH Contracts in the same option series.

418. [Repealed]

419. [Repealed]

420. [Repealed]

421. [Repealed]

Disclosure

422. Upon the request of the Board, or the Commission, an Options Exchange Participant shall disclose the name of any client, the details of any Exchange Traded Options Business effected by it or the identity of any other person ultimately beneficially interested therein, but shall not otherwise do so without the permission of the client involved unless required by a Court order or by the laws of Hong Kong.

Client Margin Requirements

423. [Repealed]

424. After the start of the After Business Period on each trading day, each Options Exchange Participant shall calculate margin in respect of all open positions and delivery obligations of each of its clients. The margin so calculated in respect of each client shall be no less than the amount calculated in accordance with the methodologies prescribed by the Exchange from time to time and described more particularly in the Operational Trading Procedures. An Options Exchange Participant may submit a claim to SEOCH, either directly or through the Options Trading Exchange Participant with whom it maintains an Omnibus Account, to have the open positions of a client margined by SEOCH on a portfolio basis pursuant to the Operational Clearing Procedures, provided that the Options Exchange Participant has obtained from the client prior written approval to that effect in a manner which is substantially consistent with the wording set out in the First Schedule to these Options Trading Rules.

425. An Options Exchange Participant shall demand SEOCH Collateral of an amount no less than the margin calculated for that client pursuant to Options Trading Rule 424. The Options Exchange Participant may demand such additional SEOCH Collateral as it sees fit, having regard to the Exchange Traded Options Business being or proposed to be transacted by the client and the client's expected Exchange Traded Options Business liabilities.

426. Each Options Exchange Participant shall ensure that each client is notified of his margin calculated and SEOCH Collateral demanded pursuant to Options Trading Rules 424 and 425 promptly. The Options Exchange Participant must also ensure that such margin is (so far as that Options Exchange Participant is reasonably able to ensure the same) settled by the delivery of SEOCH Collateral by each client to the Options Exchange Participant promptly. If an Options Exchange Participant has not received SEOCH Collateral due from a client promptly, it may treat that client as being in default. For the avoidance of doubt, a cheque received by an Options Exchange Participant from a client in good faith which the Options Exchange Participant has no reason to suspect will not be honoured on first presentation may be accepted in payment of margin. The Options Exchange Participant may require a client to maintain SEOCH Collateral with the Options Exchange Participant in advance of accepting instructions from the client or may impose other requirements for the collection of SEOCH Collateral as it thinks fit.

426A. Every Options Trading Exchange Participant must monitor the ability of each Options Broker Exchange Participant with whom it has entered into an Options Broking Agreement to satisfy promptly all demands for SEOCH Collateral in respect of margin, or demands for Premium, Settlement Amount and/or delivery obligations. An Options Trading Exchange Participant must forthwith notify the Exchange of any failure by any such Options Broker Exchange Participant to meet those demands or obligations, identifying the Options Broker Exchange Participant concerned.

427. [Repealed]

Premium

428. Each Options Exchange Participant shall ensure that Premium payable by a client is notified to that client on the day on which the Options Contract in respect of which the Premium is required is made. The Options Exchange Participant shall also ensure that all such amounts are settled in cash promptly. If an Options Exchange Participant has not received Premium from a client promptly, it may treat that client as being in default. For the avoidance of doubt, a cheque received by an Options Exchange Participant from a client in good faith which the Options Exchange Participant has no reason to suspect will not be honoured on first presentation may be accepted in payment of Premium. The Options Exchange Participant may require a client to make arrangements for payment of Premium in advance of accepting instructions from the client or may impose other requirements for the collection of Premium as it thinks fit.

Set Off

429. An Options Exchange Participant may set off all amounts due from a client in respect of margin, Settlement Amount and Premium against amounts due to the client in respect of Premium, Settlement Amount and surplus SEOCH Collateral.

Default by Clients

430. If any client of an Options Exchange Participant commits a default in respect of Premium or SEOCH Collateral, or defaults in the performance of delivery obligations pursuant to Options Trading Rules 415 to 417 (inclusive), or in any other way commits a default of his requirements under these Options Trading Rules, the Options Client Agreement or the Options Broking Agreement, steps which may be taken by the Options Exchange Participant, without prior notice to that client, include:-

(1) to decline to take further instructions from that client in respect of Exchange Traded Options Business;

(2) to close, give-up or exercise some or all of the Client Contracts or Options Broker Client Contracts to which that client is party;

(3) to enter into any Contracts for the purpose of hedging risk to which it is exposed as a result of that client's default;

(4) to make, on an exchange or otherwise, any contract for the sale, purchase or other acquisition or disposal of any securities, futures contracts or commodities for the purpose of meeting obligations, or of hedging risks to which it is exposed, in relation to that client's default;

(5) to dispose of some or all of the SEOCH Collateral (other than cash) held for or on behalf of the client and apply the proceeds thereof, plus any cash SEOCH Collateral held for or on behalf of the client to all outstanding balances of that client owing to it, with any monies remaining after such application to be refunded to that client; and

(6) to dispose of any or all securities held for or on behalf of that client in order to set off any obligations of that client and to exercise any rights of set off it may have in relation to that client.

431. If any client of an Options Exchange Participant in any way commits a default in respect of its Exchange Traded Options Business, that Options Exchange Participant shall forthwith notify the Exchange of such default. The Exchange may require the Options Exchange Participant to supply such further information in relation to such default as it shall think fit.

Client's Money

432. [Repealed]

433. [Repealed]

433A. Each Options Exchange Participant shall ensure that in respect of each and every claim submitted by it to SEOCH for open positions belonging to a client to be margined on a portfolio basis pursuant to the Operational Clearing Procedures, open positions so identified therein are in fact beneficially held by that client.

Confidentiality by Options Trading Exchange Participants

434. Subject always to any obligation to disclose information under these Options Trading Rules, the Clearing Rules, the Exchange Rules or the laws of Hong Kong, every

Options Exchange Participant shall, unless otherwise permitted by a client, treat as confidential and keep secret all information relating to the business and affairs of its clients which is received by it in its capacity as an Options Exchange Participant.

Position Limits

435. Subject to Options Trading Rule 436A, the Exchange may, from time to time in its absolute discretion, and for such period as it thinks fit, prescribe the maximum number or value of long or short open positions or combinations of such positions which an Options Exchange Participant is permitted to hold at any particular time or hold over any time period in any manner it may determine including, without limitation, in respect of one or more option series combined, in relation to any particular option class or a number of different option classes, in respect of long or (if applicable) short open positions held in its House Account, its Options Broker Exchange Participant Account or its Client Account or those of any NCPs for whom it clears, for individual clients or all clients and, in each case, whether on a gross or a net basis.

436. Subject to Options Trading Rule 436A, the Exchange may at any time impose, increase, reduce or remove any position limits by giving prompt notice to SEOCH and each affected Options Exchange Participant. Notice may be given orally (such oral notification to be followed by a written notice) or in writing as the Exchange considers to be appropriate in the circumstances and any imposition, increase, reduction or removal of position limits shall take effect as stipulated in the notice. The Exchange shall not be required to give any reasons for its decision to impose, increase, reduce or remove any position limits.

436A. Notwithstanding the above, any position limit from time to time imposed by the Exchange pursuant to Options Trading Rule 435, 436 or 438 shall not be less stringent than that prescribed by the Commission under section 35(1) of the Ordinance unless the Options Exchange Participant in question is, or is holding positions for, a person specified under section 4A of the Securities and Futures (Contracts Limits and Reportable Positions) Rules, in which case the Exchange may authorize the Options Exchange Participant to hold positions in excess of the limit prescribed by the Commission as the Exchange considers appropriate. Furthermore, an Options Exchange Participant may hold for itself or another person positions in excess of the position limit from time to time imposed by the Exchange if such Options Exchange Participant or person has been authorized by the Commission under subsection 4(3) of the Securities and Futures (Contracts Limits and Reportable Positions) Rules and the relevant Options Exchange Participant has notified the Exchange in writing of such authorization from the Commission.

436B. An Options Trading Exchange Participant who is an NCP applying to the Commission or the Exchange to hold positions in excess of the prescribed limit in the Securities and Futures (Contracts Limits and Reportable Positions) Rules must (i) appoint only one GCP to hold its positions in the relevant contracts and (ii) notify the appointed GCP of the application; and (iii) make the application together with the GCP.

437. In deciding whether or not to exercise its powers pursuant to Options Trading Rules 435 and 436, the Exchange shall have regard to any matters it considers to be appropriate, including, but not limited to, the liquid capital required to be maintained by each Options Exchange Participant that would be affected, each such Options Exchange Participant's actual level of liquid capital and the volume of Exchange

Traded Options Business currently conducted by each such Options Exchange Participant.

438. If the Exchange forms the view that any position limits imposed might be relaxed or lifted if the liquid capital of an Options Exchange Participant were to be increased, it shall notify that Options Exchange Participant of the same in order to give that Options Exchange Participant an opportunity to reorganise its affairs so as to increase its liquid capital accordingly and may stipulate the position limits which apply pending such reorganisation.

439. The Exchange may, from time to time and in its absolute discretion, and for such period as it thinks fit, prescribe requirements for an Options Exchange Participant to report to the Exchange long or short open positions held by that Options Exchange Participant that exceed certain levels with respect to number or value, including, without limitation, in respect of one or more option series combined, in relation to any particular option class or a number of different option classes, in respect of long or (if applicable) short open positions held in its House Account, its Options Broker Exchange Participant Account or its Client Account or those of any NCPs for whom it clears, for individual clients or all clients, and, in each case, whether on a gross or net basis.

440. The Exchange may require the Options Exchange Participant to disclose to the Exchange the identity of clients ultimately beneficially interested in the Client Contracts comprised in the open positions which are subject to the reporting requirement of Options Trading Rule 439.

441. An Options Exchange Participant shall, in accordance with the Operational Trading Procedures, immediately notify the Exchange if it exceeds any position limits. The Exchange will require that Options Exchange Participant to close or give-up, in accordance with these Options Trading Rules and the Clearing Rules, such Contracts comprised in the relevant long or short open positions as will, in the opinion of the Exchange, result in the Options Exchange Participant complying with such position limits.

441A. For the purpose of calculating whether a Market Maker's positions are in excess of the position limit or reporting level from time to time prescribed by the Exchange, the Exchange shall, in case where its market making positions are held in the account of an affiliate which is registered with the Exchange in accordance with the guidelines and directives from time to time prescribed by the Exchange, consider the positions held in such affiliate's account as positions of the Market Maker.

Exercise Limits

442. The Exchange may, from time to time and in its absolute discretion, impose limitations on the number and type of Contracts relating to one or more option classes or option series which may be exercised at any one time or for any period of time if, in its view, this will be in the interests of maintaining an orderly market.

CHAPTER 5

THE OPTIONS TRADING SYSTEM

General Provisions

500. (a) All transactions in Contracts effected through the Options Trading System, HKATS, shall be conducted in accordance with these Options Trading Rules, the Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures, the Exchange Rules as well as other procedures and requirements from time to time specified by the Exchange, including those specified in the SEHK-HKATS Agreement, and shall be binding upon the parties to such Contracts.

(b) Prior to the establishment of an electronic connection ("connection") of an Options Trading Exchange Participant to HKATS, an SEHK-HKATS Agreement in a form prescribed by SEHK from time to time shall be entered into.

(c) Equipment and software which are required for connection to HKATS shall be specified by the Exchange or the Options System Operator from time to time.

(d) Each of the Exchange and the Options System Operator reserves the right to approve any equipment and software not specified by the Exchange or the Options System Operator in accordance with Options Trading Rule 500(c). In the event an Options Trading Exchange Participant wishes to use any equipment and software other than that specified by the Exchange or the Options System Operator, the Exchange or the Options System Operator may require prior to the connection that such equipment and software are thoroughly tested by the Options Trading Exchange Participant and determined by the Exchange and the Options System Operator not to have any detrimental impact on the operation of HKATS.

(e) The Exchange reserves the right to limit the number of connections per Options Trading Exchange Participant.

(f) Each of the Exchange and the Options System Operator reserves the right immediately to disconnect a connection and prohibit any person (whether an Options Trading Exchange Participant or not) from having access to HKATS on such conditions as the Exchange or the Options System Operator thinks fit.

(g) Options Trading Exchange Participants shall install all applicable software specified by the Exchange or the Options System Operator in the latest version in force together with system program software in the latest version specified by the Exchange or the Options System Operator. Options Trading Exchange Participants shall not alter, modify, reverse, change or copy program supplied by the Exchange or the Options System Operator without the Exchange or the Options System Operator's prior written permission.

(h) Options Trading Exchange Participants shall grant the Exchange and the Options System Operator access for the inspection of equipment connected to or software installed on HKATS. Such inspections shall take place wherever practicable at an agreed time and in the presence of the Options Trading Exchange Participant in question.

(i) The cost for the requisite equipment supplied by the Exchange or the Options System Operator and the installation and maintenance thereof shall be borne by the Options Trading Exchange Participant.

(j) Options Trading Exchange Participants shall ensure that a technical contact person or a system contact person is available at the registered business address of the Options Trading Exchange Participant or such other location as approved by the Exchange or the Options System Operator during the hours when Options Contracts are available for trading on HKATS as well as one hour beforehand and one hour thereafter.

(k) An Options Trading Exchange Participant shall be liable for all orders and Options Contracts arising from its connection to HKATS and recorded in the Central Orderbook and the Transaction Register respectively of HKATS or other consequences resulting from the use of the Options Trading Exchange Participant's connection, regardless of whether or not such consequences resulted from the use of such connection by its Authorized Persons.

