CHAPTER 1

INTERPRETATION

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

"Afternoon Session"	means the period in the afternoon during which trading can be conducted on the Exchange as set out in Rule 501(1);
"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;
"applicable laws"	in the context of the China Connect Service or the trading of China Connect Securities or SEHK Securities, means, in relation to a market, security, transaction, entity or a person, the laws and regulations applicable to such market, security, transaction, entity or person from time to time, including but not limited to any Mainland China and Hong Kong laws, administrative regulations and judicial interpretations, and any departmental regulations and other regulatory documents promulgated by relevant governmental or regulatory bodies, as well as the rules and requirements of any exchange or clearing house. The aforesaid governmental or regulatory bodies include but are not limited to the China Securities Regulatory Commission, the People's Bank of China and the State Administration of Foreign Exchange of Mainland China, and the Commission and the Monetary Authority of Hong Kong;
"Articles"	means the Articles of Association of the Exchange;
"associates"	in relation to an issuer of structured product, means any of its holding companies, subsidiaries or fellow subsidiaries, or any associated companies of any of them;
"ATS"	has the same meaning as "automated trading services" in the Ordinance;
"ATS transaction"	means a transaction executed or concluded or entered into through an ATS provided by an Exchange Participant under a licence granted by the Commission for trading of securities listed on the Exchange;
"at-auction limit order"	means –

(a) a buy order or a sell order with a specified price input into the System during the order input

period, no-cancellation period or random matching period of the Pre-opening Session for automatic order matching at the end of the random matching period of the Pre-opening Session at the IEP calculated at the end of the random matching period of the Pre-opening Session when the specified price is (in the case of a buy order) equal to or higher than such IEP, or (in the case of a sell order) equal to or lower than such IEP which, if wholly or partly unmatched at the end of the random matching period of the Pre-opening Session, would be converted to a limit order and carried forward to the Continuous Trading Session according to Rule 501I; or

(b) a buy order or a sell order with a specified price input into the System during the order input period, no-cancellation period or random closing period of the Closing Auction Session, or an outstanding limit order treated as at-auction limit order and carried forward to the Closing Auction Session according to Rule 501L(4), for automatic order matching at the end of the random closing period of the Closing Auction Session at the IEP calculated at the end of the random closing period of the Closing Auction Session when the specified price is (in the case of a buy order) equal to or higher than such IEP, or (in the case of a sell order) equal to or lower than such IEP;

"at-auction order" means –

(a) a buy order or a sell order with no specified price input into the System during the order input period, no-cancellation period or random matching period of the Pre-opening Session for automatic order matching at the end of the random matching period of the Pre-opening Session at the IEP calculated at the end of the random matching period of the Pre-opening Session; or

(b) a buy order or a sell order with no specified price input into the System during the order input period, no-cancellation period or random closing period of the Closing Auction Session for automatic order matching at the end of the random closing period of the Closing Auction Session at the IEP calculated at the end of the random closing period of the Closing Auction

Session;

"auction orders"	means and includes each and both of the at-auction orders and the at-auction limit orders (as the case may be);
"Authorized Person"	means a person employed or engaged by an Exchange Participant or a Special Participant to gain access to the System, and where an Exchange Participant is registered as a China Connect Exchange Participant, a person employed or engaged by it to gain access to the CSC;
"automatch stock"	means a security eligible for automatic order matching under the System;
"automatic order matching"	means the automatic conclusion of transactions by the System based on the methodology or methodologies as determined by the Board from time to time, including:- (a) the methodology specified in Rule 517(1)(a) for automatic conclusion of transactions at the end of the random matching period of the Pre-opening Session or at the end of the random closing period of the Closing Auction Session at the IEP calculated at the end of the random matching period of the Pre-opening Session or at the end of the random closing period of the Closing Auction Session, as the case may be; (b) the methodology specified in Rule 517(1)(b) for automatic conclusion of transactions during the Continuous Trading Session when the specified prices of buy orders and sell orders match;
"Backup Central Gateway session"	means a Central Gateway session designated for backup purpose pursuant to Rule 364AA;
"Backup China Connect Central Gateway session"	means a China Connect Central Gateway session designated for backup purpose pursuant to Rule 1410(2);
"Backup China Connect Drop-Copy session"	means a backup connection to the China Connect Drop-Copy Service;
"Backup Drop-Copy session"	means a backup connection to the Drop-Copy Service;
"Backup Kill Switch session"	means a Kill Switch session designated for backup purpose pursuant to Rule 365F(1);
"Backup Special Participant Central	means a Special Participant Central Gateway session designated for backup purpose pursuant to Rule 1512A;

Gateway session"

"BCAN-CID Mapping File"	means a file compiled by a Relevant Regulated Intermediary, a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant which contains all the assigned BCANs and their corresponding CID, in such format as the Exchange may require from time to time;
"Board"	means the Directors of the Exchange elected or appointed in accordance with the Articles and, where the context so permits, any Committee thereof;
"borrowed securities"	in relation to a securities borrowing, means any securities obtained by a borrower under such securities borrowing and includes "borrowed stock" as that term is defined in the Stamp Duty Ordinance;
"borrower"	in relation to a securities borrowing, means a person including an Exchange Participant who obtains securities under a securities borrowing and lending agreement and includes "borrower" as that term is defined in the Stamp Duty Ordinance;
"broker number"	means the unique four digit number or numbers as may be assigned to every Exchange Participant trading;
"Broker Participant"	means an Exchange Participant admitted by HKSCC to participate in CCASS as a Broker Participant immediately before 3 December 2007 and whose Broker Participantship had not been terminated;
"Broker-to-Client Assigned Number" or "BCAN"	means – (a) the code, number or identifier that is assigned to uniquely and consistently identify each of its clients by a Relevant Regulated Intermediary as required under Rule 538A, or a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant as required under Rule 1425A(1); or (b) a standardized text, number or other code that the Exchange prescribes from time to time for a particular type of client, account, order or trading arrangement of a Relevant Regulated Intermediary, a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant;
"BSS"	means the Broker Supplied System developed and operated by the Exchange Participant for trading purposes,

	and includes any server, terminal and other device connected to it;
"business continuity centre"	means a business address of an Exchange Participant used for the purpose of continuing its trading operations during emergency or for other purpose which is notified to and approved by the Exchange from time to time;
"business day"	means a day other than a Saturday, Sunday or public holiday in Hong Kong;
"buy order"	means an order input into the System to buy an issue of securities;
"buying Exchange Participant"	means an Exchange Participant which acts as the buying party to a transaction, whether as a principal or an agent;
"CAS reference price"	of an issue of securities on a trading day means, unless otherwise determined by the Exchange, the price which is the median of several nominal prices taken by the System prior to and at the close of the Continuous Trading Session on that trading day. Such nominal prices shall be taken during such period, at such interval and in such manner as the Exchange may from time to time determine;
"CAS security"	means an issue of security prescribed by the Exchange as eligible for trading in the Closing Auction Session;
"CBBC"	means "callable bull/bear contract" which is a type of structured product;
"CCASS"	has the same meaning as defined in the HKSCC Rules;
"CCASS Clearing Agreement"	means a written agreement under the HKSCC Rules between a CCASS GCP and an Exchange Participant which is (i) not a CCASS Clearing Participant or (ii) not a China Connect CCASS Clearing Participant;
"CCASS Clearing Participant"	means a person admitted by HKSCC to participate in CCASS as a CCASS DCP or CCASS GCP;
"CCASS DCP"	means a person admitted by HKSCC to participate in CCASS as a Direct Clearing Participant or a Broker Participant which is deemed to be a Direct Clearing Participant pursuant to the HKSCC Rules;
"CCASS GCP"	means a person admitted by HKSCC to participate in CCASS as a General Clearing Participant;
"CCMS"	has the same meaning as defined in the HKSCC Rules;

"Central Gateway"	means a hardware and software component operated by the Exchange, which provides the communications interface between the System and BSS or any other devices;
"Central Gateway message"	means a single instance of order or trade-related communication between a BSS and the Central Gateway;
"Central Gateway session"	means a connection to the Central Gateway for communication between a BSS and the Central Gateway;
"cents"	shall mean cents in the legal currency of Hong Kong, unless otherwise stated;
"Cessation Date"	means 16 January 2006;
"Chief Executive"	means the Chief Executive of the Exchange for the time being appointed by the Board in accordance with Rule 223 or, as the context may require, his designee;
"China Connect CCASS Clearing Participant"	means "China Connect Clearing Participant" as defined in the HKSCC Rules;
"China Connect Central Gateway"	means a hardware and software component operated by the Exchange, which provides the communications interface between the CSC and BSS of the China Connect Exchange Participants and other devices;
"China Connect Central Gateway message"	means a single instance of order or trade-related communication between a BSS and the China Connect Central Gateway;
"China Connect Central Gateway session"	means a connection to the China Connect Central Gateway for communication between a BSS and the China Connect Central Gateway;
"China Connect Clearing House"	has the same meaning as defined in the HKSCC Rules;
"China Connect Drop-Copy Service"	means the Exchange's real-time reporting service in respect of China Connect orders and China Connect Securities Trades of an Exchange Participant that have been inputted into or recorded by the CSC;
"China Connect Drop-Copy session"	means a connection to the China Connect Drop-Copy Service;
"China Connect Exchange Participant"	means an Exchange Participant which is registered as a China Connect Exchange Participant by the Exchange;