(l) An Options Trading Exchange Participant shall follow such security procedures pertaining to the connection to HKATS as are from time to time specified by the Exchange or the Options System Operator.

(m) An Options Trading Exchange Participant shall notify the Exchange and the Options System Operator immediately if it becomes aware of or if its trading activities are affected by any disruptions whether technical or otherwise.

(n) The Exchange and the Options System Operator may from time to time prescribe procedures which may impose such requirements on Options Trading Exchange Participants as to the operation of and access to HKATS as the Exchange and the Options System Operator may think fit.

(o) The placing and revocation of orders and trading activity generally in HKATS will occur anonymously amongst Options Trading Exchange Participants. However, the identity of Options Trading Exchange Participants may be disclosed at the absolute discretion of the Exchange where it is considered appropriate.

(p) The Exchange may charge each Options Trading Exchange Participant fees for access to, and use of, HKATS.

(q) All terms of the Contracts arising pursuant to these Options Trading Rules and the Clearing Rules shall be binding upon the parties to those Contracts.

(r) The Exchange may, at any time, prescribe new option series and make them available for trading in HKATS.

500A. [Repealed]

Access to the Options Trading System

501. Except as otherwise authorized by the Board, all trading of Options Contracts must be carried out on HKATS via an Options Trading Exchange Participant's connection.

501A. [Repealed]

501B. An Options Trading Exchange Participant shall ensure that all persons having access to HKATS through its connection or any connection granted through the Options Trading Exchange Participant shall exercise due care in operating HKATS and that HKATS is operated, and orders and give-up instructions are entered, amended or cancelled, in accordance with the procedures and guidelines from time to time prescribed by the Exchange or the Options System Operator.

502. [Repealed]

503. [Repealed]

504. Each Options Trading Exchange Participant must implement procedures to ensure that no person who logs on to and uses HKATS at any of its registered business addresses will:-

(1) use HKATS for any illegal purpose or for any purpose other than the execution and clearing of Options Contracts or such other purposes as the Exchange may prescribe from time to time;

(2) use HKATS other than in such manner as the Exchange may prescribe from time to time;

(3) sell or otherwise impart or disclose any information (whether in digital form or otherwise) obtained through or from HKATS to any third party or in any way use such information other than in the ordinary course of Exchange Traded Options Business of such Options Trading Exchange Participant;

(4) in any way interfere, tamper with or interrupt the normal operation, or damage the integrity, of HKATS; or

(5) attempt to gain access to the computer facilities of HKATS or the computer files of any other Options Trading Exchange Participant or to extract any information from HKATS save as permitted pursuant to these Options Trading Rules and the Operational Trading Procedures.

504A. An Options Trading Exchange Participant shall be fully responsible and liable for any unstable condition, breakdown or damage to HKATS or the Options Trading Exchange Participant's HKATS workstations as a result of any unauthorized usage of HKATS by the Options Trading Exchange Participant or as a result of any non-compliance by its Authorized Persons with Options Trading Rule 501B.

504B. The Chief Executive or the Options System Operator may forbid any person (whether an Options Trading Exchange Participant or not) from accessing or using HKATS and may suspend, revoke or limit such access or use for the purpose of ensuring the proper operation of the markets operated thereunder. Any person who in the opinion of the Chief Executive or the Options System Operator is in breach of Options Trading Rule 504 may be prohibited from accessing or using HKATS or be allowed to access or use HKATS only on such terms and for such period as the Chief Executive or the Options System Operator thinks fit.

505. Each Options Trading Exchange Participant must at all times have arrangements in place to ensure that all orders transmitted to HKATS through its connection or any connection granted by the Exchange through the Options Trading Exchange Participant are subject to Prescribed Risk Controls and other appropriate risk controls and functions.

Establishment of Prescribed Risk Controls in HKATS

506. Without prejudice to the right of the Exchange under Rule 518B, an Options Trading Exchange Participant shall establish, monitor and implement and if it is an NCP, enable each GCP which clears its trades to establish, monitor and implement Prescribed Risk Controls using the HKATS Risk Functions for the Options Trading Exchange Participant itself and its Authorized Persons and any other person who is allowed to trade through HKATS via the Options Trading Exchange Participant's connection or any connection granted by the Exchange through the Options Trading Exchange Participant. An Options Trading Exchange Participant acknowledges that orders entered into HKATS shall be subject to, and may be blocked or cancelled by the Authorized Person as part of such Prescribed Risk Controls, and where it is an NCP, the orders shall be subject to, and may be blocked or cancelled by the relevant GCP through whom such orders are to be cleared as designated by such NCP.

506A. An Options Trading Exchange Participant shall implement adequate procedures to ensure that all persons having access to HKATS through its connection or any connection granted through the Options Trading Exchange Participant comply with such Prescribed Risk Controls as are applicable to them and will not use HKATS Risk Functions for any purpose other than Prescribed Risk Control purposes.

506B. An Options Trading Exchange Participant shall notify the Exchange forthwith upon the execution by any of its Authorized Persons of an order blocking or cancellation function using the HKATS Risk Functions or any other function as prescribed by the Exchange from time to time.

506C. An Options Trading Exchange Participant is responsible for the Prescribed Risk Controls that are set upon it. The Exchange, SEOCH, and a recognized exchange controller of the Exchange shall in no case be liable for the sufficiency or effectiveness of such Prescribed Risk Controls or any failure or unavailability of, or error or defect in the HKATS Risk Functions.

Adjustments to Contracts ("Capital Adjustments")

507. Where there is a change in the capital structure or composition of the issuer of the underlying securities of an option class or in any other exceptional circumstances, the Exchange may make adjustments to the terms of the Contracts of an option series in accordance with the Operational Trading Procedures. An Options Exchange Participant shall ensure that all clients affected by such adjustments are notified of the details of the adjustments no later than the next Business Day after such adjustments have been announced. Every Options Broking Agreement shall contain an acknowledgement, in this regard, of the Exchange's authority under these Options Trading Rules and the Clearing Rules.

508. [Repealed]

Recording of Orders and Quotes

509. Each order shall be validly entered into HKATS at the time when it has been recorded in the Central Orderbook of HKATS relating to the option series in respect of which the order was entered.

510. Except as otherwise determined by the Board in its absolute discretion, the recorded details of each order maintained in the Central Orderbook of HKATS shall be conclusive evidence of the terms of each order entered into HKATS. No other evidence shall be admissible or otherwise recognized by any person in relation to determining whether an order has been entered into HKATS or in relation to determining the terms of any such order.

511. Except as otherwise determined by the Exchange, no Options Trading Exchange Participant shall, apart from an ability to check its own orders through HKATS, be entitled to have access to any information stored in the Central Orderbook of HKATS or be able to enquire as to, or be entitled to discover, the identity of any person who has entered an order into the Central Orderbook.

512. Options Trading Exchange Participants may, at any time during trading hours, enter quote requests into HKATS, in response to which Market Makers will (subject to, and in accordance with, Chapter 6 and the Second Schedule to these Options Trading Rules) be obliged to respond.

Recording of Trades

513. One or more Options Contracts shall be executed at the time when an order in respect of an option series is matched by HKATS with another order in respect of that option series and the details of such matched orders are recorded in the Transaction Register of HKATS. Immediately upon such recording, Options Contracts shall unless otherwise determined by the Exchange be subject to a process of substitution and/or novation which gives rise to OCH Contracts and/or NCP Contracts as more particularly described in the Clearing Rules. Notwithstanding the foregoing, no Block Trade recorded in the Transaction Register of HKATS shall be registered with SEOCH or subject to the process of substitution and/or novation until SEOCH is satisfied that the recorded Block Trade is a valid Block Trade and all criteria applicable to the Block Trade have been satisfied. Unless an Options Trading Exchange Participant receives any oral or written notice from the Exchange or SEOCH that a Block Trade is not valid or not all criteria applicable to the Block Trade have been satisfied or that the Block Trade will not be registered with SEOCH for any reason, the Block Trade shall be deemed to be registered with SEOCH and subject to the process of substitution and/or novation in accordance with the Clearing Rules immediately upon the recording of such Block Trade in the Transaction Register of HKATS. The Exchange will endeavour to notify the Options Trading Exchange Participant of any issue concerning any criteria set forth in Regulation 2 of the Third Schedule to these Options Trading Rules within 30 minutes of the execution by the Options Trading Exchange Participant of the Block Trade.

513A. In the event that an Options Trading Exchange Participant has been notified by the Exchange or SEOCH that a Block Trade executed by an Options Trading Exchange Participant on HKATS is not valid or has not satisfied all the criteria applicable to the Block Trade or the Block Trade will not be registered or cleared by SEOCH for any reason or in the event that the Options Trading Exchange Participant or its GCP (if the Options Trading Exchange Participant is an NCP) fails to deposit any Special Block Trade Margin required by SEOCH by the stipulated time, the Exchange in conjunction with SEOCH will, without being required to give further notice to the Options Trading

Exchange Participant or its GCP, delete the Block Trade from the Options System as if the Block Trade had never been executed.

514. The recorded details of Options Contracts maintained in the Transaction Register of HKATS, or such other record as the Exchange may, in its sole discretion, accept, together with the Standard Contract, shall be conclusive evidence of the terms of each Options Contract.

515. On the written request of an Options Trading Exchange Participant, the Board may make available a printed copy of the Transaction Register of HKATS covering such period of time and containing such recorded details of Options Contracts resulting from matched orders made by that Options Trading Exchange Participant as the Board shall think fit.

516. The Board may charge such fees for each such printed copy of the Transaction Register as it shall think fit.

516A. Except as otherwise permitted by the Exchange, no Options Trading Exchange Participant shall, apart from the ability to check details of its own Options Contracts executed through HKATS have access to any information stored in the Transaction Register regarding the identity of any person who has executed an Options Contract recorded in the Transaction Register.

517. Following any novation or discharge of a Contract as provided in these Options Trading Rules or the Clearing Rules, the rights and obligations of the parties to that Contract under that Contract shall be completely discharged and of no further force or effect.

Matching and Ranking of Orders in HKATS

517A. The principle underlying the matching and ranking of orders processed by HKATS involves the application of a strict price/time priority methodology, which prioritizes orders based firstly on the best price and secondly by the time the order is processed by HKATS.

Rules for Order Entry

518. All orders must be entered into HKATS by Options Trading Exchange Participants in accordance with these Options Trading Rules, the Operational Trading Procedures and such rules, regulations and procedures as may from time to time be prescribed by the Exchange or the Options System Operator.

518A. Each Options Trading Exchange Participant shall ensure that each client order is associated with a price limit.

518B. The Exchange may from time to time prescribe a maximum size limit for each order that may be entered into HKATS by an Options Trading Exchange Participant. Such order size limit may be prescribed by the Exchange in relation to any option class, any group of Options Trading Exchange Participants or in relation to any particular Options Trading Exchange Participant. Orders entered into HKATS which exceed the prescribed order size limit will be rejected by HKATS.

519. Every order which is entered into HKATS must specify whether the resulting Contract is to be allocated to the Client Account or to the House Account (in all other cases) of

the Options Trading Exchange Participant and, where possible, whether the resulting Contract is to be an opening contract or a closing contract. Any Contract specified as a closing contract for which at the time of matching under Options Trading Rule 513, there exists no open position in the same option series in the account to which that Contract was to be allocated, shall be treated as an opening contract. In addition, every order which is entered into HKATS must specify such information as may, from time to time, be specified in the Operational Trading Procedures. Every Options Trading Exchange Participant must ensure that all such specifications are correct.

520. A Client Contract resulting from an Options Contract entered into by an Options Trading Exchange Participant on the instructions of an affiliate of that Options Trading Exchange Participant shall be recorded in the House Account of that Options Trading Exchange Participant, unless the affiliate is acting on the instructions of a client, and unless otherwise determined by the Exchange. Regardless of whether allocation is made to the House Account or the Client Account, once the Options Contract has been validly made by the Options Trading Exchange Participant a Client Contract shall arise between it and its affiliate pursuant to Options Trading Rule 411, and for all other purposes of these Options Trading Rules it shall be treated as a Client Contract.

521. If an Options Trading Exchange Participant becomes aware that any order entered into HKATS incorrectly specified the account to which a resulting Contract was to be allocated or whether the resulting Contract was to be an opening or closing contract, that Options Trading Exchange Participant shall, if it becomes so aware on the trading day the order was entered but before it was matched on HKATS, correct the order specification on HKATS before market close on that trading day or during trading hours or the Pre-Trading Period (as defined in the Operational Trading Procedures) on the following trading day and thereafter. No Options Trading Exchange Participant shall use this specific HKATS function unless the incorrect order specification was genuinely entered by mistake. The Exchange may demand evidence to justify the use of this HKATS function including requiring the Options Trading Exchange Participant to show the appropriate time stamp record maintained. If any such correction is made, its terms shall, by operation of this Options Trading Rule, be binding on all parties to all Contracts so affected.

522. An Options Trading Exchange Participant shall ensure that where a Client Contract is recorded as effecting the closing of another Client Contract, whether in the House Account or Client Account, the two Options Contracts should be in respect of the same client.

522A. Notwithstanding Options Trading Rules 501 and 501B, an Options Trading Exchange Participant may install computer software which permits its clients or its affiliates to enter instructions directly into HKATS for the purpose of entering, amending and removing orders, provided an Authorized Person first logs on to HKATS and the orders are processed using the same HKATS Username. An Options Trading Exchange Participant shall obtain prior approval from the Exchange or the Options System Operator before using such software. The Exchange and the Options System Operator may from time to time impose conditions on its use, including at any time prohibiting its use by one or more Options Trading Exchange Participants. All orders and Options Contracts arising therefrom which are processed using such software are subject to the Exchange Rules and these Options Trading Rules, including, but not limited to, Options Trading Rule 500(k).

Amendment and Cancellation of Orders

522B. An Options Trading Exchange Participant may amend and cancel any order which has been entered into the Central Orderbook of HKATS on behalf of a client or itself provided that the amendment or cancellation is made in compliance with the instructions of that client or the Options Trading Exchange Participant, as the case may be, and in accordance with the order number designated in respect of that particular order. The Exchange shall permit the amendment or cancellation of an order in accordance with the Operational Trading Procedures. Notwithstanding any provisions in the Operational Trading Procedures which limit the amendment or cancellation of orders to specified time periods, inactive orders of clients or the Options Trading Exchange Participant may be amended or cancelled at any time provided that the amendment or cancellation is made in compliance with the instructions of clients or the Options Trading Exchange Participant, as the case may be.

Self-match Prevention

522C. An Options Trading Exchange Participant may apply for Self-match Prevention service for itself, its clients or other persons by submitting to the Exchange such form and such supporting documents as it may prescribe from time to time. An SMP ID will be assigned by the Exchange for the Options Trading Exchange Participant or each client or other person approved by the Exchange under the Options Trading Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the Options Trading Exchange Participant, a client or such other person approved by the Exchange, as the case may be, in accordance with such requirements as the Exchange may from time to time prescribe.

522D. An Options Trading Exchange Participant acknowledges that orders tagged with an SMP ID entered into HKATS may be cancelled as part of the SMP. The Exchange shall in no case be liable for any failure or unavailability of, or error or defect in the functioning of the SMP.

522E. An SMP ID may be used by more than one Options Trading Exchange Participant. An Options Trading Exchange Participant must obtain approval from the Exchange for the use of the SMP and each SMP ID. To be approved to use the SMP and an SMP ID, an applicant Options Trading Exchange Participant shall apply in writing to the Exchange and demonstrate initially and on a continuous basis to the satisfaction of the Exchange that it has implemented appropriate and effective measures and taken reasonable steps to ensure that the use of the SMP and each SMP ID is in compliance with the requirements as the Exchange may from time to time prescribe. The Options Trading Exchange Participant shall be responsible and liable for the use of each SMP ID and shall notify the Exchange promptly where it becomes aware of any breach, infringement or non-compliance of these Options Trading Rules or requirements as may be prescribed by the Exchange from time to time, or acts of or potential market misconduct whether by itself, its clients or other persons.

522F. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an Options Trading Exchange Participant or any of its clients or other persons approved under its SMP application, including any improper acts or practices in connection with their use of the SMP, the Chief Executive may by notice to the Options Trading Exchange Participant, suspend or prohibit the Options Trading Exchange Participant or any of its clients or other persons from using the SMP by suspending or invalidating the relevant SMP ID or otherwise, or impose such additional requirement for the use as he may consider appropriate.

522G. Notwithstanding any other provisions contained in these Options Trading Rules, if more than one Options Trading Exchange Participant applies to the Exchange for SMP service for the same person, each Options Trading Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Options Trading Exchange Participant(s) as the Exchange considers appropriate.

Trade and Position Corrections

523. If an Options Trading Exchange Participant does not become aware of an incorrect order specification referred to in Options Trading Rule 521 until after the order was matched on HKATS resulting in an Options Contract, that Options Trading Exchange Participant shall, upon becoming so aware, make or, if it is an NCP, instruct the GCP that was designated to clear such Contract to make, an appropriate adjustment in DCASS in accordance with and by the time specified in the Operational Clearing Procedures. The Options Trading Exchange Participant shall provide such information to SEOCH as may be requested. If any such adjustment is made, its terms shall, by operation of this Options Trading Rule, be binding on all parties to all Contracts so affected.

523A. If an Options Broker Exchange Participant becomes aware that an incorrect order specification as referred to in Options Trading Rule 521 has been entered and that order has resulted in an Options Broker Client Contract, that Options Broker Exchange Participant shall immediately instruct the Options Trading Exchange Participant which is the counterparty to that Options Broker Client Contract to make the appropriate corrections or notifications pursuant to Options Trading Rule 521 or 523 as applicable.

Give-Ups

524. If, prior to the start of the After Business Period on the same trading day or the trading day following that on which an order was matched and a Client Contract arose pursuant to Options Trading Rule 411, the client requests the Options Trading Exchange Participant to give-up the Client Contract to another Options Trading Exchange Participant agreed with the client, the Options Trading Exchange Participant may request (if it is a SEOCH Participant) or instruct its designated GCP to request (if it is an NCP), by using the specific DCASS functions designated for this purpose, the other Options Trading Exchange Participant to accept such give-up in accordance with and by the time specified in the Operational Clearing Procedures. This give-up request shall only be made by a SEOCH Participant if a client so requests and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is used.

525. If, on or after the second trading day following that on which an order was matched and a Client Contract arose pursuant to Options Trading Rule 411, the client requests the Options Trading Exchange Participant to transfer positions arising from such Client Contract to another Options Trading Exchange Participant agreed with that client, that Options Trading Exchange Participant may request (if it is a SEOCH Participant) or instruct its designated GCP to request (if it is an NCP) SEOCH to effect such transfer in accordance with and by the time specified in the Operational Clearing Procedures. Such transfer request is subject to the approval of SEOCH and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is made.

525A. An Options Broker Exchange Participant may, with the consent of the Exchange, transfer all outstanding Options Broker Client Contracts from one Options Trading

Exchange Participant to another Options Trading Exchange Participant by requesting the first Options Trading Exchange Participant to give-up the Options Broker Client Contracts and to close the Omnibus Account maintained for the Options Broker Exchange Participant. Unless otherwise approved by the Exchange, the second Options Trading Exchange Participant shall not accept the give-up unless and until the requirements of Options Trading Rule 401A have been complied with as between that Options Trading Exchange Participant and the Options Broker Exchange Participant.

525B. A client of an Options Broker Exchange Participant may request an Options Broker Exchange Participant to give-up a Client Contract arising pursuant to Options Trading Rule 411A(b).

526. If a give-up is accepted by the other Options Trading Exchange Participant under Options Trading Rules 524 and 525, the following provisions shall apply:

(1) The Client Contract between the Options Trading Exchange Participant that is a SEOCH Participant and that requested SEOCH to effect the give-up and its client shall, by operation of the Options Client Agreement and this Options Trading Rule, immediately be replaced by novation with a new Client Contract on identical terms to the original Client Contract, between the Options Trading Exchange Participant which accepted the give-up and that client, as principals to that new Client Contract.

(2) (a) The Client Contract between the Options Trading Exchange Participant that is an NCP and that requested its designated GCP to request SEOCH to effect the give-up and its client; and

(b) the NCP Contract matching the Client Contract between such Options Trading Exchange Participant and its designated GCP shall be treated for all purposes as cancelled and substituted by a Client Contract between the Options Trading Exchange Participant which accepted the give-up and the client, as principals to that new Client Contract on the same terms as the Client Contract which has been cancelled.

526A. If a client of an Options Broker Exchange Participant requests that the Options Broker Exchange Participant give-up a Client Contract to another Options Exchange Participant which agrees to accept such give-up, the following provisions shall apply:

(1) If the give-up is to the Options Trading Exchange Participant with whom the Options Broker Exchange Participant has entered into an Options Broker Client Contract matching the Client Contract, the Client Contract and Options Broker Client Contract shall be treated for all purposes as cancelled and substituted by a Client Contract between the Options Trading Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

(2) If the give-up is to another Options Trading Exchange Participant, the Options Broker Exchange Participant shall request the Options Trading Exchange Participant with whom it has entered into an Options Broker Client Contract matching the Client Contract, to give-up that Options Broker Client Contract and that Options Trading Exchange Participant shall accept such request. The effect of any such give-up will be for the aforementioned Client Contract and Options Broker Client Contract to be cancelled and substituted by a Client

Contract between the accepting Options Trading Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

(3) If the give-up is to another Options Broker Exchange Participant (the "accepting Options Broker Exchange Participant"), the first Options Broker Exchange Participant shall request the Options Trading Exchange Participant with whom it has entered into an Options Broker Client Contract matching the Client Contract to give-up that Options Broker Client Contract and that Options Trading Exchange Participant shall accept such request. If the Options Trading Exchange Participant operates an Omnibus Account for the accepting Options Broker Exchange Participant, the Options Broker Client Contract shall be cancelled and substituted by an Options Broker Client Contract, on identical terms, between the accepting Options Broker Exchange Participant and the Options Trading Exchange Participant. If the accepting Options Broker Exchange Participant has an Omnibus Account with another Options Trading Exchange Participant, which agrees to accept the give up, the Options Broker Client Contract shall be cancelled and substituted by an Options Broker Client Contract, on identical terms, between the accepting Options Broker Exchange Participant and that Options Trading Exchange Participant. In either case, when the Options Broker Client Contract is given-up, the matching Client Contract shall be cancelled and substituted by a Client Contract between the accepting Options Broker Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

527. If, on or after the second trading day following that on which an order was matched and an NCP Contract arose, the NCP party to that Contract requests a transfer of positions arising from such NCP Contract to another GCP agreed with that NCP, the NCP may instruct its designated GCP to request SEOCH to effect such transfer in accordance with and by the time specified in the Operational Clearing Procedures. Such transfer request is subject to the approval of SEOCH and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is made.

528. Except in the case where the Options Exchange Participant requesting a give-up is in default pursuant to Chapter 7 of these Options Trading Rules, an Options Exchange Participant shall not accept a give-up until it has entered into an Options Client Agreement or an Options Broking Agreement, as the case may be, with the client who has requested the give-up, and in the case of accepting NCP Contracts shall not accept a give-up until after it has entered into a Clearing Agreement with the NCP that requested the give-up.

Block Trades

529. The Board may in its absolute discretion from time to time impose requirements or restrictions in relation to the ability of Options Trading Exchange Participants to enter into Block Trades, as more particularly described in the Third Schedule to these Options Trading Rules.

Contractual Relationships

530. Each Options Contract validly made on HKATS shall constitute a contract between the Options Trading Exchange Participants whose orders have been matched by HKATS.

531. In all Contracts to which an Options Exchange Participant is party, the Options Exchange Participant shall (whether or not it may, for purposes other than those of these Options Trading Rules and the Clearing Rules, be an agent of another) contract as principal and shall accordingly be personally bound by, and entitled under, such Contracts. For removal of doubt, SEOCH shall not in any manner contract with the clients of Options Trading Exchange Participants, including clients which are Options Broker Exchange Participants. No course of dealing or agreement between any persons shall give rise to any contrary presumption or lead to any contrary conclusion.

NCPs and GCPs

532. The Exchange may impose limits on the number of Clearing Agreements into which an NCP may enter.

533. An NCP must, if it is party to more than one Clearing Agreement, designate the GCP through whom any resulting OCH Contract is to be cleared.

534. Each NCP unconditionally and irrevocably consents to the creation, exercise, settlement and discharge of NCP Contracts made pursuant to the Options Trading Rules and the Clearing Rules and agrees to be bound by the terms and conditions of all NCP Contracts and Clearing Agreements to which it is party (to the extent that any such Clearing Agreement is consistent with the Options Trading Rules and the Clearing Rules). Upon an OCH Contract representing an underlying NCP Contract being validly exercised, delivery obligations shall arise. Each NCP agrees that delivery obligations arising under an NCP Contract shall be performed by it in accordance with the Operational Clearing Procedures and in a manner which enables its designated GCP to perform its delivery obligations under an OCH Contract exercised in the same option series.

535. Each NCP agrees to be bound by the Clearing Rules in so far as the Clearing Rules are capable of being construed as applicable to the Exchange Traded Options Business carried on by it.

536. After the start of the After Business Period on each trading day, each GCP shall calculate margin in respect of all open positions and delivery obligations of each of its NCPs. The margin so calculated in respect of each NCP shall be no less than the amount calculated in accordance with the methodologies prescribed by the Exchange from time to time and described more particularly in the Operational Trading Procedures.

537. A GCP shall demand, and the NCP shall deliver, SEOCH Collateral of a type suitable to the GCP and of an amount no less than the margin calculated for that NCP pursuant to Options Trading Rule 536. The GCP may demand such additional SEOCH Collateral as it sees fit, having regard to the Exchange Traded Options Business being or proposed to be transacted by the NCP and the NCP's expected Exchange Traded Options Business liabilities.

538. Every GCP must monitor the ability of each NCP with whom it has entered into a Clearing Agreement to satisfy promptly all demands for SEOCH Collateral in respect of margin, all demands for Premium and all delivery obligations. A GCP must forthwith notify the Exchange of any failure by any such NCP to meet those demands or obligations, identifying the NCP concerned.

539. A GCP shall not extend any credit or other financial accommodation or give any rebate of any kind to any NCP on whose behalf it accepts Contracts for clearing for the purpose, or which has the effect, of circumventing or evading the margin requirements set out in Options Trading Rule 537.

539A. Each NCP shall give prior notice to the Exchange in writing of the termination of its Clearing Agreement with the GCP through whom any resulting OCH Contract is cleared before it is actually terminated**,** unless the GCP has already given notice to terminate the Clearing Agreement to SEOCH in accordance with the Clearing Rules.