"China Connect Exchange Participant Registration Criteria"	means the eligibility criteria (including technical standards, system, risk management, client documentation and other requirements) which the Exchange may prescribe from time to time for an Exchange Participant to be, and to remain, registered as a China Connect Exchange Participant;
"China Connect Market"	means a stock or exchange traded fund market in Mainland China acceptable to the Exchange and included in the list of China Connect Markets from time to time, as referred to in Rule 1409(1)(c) and, where the context so requires, includes the "China Connect Market Operator" operating the relevant stock or exchange traded fund market and the "China Connect Market System" operated by such China Connect Market Operator;
"China Connect Market Operator"	means an exchange that operates a China Connect Market and that has entered into Trading Links with the Exchange, whose name is included in the list of China Connect Market Operators from time to time, as referred to in Rule 1409(1)(d);
"China Connect Market Participant"	in relation to a China Connect Market, means (i) a member or participant of the relevant China Connect Market Operator; and (ii) if so agreed by the Exchange, an institution recognized by the relevant China Connect Market Operator that is subject to its rules regarding the trading of SEHK Securities through a Special Participant;
"China Connect Market System"	means the system used for the trading of China Connect Securities on a China Connect Market, as operated by the relevant China Connect Market Operator;
"China Connect Monthly Throttle Subscription Scheme"	means the scheme set out in Rule 1413A that allows a China Connect Exchange Participant with a China Connect Central Gateway session to apply to the Exchange for the subscription of a single or multiples of a standard China Connect Central Gateway throttle rate on a monthly basis;
"China Connect order"	means an order input into the CSC via a China Connect Central Gateway session of a China Connect Exchange Participant for routing to a China Connect Market System to buy or sell China Connect Securities (including an order to sell Special China Connect Securities), and the terms "China Connect buy order" and "China Connect sell order" shall be construed accordingly;

"China Connect Securities"	means any securities listed on a China Connect Market which the Exchange (after consulting the relevant China Connect Market Operator) accepts as eligible for China Connect buy orders and China Connect sell orders through the use of the China Connect Service, and are included in the list of China Connect Securities from time to time, as referred to in Rules 1407 and 1409(1)(a). Unless the context otherwise requires, any reference in these Rules to "China Connect Securities" includes "Special China Connect Securities" as referred to in Rules 1408 and 1409(1)(b);
"China Connect Securities Trade"	means a trade in China Connect Securities (including Special China Connect Securities) executed on a China Connect Market through the use of the China Connect Service, and the terms "China Connect Securities Buy Trade" and "China Connect Securities Sell Trade" shall be construed accordingly;
"China Connect Service"	means the order-routing service referred to in Rule 1403(1) through which China Connect orders placed by a China Connect Exchange Participant may be transmitted by an SEHK Subsidiary to a China Connect Market for the buying and selling of China Connect Securities and for the selling of Special China Connect Securities, and unless the context otherwise requires, the related supporting services referred to in Rule 1403(2);
"China Connect Service Special Rules"	in relation to a China Connect Market, means the additional rules prescribed by the Exchange from time to time that govern China Connect Exchange Participants when trading in the China Connect Market, as referred to in Rule 1444;
"Clearing Link"	has the same meaning as defined in the HKSCC Rules;
"Clearing Rules"	means the clearing rules of SEOCH as from time to time in effect;
"Client Contract"	has the same meaning as in the Options Trading Rules;
"Client Identity Guidance Note"	means the guidance note on client identity issued by the Commission from time to time (including but not limited to the guidance note contained in Schedule 2 to the SFC Code of Conduct);
"Client Identification Data" or "CID"	means the full name, identity document type, identity document issuing country or jurisdiction and identity document number in relation to a client to whom a BCAN is assigned;
"Closing Auction	means, unless otherwise prescribed by the Board from

Session" or "CAS"	time to time, the trading hours from the close of the Afternoon Session at 4:00 p.m. (as specified in Rule 501(1)) to the end of the random closing period of the Closing Auction Session at a time no later than 4:10 p.m. or, when there is no Afternoon Session on the eves of Christmas, New Year and Lunar New Year, the trading hours from the close of the Morning Session at 12:00 noon (as specified in Rule 501(1)) to the end of the random closing period of the Closing Auction Session at a time no later than 12:10 p.m.;
"closing price"	of an issue of securities on a trading day means, unless otherwise determined by the Exchange, the price which is the median of several nominal prices taken by the System prior to and at the end of the Continuous Trading Session on that trading day and such nominal prices shall be taken during such period, at such interval and in such manner as the Exchange may from time to time determine, provided that where the Closing Auction Session is conducted, the closing price of an issue of CAS securities means, unless otherwise determined by the Exchange, the IEP calculated at the end of the random closing period of the Closing Auction Session on that trading day according to Rule 501M, or if no such IEP can be calculated, the CAS reference price;
"CNS System" or "Continuous Net Settlement System"	has the same meaning as defined in the HKSCC Rules;
"collateral"	in relation to a securities borrowing, means any collateral provided by the borrower to the lender which is accepted as security for the borrowed securities, in accordance with the Rules and practices of the Exchange;
"Commission"	means the Securities and Futures Commission referred to in section 3(1) of the Ordinance;
"company"	means a company as defined in section 2 of the Companies Ordinance, a company to which Part 16 of that Ordinance applies, and any body corporate incorporated in Hong Kong having a share capital;
"Compensation Fund"	refers to the Unified Exchange Compensation Fund established under Part X of the repealed Securities Ordinance;
"Continuous Trading Session"	means the trading hours specified in Rule 501(1) and (in respect of the Extended Trading Securities) Rule 501A, comprising the Morning Session, the Afternoon Session

and in respect of the Extended Trading Securities, the Extended Morning Session;

"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;
"cooling-off period"	in relation to a VCM security, means a period during which trading of the VCM security shall be subject to Rule 513C;
"Corporate Exchange Participant"	means a company which immediately before 1 April 2003 was admitted as a Corporate Exchange Participant by the Exchange;
"corporation"	has the same meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"CSC"	means the China Stock Connect System for receiving and routing China Connect orders to a China Connect Market System for automatic matching and execution;
"CSC trading day"	means a day on which the China Connect Service is available for the routing of China Connect orders, as referred to in Rule 14A03(3) or 14B03(4);
"CSRC"	means the China Securities Regulatory Commission;
"current ask price"	means -

(a) during the Pre-opening Session or the Closing Auction Session:-

(i) (when the IEP can be determined in accordance with Rule 501H or Rule 501M) the IEP at any specific moment; otherwise

(ii) the lowest ask price at any specific moment;

(b) during the Continuous Trading Session, the lowest ask price at any specific moment;

"current bid price" means -

(a) during the Pre-opening Session or the Closing Auction Session:-

(i) (when the IEP can be determined in

	accordance with Rule 501H or Rule 501M) the IEP at any specific moment; otherwise (ii) the highest bid price at any specific moment; (b) during the Continuous Trading Session, the highest bid price at any specific moment;
"DCASS"	means the Derivatives Clearing and Settlement System operated by SEOCH and HKCC;
"de-earmark"	means the designation of earmarked TSF Stocks as not subject to earmarking, and "de-earmarking" shall be construed accordingly;
"Dealing Director"	means a director of a Corporate Exchange Participant who, either alone or with others, actively participates in, or is directly responsible for the supervision of, the Corporate Exchange Participant's business of dealing in securities and registered by the Exchange as a Dealing Director immediately before 1 April 2003;
"dealing in securities"	has the meaning assigned to it by Part 2 of Schedule 5 to the Ordinance;
"derivative warrant"	is a type of structured product;
"Derivative Warrant Hedging Participant"	is the former term given to an Exchange Participant appointed by an issuer to act as its agent in conducting Derivative Warrant Hedging Transactions for the account of that issuer or the account of any associates of that issuer;
"Derivative Warrant Hedging Transaction"	is the former term given to the purchase or sale of an underlying stock of a single stock derivative warrant for the purpose of hedging against the risk of short or long positions of an issuer held in an account of that issuer or in an account of any associates of that issuer;
"Derivative Warrant Liquidity Provider"	is the former term given to an Exchange Participant appointed by an issuer to act as its agent in carrying out the activities for providing liquidity to a derivative warrant issued by the issuer;
"Designated Exchange Traded Funds"	means Exchange Traded Funds designated by the Exchange to be traded with market making facilities;
"designated HKEX staff"	means any HKEX staff as the Board may from time to time designate to exercise its powers or do such acts on

	its behalf pursuant to these Rules;
"Designated Index Arbitrage Short Selling"	means the short selling of a security which is conducted as part of a Designated Index Arbitrage Transaction in accordance with the Fifteenth Schedule to these Rules and which may be made below the best current ask price;
"Designated Index Arbitrage Short Selling Participant"	means an Exchange Participant registered as such with the Exchange under the Fifteenth Schedule to conduct Designated Index Arbitrage Short Selling;
"Designated Index Arbitrage Transaction"	means either of the following transactions: (a) the purchase of a Stock Index Futures Contract traded on HKFE with a contemporaneous offsetting sale of underlying stocks of such index which is designated from time to time by the Exchange as eligible for conducting Designated Index Arbitrage Transactions and on which the Stock Index Futures Contract is based; or (b) the purchase of a TraHK Unit with a contemporaneous offsetting sale of underlying stocks of the Tracker Fund of Hong Kong, provided the purchase of the TraHK Unit is not through the tap facility as specified in the prospectus of the Tracker Fund of Hong Kong, in which latter case the purchase of the TraHK Unit through the tap facility and the relevant offsetting sale of the underlying stocks are not required to be conducted within the time period as prescribed in this definition; For the purpose of this definition, the term "contemporaneous" means the execution of all trades under a Designated Index Arbitrage Transaction within a certain time period as prescribed by the Exchange from time to time;
"Designated Security"	means an automatch stock which is from time to time designated by the Exchange as being eligible for short selling in accordance with the Short Selling Regulations set forth in the Eleventh Schedule to these Rules;
"Designated Specialist"	means a corporate client of, as the context may require:- (a) a Securities Market Maker registered with the Exchange by the Securities Market Maker as its Designated Specialist to perform market making activities with it or for whose account the Securities Market Maker may enter into the System market

making orders for a specified security or securities for which that Securities Market Maker holds a current Securities Market Maker permit; or

(b) a Dual Counter Market Maker registered with the Exchange by the Dual Counter Market Maker as its Designated Specialist to perform market making or liquidity providing activities with it or for whose account the Dual Counter Market Maker may enter into the System DCMM orders for a specified Dual Counter Security or Dual Counter Securities for which that Dual Counter Market Maker holds a current Dual Counter Market Maker permit;

"Designated Stock Futures Hedging Short Selling Participant"	means an Exchange Participant registered as such with the Exchange under the Fifteenth Schedule to conduct Stock Futures Hedging Short Selling;
"direct business"	means the business transacted by an Exchange Participant which acts for both the buyer and the seller, whether as principal or agent;
"Drop-Copy Service"	means the Exchange's real-time reporting service in respect of orders and trades of an Exchange Participant that have been inputted into or recorded by the System;
"Drop-Copy session"	means a connection to the Drop-Copy Service;
"Dual Counter Market Maker" or "DCMM"	means an Exchange Participant that has a valid permit issued by the Exchange to conduct market making or liquidity providing activities in one or more Dual Counter Securities, as more particularly described in the Dual Counter Market Maker Regulations in the Nineteenth Schedule to these Rules;
"Dual Counter Market Maker Short Selling"	means the short selling of a Dual Counter Security which is conducted by a Dual Counter Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists in connection with its activities for market making or liquidity providing in accordance with the Nineteenth Schedule to these Rules and which may be made below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session). For the purpose of Dual Counter Market Maker Short Selling, a Dual Counter Market Maker shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance;

"Dual Counter Security"	means an Eligible Security accepted and included in the list of Dual Counter Securities by the Exchange from time to time as referred to in Rule 581C, which may be traded in two different currencies under a primary counter and a secondary counter provided that the securities concerned are of the same class;
"earmark"	means the designation of TSF Stocks as stocks purchased with the support of the FX Services, and "earmarking" shall be construed accordingly;
"earmarked TSF Stocks"	means TSF Stocks purchased with the support of the FX Services and which shall be held in specially designated accounts of TSF CCASS Participants in accordance with the HKSCC Rules;
"ECP"	means the electronic communication platform built on the existing infrastructure of HKEX website to facilitate communications between Exchange Participants and/or holders of Stock Exchange Trading Rights (as the case may be) and the Exchange;
"ELI"	means "equity linked instrument" which is a type of structured product;
"ELI Liquidity Provider"	is the former term given to an Exchange Participant appointed by an ELI issuer to act as its agent in carrying out the activities for providing liquidity to an ELI issued by the ELI issuer;
"Eligible Security"	has the same meaning as defined in the HKSCC Rules;
"enhanced limit order"	means a buy order or a sell order with a specified price input into the System during the Continuous Trading Session for automatic order matching during that session as follows:- (a) in relation to a buy order - (i) (as soon as the order is accepted by the System for automatic order matching) within the range and in the sequence of first at the current ask price and thereafter at the next higher price up to nine spreads above the current ask price or the specified price whichever is lower; (ii) (if matching does not take place or if any part of the order remains unmatched under (a)(i) above) the order or the remaining part of the order will be treated as a limit order with the specified price; (b) in relation to a sell order-

(i) (as soon as the order is accepted by the System for automatic order matching) within the range and in the sequence of first at the current bid price and thereafter at the next lower price down to nine spreads below the current bid price or the specified price whichever is higher;

(ii) (if matching does not take place or if any part of the order remains unmatched under (b)(i) above) the order or the remaining part of the order will be treated as a limit order with the specified price;

"Exchange"	means The Stock Exchange of Hong Kong Limited;
"Exchange Participant"	means a person: (a) who, in accordance with these Rules, may trade on or through the Exchange; and (b) whose name is entered in a list, register or roll kept by the Exchange as a person who may trade on or through the Exchange as an Exchange Participant and "Exchange Participantship" shall be construed accordingly;
"Exchange Trade"	means a trade in an Eligible Security (other than a China Connect Security) either reported to the Exchange by an Exchange Participant or effected on the Exchange;
"Exchange Traded Fund"	means any open-ended fund, unit trust or similar investment arrangement that is listed and/or traded on the Exchange;
"Exchange Traded Funds Market Maker"	means an Exchange Participant which is registered as a market maker by the Exchange, as more particularly described in the Securities Market Maker Regulations in the Fourteenth Schedule to these Rules;
"Exchange Traded Fund underlying stock transaction"	means a sale or purchase transaction of constituent underlying stocks made to fulfil an allotment order for, or pursuant to the receipt of constituent underlying stocks in connection with a redemption of, shares or units of an Exchange Traded Fund, arising from market making and liquidity providing activities on shares or units of such Exchange Traded Fund, which qualifies for exemption from stamp duty as set out in Schedule 8 of the Stamp Duty Ordinance;
"Exchange Traded Options"	means Options Contracts traded on the Exchange pursuant to the Options Trading Rules;

"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 the Options Trading Rules and the Clearing Rules, exercise of Contracts, delivery obligations, Premium settlement and delivery of SEOCH Collateral;
"executive director"	means a director of an Exchange Participant who actively participates in, or is responsible for directly supervising, the Exchange Participant's business of dealing in securities;
"Extended Morning Session"	means the trading hours immediately after the end of the Morning Session (as specified in Rule 501(1)) to the commencement of the Afternoon Session (as specified in Rule 501(1));
"Extended Trading Securities"	means any one or more of securities which is from time to time designated by the Exchange as being eligible for trading in the Extended Morning Session;
"Fidelity Fund"	means the fund established by the Exchange pursuant to Rule 911;
"Financial Resources Rules"	means the Securities and Futures (Financial Resources) Rules made by the Commission under the Ordinance and any amendments, supplements, variations or modifications thereto from time to time in force;
"FX"	means foreign exchange;
"FX Services"	means the foreign exchange services which may be provided by HKSCC as set out in Rule 563J;
"GCP"	means a SEOCH Participant registered as a general clearing participant pursuant to the Clearing Rules;
"GEM"	means GEM operated by the Exchange;
"group of companies"	has the meaning assigned to it by section 2 of the Companies Ordinance, and any reference to "a group company" or "group companies" shall be construed accordingly;
"HKATS"	means the automated trading system made available by the Exchange for trading in Options Contracts and which is operated by HKFE;
"HKCC"	means HKFE Clearing Corporation Limited;
"HKCC Participant"	means a person duly registered as a participant of HKCC under one of the categories of participantship

	specified in the rules and procedures of HKCC, as from time to time in effect;
"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;
"HKFE Participant"	means a person who, in accordance with the Rules of HKFE, may trade on or through HKFE and whose name is entered in a list, register or roll kept by HKFE as a person who may trade on or through HKFE;
"HKSCC"	means the Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;
"HKSCC Rules"	means the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the Operational Procedures;
"holder of a Stock Exchange Trading Right"	means a person who holds a Stock Exchange Trading Right and whose name is entered as such in a list, register or roll of Stock Exchange Trading Rights kept by the Exchange;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollar", "HKD" or "$"	means Hong Kong dollar, the lawful currency of Hong Kong;
"IEP"	means the Indicative Equilibrium Price, if any, determined by the System according to Rule 501H during the Pre-opening Session or Rule 501M during the Closing Auction Session;
"institutional professional investor"	means a "professional investor" within the meaning of paragraph (a), (b), (c), (d), (e), (f), (g), (h) or (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the Ordinance;
"Investor	means the levy payable to the Commission pursuant to

Compensation Levy"	the provisions of section 4 of the Securities and Futures (Investor Compensation - Levy) Rules;
"Isolated Trade"	means an Exchange Trade which is designated by the two counterparty Exchange Participants concerned to be settled under the Isolated Trades System or one which is not accepted by HKSCC for settlement under the CNS System;
"Isolated Trades System"	means the method of settlement in CCASS between CCASS Clearing Participants in relation to Exchange Trades which are Isolated Trades in accordance with the HKSCC Rules;
"issuer"	in relation to an issuer of structured product, means an issuer of structured product as referred to in Chapter 15A of the Main Board Listing Rules;
"Kill Switch session"	means a Central Gateway session through which an Exchange Participant may input instructions to cancel outstanding orders of the Exchange Participant and disallow any input of order into the System by broker number of the Exchange Participant for the purpose of risk management in emergency situations;
"last ask price"	means an ask price but not represented by an order on the selling queue;
"last bid price"	means a buy price but not represented by an order on the buying queue;
"last recorded price"	means the sale price as last recorded in the System;
"lender"	in relation to a securities borrowing, means a person including an Exchange Participant which lends securities under a securities borrowing and lending agreement and includes 'lender' as that term is defined in the Stamp Duty Ordinance;
"limit order"	means –

(a) a buy order or a sell order with a specified price input into the System during the Continuous Trading Session for automatic order matching during that session at the specified price when the current ask price or current bid price (as the case may be) matches the specified price, which if wholly or partly unmatched at the close of the Continuous Trading Session, would be treated as an at-auction limit order and carried forward to the Closing Auction Session according to Rule 501L(4); or

(b) a limit order converted from an at-auction limit order as specified in Rule 501I;