Error Trades

540. If a trade takes place on HKATS at a level which deviates from the price parameters from time to time established by the Exchange and notified to Options Trading Exchange Participants (the "Price Parameters"), the Exchange will entertain any claim from an original party to the trade that the price was in error. Unless such claim forms part of a claim for Large-Scale Error Trades (having the meaning assigned to it in Options Trading Rule 540A), it shall be entertained only in accordance with the following procedures:

(1) Any claim that a trade took place at a level which deviated from the Price Parameters, and was an error ("Error Trade"), shall be brought to the attention to the Exchange by any original party to the trade no later than thirty minutes after the time of the trade in such manner and form as may be prescribed by the Exchange from time to time. Upon receipt of such notification, the Exchange shall immediately broadcast an alert on HKATS that the trade is claimed to be an error and may be subject to cancellation.

(2) If the parties to the Error Trade consent within 10 minutes after the alert is broadcast, and if no objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange within 10 minutes after the alert is broadcast, the Error Trade will be cancelled in accordance with paragraph (6) of this Rule.

(3) If within 10 minutes after the alert is broadcast, the parties to the Error Trade do not consent to its cancellation, or if an objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange, or if not all the parties to the Error Trade can be contacted, a special HKATS Error Trade Review Panel ("Panel") shall be convened immediately. The Panel shall review relevant information and decide within 10 minutes after it is convened (unless this is impractical) whether or not the claimed Error Trade shall be cancelled in accordance with paragraph (6) of this Rule. Any such decision shall be binding on all parties to the Error Trade and shall be broadcast on HKATS as soon as it is made.

(4) The Panel shall consist of such members of HKEX staff, selected by the Chief Executive, from a list approved by the Chief Executive from time to time. The Panel, in reaching its decision, may consider all relevant facts, including market conditions before, during, and after the transaction occurred; and whether one or more parties to a multiple counterparty trade believe the trade is valid.

(5) There shall be no appeal from the Panel's decision for any reason.

(6) Within 30 minutes after any mutual consent to the cancellation of an Error Trade pursuant to paragraph (2) of this Rule, or any decision by the Panel that an Error Trade should be cancelled pursuant to paragraph (3) of this Rule, each party to the Error Trade shall complete and submit to the Exchange by facsimile or by hand a form prescribed by the Exchange from time to time in respect of the cancellation. If the Exchange does not receive the relevant form within the 30 minute time period, the Exchange in conjunction with SEOCH shall be deemed to have been authorized by each party to the Error Trade to effect the cancellation on its behalf. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

(7) Within the next Business Day following the day on which any correction of Error Trade took place, the party initially requesting the correction shall submit to the Exchange a report setting out a detailed account of (i) the Error Trade committed; (ii) the reason for the Error Trade; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.

(8) For the avoidance of doubt, no trade that takes place at a level within the Price Parameters, or is reported to the Exchange later than thirty minutes after the time of the trade, is subject to these correction provisions.

Large-Scale Error Trades

540A. If the Error Trades claimed by an Options Trading Exchange Participant are of such magnitude or complexity that any claim in respect of such Error Trades may have to be handled in accordance with this Options Trading Rule 540A ("Large-Scale Error Trades"), the Exchange will broadcast an alert on HKATS as soon as practicable that such trades may be subject to a Large-Scale Error Trade claim. If the Exchange in its absolute opinion determines, taking into consideration relevant factors such as the number of trades, counterparties and option series involved, that the claim should be handled as a Large-Scale Error Trade claim, the Exchange will entertain such claim in accordance with the following procedures:

(1) The Exchange will broadcast an alert on HKATS as soon as practicable that such trades are the subject of a Large-Scale Error Trade claim and such trades and other related trades may be subject to cancellation.

(2) The Exchange will evaluate the trades in question and other related trades (whether the Options Trading Exchange Participant which has initiated the relevant claims is a party to the trades or not) using the Large-Scale Error Trade reference prices and the price parameters applicable to Large-Scale Error Trades (the "Large-Scale Error Trade Price Parameters"), both as prescribed by the Exchange and notified to Options Trading Exchange Participants from time to time.

(3) Unless otherwise determined by the Exchange at its sole discretion, all trades which took place on HKATS at a level which deviated from the Large-Scale Error Trade Price Parameters and within such time period as may be determined by the Exchange shall be cancelled (whether the trades have been claimed as Error Trades by an Options Trading Exchange Participant or not) and an alert on the trades to be cancelled shall be broadcast on HKATS. Any such decision shall be binding on the parties to these trades and the parties to these trades shall not be

entitled to object to their cancellation or appeal against the Exchange's decision for any reason. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

(4) Within the next Business Day following the day on which any Large-Scale Error Trade took place, the party initiating the Error Trade claims shall submit to the Exchange a report setting out a detailed account of (i) the Error Trades committed; (ii) the reason for the Error Trades; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.

540B. In the event that the Exchange determines under Options Trading Rule 540A that a claim should not be handled as a Large-Scale Error Trade claim, the Exchange will broadcast a further alert on HKATS that the claim will not be handled as a Large-Scale Error Trade claim, and the procedures under Options Trading Rules 540(2) to (8) shall apply instead (except that the alert referred to in Options Trading Rules 540(2) and 540(3) shall be deemed to be the alert broadcast under this Options Trading Rule 540B).

541. For each Error Trade claim initiated by an Options Trading Exchange Participant pursuant to Options Trading Rule 540 and the handling of Large-Scale Error Trades pursuant to Options Trading Rule 540A, the Options Trading Exchange Participant shall pay to the Exchange upon demand a fee of HK$3,000 per trade.

542. Notwithstanding that a trade is the subject of an Error Trade claim under these Options Trading Rules, the payment of Premium and SEOCH Collateral in respect of margin from the relevant Options Trading Exchange Participants will still be required whether by an NCP to its GCP or by any SEOCH Participant to SEOCH and retained until the correction of the Error Trade has been effected.

543. [Repealed]

Disputes

544. Any dispute as to the timing or terms of any Options Contract shall be determined by reference to the Transaction Register of HKATS, and Options Trading Rules 513 to 517 (inclusive) shall apply accordingly.

Limitation of Liability

545. The Exchange, SEOCH, HKFE, a recognized exchange controller which is the controller of the Exchange and an Options System Operator shall in no case be liable in contract, tort or otherwise for any claims or damages, whether direct, indirect, consequential or otherwise, including, but not limited to loss of data and loss of profits, of any Options Exchange Participant or any of its clients or any third party arising from or in connection with activities conducted through or associated with the Options System or any failure, error or defect in or unavailability of the Options System.

546. [Repealed]

547. [Repealed]

548. [Repealed]

549. [Repealed]

550. [Repealed]

551. [Repealed]

552. [Repealed]

CHAPTER 6

MARKET MAKERS

Applications for Market Maker Permits

601. An Options Trading Exchange Participant may apply to the Exchange for permission to make a market in Options Contracts in a particular option class (with a particular expiry if applicable), whether as a Primary Market Maker or a Regular Market Maker, by completing the prescribed application form and returning it to the Exchange, together with such application fee as may for the time being be prescribed by the Exchange, in accordance with the instructions contained in the application form.

602. Before granting a Market Maker permit, the Exchange may require the applying Options Trading Exchange Participant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the Options Contracts in respect of which the application is made (having regard to such matters as the Exchange may, in its absolute discretion, consider to be appropriate, including the financial standing, trading record, personnel, computer equipment and internal security procedures of the applying Options Trading Exchange Participant). Before registering a Market Maker as a Primary Market Maker, the Exchange will also require the Options Trading Exchange Participant to sign and agree to be bound by an appointment letter which sets forth, inter alia, the terms and conditions under which it is appointed as a Primary Market Maker and the market making obligations of the Options Trading Exchange Participant as a Primary Market Maker, which may vary from one Primary Market Maker to another. The Chief Executive has the sole discretion to determine the total number of Primary Market Maker permits that may be granted per option class and, if applicable, per expiry from time to time.

603. The Exchange may reject any application made under Options Trading Rule 601.

604. The Options Trading Exchange Participant which is applying for a Market Maker permit and SEOCH will be notified in writing by the Exchange of the grant of each Market Maker permit.

605. A register of Market Makers, containing the name of each Options Trading Exchange Participant to whom a permit has been granted, the registration of the Market Maker as a Primary Market Maker where applicable, the commencement and expiry dates of each such permit and the option class (with the particular expiry if applicable) in respect of which each such permit has been granted, will be maintained by the Exchange.

Form and Duration of Market Maker Permits

606. Market Maker permits shall be non-exclusive, non-transferable and in such form as may from time to time be prescribed by the Exchange.

607. Each Market Maker permit shall state a trading day on which it is to come into effect and the period for which it is granted. The duration of each Market Maker permit may vary from one permit to another. Unless otherwise approved by the Exchange, the minimum period for which each Regular Market Maker permit will be granted will be 1 year.

Obligations of Regular Market Makers

608. Each Regular Market Maker shall be entitled to enter quotes into the Options Trading System either upon receipt of quote requests or in accordance with the obligation to provide continuous quotes. Upon registration of a Market Maker permit, a Regular Market Maker shall notify the Exchange of its election to either respond to quote requests or provide continuous quotes. All Options Contracts resulting from an order comprised in a quote being matched by the Options Trading System must be allocated to its House Account designated as "M1" by HKATS. Subject to compliance with Options Trading Rule 518, each Regular Market Maker will be permitted to enter a number of quotes simultaneously into the Options Trading System.

609. Subject to Options Trading Rule 610, if a Regular Market Maker elects to respond to quote requests, it shall be obliged upon receipt of a quote request for an option series in an option class (with a particular expiry if applicable) for which it holds a current Market Maker permit (i) to enter a quote into the Options Trading System at least for such minimum number of Options Contracts as prescribed by the Board; (ii) to hold the quote for such minimum period of time as prescribed by the Board; and (iii) to respond within such period of time after receipt of the relevant quote request as prescribed by the Board. Subject to Options Trading Rule 610, if a Regular Market Maker elects to provide continuous quotes, it shall be obliged to provide continuous quotes for the assigned option series in an option class (with a particular expiry if applicable) for which it holds a current Market Maker permit for such minimum number of Options Contracts as prescribed by the Board. A bid and offer spread no greater than the maximum specified by the Board from time to time must also form part of each quote provided by the Regular Market Maker. All holders of Market Maker permits (other than Primary Market Makers) must comply with the regulations in the Second Schedule to these Options Trading Rules.

610. Regular Market Makers shall, in accordance with Options Trading Rule 609, respond to no less than a certain percentage of quote requests or provide continuous quotes for no less than a certain percentage of trading hours as may, in each case, from time to time be prescribed by the Board as more particularly described in the Second Schedule to these Options Trading Rules.

611. Each Regular Market Maker must be available to respond to quote requests or provide continuous quotes on all trading days during the period for which its permit is granted unless specifically exempted by the Exchange.

612. The Board may prescribe such regulations as set out in the Second Schedule to these Options Trading Rules in relation to market making activities of Regular Market Makers (including the prescription of criteria applicable to quotes as specified in Options Trading Rule 609) as it shall from time to time think fit. Every Regular Market Maker shall comply with any such regulations for the time being in effect.

Obligations of Primary Market Makers

612A. Each Primary Market Maker shall be obliged to enter quotes into the Options Trading System upon receipt of quote requests and to provide continuous quotes in accordance with the terms and conditions of its appointment letter. All Options Contracts resulting from an order comprised in a quote being matched by the Options Trading System must be allocated to its House Account designated as "M1" by HKATS. Subject to compliance with Options Trading Rule 518, each Primary Market Maker will be permitted to enter a number of quotes simultaneously into the Options Trading System.

612B. Subject to Options Trading Rule 612C, a Primary Market Maker shall be obliged as follows: (I) upon receipt of a quote request for an option series in an option class (with a particular expiry if applicable) for which it is registered as a Primary Market Maker, to (i) enter a quote into the Options Trading System at least for such minimum number of Options Contracts; (ii) hold the quote for such minimum period of time; and (iii) respond within such period of time after receipt of the quote request, as may be specified in its appointment letter; and (II) to provide continuous quotes for the assigned option series in an option class (with a particular expiry if applicable) for which it is registered as a Primary Market Maker for such minimum number of Options Contracts and with such maximum bid and offer spread as may be specified in its appointment letter.

612C. Primary Market Makers shall, in accordance with Options Trading Rule 612B, respond to no less than a certain percentage of quote requests and provide continuous quotes for no less than a certain percentage of trading hours as may, in each case, be specified in its appointment letter.

612D. Each Primary Market Maker must be available to respond to quote requests and provide continuous quotes on all trading days during the period for which its permit is granted unless specifically exempted by the Exchange.

612E. The Exchange may from time to time prescribe additional requirements, obligations, restrictions and conditions which must be complied with by a Primary Market Maker by giving written notice to it to amend its appointment letter.

Rights of Market Makers

613. Subject to compliance with Chapter 6 of these Options Trading Rules, each Market Maker shall be entitled to such fee discounts in relation to Options Contracts validly made and allocated to its House Account and designated as "M1" by HKATS, and in respect of which it holds a Market Maker permit, as shall from time to time be specified by the Board.

614. The records maintained by the Exchange of all Options Contracts validly made by Market Makers, and which are eligible for fee discounts pursuant to Options Trading Rule 613, shall be conclusive.

Identification of Jobbing Transactions

614A. No Market Maker shall identify to the Exchange a transaction as a Market Maker jobbing transaction which does not satisfy the criteria or directives prescribed by the Collector of Stamp Revenue and agreed to by the Exchange from time to time and notified to the Market Maker.