"listing"	means the grant of a listing of and permission to deal in securities on the Exchange (whether on the Main Board or GEM, as appropriate) or on any stock market and "listed" shall be construed accordingly;
"Main Board"	means the stock market operated by the Exchange excluding GEM and the options market;
"Mainland China"	means the People's Republic of China other than Hong Kong, the Macau Special Administrative Region and Taiwan;
"Market Maker"	means an Options Trading Exchange Participant which is registered as a market maker by the Exchange, as more particularly described in the Options Trading Rules and the Operational Trading Procedures;
"Market Maker jobbing transaction"	means a transaction satisfying the criteria or directives prescribed by the Collector of Stamp Revenue in accordance with the Stamp Duty (Jobbing Business) (Options Market Makers) Regulation and agreed to by the Exchange from time to time and notified to the Market Maker;
"Market Making Central Gateway session"	means a Central Gateway session for any one or more of the following purposes (as the case may be):- (a) for carrying out market making activities in a Market Making Security or Market Making Securities by such Exchange Participant in its capacity as a Securities Market Maker; (b) for carrying out the activities of providing liquidity to a structured product by such Exchange Participant in its capacity as a Structured Product Liquidity Provider; (c) for carrying out market making or liquidity providing activities in a Dual Counter Security or Dual Counter Securities by such Exchange Participant in its capacity as a Dual Counter Market Maker in accordance with these Rules;
"Market Making Security"	means an automatch stock designated by the Exchange to be traded with market making facilities as more particularly described in the Securities Market Making

Regulations set forth in the Fourteenth Schedule to these Rules and includes Designated Exchange Traded Funds and securities traded under the Pilot Program;

"Member" means a shareholder of the Exchange immediately before the Scheme Effective Date who or which had not been expelled from membership of the Exchange and "Membership" shall be construed accordingly;

"Monthly Throttle Subscription Scheme" means the scheme set out in Rule 365E that allows an Exchange Participant with a Central Gateway session to apply to the Exchange for the subscription of an increase in the throughput rate of a Central Gateway message into the System on a monthly basis;

"Morning Session" means the period in the morning during which trading can be conducted on the Exchange as set out in Rule 501(1);

"NCP" means an Options Trading Exchange Participant which is not a SEOCH Participant;

"NCP Contract" means a contract between a GCP and an NCP made pursuant to the Clearing Rules;

"nominal price"

(a) in respect of any issue of securities at any one time during or at the close of the Pre-opening Session means:-

(i) (when the IEP can be determined in accordance with Rule 501H) the IEP; otherwise

(ii) the previous closing price;

(b) in respect of an issue of securities at any one time during or at the close of the Continuous Trading Session on a trading day means:-

(i) if the issue has been traded up to that time on the day

(A) (when the current bid price is greater than the last recorded price), the current bid price; otherwise

(B) (when the current ask price is less than the last recorded price), the current ask price; otherwise

(C) where both (b)(i)(A) and (b)(i)(B)

above do not apply, then the last recorded price; or

(ii) if the issue has not been traded up to that time on the day:-

(A) (when the current bid price is greater than the previous closing price), the current bid price; otherwise

(B) (when the current ask price is less than the previous closing price), the current ask price; otherwise

(C) where both (b)(ii)(A) and (b)(ii)(B) above do not apply, then the previous closing price;

(c) in respect of an issue of securities at any one time during or at the close of the Closing Auction Session means:-

(i) (when it is an issue of CAS securities and the IEP can be determined in accordance with Rule 501M) the IEP; otherwise

(ii) the CAS reference price;

"OCH Contract"	means a contract between SEOCH and a SEOCH Participant pursuant to a novation in accordance with the Clearing Rules;
"odd lot"	in relation to the quotation or transaction of any issue of securities, means that the quantity of the lot is less than one board lot;
"opening quotation"	means the first quotation (bid price or ask price) made for an issue of securities on a trading day;
"Operational Clearing Procedures"	means the practices, procedures and administrative requirements prescribed by SEOCH from time to time in effect relating to the Options Clearing System and clearing services provided by SEOCH;
"Operational Procedures"	means the Operational Procedures of HKSCC, as from time to time in force;
"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"	means an instrument which confers on its holder the right, but not the obligation to buy or sell a given quantity of a specific asset at a fixed price on or before a specified future date;
"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 the Options Trading Rules;
"Options Broker Client Contract"	has the same meaning as in the Options Trading Rules;
"Options Broker Exchange Participant"	means a person registered as such by the Exchange pursuant to the Options Trading Rules and "Options Broker Exchange Participantship" shall be construed accordingly;
"Options Broking Agreement"	has the same meaning as in the Options Trading Rules;
"Options Clearing System"	means DCASS, CCMS and/or any other facility provided by the Exchange or SEOCH for the clearing of Contracts;
"Options Contract"	has the same meaning as in the Options Trading Rules;
"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 Participant"	means an Exchange Participant appointed by a Market Maker in accordance with the Fifteenth Schedule to these Rules to act as its agent in conducting Options Hedging Transactions for the account of that Market Maker or for the account of the affiliate of that Market Maker in whose account market making positions are held;
"Options Hedging Short Selling"	means the short selling of an underlying stock of an Options Contract, which is conducted as part of an Options Hedging Transaction in accordance with the Fifteenth Schedule to these Rules and which may be made below the best current ask price. For the purpose of Options Hedging Short Selling, a Market Maker or an Options Hedging Participant shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance;

"Options Hedging Transaction"	means the purchase or sale of an underlying stock of an Options Contract for the purpose of hedging against the risk of short or long market making positions in that Options Contract held by a Market Maker in its own account or in the account of an affiliate of the Market Maker;
"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 Trading Exchange Participant"	means a person registered as such by the Exchange pursuant to the Options Trading Rules and "Options Trading Exchange Participantship" shall be construed accordingly;
"Options Trading Rules"	means the options trading rules of the Exchange, 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 any order which may be a buy order or a sell order, including at-auction order, at-auction limit order, limit order, enhanced limit order and special limit order;
"Ordinance"	means the Securities and Futures Ordinance and, unless the context otherwise requires, any subsidiary legislation made thereunder;
"Participant"	means a person which is admitted or registered as an Exchange Participant or a Special Participant, and "Participantship" shall be construed accordingly;
"personal data"	has the meaning as defined in the Personal Data (Privacy) Ordinance;
"Pilot Program"	means the Nasdaq-Amex Pilot Program for the trading of a number of Nasdaq-Amex listed securities on the Exchange;
"Pilot Program Market Maker"	means an Exchange Participant registered as a market maker by the Exchange, as more particularly described in the Securities Market Maker Regulations in the Fourteenth Schedule to these Rules;
"POS reference price"	in relation to an issue of securities on a trading day, means, unless otherwise determined by the Exchange, the previous closing price;

"POS security"	means an issue of securities prescribed by the Exchange as eligible for trading in the Pre-opening Session;
"Pre-opening Session" or "POS"	means from 9:00 a.m. to the commencement of the Morning Session as specified in Rule 501(1) on a trading day;
"Premium"	means the amount payable by a holder and payable to a writer of a Contract in respect of the writing of that Contract;
"previous closing price"	means the last recorded closing price of an issue of securities, subject to any adjustment made by the Exchange in the event of any corporate action event, entitlement event or change of capital structure of the issuer such as share sub-division, share consolidation, rights issue and bonus issue;
"primary counter"	means the counter in HKD or another currency which is from time to time designated by the Exchange as the primary counter of a Dual Counter Security;
"primary queue"	means - (a) during the Pre-opening Session or the Closing Auction Session:- (i) (when the IEP can be determined in accordance with Rule 501H or Rule 501M) the queue of at-auction orders and at-auction limit orders with a specified price at or more competitive than the IEP, i.e. in case of buying, the specified price is equal to or higher than the IEP, or in case of selling, the specified price is equal to or lower than the IEP; otherwise (ii) the queue of at-auction limit orders with the most competitive specified price, i.e. in case of buying, the current bid price, or in case of selling, the current ask price; (b) during the Continuous Trading Session, the queue of orders with the most competitive specified price, i.e. in case of buying, the current bid price, or in case of selling, the current ask price;
"Professional Accountant"	means a professional accountant registered and holding a current practising certificate under the Professional Accountants Ordinance;

"professional investor"	has the same meaning as defined in Part 1 of Schedule 1 to the Ordinance;
"purchases journal"	means the journal maintained in the System covering the transactions of a particular Exchange Participant to which it is the buying party;
"recognized exchange controller"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"registered business address"	means the business address of an Exchange Participant at which it carries on its business of dealing in securities, or the business address of a Special Participant in Hong Kong at which it carries on its order routing business, as the case may be;
"Regulations"	means any regulations as from time to time in effect and made pursuant to the Articles or the Rules;
"Relevant Regulated Intermediary"	means a relevant licensed or registered person as defined in paragraph 5.6(b)(xiv) of the SFC Code of Conduct, whether or not it is an Exchange Participant;
"Responsible Officer"	means an individual registered by the Exchange as a Responsible Officer of an Exchange Participant under these Rules;
"RMB"	means Renminbi, the lawful currency of the People's Republic of China, for settlement in Hong Kong;
"RMB Buy Final FX Rate"	has the meaning as set out in Rule 563N(3);
"RMB Buy Indicative FX Rate"	has the meaning as set out in Rule 563N(1);
"RMB Sell Final FX Rate"	has the meaning as set out in Rule 563N(4);
"RMB Sell Indicative FX Rate"	has the meaning as set out in Rule 563N(2);
"Rules"	means the Rules and Regulations of the Exchange and the Options Trading Rules prescribed by the Board as from time to time in effect;
"sales journal"	means the journal maintained in the System covering the transactions of a particular Exchange Participant to which it is the selling party;
"Scheme Effective Date"	means the date on which the Stock Exchange Scheme became effective, being the date on which an official

	copy of the order of the High Court of Hong Kong sanctioning the Stock Exchange Scheme together with the minute containing the particulars as required by section 61 of the Companies Ordinance were registered by the Registrar of Companies. For purposes herein, Stock Exchange Scheme means the scheme of arrangement between the Exchange and its shareholders under section 166 of the Companies Ordinance as set out in the Stock Exchange Scheme document dated 3rd September, 1999;
"Seat"	means a booth assigned, re-assigned, allocated or re-allocated from time to time by the Exchange to an Exchange Participant for each Stock Exchange Trading Right subject to these Rules prior to the Cessation Date with effect from which the entitlement to the benefit of a Seat shall cease and extinguish;
"secondary counter"	means the counter in RMB or another currency which is from time to time designated by the Exchange as the secondary counter of a Dual Counter Security;
"Secretary"	means the Secretary of the Exchange for the time being appointed by the Board in accordance with the Articles and Rule 227;
"securities"	has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the Ordinance;
"securities borrowing"	means the obtaining of securities by a borrower from a lender under a securities borrowing and lending agreement and includes "stock borrowing" as that term is defined in the Stamp Duty Ordinance;
"securities borrowing and lending agreement"	(a) means an agreement whereby a person borrows or lends securities pursuant to an arrangement where the borrower undertakes to return securities of the same description, or pay the equivalent value of the securities, to the lender; and (b) includes a stock borrowing within the meaning of section 19(16) of the Stamp Duty Ordinance;
"securities lending"	means the lending of securities by a lender to a borrower, under a securities borrowing and lending agreement;
"Securities Market Maker"	means an Exchange Participant that has a valid permit issued by the Exchange to conduct market making activities in one or more Market Making Securities, as more particularly described in the Securities Market

	Maker Regulations in the Fourteenth Schedule to these Rules and includes an Exchange Participant that is an Exchange Traded Fund Market Maker or a Pilot Program Market Maker;
"Securities Market Maker Short Selling"	means the short selling of a Market Making Security which is conducted by a Securities Market Maker for its own account, or for the account of any of its affiliates or for the account of any of its Designated Specialists as part of its market making activities in accordance with the Fourteenth Schedule to these Rules and which may be made below the best current ask price. For the purpose of Securities Market Maker Short Selling, a Securities Market Maker shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance;
"SEHK Securities"	means, for a given Special Participant, those Eligible Securities that have been determined by the Exchange (after consulting the relevant China Connect Market Operator) as eligible for buy orders and sell orders through the order-routing services provided by the Special Participant and which are included in the list of SEHK Securities from time to time, as referred to in Rule 1505. Unless the context otherwise requires, any reference in these Rules to "SEHK Securities" includes "Special SEHK Securities";
"SEHK Subsidiary"	means a wholly-owned subsidiary of the Exchange duly authorised as an ATS provider under the Ordinance and licensed under applicable laws in Mainland China to provide order-routing service in relation to a Trading Link referred to in Rule 1403(1). For the purposes of the Trading Link under Rule 14A01, "SEHK Subsidiary" means Gangsheng Information Services (Shanghai) Limited and for the purposes of the Trading Link under Rule 14B01, "SEHK Subsidiary" means Gangyu Information Services (Shenzhen) Limited. References in these Rules to "relevant SEHK Subsidiary", "SEHK Subsidiary" or "SEHK Subsidiaries" shall be construed accordingly;
"Self-match Prevention" or "SMP"	means the prevention of the matching in the System during the Continuous Trading Session 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;
"sell order"	means an order input into the System to sell an issue of securities;

"selling Exchange Participant"	means an Exchange Participant which acts as the selling party in a transaction, whether as a principal or an agent;
"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"	means money, letters of credit, bank guarantees, bankers' drafts, bank cashiers' orders, securities and other property as may, from time to time, be so designated by the SEOCH Board, in each case in such form as may be required by the SEOCH Board;
"SEOCH Participant"	means a person who is duly registered, pursuant to Chapter 3 of the Clearing Rules, under one of the categories of SEOCH participantship set out in Clearing Rule 302, and "SEOCH Participantship" shall be construed accordingly;
"SFC Code of Conduct"	means the Code of Conduct for Persons Licensed by or Registered with the Commission made under the Ordinance in force from time to time;
"SFC Transaction Levy"	means the levy payable to the Commission pursuant to the provisions of section 394 of the Ordinance;
"short selling"	has the same meaning as in Regulation (1) of the Short Selling Regulations in the Eleventh Schedule to these Rules;
"single stock CBBC"	means a CBBC which is based on one single class of shares;
"single stock derivative warrant"	means a derivative warrant which is based on one single class of shares;
"SMP ID"	means a code, number or identifier to be used for tagging orders entered into the System for the account of the same 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 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 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 System;

"SPAC Exchange Participant"	means an Exchange Participant which is registered as a SPAC Exchange Participant by the Exchange;
"SPAC Share"	has the same meaning as in Chapter 18B of the Main Board Listing Rules;
"SPAC Warrant"	has the same meaning as in Chapter 18B of the Main Board Listing Rules;
"Special China Connect Securities"	means any securities listed on a China Connect Market which the Exchange (after consulting the relevant China Connect Market Operator) accepts or designates as eligible only for China Connect sell orders and not for China Connect buy orders through the use of the China Connect Service, as referred to in Rule 1408 and 1409(1)(b);
"special limit order"	means a buy order or a sell order with a specified price input into the System during the Continuous Trading Session for automatic order matching during that session as follows:-

(a) in relation to a buy order -

(i) (as soon as the order is accepted by the System for automatic order matching) within the range and in the sequence of first at the current ask price and thereafter at the next higher price up to nine spreads above the current ask price or the specified price whichever is lower;

(ii) (if matching does not take place or if any part of the order remains unmatched under (a)(i) above) the order or the remaining part of the order will be cancelled automatically;

(b) in relation to a sell order -

(i) (as soon as the order is accepted by the System for automatic order matching) within the range and in the sequence of first at the current bid price and thereafter at the next lower price down to nine spreads below the current bid price or the specified price whichever is higher;

(ii) (if matching does not take place or if any part of the order remains unmatched under (b)(i) above) the order or the remaining part of the order will be cancelled automatically;

"special lot"	unless otherwise determined by the Exchange, refers to a scrip, the quantity of which exceeds one board lot;
"Special Participant"	means a subsidiary of a China Connect Market Operator duly authorised or licensed under applicable laws to receive and route orders in SEHK Securities (including sell orders in Special SEHK Securities) from the relevant China Connect Market Participants to the System for automatic order matching and whose name is entered in the Register of Special Participants, as referred to in Rule 1510, and "Special Participantship" shall be construed accordingly;
"Special Participant Central Gateway message"	means a single instance of order or trade-related communication between a Special Participant's trading device and the Central Gateway;
"Special Participant Central Gateway session"	means a connection to the Central Gateway for communication between a Special Participant's trading device and the Central Gateway;

"special purpose acquisition company" or "SPAC"	has the same meaning as in Chapter 1 of the Main Board Listing Rules;
"Special SEHK Securities"	in relation to a Special Participant, means those Eligible Securities that have been determined or designated by the Exchange (after consulting the relevant China Connect Market Operator) as eligible only for sell orders but not for buy orders through the order-routing services of the Special Participant, as referred to in Rules 1506;
"specified price"	in relation to a buy order or a sell order input into the System for automatic order matching means the bid price of a buy order or ask price of a sell order input into the System subject to these Rules;
"spread"	means the smallest allowable change in share price as specified in the Spread Table in the Second Schedule to these Rules;
"SPSA Delivery Failure"	has the same meaning as defined in the Operational Procedures;
"standard China Connect Central Gateway throttle rate"	means the standard throughput rate of a China Connect Central Gateway message into the CSC through a China Connect Central Gateway session, as determined by the Exchange from time to time;
"standard Central Gateway throttle rate"	means the standard throughput rate of (a) a Central Gateway message into the System through a Central Gateway session assigned with a single Stock Exchange Trading Right or (b) a Special Participant Central Gateway message into the System through a Special Participant Central Gateway session designated to a Special Participant, as determined by the Board from time to time;
"stock"	in relation to a stock borrowing, a term which is defined in the Stamp Duty Ordinance, means any of the following investments:-

(a) any shares, stock, debentures, loan stocks, funds, bonds or notes of or issued by any body, whether corporate or unincorporate, or any government or local government authority, or any other similar investment of any description;

(b) any units under a unit trust scheme;

(c) any rights, option or interest in or in respect of

any stock referred to in paragraph (a) or (b) other than any such right, option or interest under an employees' share purchase or share option scheme,

but, except for the purposes of section 22 of the Stamp Duty Ordinance, does not include any loan capital, or any bill of exchange or promissory note, or any certificate of deposit within the meaning of section 2 of the Inland Revenue Ordinance, or any Exchange Fund debt instrument within the meaning of section 26A of the Inland Revenue Ordinance or Hong Kong dollar denominated multilateral agency debt instrument within the meaning of section 26A of the Inland Revenue Ordinance, or any bond issued under the Loans Ordinance, or any debentures, loan stocks, funds, bonds or notes denominated otherwise than in the currency of Hong Kong except to the extent that the same shall be redeemable, or may at the option of any person be redeemed, in the currency of Hong Kong;

"Stock Exchange Trading Right"	means a right to be eligible to trade on or through the Exchange as an Exchange Participant and entered as such a right in a list, register or roll kept by the Exchange;
"Stock Futures Hedging Short Selling"	means the short selling of an underlying stock of a Stock Futures Contract traded on HKFE, which is conducted as part of a Stock Futures Hedging Transaction in accordance with the Fifteenth Schedule to these Rules and which may be made below the best current ask price. For the purpose of Stock Futures Hedging Short Selling, a person shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that he is so exempted under the Ordinance;
"Stock Futures Hedging Transaction"	means the purchase or sale of an underlying stock of a Stock Futures Contract traded on HKFE for the purpose of hedging against short or long positions held by an HKFE Participant in its capacity as market maker in the Stock Futures Market of HKFE;
"structured product"	has the same meaning as in the Main Board Listing Rules;
"Structured Product Hedging Participant"	means an Exchange Participant appointed by an issuer to act as its agent in conducting Structured Product Hedging Transactions for the account of that issuer or the account of any associates of that issuer in accordance with the Fifteenth Schedule, including an Exchange Participant which was formerly known as a