614B. In addition to any disciplinary action the Exchange may take against a Market Maker pursuant to the Exchange Rules for failing to comply with Options Trading Rule 614A, the Exchange shall immediately report to the Collector of Stamp Revenue, without prior notice being given to the Market Maker concerned, when it has reasonable ground to believe that a transaction not satisfying the criteria or directives prescribed by the Collector of Stamp Revenue and agreed to by the Exchange from time to time has been identified as a Market Maker jobbing transaction by a Market Maker.

Records of Hedging Activities

614C Each Market Maker shall keep as part of its records and make available to the Exchange for inspection whenever requested by the Exchange the following particulars regarding the portfolio it carries for the sole purpose of hedging an options contract entered into by that Market Maker:-

(1) the description of each component of the portfolio whether the component be a security, futures contract or any other type of instrument;

(2) the balance, whether long or short, of each component at the beginning and at the close of each trading day;

(3) particulars of each Option Hedging Transaction conducted by the Market Maker or any of its Options Hedging Participants registered with the Exchange under Options Trading Rule 614D; and

(4) any other particulars as the Exchange may prescribe from time to time.

614D. A Market Maker wishing to conduct Options Hedging Short Selling shall notify the Exchange of its intention. A Market Maker may also apply to the Exchange to register one or more Exchange Participants as its Options Hedging Participants which will conduct on its behalf Options Hedging Transactions.

Risk Monitoring on an affiliate of a Market Maker holding such Market Maker's positions (a "Market Maker Affiliate")

614E. Rules 614F, 614G and 614H apply to an affiliate who is qualified and registered as a Market Maker Affiliate with the Exchange by way of satisfying the paid-up capital and shareholders' funds requirements as prescribed by the Exchange from time to time.

614F. A Market Maker shall procure its Market Maker Affiliate to (i) submit to the Exchange, through the Market Maker, a monthly financial statement, setting out the Market Maker Affiliate's working capital as at the end of the calendar month by subtracting its current liabilities from its current assets (the "Working Capital"), within three weeks after the end of the relevant calendar month; and (ii) maintain a certain level of Working Capital on a daily basis, which shall be at least equal to (a) one-half of the Net Risk Margin ("NRM"); or (b) one-seventh of the Total Margin Requirement ("TMR"), whichever is higher, where

NRM = the sum of the Risk Margin (determined on a net basis and after offsetting any Mark-to-Market margin credit, where applicable) for the market maker account and the house account of the Options Exchange Participant.

TMR = the sum of the Total Margin Requirement for the market maker account and the house account of the Options Exchange Participant.

For the purpose of this Rule 614F, "Risk Margin" and "Total Margin Requirement" have the same meaning as set out in the Operational Clearing Procedures for Options Trading Exchange Participants of SEOCH.

614G. On breaching the Working Capital requirement, the Market Maker shall report to the Exchange as soon as practicable and in any event no later than 4pm on the next Business

Day. If the Market Maker repeatedly fails to notify the Exchange, the Exchange may, in its sole and absolute discretion, revoke the permit granted to the Market Maker. The Market Maker shall also forthwith procure the Market Maker Affiliate to reduce its positions or increase its Working Capital within 10 Business Days.

614H. If the Market Maker Affiliate fails to remedy the breach of the Working Capital requirement, the Exchange may close out such open positions on the Market Maker's behalf or may request the Clearing House to effect such closing out on the Market Maker's behalf. The Exchange may also, in its sole and absolute discretion, revoke the permit granted to the Market Maker. None of the Exchange, the Clearing House or a recognized exchange controller which is the controller of the Exchange and the Clearing House shall be liable for any loss suffered by any person or persons in respect of such closing out. The Market Maker shall indemnify and hold the Exchange, the Clearing House, and a recognized exchange controller which is the controller of the Exchange and the Clearing House harmless in respect of any costs or other expenses arising by reason of such closing out.

Suspension, Revocation and Surrender

615. Any market making obligations may be suspended by the Board for such period as it shall think fit:-

(1) if the market for any Options Contracts in respect of which Market Maker permits have been granted is not, in its opinion, orderly;

(2) if the securities underlying any Options Contracts in respect of which Market Maker permits have been granted are suspended from trading;

(3) in any of the circumstances set out in Options Trading Rule 902; or

(4) in the event that the Exchange declares an Unusual Market Condition.

616. Any Market Maker permit may be revoked by the Board in its absolute discretion at any time without giving any reason or notice. Without prejudice to this general power of revocation, a Market Maker permit will be revoked:-

(1) if a Market Maker fails to comply with Options Trading Rules 609 to 612 (inclusive) after having received a warning from the Exchange;

(2) if a Market Maker has, in the opinion of the Exchange, manipulated or distorted the market for one or more option series or attempted to do so or abused his status as a Market Maker; or

(3) if an event of default occurs in relation to the Options Trading Exchange Participant which holds the permit or if the Options Trading Exchange Participant is suspended, expelled or, for any other reason, ceases to be an Options Trading Exchange Participant,

and the Market Maker shall still be subject to these Options Trading Rules and the Clearing Rules in respect of any events which occurred prior to and after the revocation.

617. A Market Maker permit may at any time be surrendered by the Options Trading Exchange Participant to whom it has been granted by that Options Trading Exchange

Participant giving 30 days' (or such shorter period of time as the Exchange may allow) written notice to that effect to the Exchange, to SEOCH and to the SEOCH Participant which clears for that Market Maker.

618. The Board may require any Options Trading Exchange Participant:-

(1) which surrenders a Market Maker permit; or

(2) in respect of which a Market Maker permit is revoked; or

(3) which, at the expiry of the Market Maker permit, has failed to comply with Options Trading Rules 609 to 612 (inclusive) in relation to such permit,

to pay on demand to the Exchange an amount equal to all fee discounts received by such Options Trading Exchange Participant in respect of the surrendered or revoked permit and that Options Trading Exchange Participant shall not be entitled to any fee discounts which have accrued in relation to such permit.

619. The Exchange may, at its sole discretion, reject a new application for a Market Maker permit by any Options Trading Exchange Participant which has previously surrendered, or failed to renew, a Market Maker permit or which has had a Market Maker permit revoked.

CHAPTER 7

DEFAULT PROCEDURES

Default

701. In these Options Trading Rules, an "event of default" shall mean any event or circumstance which leads the Exchange to determine that an Options Exchange Participant:-

(1) is, or appears to be, unable, or likely to become unable, to meet any of its obligations in respect of its Exchange Traded Options Business;

(2) is, or appears to be, unable, or likely to become unable, to meet any of its obligations to HKSCC where the Options Exchange Participant is also a participant in CCASS*;*

(2A) is, or appears to be, unable, or likely to become unable, to meet any of its obligations to HKCC where the Options Exchange Participant is also an HKCC Participant; or

(3) is not acting, or has not acted, in the best interests of the market in Options Contracts or, more generally, the market in securities administered by the Exchange.

An Options Exchange Participant shall give prompt notice to the Exchange if it is, or if it suspects that it is likely to become, unable to meet any of its obligations in respect of its Exchange Traded Options Business or its obligations to HKSCC where the Options Exchange Participant is also a participant in CCASS or HKCC where the Options Exchange Participant is also an HKCC Participant.

702. Without prejudice to the generality of Options Trading Rule 701, the Exchange may assume that an Options Exchange Participant is or appears to be unable, or likely to become unable, to meet its obligations in respect of its Exchange Traded Options Business:-

(1) where that Options Exchange Participant, as a direct or indirect result of conducting its Exchange Traded Options Business, is in breach of any of the Exchange Rules, these Options Trading Rules, Clearing Rules, or where that Options Exchange Participant is also a participant in CCASS, the HKSCC Rules;

(2) where a debit instruction given to a bank designated by that Options Exchange Participant for the purpose of settling its obligations in respect of its Exchange Traded Options Business is rejected;

(3) where that Options Exchange Participant fails to comply with any of its obligations under Options Trading Rule 302 or 302A as applicable; or

(4) where the Exchange becomes aware of circumstances affecting a client, associate or affiliate of an Options Exchange Participant which might, in the

opinion of the Exchange, result in that Options Exchange Participant being unable to meet any of its obligations in relation to its Exchange Traded Options Business.

703. Notwithstanding the provisions of Chapter 8 of these Options Trading Rules, if the Exchange in its absolute discretion determines that an event of default has occurred in respect of an Options Exchange Participant, the Exchange may take such steps including, without limitation, any of those set out in Options Trading Rule 704, as in the circumstances appear to it, in its absolute discretion, best calculated to discharge the defaulting Options Exchange Participant's rights, obligations and liabilities in respect of its Exchange Traded Options Business.

704. Steps which may be taken by the Exchange in relation to a defaulting, suspended or resigning Options Exchange Participant include:-

(1) to direct the Options Exchange Participant to close, give-up, exercise (or not exercise) or allow the expiration of any Contracts to which it is party;

(2) to prohibit, or limit, the opening of new Contracts;

(3) to direct the Options Exchange Participant to enter into any Contracts, or to enter into, on an exchange or otherwise, any contract for the sale, purchase or other acquisition or disposal of any securities, futures contracts or commodities;

(4) to limit (on such terms as it shall think fit), suspend or terminate access of that Options Exchange Participant (if any) to the Options System;

(5) in the case of an Options Trading Exchange Participant, to suspend or revoke any Market Maker permit held by that Options Trading Exchange Participant;

(6) to arrange, in conjunction with SEOCH, for such steps under the Clearing Rules as the Exchange and SEOCH may consider appropriate in relation to that Options Exchange Participant and, if it is an NCP, any of its designated GCPs, and if it is an Options Broker Exchange Participant, its designated Options Trading Exchange Participant;

(7) to direct the Options Exchange Participant to use all reasonable efforts to contact clients, with a view to determining what action, having regard to the default, suspension or resignation, its clients would like to take in relation to Client Contracts to which they are party; and

(8) to direct that Options Exchange Participant to submit for approval to the Exchange a plan for the orderly winding down of its Exchange Traded Options Business.

Without prejudice to the right of the Exchange to take any of the steps specified above, the Exchange may, upon determining that an event of default has occurred or may occur, issue a warning to the defaulting Options Exchange Participant, including such

directions and requirements to be complied with by the Options Exchange Participant within such time period in each case as the Exchange may, in its absolute discretion, think fit.

705. A defaulting, suspended or resigning Options Exchange Participant shall be under a duty to co-operate with the Exchange and, if a SEOCH Participant, with SEOCH in relation to its Exchange Traded Options Business.

706. If the Exchange authorizes or directs any give-up pursuant to Options Trading Rule 704(1), Options Trading Rules 524 to 526A (inclusive) shall apply, to the extent relevant, as if the give-up had arisen from the request of a client (including, in the case of a defaulting Options Trading Exchange Participant which operated an Omnibus Account for an Options Broking Exchange Participant, from the request of that Options Broking Exchange Participant).

707. An Options Exchange Participant accepting a give-up of a Client Contract or an Options Broker Client Contract pursuant to Options Trading Rule 706 shall enter into an Options Client Agreement as required by the SFC Code of Conduct or, as the case may be, an Options Broking Agreement, with that client.

708. If a defaulting, suspended or resigning Options Exchange Participant is unable for any reason to take any action as may be directed by the Exchange or SEOCH pursuant to these Options Trading Rules and the Clearing Rules, the Exchange or SEOCH may act to carry out such action on behalf of the Options Exchange Participant.

709. If a defaulting, suspended or resigning Options Trading Exchange Participant is an NCP, its designated GCP continues to have full responsibility for the rights and obligations of that NCP in relation to OCH Contracts it was designated to clear (notwithstanding the terms of its Clearing Agreement with the NCP). Such GCP shall be entitled in conjunction with the Exchange and/or SEOCH to take such action in relation to those OCH Contracts and related NCP Contracts as it may see fit. For the avoidance of doubt, the GCP shall not be responsible for any Client Contracts to which the NCP is party. Any action taken by the Exchange under Chapter 7 of these Options Trading Rules in relation to a defaulting, suspended or resigning NCP shall be without prejudice to the rights against that NCP of the GCP which has a Clearing Agreement with that NCP.

709A. If a defaulting, suspended or resigning Options Exchange Participant is an Options Broker Exchange Participant, its designated Options Trading Exchange Participant will continue to have full responsibility for the rights and obligations of that Options Broker Exchange Participant in relation to OCH Contracts it was designated to execute and clear (notwithstanding the terms of its Options Broking Agreement with the Options Broker Exchange Participant). Such Options Trading Exchange Participant shall be entitled in conjunction with the Exchange and/or SEOCH to take such action in relation to those OCH Contracts and related Options Broker Client Contracts between him and the Options Broker Exchange Participant as it may see fit. For the avoidance of doubt, the Options Trading Exchange Participant shall not be responsible for any Client Contracts between the Options Broker Exchange Participant and its clients. Any action taken by the Exchange under Chapter 7 of these Options Trading Rules in relation to a defaulting, suspended or resigning Options Broker Exchange Participant shall be without prejudice to the rights against that Options Broker Exchange Participant of the Options Trading Exchange Participant which has an Options Broking Agreement with that Options Broker Exchange Participant.

710. Without prejudice to Options Trading Rules 701 to 709A (inclusive), following a determination of an event of default in respect of an Options Exchange Participant, an Options Exchange Participant may lodge an appeal in respect of any such action, in which case the Exchange will supply to the Options Exchange Participant in written form an account of its reasons for such determination.