	Derivative Warrant Hedging Participant appointed by an issuer for conducting Derivative Warrant Hedging Transactions;
"Structured Product Hedging Short Selling"	means the short selling of an underlying stock of a single stock derivative warrant or single stock CBBC, which is conducted as part of a Structured Product Hedging Transaction in accordance with the Fifteenth Schedule to these Rules and which may be made below the best current ask price. For the purpose of Structured Product Hedging Short Selling, a Structured Product Hedging Participant shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance;
"Structured Product Hedging Transaction"	means the purchase or sale of an underlying stock of a single stock derivative warrant or single stock CBBC for the purpose of hedging against the risk of short or long positions of an issuer or any associate of that issuer arising from its obligation to provide liquidity in the derivative warrant or CBBC, held in an account of that issuer or in an account of any associate of that issuer;
"Structured Product Liquidity Provider"	means an Exchange Participant appointed by an issuer to act as its agent in carrying out the activities for providing liquidity to a structured product issued by the issuer, as more particularly described in the Structured Product Liquidity Provider Regulations in the Eighteenth Schedule to these Rules, including an Exchange Participant which was formerly known as a Derivative Warrant Liquidity Provider or an ELI Liquidity Provider appointed by an issuer for providing liquidity to a derivative warrant or ELI issued by the issuer;
"Structured Product Liquidity Provider Short Selling"	means the short selling of a structured product which is conducted as part of the activities for providing liquidity to an issue of structured product by a Structured Product Liquidity Provider in accordance with the Eighteenth Schedule to these Rules and which may be made below the best current ask price. For the purpose of Structured Product Liquidity Provider Short Selling, a Structured Product Liquidity Provider shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance;
"subsidiary"	has the meaning assigned to it by section 15 of the Companies Ordinance;
"Substantial	has the meaning assigned to it by section 6 of Part 1 of

Shareholder”	Schedule 1 to the Ordinance;
“System”	means the Orion Trading Platform – Securities Market (the “OTP-C”), formerly the Automatic Order Matching and Execution System, as installed and operated by the Exchange for securities trading;
“Tender Process”	means the process undertaken prior to the tenth anniversary of the Scheme Effective Date whereby a holder of Stock Exchange Trading Right that was granted under the Stock Exchange Scheme and that had not been transferred or deemed to have been transferred may relinquish its Stock Exchange Trading Right upon the invitation of the Exchange for tender subject to such terms and conditions as the Exchange may in its absolute discretion determine from time to time and prescribe in the tender invitation;
“Throttle-on-Demand Scheme”	means the scheme set out in Rule 365D that allows an Exchange Participant with a Central Gateway session to apply to the Exchange for a temporary increase in the throughput rate of a Central Gateway message into the System on a daily basis;
“trading day”	means a day on which trading is conducted on the Exchange as specified in Rule 501 and/or Rule 501A;
“trading hours”	means the hours during which trading can be conducted on the Exchange as set out in Rule 501;
“Trading Link”	means the cross-boundary order-routing arrangement referred to in Rule 1401 or 1501;
“TraHK Units”	means units issued in accordance with the unit trust scheme named “Tracker Fund of Hong Kong” established by the trust deed dated 23 October 1999 between (1) State Street Global Advisors (HK) Limited as manager, (2) State Street Bank and Trust Company as trustee, and (3) Exchange Fund Investment Limited as promoter, as from time to time modified or added to;
“transaction”	means an agreement for the acquisition or disposal of securities;
“Transaction Levies”	means the SFC Transaction Levy and AFRC Transaction Levy;
“TSF”	means the trading support facility in the form of FX Services which HKSCC may provide for the purposes of facilitating the purchase and sale of TSF Stocks. Where the FX Services are provided, HKSCC shall do so as TSF operator and not in its capacity as, or for the

	purposes of acting as, the central counterparty for the clearing of Exchange Trades, and unless the context otherwise requires, references in Chapter 5 to HKSCC shall be construed accordingly;
"TSF Buy Exchange Trade"	means an Exchange Trade with respect to the purchase of TSF Stocks by a TSF Exchange Participant through the System which is (i) supported by a TSF Buy FX Order prior to the effect of the Exchange Trade on the System; and (ii) supported by a TSF Buy FX Transaction upon the effect of the Exchange Trade on the System;
"TSF Buy FX Order"	means an order for the conversion of HKD to RMB by a TSF Exchange Participant to HKSCC as TSF operator through an input into the System for the purpose of supporting an order to purchase TSF Stocks, which order shall, upon matching on the System, constitute a TSF Buy Exchange Trade;
"TSF Buy FX Transaction"	means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Buy FX Order for the purpose of settlement of a TSF Buy Exchange Trade;
"TSF CCASS Participant"	means in the context of clearing and settlement of TSF Exchange Trades, the settlement of TSF FX Transactions and the custody of earmarked TSF Stocks, an HKSCC Participant which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;
"TSF Clearing Participant"	means a DCP or a GCP which has been accepted for registration and to remain registered as a TSF CCASS Participant by HKSCC;
"TSF Exchange Participant"	means, in the context of trading of TSF Stocks, an Exchange Participant which has been accepted for registration and to remain registered as a TSF Exchange Participant by the Exchange;
"TSF Exchange Trade"	means a TSF Buy Exchange Trade or a TSF Sell Exchange Trade, as the context may require;
"TSF FX Order"	means a TSF Buy FX Order or a TSF Sell FX Order, as the context may require;
"TSF FX Transaction"	means a TSF Buy FX Transaction or a TSF Sell FX Transaction, as the context may require;
"TSF Participant"	means, a TSF Exchange Participant and/or a TSF CCASS Participant, as the context may require;

"TSF Participant Registration Criteria"	means the eligibility criteria which the Exchange may prescribe from time to time for Exchange Participants to be accepted for registration and to remain registered as TSF Exchange Participants for the purposes of providing trading services in respect of TSF Stocks;
"TSF Partner Bank"	means a financial institution which has entered into an agreement or arrangement with HKSCC for the purposes of providing RMB to HKD or HKD to RMB conversion services and/or liquidity to HKSCC as TSF operator;
"TSF Sell Exchange Trade"	means an Exchange Trade with respect to the sale of TSF Stocks by a TSF Exchange Participant through the System which is (i) supported by a TSF Sell FX Order prior to the effect of the Exchange Trade on the System; and (ii) supported by a TSF Sell FX Transaction upon the effect of the Exchange Trade on the System;
"TSF Sell FX Order"	means an order for the conversion of RMB to HKD by a TSF Exchange Participant to HKSCC as TSF operator through an input into the System for the purpose of supporting an order to sell TSF Stocks, which order shall, upon matching on the System, constitute a TSF Sell Exchange Trade;
"TSF Sell FX Transaction"	means the FX transaction between HKSCC as TSF operator and a TSF Exchange Participant relating to a TSF Sell FX Order for the purpose of settlement of a TSF Sell Exchange Trade;
"TSF Stocks"	means Eligible Securities which are included in the list of TSF Stocks by HKSCC from time to time, as referred to in Rule 563I;
"unit trust"	means any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever;
"VCM"	means the Volatility Control Mechanism imposed by the Exchange on VCM securities for the purpose of safeguarding market integrity from extreme price volatility, as referred to in Rule 513A;
"VCM percentage"	in relation to a VCM security, means the percentage as prescribed by the Exchange from time to time, for the purpose of calculating the price limits referred to in Rule 513B(2). For the avoidance of doubt, the Exchange

may prescribe different VCM percentages with respect to different VCM securities;

"VCM reference price" in relation to any order for a VCM security input into the System at any time during the VCM monitoring period in the following trading sessions, means, unless otherwise determined by the Exchange, –

(a) in the Morning Session:-

(i) the price of the transaction in that VCM security concluded by automatic order matching last recorded for this purpose 5 minutes (or such other time as the Exchange may prescribe from time to time) before the order. Such last recorded price shall be updated by the System at the end of each one minute interval during the Morning Session, or at such time, during such period and in such manner as the Exchange may from time to time determine; and

(ii) (if there have been no transaction in that VCM security in the Morning Session) the IEP of that VCM security calculated at the end of the random matching period of the Pre-opening Session on that day; and

(iii) (if there is no such IEP) the recorded price of the first transaction of that VCM security concluded by automatic order matching in the Morning Session;

(b) in the Afternoon Session:-

(i) the price of a transaction in that VCM security concluded by automatic order matching last recorded for this purpose 5 minutes (or such other time as the Exchange may prescribe from time to time) before the order. Such last recorded price shall be updated by the System at the end of each one minute interval during the Afternoon Session, or at such time, during such period and in such manner as the Exchange may from time to time determine; and

(ii) where (b)(i) above does not apply, then the recorded price of the first transaction of that VCM security concluded by automatic order matching in the Afternoon Session,

in each case provided that upon resumption of VCM monitoring at the end of a cooling-off period, the first VCM reference price means the recorded price of the first transaction in that VCM security concluded by automatic order matching during the cooling-off period, and if there has been no transaction in that VCM security in the cooling-off period, the recorded price of the first transaction in that VCM security concluded by automatic order matching after the end of the cooling-off period;

"VCM security" means an issue of security prescribed by the Exchange to be subject to the Volatility Control Mechanism;

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

103. Subject to Rule 101, any definitions of words defined in the HKSCC Rules, the Ordinance or the Articles shall if not inconsistent with the subject or context apply to these Rules.