General

711. The exercise by the Exchange of any right pursuant to these Options Trading Rules contained in this Chapter is without prejudice to and shall not preclude the Exchange from exercising any other rights (including the right to take disciplinary action) in respect of any default by an Options Exchange Participant. Furthermore, no delay or omission on the part of the Exchange in exercising any right, power or remedy shall impair such right, power or remedy or operate as any kind of waiver.

Indemnity

712. A defaulting Options Exchange Participant shall indemnify and keep indemnified the Exchange, SEOCH, HKFE, a recognized exchange controller which is the controller of the Exchange, an Options System Operator, and their respective employees (and, if an NCP, each of its designated GCPs) from and against any loss, cost (including cost of enforcement), liability (including any tax or other fiscal liability), claim or damage which any of such indemnified persons incurs or suffers as a consequence of the use of the Options System by that Options Exchange Participant or any default by that Options Exchange Participant, including in relation to any action taken by any of the indemnified persons pursuant to these Options Trading Rules and/or the Clearing Rules.

Suspension or Cancellation of Options Exchange Participantship

713. If an Options Exchange Participant, in its capacity as an Exchange Participant, voluntarily suspends its Exchange Participantship or is suspended from Exchange Participantship or accessing the System by the Board or the Chief Executive, its Options Exchange Participantship shall immediately be suspended and the provisions of Options Trading Rule 715 shall apply.

714. The Board may in its absolute discretion suspend or cancel the Options Exchange Participantship of any Options Exchange Participant which is the subject of any event of default, which is under any disciplinary investigation, or which has had any disciplinary action taken against it by giving written notice to that Options Exchange Participant. The Chief Executive, in consultation with the Chairman of the Exchange, may suspend the Options Exchange Participantship of any Options Exchange Participant which is the subject of any event of default.

715. Where the Options Exchange Participantship of an Options Exchange Participant is suspended or cancelled:-

(1) all monies due to the Exchange shall remain due and payable by the Options Exchange Participant as if its Options Exchange Participantship had not been suspended or cancelled;

(2) unless otherwise determined by the Exchange, all of the rights and privileges of Options Exchange Participantship shall be extinguished in relation to that

Options Exchange Participant and the access of that Options Exchange Participant to the Options System shall be suspended or cancelled;

(3) the suspension or cancellation shall not in any way affect the validity or enforceability of any Contract or other agreement or arrangement to which that Options Exchange Participant was party prior to the suspension or cancellation (whether entered into by that Options Exchange Participant or on its behalf); and

(4) the Exchange may take such action pursuant to these Options Trading Rules as it, in its absolute discretion, sees fit.

716. Until such time as the rights and liabilities of an Options Exchange Participant whose Options Exchange Participantship has been suspended or cancelled have been discharged and prior to the effective date of the cancellation of its Options Exchange Participantship, it shall continue to be bound by these Options Trading Rules.

717. Notice of suspension or cancellation of the Options Exchange Participantship of any Options Exchange Participant will be given by the Exchange as soon as practicable to all other Options Exchange Participants, HKFE, SEOCH, HKSCC and the Commission.

Default Procedures Prevail

718. The Options Trading Rules contained in this Chapter are without prejudice to, but in the case of any conflict take precedence over, any other provision of these Options Trading Rules, the Exchange Rules, the Operational Trading Procedures, any disciplinary proceedings or the terms and conditions of any Contract.

CHAPTER 8

DISCIPLINARY

Situations Calling for Disciplinary Action

801. The situations calling for disciplinary action against an Exchange Participant pursuant to the Exchange Rules shall apply equally to an Options Exchange Participant in his capacity as such, to the extent that such situations are capable of being construed as applicable to the activities of an Options Exchange Participant.

802. In addition to the situations calling for disciplinary action against an Options Exchange Participant pursuant to the Exchange Rules, the Exchange may take disciplinary action in relation to an Options Exchange Participant:-

(1) if the Options Exchange Participant is or has been in default or contravenes these Options Trading Rules, the Operational Trading Procedures or any conditions attached to its Options Exchange Participantship;

(2) if the Options Exchange Participant is or has been guilty of any act or omission relating to its Exchange Traded Options Business which may adversely affect the reputation of the Exchange or a recognized exchange controller which is the controller of the Exchange and/or prejudice the interests of any person who trades or may trade in any of the markets operated by the Exchange;

(3) if the Options Exchange Participant makes a material misstatement or misleads or attempts to mislead SEOCH, the Exchange, a recognized exchange controller which is the controller of the Exchange or any of its officials;

(4) if the Options Exchange Participant knowingly disseminates, or carelessly allows to be disseminated, false, misleading or inaccurate market information which affects or tends to affect the market price of any Options Contract or the market price of any other securities;

(5) if, in the opinion of the Exchange, it uses the Options System for any purpose other than bona-fide conduct of Exchange Traded Options Business;

(6) if the Options Exchange Participant fails to provide information requested by an exchange, clearing house, regulatory authority or an organization with whom HKEX or the Exchange has entered into an information sharing arrangement or agreement; or

(7) if the Options Exchange Participant fails to give notice of termination of Clearing Agreement under Options Trading Rule 539A.

Co-operation

803. In any investigation into a disciplinary matter or into circumstances possibly giving rise to a disciplinary matter, every Options Exchange Participant shall co-operate with the Exchange, the Board, SEOCH and any other person or body of persons to whom the investigation may be entrusted.

Notification

804. Any proposal to take disciplinary proceedings, and the outcome of any disciplinary proceedings, shall be notified to SEOCH, HKSCC, a recognized exchange controller which is the controller of the Exchange and the Commission.

Disciplinary Action and Procedures

805. In respect of any disciplinary matter arising in relation to an Options Exchange Participant, the powers of the Exchange and the Board, and the conduct of any disciplinary proceedings, shall be as set out in the Exchange Rules.

805A. The exercise of disciplinary powers herein shall where appropriate be dealt with in the disciplinary procedures of the Exchange from time to time.

806. Options Exchange Participants have recourse, in relation to disciplinary proceedings initiated under these Options Trading Rules, to the disciplinary appeals proceedings as set out in the Exchange Rules.

CHAPTER 9

EMERGENCY PROCEDURES

Suspension of Options Trading

901. Facilities for trading Options Contracts on the Exchange may at any time be suspended, restricted or withdrawn for a temporary period or for such longer period as may be determined by the Board in prior consultation with the Commission.

902. Suspension, restrictions or withdrawals of facilities for trading Options Contracts on the Exchange may be ordered by the Chief Executive, in consultation with the Commission, notwithstanding Options Trading Rule 901 if, in his opinion, it is not possible for a meeting of the Board to be convened immediately. The Chief Executive, in consultation with the Chairman, shall arrange a meeting of the Board as soon as possible after such suspension, restriction or withdrawal. The Chief Executive may not otherwise suspend, restrict or withdraw facilities for the trading of Options Contracts on the Exchange.

903. If in the opinion of the Chief Executive, the Board or the HKEX board an emergency (including but not limited to fire, epidemic or other casualty or accident, severe weather conditions, earthquake, natural disaster, power failures, communications breakdowns, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack and other similar events) is imminent or threatened or has occurred or developed, and in consequence no orderly trading of Options Contracts on the Exchange can take place, the Chief Executive (with prior reference to the Board) and the Board shall have full authority (in consultation with the Commission) to suspend trading and to take such other action as the Chief Executive and the Board may, in their absolute discretion, deem necessary or appropriate to deal with such emergency or as directed by the HKEX board. Notwithstanding the foregoing, the Chief Executive may suspend trading under this Rule without prior reference to the Board if, but only if, in his opinion it is not possible for a meeting of the Board to be convened immediately. The Chief Executive may not otherwise suspend trading under this Rule and whenever trading is suspended by the Chief Executive without prior reference to the Board in accordance with this Rule, he shall arrange for a meeting of the Board to be held as soon as practicable after trading has been suspended. Under no circumstances shall the Exchange or HKEX be responsible for damages arising from any such emergency or any action taken by the Exchange in respect thereof.

Special Events

904. [Repealed]

904A. Unless otherwise determined by the Exchange, the Exchange will, by notice to Options Trading Exchange Participants using the Market Messages Window of HKATS and/or such other means as it considers appropriate, suspend trading of an option class as soon as practicable after trading of the underlying stock is suspended in the stock market on which the underlying stock is listed. If the trading of the underlying stock has been suspended for three months or more, or if a shareholders' resolution is passed and the relevant regulatory authority's approval is granted for the privatization of the issuer of the underlying stock, the Chief Executive, in consultation with the Commission, may discontinue the trading of the option class. No action shall lie against and no liability of whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall

be incurred by the Exchange directly or indirectly in connection with any such suspension of option classes.

Facsimile Instruction Entry

905. In circumstances where access to the Options Trading System and/or the Options Clearing System is suspended, restricted, or withdrawn pursuant to these Options Trading Rules in relation to one or more Options Trading Exchange Participants, the Exchange may allow those Options Trading Exchange Participants which have entered into a facsimile indemnity agreement with the Exchange to transmit their orders, quotes and other permitted instructions relating to the Options Trading System functions, and SEOCH may allow those Options Trading Exchange Participants that are SEOCH Participants and have entered into a facsimile indemnity agreement with SEOCH to transmit their give-up, take-up, exercise and other permitted instructions relating to the Options Clearing System functions, by facsimile to designated HKEX staff who will, subject to and in accordance with the Operational Trading Procedures and Operational Clearing Procedures, perform the relevant Options Trading System and/or Options Clearing System functions on behalf of such Options Trading Exchange Participant. All the provisions of these Options Trading Rules and the Clearing Rules, other than in relation to the entry of instructions into the Options System, shall apply to any resulting Options Contracts and other Contracts as if the Options Trading Exchange Participant had itself entered them into the Options Trading System and/or the Options Clearing System.

FIRST SCHEDULE : ITEM A1

[Repealed]

FIRST SCHEDULE : ITEM A2

[Repealed]

FIRST SCHEDULE : ITEM A3

UNIFORM OPTIONS BROKING AGREEMENT

To: [Name of Options Trading Exchange Participant]

[Address]

(licensed by the Securities and Futures Commission ("SFC") as a licensed corporation to carry on Type 1 regulated activity under the Securities and Futures Ordinance [and any other regulated activities] and an Options Trading Exchange Participant of The Stock Exchange of Hong Kong Limited (the "Exchange").

We_____
(licensed by the SFC as a licensed corporation to carry on Type 1 regulated activity [and any other regulated activities] and registered with Options Broker Exchange Participantship status by the Exchange) request you to operate a client account (the "Omnibus Account") for us, in relation to the transaction of Exchange Traded Options Business for us in our capacity as an Options Broker Exchange Participant. Terms defined in the Exchange's Options Trading Rules, and the Clearing Rules, have the same meaning in this Agreement. The Omnibus Account will be operated on the following terms and conditions:-

1 The Account

1.1 We acknowledge that the only Exchange Traded Options Business which may be effected through our Omnibus Account is the entering into/purchase*, exercise, settlement and discharge of options transactions on behalf of our clients. We will open an Options Broker Exchange Participant Account with you, pursuant to an Options Client Agreement if we wish to effect options transactions for our own account or the account of affiliates.

1.2 We confirm that the information provided in the Client Information Check List is complete and accurate. We will inform you of any changes to that information. You are authorized to conduct credit enquiries on us to verify the information provided.

1.3 You will keep information relating to our Omnibus Account confidential, but may provide any such information to the Exchange and the SFC to comply with their requirements or requests for information.

1.4 We hereby agree that, in relation to a transaction where you have received an enquiry from the Exchange and/or the SFC, the following provisions shall apply.

(a) Subject as provided below, we shall, immediately upon request by you, inform the Exchange and/or the SFC of the identity and contact details of the client for whose account the transaction was effected and of the person with the ultimate beneficial interest in the transaction. We shall also inform the Exchange and/or the SFC of any third party (if different from the client/the ultimate beneficiary) who originated the transaction.

(b) If we effected the transaction for an investment fund, collective investment scheme or discretionary account (the "fund"), we shall, immediately upon request by you, inform the Exchange and/or the SFC of the identity and contact details of the fund and, if applicable, the identity and contact details of the person who, on behalf of the fund, instructed us to effect the transaction.

(c) If we are aware that our client is acting as intermediary for its underlying clients, and we do not know the identity and contact details of the underlying client for whom the transaction was effected, we confirm that

- we have arrangements in place with our client which entitle us to obtain such information from our client immediately upon request or to require our client to provide such information immediately on request direct to the Exchange and/or the SFC and

- we will, on request from you in relation to a transaction, promptly request our client on whose instructions the transaction was effected, either (i) to provide such information to us (in which case we shall provide the information to the Exchange and/or the SFC as soon as received from our client) or (ii) promptly request our client to provide such information direct to the Exchange and/or the SFC.

* delete wherever appropriate

2 Laws and rules

2.1 All Exchange Traded Options Business shall be effected in accordance with all laws, rules and regulatory directions (the "Rules") applying to you as an Options Trading Exchange Participant, and to us as an Options Broker Exchange Participant. This includes the Options Trading Rules of the Exchange, the Clearing Rules of The SEHK Options Clearing House Limited ("SEOCH") and the rules of Hong Kong Securities Clearing Company Limited ("HKSCC"). In particular, the Exchange has authority under the Rules to make adjustments to the terms of Contracts, and you shall notify us of any such adjustments which affect Options Broker Client Contracts to which we are a party. All actions taken by you, by the Exchange, by SEOCH or by HKSCC in accordance with such Rules shall be binding on us.

2.2 We agree that the terms of the Standard Contract for the relevant options series shall apply to each Options Broker Client Contract between you and us, and that all Options Broker Client Contracts shall be created, exercised, settled and discharged in accordance with the Rules.

3 Margin

3.1 We agree to provide you with cash and/or securities and/or other assets ("Margin") as may be agreed from time to time, as security for our obligations to you under this Agreement. Such Margin shall be paid or delivered as demanded by you from time to time. The amounts required by way of Margin shall not be less than, but may exceed, the amounts as may be required by the Rules in respect of our delivery obligations.

3.2 If you accept securities by way of Margin, I/we will on request provide you with such authority as you may require under the Rules to authorize you to deliver such securities to SEOCH as SEOCH Collateral in respect of Exchange Traded Options Business resulting from my/our instructions to you. You do not have any further authority from me/us to borrow or lend such securities or otherwise part with possession (except to me/us or on my/our instructions) of any of such securities for any other purpose.

4 Client Default

4.1 We agree to indemnify you, and your employees and agents, against all losses and expenses resulting from breach of our obligations under this Agreement, including costs reasonably incurred in collecting debts from us, and in closing the Omnibus Account.

4.2 If we fail to comply with any of our obligations and/or to meet our liabilities under this Agreement, including failure to provide Margin, you may, in accordance with the Options Trading Rules

- decline to accept further instructions from us in respect of Exchange Traded Options Business
- close or exercise some or all of our Options Broker Client Contracts with you
- dispose of Margin, and apply the proceeds thereof to discharge our liabilities to you.

4.3 We agree to pay interest on all overdue balances (including interest arising after a judgment debt is obtained against us) at such rates and on such other terms as you have notified to us from time to time.

5 Contracts

5.1 In respect of all Contracts effected on our instructions, we will pay you, within the time period notified by you, Premium, your commission and any other charges, and applicable levies imposed by the Exchange, as have been notified to us. You may deduct such Premium, commissions, charges and levies from the Omnibus Account.

5.2 You may place limits on the open positions or delivery obligations that we may have at any time. We acknowledge that

- you may be required to close out Options Broker Client Contracts to comply with position limits imposed by the Exchange
- if you go into default, the default procedures of the Exchange may result in Options Broker Client Contracts being closed out, or replaced by Options Broker Client Contracts between us and another Options Trading Exchange Participant of the Exchange and
- if we go into default, the Exchange may take against us any of the steps set out in Chapter 7 of the Options Trading Rules.

5.3 At our request, you may agree to the Options Broker Client Contracts between us being replaced, in accordance with the Rules, by Options Broker Client Contracts between us and another Options Trading Exchange Participant of the Exchange.

5.4 On exercise of an Options Broker Client Contract by or against us, we will perform our delivery obligations under the relevant contract, in accordance with the Standard Contract and as we have been notified by you.

6 Risk Disclosure Statement

WE ACKNOWLEDGE THAT DUE TO THE VOLATILE NATURE OF SECURITIES MARKETS, THE WRITING AND PURCHASE OF OPTIONS OVER SECURITIES INVOLVES A HIGH DEGREE OF RISK.

WARNING TO OPTION HOLDERS

SOME OPTIONS MAY ONLY BE EXERCISED ON AN EXPIRY DAY (EUROPEAN-STYLE EXERCISE) AND OTHER OPTIONS MAY BE EXERCISED AT ANY TIME BEFORE EXPIRATION (AMERICAN-STYLE EXERCISE). WE UNDERSTAND THAT UPON EXERCISE SOME OPTIONS REQUIRE DELIVERY AND RECEIPT OF THE UNDERLYING SECURITY AND THAT OTHER OPTIONS REQUIRE A CASH PAYMENT.

AN OPTION IS A WASTING ASSET AND THERE IS A POSSIBILITY THAT AS AN OPTION HOLDER WE MAY SUFFER THE LOSS OF THE TOTAL PREMIUM PAID FOR THE OPTION. WE ACKNOWLEDGE THAT, AS AN OPTION HOLDER, IN ORDER TO REALISE A PROFIT IT WILL BE NECESSARY TO EITHER EXERCISE THE OPTION OR CLOSE THE LONG OPTION POSITION IN THE MARKET. UNDER SOME CIRCUMSTANCES IT MAY BE DIFFICULT TO TRADE THE OPTION DUE TO LACK OF LIQUIDITY IN THE MARKET. WE ACKNOWLEDGE THAT YOU HAVE NO OBLIGATION EITHER TO EXERCISE A VALUABLE OPTION IN THE ABSENCE OF OUR INSTRUCTION OR TO GIVE TO US PRIOR NOTICE OF THE EXPIRATION DATE OF THE OPTION.

WARNING TO OPTION WRITERS

AS A WRITER OF AN OPTION WE MAY BE REQUIRED TO PAY ADDITIONAL MARGIN AT ANY TIME. WE ACKNOWLEDGE THAT AS AN OPTION WRITER, UNLIKE AN OPTION HOLDER, WE MAY BE LIABLE FOR UNLIMITED LOSSES BASED ON THE RISE OR FALL OF THE PRICE OF THE UNDERLYING SECURITY AND OUR GAINS ARE LIMITED TO THE OPTION PREMIUM.

ADDITIONALLY, WRITERS OF AMERICAN-STYLE CALL (PUT) OPTIONS MAY BE REQUIRED AT ANY TIME BEFORE EXPIRY TO DELIVER (PAY FOR) THE UNDERLYING SECURITIES TO THE FULL VALUE OF THE STRIKE PRICE MULTIPLIED BY THE NUMBER OF UNDERLYING SECURITIES. WE RECOGNIZE THAT THIS OBLIGATION MAY BE WHOLLY DISPROPORTIONATE TO THE VALUE OF PREMIUM RECEIVED AT THE TIME THE OPTIONS WERE WRITTEN AND MAY BE REQUIRED AT SHORT NOTICE.

7 General

7.1 You agree to provide us, upon request, with the product specifications for Options Contracts.

7.2 We confirm that we have received the Exchange booklet “Understanding Stock Options (and their Risks)”.

7.3 Each party will notify the other of material changes in respect of its business which may affect the services provided under this Agreement.

7.4 We confirm that we have read and agree to the terms of this Agreement.

7.5 This Agreement is governed by, and may be enforced in accordance with, the laws of the Special Administrative Region of Hong Kong.

SIGNED by [Name of Options Broker Exchange Participant])
) _____
in the presence of) Authorized Signature/Business Chop

[witness name
address and
occupation] _____
[Witness Signature]

ACKNOWLEDGED AND)
ACCEPTED BY) _____
[Name of Options Trading Exchange Participant]) Authorized Signature/Business Chop

FIRST SCHEDULE: ITEM B

[Repealed]

FIRST SCHEDULE: ITEM C

[Repealed]

FIRST SCHEDULE: ITEM D

MODEL ACKNOWLEDGEMENT LETTER FROM OPTIONS CLIENTS IN RESPECT OF SEOCH MARGINING ON A PORTFOLIO BASIS

To : [NAME OF OPTIONS TRADING EXCHANGE PARTICIPANTS AND ADDRESS]

Dear Sirs

I/We ..... hereby authorize you to submit a claim with The SEHK Options Clearing House Ltd. ("SEOCH") in respect of my/our open positions to the effect that SEOCH will calculate and collect margin in respect of such positions on a portfolio basis.

Yours faithfully,

_____
(Signed by Client)

Date

SECOND SCHEDULE

MARKET MAKER OBLIGATIONS

1. The market making obligations of Regular Market Makers are specified below but may be subject to revision as determined by the Chief Executive, in consultation with the Chairman of the Exchange and the Chief Executive Officer of the Commission. Any such determination made to revise these market making obligations will be notified to Options Trading Exchange Participants via HKATS, e-mail, HKEX website or such other means as the Exchange considers appropriate. The market making obligations of Primary Market Makers are specified in the respective appointment letters appointing them as Primary Market Makers ("Primary Market Maker Obligations"). The market making obligations specified in this Schedule are not applicable to Primary Market Makers and accordingly, references to "Market Maker" and "Market Makers" in this Schedule shall be construed as references to "Regular Market Maker" and "Regular Market Makers" respectively only.

2. A Market Maker's obligations, in respect of each trading day, shall commence five minutes after market opens or when the bid/offer spread in the underlying security is at the minimum allowed under the Exchange Rules, whichever occurs earlier.

3. The maximum bid/offer spread is as follows:

Option Series	Option Class		
	Liquidity Level 1	Liquidity Level 2	Liquidity Level 3
A. Option Class with Monthly Expiries			
Spot month with 3 Business Days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 Business Days or more to expiry and the next 3 calendar expiry months	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
The next 2 calendar quarter expiry months	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 6 times the best bid/offer spread of the underlying securities, whichever is the lower.	30% of the bid price of the quote or 10 times the best bid/offer spread of the underlying securities, whichever is the lower.

The 3rd calendar quarter expiry month and any other longer-dated expiry month as the Exchange deems necessary	20% of the bid price of the quote or 8 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 12 times the best bid/offer spread of the underlying securities, whichever is the lower.	30% of the bid price of the quote or 20 times the best bid/offer spread of the underlying securities, whichever is the lower.
B. Option Class with Weekly Expiries			
Spot week with 3 Business Days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot week with 4 Business Days or more to expiry and the next week	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.

Notwithstanding the above,

(a) in respect of an option class the underlying security of which is not an Exchange Traded Fund, a Market Maker that provides quotes in any such option class with a minimum price fluctuation of HK$0.01 or RMB0.01 will not be obliged to quote a spread narrower than the best bid/offer of the underlying security (at the time of issuing the quote) plus 5 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is below 100) or plus 10 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is equal to or above 100);

(b) in respect of an option class the underlying of which is an Exchange Traded Fund, (i) a Market Maker that provides quotes in any such option class with a minimum price fluctuation of HK$0.01 or RMB0.01 will not be obliged to quote a spread narrower than the best bid/offer of the underlying security (at the time of issuing the quote) plus 7 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is below 100) or plus 15 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is equal to or above 100); and (ii) in determining the maximum bid/offer spread as set out in the table above, the Exchange may adjust the number of times of bid/offer spread specified in the table by such factor as it may consider appropriate; and

(c) in respect of any option class with a minimum price fluctuation of HK$0.001 or RMB0.001, a Market Maker that provides quotes in such option class will not be obliged to quote a spread narrower than HK$0.03 or RMB0.03.

In addition, a Market Maker will not be obliged to quote for the bid side in response to a quote request for a far out-of-the-money Contract which has a value near zero. A Market Maker shall remain obliged to quote for the sell side by issuing a sell limit order with a limit price no greater than 10 minimum price fluctuations for option classes with a minimum price fluctuation of HK$0.01 or RMB0.01 and no greater than 30 minimum price fluctuations for option classes with a minimum price fluctuation of HK$0.001 or RMB0.001 within the required response time and for the minimum required quantity and duration.

For the purpose of this Rule 3, the categorization of option classes into Liquidity Level 1, Level 2 or Level 3 will be prescribed by the Exchange at its absolute discretion from time to time.

The above maximum bid/offer spreads may be increased or decreased by the Chief Executive in consultation with the Chairman of the Exchange to reflect fluctuations in the corresponding size of the spread in the underlying stock. Any such modification shall be notified to Options Trading Exchange Participants via HKATS, e-mail, HKEX website or such other means as the Exchange considers appropriate.

4. Any quote that a Market Maker submits shall have a minimum quantity of 30 contracts for option classes categorised as Liquidity Level 1 and a minimum quantity of 15 contracts for option classes categorised as Liquidity Level 2 or 3.

5. A Market Maker in responding to a quote request shall respond within 20 seconds of receipt of the quote request. In addition, a Market Maker in responding to quote requests shall hold a quote for at least 20 seconds after initially entering it into the Options Trading System, unless there is a change in the nominal price of the underlying security during that period.

6. A Market Maker in providing continuous quotes shall be assigned not less than 50 option series (for monthly expiries) and not less than 40 option series (for weekly expiries) in an option class as may be determined by the Exchange from time to time. For each assigned option series, a Market Maker in providing continuous quotes shall provide quotes for not less than 50 percent of the trading hours of an option class (with a particular expiry if applicable) in a month.

7. Market Makers will be entitled to a reduced trading tariff as set forth in Appendix A to the Operational Trading Procedures upon meeting the market making obligation requirements on a monthly basis.

8. In the event that a Market Maker fails to respond to at least 50 percent of quote requests per option class (with a particular expiry if applicable) or fails to provide continuous quotes on the assigned option series for at least 50 percent of the trading hours of the option series in accordance with this Second Schedule to the Options Trading Rules in two consecutive months, its Market Maker permit for that option class (with the particular expiry if applicable) shall be revoked unless it can show to the satisfaction of the Exchange that it has reasonable grounds for failing to satisfy its Market Maker obligations during that period.

9. In assessing the rate of a Market Maker in responding to quote requests and the rate of a Market Maker in providing continuous quotes for the purpose of Rule 8, the Exchange may, in its absolute discretion, take into account all the relevant circumstances including but not limited to the general conditions of the cash market and/or the options market, either as a whole or of a specific option class.

10. A Market Maker, in responding to a quote request or providing continuous quotes, is not required to bid if the offer is at or below 10 minimum price fluctuations.