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

105. The Exchange, the SEHK Subsidiaries and a recognized exchange controller which is the controller of the Exchange shall not be liable to any Participant or to any other person with respect to any action or omission by any of them in connection with the operations of the System, the provision of services and facilities available thereunder, and all other matters as contemplated in these Rules.

106. The Options Trading Rules and the Operational Trading Procedures shall be read in conjunction with and form part of these Rules. The definition of terms in relation to Exchange Traded Options are more particularly defined in the Options Trading Rules and the Clearing Rules. An Exchange Participant shall be bound by the Options Trading Rules and the Clearing Rules in relation to its trading and clearing of Exchange Traded Options.

107. A Member who was a registered dealer under Part VI of the repealed Securities Ordinance immediately prior to the Scheme Effective Date shall be deemed to be an Exchange Participant until

(i) he or it ceases to be a person who may trade on or through the Exchange in accordance with these Rules; or

(ii) his or its name is entered in the list, register or roll kept by the Exchange as a person who may trade on or through the Exchange

whichever first occurs and shall continue to be bound by these Rules and any rules, regulations, procedures and guidelines made hereunder and any amendments thereto from time to time.

107A. [Repealed]

107B. (1) [Repealed]

(2) [Repealed]

108. For the avoidance of doubt : -

(i) these Rules;

(ii) all rights, privileges, obligations and liabilities accrued to or incurred by a person (including without limitation a holder of a Stock Exchange Trading Right and/or Exchange Participant) prior to the Scheme Effective Date; and

(iii) all registrations and approvals made or granted to a person (including without limitation a holder of a Stock Exchange Trading Right and/or Exchange Participant) which were valid immediately prior to the Scheme Effective Date

shall continue to be 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.

109. Unless otherwise provided in these Rules

(1) the Rules and the Disciplinary Procedures effective immediately prior to the Scheme Effective Date shall continue to apply to cases in which disciplinary action has been instituted and the Member charged shall continue to comply with such Rules and Disciplinary Procedures including that of referring decisions to the Disciplinary Appeals Committee;

(2) breaches of the Rules effective immediately prior to the Scheme Effective Date for which disciplinary action have not been instituted or adjudicated prior to and as at the Scheme Effective Date may be instituted, continued, enforced and adjudicated in accordance with the Disciplinary Procedures made under these Rules despite that the breaches had been committed while being a Member (as defined in Rule 701 of the Rules effective immediately prior to the Scheme Effective Date) of the Exchange.

109A. (1) [Repealed]

(2) [Repealed]

(3) [Repealed]

(4) Subject to Rule 109B, a Corporate Exchange Participant which is deemed to have been licensed as a licensed corporation for Type 1 regulated activity under section 22(a) of Part 1 of Schedule 10 to the Ordinance subject to the provisions thereof shall from 1 April 2003 be deemed to be an Exchange Participant under these Rules, and shall be so deemed until it ceases to be a deemed licensed corporation as aforesaid under the Ordinance or an Exchange Participant under these Rules, whichever first occurs. The Corporate Exchange Participant shall immediately notify the Exchange in writing when it ceases to be so deemed.

(5) Subject to Rule 109B, where a Corporate Exchange Participant is deemed to be an Exchange Participant under Rule 109A(4), a Dealing Director thereof who is deemed to have been approved as a responsible officer of that Exchange Participant under section 23(a) of Part 1 of Schedule 10 to the Ordinance subject to the provisions thereof shall from 1 April 2003 be deemed-

(a) [Repealed]

(b) to be a Responsible Officer of that Exchange Participant,

and shall be so deemed until he ceases to be a deemed responsible officer as aforesaid under the Ordinance or a Responsible Officer under these Rules, whichever first occurs. The Corporate Exchange Participant and its Dealing Director shall immediately notify the Exchange in writing when the Dealing Director ceases to be so deemed.

109B. A Corporate Exchange Participant or Dealing Director which or who is deemed under Rule 109A to be an Exchange Participant or a Responsible Officer of an Exchange Participant (as the case may be) shall continue to be bound by these Rules and any rules, regulations, procedures and guidelines made hereunder and any amendment thereto from time to time.

109C. [Repealed]

Notice

110. Unless otherwise provided in these Rules, all notices, requests, demands or other communications from the Exchange to holders of Stock Exchange Trading Rights, Exchange Participants and/or Special 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 DCASS or e-mail or ECP.

111. Any communication disseminated via DCASS or HKATS or e-mail or ECP or posted on the HKEX website will constitute written notice for the purpose of these Rules.

CHAPTER 2

ADMINISTRATION

The Board

201. The management and control of the Exchange shall be vested in the Board.

202. The Board shall exercise all such powers and do all such acts and things as may be exercised or done by the Exchange that are not by the Articles or by any Ordinance required to be exercised or done by the Exchange in general meeting.

203. Subject to the Ordinance and the Articles, the Board shall have the power to administer, manage, formulate policies and give directions in relation to the affairs of the Exchange and add to, vary, repeal, enforce or waive any of these Rules.

204. Without prejudice to Rule 203 above and any other provisions in the Articles or these Rules, the following powers shall in addition be vested in the Board, to be exercised in such manner, on such terms and at such times as it shall see fit:-

(1) to admit or refuse to admit any person or company as a Participant;

(2) to appoint any person to be a member of a Committee formed for general or specific tasks for such duration as it sees fit, and to remove him therefrom;

(3) to give directions to the Chief Executive and the Committees in accordance with the Articles and these Rules;

(4) to vary, supplement or discharge, whether wholly or in part, any decisions that may be reached by the Chief Executive or any of the Committees on such terms as it sees fit;

(5) to delegate any of its powers to any person including the Chief Executive and any of the Committees and to revoke such delegation;

(6) to interpret conclusively any provision in these Rules and the validity of any act made pursuant thereto in the event of any dispute or difference over such Rules;

(7) to give and issue directions by means of circulars to holders of Stock Exchange Trading Rights, Exchange Participants and/or Special Participants from time to time for the purpose of enforcing or implementing these Rules;

(8) to order an investigation into the affairs of any Exchange Participant or its Responsible Officers, or any Special Participant suspected or having violated any of the provisions of the HKSCC Rules, the Ordinance or these Rules and for this purpose, to inspect and demand the production of all books, accounts, records and any other documents which it may deem necessary and to engage an accountant or any other person or persons to assist in the investigation;

(9) to release at its absolute discretion information concerning any Participant to

the Commission or an authorised officer of the Commission when so requested by either of them;

(10) to reprimand, fine, suspend or expel any Exchange Participant or its Responsible Officers, or any Special Participant and to exercise such other disciplinary measures as hereinafter provided in these Rules;

(11) to suspend all or part of the trading activities on the Main Board and/or on GEM in the event of an emergency as hereinafter provided in these Rules and to take such remedial actions as it thinks fit;

(12) to grant, suspend or revoke the Stock Exchange Trading Rights of any Exchange Participant or the registration of any of its Responsible Officers;

(12A) to grant, suspend or revoke the admission of any person as a Special Participant;

(13) to appoint or remove the Chief Executive or the Secretary;

(14) to enforce the directions given by the Commission or an authorised officer of the Commission; and

(15) to exercise such other powers as are necessary to enforce these Rules.

205. The Board or the Exchange shall not be required to give any reasons for the exercise of any of its powers and its decision shall be final and binding on all Exchange Participants and their Responsible Officers save and except for matters referred to in Rule 303A(2) and Rule 304(7), and on all Special Participants.

The Committees

206. All Committees formed by the Board shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be prescribed by the Board.

207. [Repealed]

208. Each Committee shall, subject always to the overriding right and power of the Board to review, vary or supplement its decisions, have full power to formulate policies, supervise and give directions in relation to the tasks or functions for which it is appointed.

209. Subject to Rule 210, all members of a Committee, except the Listing Committee, the GEM Listing Committee and the Listing Appeals Committee, shall remain in office until any change or changes are made to their appointments by the Board. The Board may also fill any casual vacancies that may occur in any Committee by reason of resignation, retirement or otherwise.

210. The office of a member of a Committee shall be vacated if any one of the following events occurs:-

(1) if a receiving order is made against him or he makes any arrangement or composition with his creditors;

(2) if he becomes insane or is found to be of unsound mind within the meaning of the Mental Health Ordinance;

(3) if by notice in writing to the Board and the Committee, he resigns from his office; or

(4) if he be removed by the Board for any reason whatsoever.

Provided that the acts of the member shall nevertheless be treated as valid and effectual in all respects up to and until an entry of the vacation of office shall be entered in the minutes of the Committee.

211. A Committee may at any time and from time to time delegate any of its powers to the Chief Executive as it may think fit. The Chief Executive shall comply with any requirements, directions or regulations which may from time to time be imposed on him by that Committee.

212. The Board may establish Committees by whatever description as the Board may think fit including, without limitation, the following Committees:-

(1) [Repealed]

(2) [Repealed]

(3) a Disciplinary Committee to administer the disciplinary rules as specified in Chapter 7 of these Rules and to advise the Board on all matters relating thereto;

(4) [Repealed]

(5) a Listing Committee to discharge all of the Board's functions and powers in respect of all listing matters relating to the Main Board, subject to the powers of review vested in the Listing Appeals Committee;

(6) [Repealed]

(7) [Repealed]

(8) [Repealed]

(9) [Repealed]

(10) [Repealed]

(11) [Repealed]

(12) [Repealed]

(13) [Repealed]

(14) a Compensation Committee to manage all matters relating to the Fidelity

Fund;

(15) a Listing Appeals Committee to act as a review body in respect of decisions of:-

(a) the Listing Committee (including the Listing (Review) Committee) in relation to those areas identified in the relevant rules governing the functions and powers of the Listing Appeals Committee set out in the Rules Governing the Listing of Securities on the Exchange (the "Main Board Listing Rules"); and

(b) the GEM Listing Committee (including the GEM Listing (Review) Committee) in relation to those areas identified in the relevant rules governing the functions and powers of the Listing Appeals Committee set out in the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules").