11. The Exchange may, in its absolute discretion, declare an Unusual Market Condition at any time by making such announcement through the Options Trading System. The declaration that there is no longer an Unusual Market Condition will also be made by such announcement. An Unusual Market Condition may be declared in circumstances including, but not limited to, where there is unusual trading activity or volume in any option class(es) or where conditions which deviate from the normal operation of any option class(es) are determined by the Chief Executive to exist.

THIRD SCHEDULE

REGULATIONS FOR BLOCK TRADES

1. The Regulations for Block Trades are as specified below but may be subject to revision as determined by the Chief Executive in consultation with the Chairman of the Exchange and the Chief Executive Officer of the Commission. Any such determination made to revise these Regulations will be notified to Options Trading Exchange Participants through HKATS, e-mail, HKEX website or such other means as the Exchange considers appropriate.

1A. Options Trading Exchange Participants may execute orders as a Block Trade provided that they are executed in such manner and within such trading hours or other time, and satisfy the criteria laid down in Regulation 2 of this Third Schedule and such other criteria, as may be prescribed by the Board and notified to Options Trading Exchange Participants from time to time. Any Block Trade which is not so executed will not be considered as a valid trade by the Exchange and will not be registered or cleared by SEOCH.

2. An Options Trading Exchange Participant must ensure that the following criteria are satisfied when conducting a Block Trade:

2.1 Block Trade Contracts

A Block Trade may be transacted only in Block Trade Contracts designated by the Board and notified to Options Trading Exchange Participants from time to time.

2.2 Minimum Volume Threshold

Subject to Regulation 2.2A of this Third Schedule, an Options Trading Exchange Participant shall not execute any order as a Block Trade unless that order meets the applicable Minimum Volume Threshold and the Options Trading Exchange Participant has received instructions or has been specifically authorized to execute the order as a Block Trade. Notwithstanding the provisions of Regulation 2.2A, for the purposes of determining whether the Minimum Volume Threshold is satisfied, two separate orders belonging to the Options Trading Exchange Participant or the same client relating to the same option series that are executed at two different prices via two separate legs under a strategy combination Block Trade will be considered as having satisfied the Minimum Volume Threshold if the aggregate of the two orders meets the Minimum Volume Threshold.

2.2A Block Trade Order Aggregation

An Options Trading Exchange Participant cannot aggregate separate orders or combine separate orders to generate a spread or strategy combination Block Trade unless:

2.2A.1 at least one of the separate orders from either side meets the Minimum Volume Threshold; and

2.2A.2 in the case of a spread or strategy combination, at least one of the separate orders comprising a leg satisfies the applicable Minimum Volume Threshold; and

2.2A.3 authorizations have been received by the Options Trading Exchange Participant from clients whose orders are being aggregated or combined.

2.3 Block Trade Order Entry

2.3.1 Unless otherwise prescribed by the Exchange, a Block Trade must be executed immediately on HKATS via the Block Trade Facility in one of the following ways:

(a) A Block Trade order entry by one Options Trading Exchange Participant

A Block Trade which is negotiated internally between accounts of an Options Trading Exchange Participant or negotiated between two Options Trading Exchange Participants may be entered into HKATS by one Options Trading Exchange Participant. When two Options Trading Exchange Participants are involved, either one of the Options Trading Exchange Participants shall be responsible for transferring to the other Options Trading Exchange Participant its positions by way of trade adjustment in accordance with the Operational Clearing Procedures, which require the transferring Options Trading Exchange Participant or where applicable, its General Clearing Participant to inform SEOCH of the trade adjustment request as soon as it has been confirmed by the receiving Options Trading Exchange Participant or where applicable, its General Clearing Participant on DCASS.

(b) A Block Trade order entry by two Options Trading Exchange Participants

A Block Trade which is negotiated between two Options Trading Exchange Participants may be separately entered into HKATS by the respective buying and selling Options Trading Exchange Participants. The time difference between the input of one side of a Block Trade and the input of the other side of the Block Trade must be within the prescribed time period as set forth in the HKATS User's Guide. Any Block Trade order entered into HKATS but not matched within the prescribed time period will be cancelled automatically.

2.3.2 Where a Block Trade involves a spread or strategy combination, each leg must be entered into the Block Trade Facility with such reference

information and in such manner as may be specified by the Exchange from time to time.

2.3.3 Notwithstanding Regulation 2.3.1 or any other provisions of this Third Schedule, if an Options Trading Exchange Participant is unable to enter orders for Block Trades negotiated during a trading session into HKATS in that trading session due to any suspension of trading in Options Contracts on the Exchange, any failure, error, defect in, or unavailability of, HKATS or any other contingencies, or if any such contingencies render it necessary for an Options Trading Exchange Participant to negotiate and enter into Block Trades for the purpose of mitigating its risks arising from such contingencies and not any other purpose, the Chief Executive may by notice to Options Trading Exchange Participants allow Options Trading Exchange Participants to enter orders for such Block Trades into HKATS in the next available trading session or during such other time as the Chief Executive may determine, and may relax any of the Block Trade criteria, including but not limited to the lowering of the applicable Minimum Volume Thresholds, the expansion of the price parameters within which a Block Trade must be executed and the use of such other reference price as may be determined by the Chief Executive for determining the price parameters.

2.4 [Repealed]

2.5 Execution Price

2.5.1 The price at which a Block Trade is executed must be fair and reasonable. Price parameters and factors which may be taken into consideration when determining whether a price is fair and reasonable will be prescribed by the Board and notified to Exchange Participants from time to time. At all times, the Board has the absolute discretion to accept or reject an executed price for a Block Trade, and that determination shall be final and conclusive.

2.5.2 A Special Block Trade Margin may be required from an Options Trading Exchange Participant if the executed price of a Block Trade is not considered fair and reasonable, if a significant deviation exists between the executed price and the prevailing market price or the theoretical price determined by the Clearing House, or if the Block Trade is executed at such a price that an Intra-day Margin would have been triggered had the trade been executed or as if it has been executed as a normal trade in the Central Orderbook.

2.5.3 The price at which a Block Trade is executed will not be used in establishing the day-high, day-low or last traded price of an option series. The quantity of a Block Trade will be taken into account in the updating of the traded volume of an option series.

3. (Repealed)

4. Each Options Trading Exchange Participant shall have in place a telephone recording system or an electronic communication system to record all Block Trade orders received and all confirmations of executed Block Trades provided. Each Options Trading Exchange Participant shall ensure that such telephone recordings or records are maintained for at least 6 months.

5. Without prejudice to the powers of the Chief Executive to revise these Regulations under Regulation 1 of this Third Schedule and the powers of the Board to prescribe additional Block Trade criteria under Regulation 1A of this Third Schedule, if the Chief Executive is of the opinion that any of the prescribed criteria are not properly followed by an Options Trading Exchange Participant, including any improper aggregation of orders, or there are any other improper acts or practices in connection with any execution of Block Trades by the Options Trading Exchange Participant, the Chief Executive may by notice to the Options Trading Exchange Participant prohibit the Options Trading Exchange Participant from using the Block Trade Facility or impose such restrictions or additional criteria as he may consider appropriate on its use. Any Block Trade which is executed in breach of such notice will not be considered as a valid trade by the Exchange and will not be registered or cleared by SEOCH.

FOURTH SCHEDULE

[Repealed]

FIFTH SCHEDULE

TRADING HOURS

1. Trading is to be conducted on the Options Trading System on every Business Day at the times specified below or at such other times as may be determined by the Chief Executive in consultation with the Chairman of the Exchange and the Chief Executive Officer of the Commission:-

   (a) The Morning Session shall commence at 9:30 a.m. and end at 12:00 noon; and

   (b) The Afternoon Session shall commence at 1:30 p.m. and end at 4:00 p.m. provided that with effect from 5 March 2012, the Afternoon Session shall commence at 1:00 p.m. and end at 4:00 p.m..

   There is no afternoon trading session on the eves of Christmas, New Year and Lunar New Year. On such days, the morning session will end at 12:00 noon

   Any such determination made to revise these Regulations will be notified to Options Trading Exchange Participants through the Options Trading System or such other means as the Exchange considers appropriate.

SIXTH SCHEDULE

STANDARD CONTRACT

1. **Nature of Contract**: An Options Contract shall confer upon the holder the right to exercise the Options Contract in accordance with the Options Trading Rules, the Clearing Rules, and the Operational Trading Procedures and Clearing Procedures (collectively, "the Rules"). The right so conferred upon the holder of a call Options Contract is the right to purchase from the writer the securities comprised in the lot the subject of the Options Contract for the Settlement Amount, subject to, and in accordance with, the Rules. The right so conferred upon the holder of a put Options Contract is the right to sell to the writer the securities comprised in the lot the subject of the Options Contract for the Settlement Amount, subject to, and in accordance with, the Rules.

2. **Terms and Conditions of the Contract**: Each Options Contract shall incorporate by reference the following terms and conditions:-

   (a) whether it is a put Options Contract or a call Options Contract;
   (b) the underlying securities;
   (c) the expiry; and
   (d) the strike price

   each of which, in relation to a particular Options Contract, shall be determined solely by reference to the Transaction Register of the Options Trading System.

3. **Price**: The price which determines the Premium payable in respect of an Options Contract shall be quoted in the same currency as that in which the underlying securities are traded on the Exchange by reference to one share of the underlying securities.

4. **Premium:** The Premium payable in respect of an Options Contract shall be the product of the price and the number of underlying securities comprised in the lot the subject of such Options Contract. The buyer shall pay, and the seller shall receive, the Premium on the day and by the time specified for that purpose in the Rules. All payments of Premium shall be in the Settlement Currency and shall be effected in the manner specified for that purpose in the Rules.

5. **Exercise**: A holder may exercise an Options Contract having a particular expiry on any trading day up to and including the Last Exercise Day for Options Contracts of the same option series having that expiry and shall do so by giving to the writer an exercise instruction by the time specified for that purpose in, and in accordance with, the Rules (or as otherwise from time to time prescribed by the Exchange and SEOCH).

6. **Settlement**: All underlying securities to be transferred following exercise of an Options Contract shall be transferred in accordance with the Rules on or before such day as may be specified in the Rules, free of any security interest of any person, except, where applicable, that of SEOCH. Unless otherwise permitted by the Exchange and SEOCH, a transfer of underlying securities following exercise of an Options Contract shall be made through CCASS in accordance with the Rules and the HKSCC Rules.

7. **Expiry:** An Options Contract in a particular option series which has not been validly exercised shall automatically expire at the System Input Cutoff Time on the Last Exercise Day of that expiry of Options Contracts in that option series.

8. **Status**: Every Options Contract shall be subject to the Rules and the Exchange Rules, so far as applicable, notwithstanding where either or both of the parties to the Options Contract is not a Participant of the Exchange or of SEOCH.

9. **Disputes**: Subject to the Rules, any dispute arising from or in relation to an Options Contract shall be referred to the Board whose determination shall be final and binding on the parties to it.

10. **Amendments**: Subject to the Rules, the Board shall have power to add to, vary, repeal, enforce or waive any of these terms and conditions.

11. **Governing Law**: Every Options Contract shall be governed by, and construed in accordance with, Hong Kong law.

12. **Definitions**: The definitions that follow form part of these terms and conditions.

In these terms and conditions, words and expressions defined in the Rules have the same meanings and, in addition, the following words and expressions have the following meanings:-

"buyer" or "holder", in respect of an Options Contract, means the person who is obliged to pay the Premium in respect of such Options Contract, and who is entitled to exercise such Options Contract, and who is obliged to deliver or accept delivery of underlying securities following the valid exercise of such Options Contract (and includes, except where the context otherwise requires, SEOCH as buyer under an OCH Contract);

"expiry" means, in relation to an Options Contract, the calendar month (in the case of a monthly expiring Options Contract) or week (in the case of a weekly expiring Options Contract) recorded in the Transaction Register of the Options Trading System as the month or week during which that Options Contract will expire through effluxion of time;

"Last Exercise Day", in respect of an expiry month, means the trading day immediately preceding the last day of such expiry month which is a trading day (or such other day as may be specified by the Exchange); and in respect of an expiry week, means the last trading day of such expiry week (or such other day as may be specified by the Exchange);

"lot" means, in relation to an Options Contract, the number of underlying securities to which that Options Contract relates being, subject to adjustment pursuant to the Rules, the standard number of such securities ordinarily traded as a board lot on the Exchange or such other number of such securities as expressly specified by the Exchange for an Options Contract;

"price" means, in relation to an Options Contract, the price recorded in the Transaction Register of the Options Trading System as the price agreed between the seller and the buyer for the rights conferred upon the buyer, as if those rights had been conferred in relation to one share of the underlying securities comprised in the lot the subject of the Options Contract;

"security interest" means any proprietary or equitable interest or right whatsoever including, without limitation, any such interest or right arising under or by virtue of any disposal made or purporting to be made by way of security or by way of loan and any other lien, pledge, encumbrance or equity of any kind;

"seller" or "writer", in respect of an Options Contract, means the person who is entitled to receive the Premium in respect of such Options Contract and who is obliged to deliver or accept delivery of underlying securities following the valid exercise of such Options Contract by the other party to it (and includes, except where the context otherwise requires, SEOCH as seller under an OCH Contract);

"Settlement Amount", in respect of an Options Contract which has been exercised, means the amount in the Settlement Currency equal to the product of the strike price and the number of underlying securities comprised in the lot the subject of such Options Contract; and

“strike price” means, in relation to an Options Contract, the amount recorded in the Transaction Register of the Options Trading System as being payable for one share of the underlying securities to be transferred following exercise of the Options Contract, subject to adjustment pursuant to the Rules.