(16) a Disciplinary Appeals Committee to discharge the Board's powers and functions to review, vary or supplement decisions of the Disciplinary Committee;

(17) [Repealed]

(18) a GEM Listing Committee to discharge all the Board's functions and powers in respect of all listing matters relating to GEM, subject to the powers of review vested in the Listing Appeals Committee.

(19) an Exchange Participant Admission Appeals Committee to discharge the Board's powers and functions to review decisions of the Board in respect of application for Exchange Participantship and/or Options Participantship in accordance with the Exchange Participant Admission Appeals Procedures as prescribed by the Exchange from time to time.

212A. (1) Except as otherwise provided in Rule 212B, any Committee established in accordance with Rule 212 shall consist of such member or members of the Board and/or such person(s) as the Board thinks fit.

(2) [Repealed]

(3) [Repealed]

(4) Any Listing Committee, GEM Listing Committee or Listing Appeals Committee established in accordance with the provisions of Rule 212 shall be governed by Rule 212B hereof.

212B. Subject to the Articles, the composition, powers, functions and procedures of the Listing Committee, the GEM Listing Committee and the Listing Appeals Committee shall be governed by the relevant provisions set out in the Main Board Listing Rules, the GEM Listing Rules and any Rules Governing the Proceedings of any of the Listing Committee, the GEM Listing Committee and the Listing Appeals Committee issued by the Board from time to time, and all references to "Committee" or "Committees" in this Chapter 2 (excluding this rule and Rules 212 and 212A(4)) shall

be deemed not to be references to the Listing Committee, the GEM Listing Committee or the Listing Appeals Committee.

Proceedings of Committees

213. Subject to the Articles, Committees may meet for the despatch of business, adjourn and otherwise regulate their meetings in such manner as they think fit.

214. Subject to the Articles, a member of a Committee shall give to the Committee an address in Hong Kong at which notices may be served on him. Upon the despatch of any notice properly carrying the address supplied by the member such notice shall be deemed to have been validly served on that member.

215. A member of a Committee may be informed verbally of the time, place and agenda of a meeting.

216. [Repealed]

217. [Repealed]

218. [Repealed]

219. [Repealed]

220. [Repealed]

221. [Repealed]

222. [Repealed]

The Chief Executive

223. The Chief Executive shall be appointed by the Board and shall hold office upon such terms as may be prescribed by the Board. The Chief Executive shall have the general supervision of and be responsible for the day to day management of the Exchange and supervision of Participants as provided in these Rules.

224. The Chief Executive shall carry out the directions, orders or decisions of the Board or any of the Committees.

225. The Chief Executive shall, subject always to the overriding right and power of the Board, hold and exercise all such powers vested in the Board and Committees as shall not have been conferred upon and expressly required to be exercised by the Board.

226. Without prejudice to Rule 225 above and any other provisions in these Rules expressly conferring power upon the Chief Executive, the Chief Executive shall have such powers as the Board or any Committee may confer upon him including, in particular, the following powers:-

(1) to take all necessary steps to maintain orderly and efficient trading, in accordance with these Rules and to suspend trading in any issue of securities or by any Participant as provided for in these Rules or as directed or

authorised by the Board or any Committee;

(2) [Repealed]

(3) to report periodically to the Board on all matters concerning the Exchange or on such occasions as may be expedient;

(4) to scrutinise and manage all matters relating to listing, Exchange Participantship and Special Participantship, including applications for Exchange Participantship and Special Participantship;

(5) to exercise such disciplinary measures over the holders of Stock Exchange Trading Rights, Exchange Participants or their Responsible Officers, and Special Participants in any manner as hereinafter provided in the Rules in order to ensure compliance with the HKSCC Rules, the Ordinance and these Rules;

(6) to revoke the registration of any Responsible Officer and to expunge the name of any Responsible Officer from the Register of Responsible Officers;

(7) [Repealed]

(7A) to ensure the proper operation of the System, and for this purpose, to prevent any person from accessing or using the System;

(7B) to ensure the proper operation of the CSC, and for this purpose, to prevent any person from accessing or using the CSC;

(8) to attend all meetings of the Committees; and

(9) to release at his absolute discretion information concerning any holder of a Stock Exchange Trading Right or Participant to a recognized exchange controller which is the controller of the Exchange, the Commission or any of their authorised officers of the Commission when so requested by any of them.

The Secretary

227. The Secretary shall be appointed by the Board and shall hold office upon such terms as may be prescribed by the Board.

Registers

228. The Secretary shall keep the Registers of Exchange Participants, Special Participants, Responsible Officers and Designated Specialists.

229. The Register of Exchange Participants shall include the name and address of and the number of Stock Exchange Trading Rights held by Exchange Participants and such other information required by law or by the Board from time to time. The Register of Special Participants shall include the name and address of Special Participants and such other information required by law or by the Board from time to time.

230. [Repealed]

231. [Repealed]

231A. [Repealed]

232. The Register of Responsible Officers shall include the name and address of the Responsible Officers and the Exchange Participants of which they are Responsible Officers, and such other information required by law or by the Board from time to time.

233. [Repealed]

234. [Repealed]

234A. The Register of Designated Specialists shall include the names and addresses of the Designated Specialist and the Securities Market Maker or the Dual Counter Market Maker, as the case may be, which has applied to the Exchange for registration of such Designated Specialist, and such other information as may be required by law or by the Board from time to time.

235. The Registers kept by the Secretary under Rule 228 shall be open for inspection at any time during office hours by an authorised officer of the Commission or any Participant. Members of the public may also inspect the Register of Exchange Participants and Register of Special Participants at such place and time as the Exchange may from time to time prescribe.

236. Any Participant or other person may require a copy of the Register of Exchange Participants or Special Participants, or of any part thereof. The Exchange shall cause any copy so required by any person to be sent to that person within a period of 10 days commencing on the day immediately after the day on which the request for the copy is received by the Exchange.

237. Subject to the approval of the Board, any Exchange Participant or other person may require a copy of the Register of Responsible Officers.

238. [Repealed]

Publication of a list of Exchange Participants and Special Participants

238A. The Exchange shall maintain and keep up to date at regular intervals a list of Exchange Participants and Special Participants in existence at the time. The Exchange shall publish such list on the HKEX website or by such other means as it considers appropriate.

Employees

239. The Chief Executive may employ any employee of the Exchange except the Secretary who shall be appointed by the Board. The employees so employed shall perform such functions and duties as are prescribed by the terms of their appointment or delegated by the Chief Executive from time to time.

240. Save with the written approval of the Board, no person appointed by the Board nor any officer or employee of the Exchange shall:-

(1) deal directly or indirectly in any securities on the Exchange or any China Connect Securities on the relevant China Connect Market;

(2) accept directly or indirectly any gifts, compensation, or any form of remuneration or benefit whatsoever from any Participant; or

(3) directly or indirectly divulge or use for his own benefit any information whatsoever that may come to his knowledge by virtue of or incidental to his office or employment with the Exchange.

241. The Chief Executive may summarily dismiss without any compensation whatsoever any employee (except the Secretary) who contravenes or is reasonably suspected of having contravened Rule 240 above. The Secretary may be dismissed by the Board in like manner on the same ground. Any such dismissal or termination shall not in any way prejudice any right of the Exchange to obtain redress against such officer or employee.

242. Any Participant which causes or attempts to cause or induces any employees or officers of the Exchange, HKEX, or a company of which HKEX is a controller to contravene Rule 240 above or which is privy to such contravention shall be guilty of improper conduct and may be subject to any disciplinary measure, including suspension and expulsion as the Board may consider appropriate in the circumstances.

Sub-delegation

243. (1) Where the Board makes a delegation under these Rules, it may at the same time authorize the person or committee to whom the delegation is made to sub-delegate the function delegated and such authorization may contain restrictions or conditions as regards the exercise of the power to sub-delegate under the authorization.

(2) Where any person or committee purports to act pursuant to a delegation or sub-delegation under this Rule, he or it shall be presumed, until the contrary is shown, to be acting in accordance with the terms of the delegation or sub-delegation.

CHAPTER 3

EXCHANGE PARTICIPANTSHIP

Qualification

301. [Repealed]

301A. [Repealed]

301B. [Repealed]

301C. (a) The Board may consider and act upon such evidence as the Board may in its absolute discretion determine admissible in relation to any matter as it thinks fit.

(b) If the Board rejects an application to be an 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.

302. An Exchange Participant must always comply with the following requirements:-

(1) be a holder of a Stock Exchange Trading Right;

(2) be a licensed corporation or deemed to be a licensed corporation licensed under section 116(1) of the Ordinance to carry on Type 1 regulated activity under the Ordinance provided that if its licence is suspended under Part IX of the Ordinance, it shall not be prevented from continuing to be an Exchange Participant if it is otherwise eligible to continue to be such an Exchange Participant;

(3) be a company limited by shares incorporated in Hong Kong;

(4) [Repealed]

(5) be of good financial standing and integrity;

(6) [Repealed]

(7) the financial resources requirements specified in the Financial Resources Rules and where applicable the financial resources requirements made under Rule 408;

(7A) [Repealed]

(7B) [Repealed]

(8) comply with such other requirements for Exchange Participantship as the Exchange may from time to time prescribe.

Exchange Participantship Application Procedure

303. (1) Any person desirous of becoming an Exchange Participant shall complete, sign and deliver to the Secretary an application in writing in such form as the Board may from time to time prescribe.

(2) [Repealed]

(3) The candidate shall provide proof to the satisfaction of the Board that it is, at the time of making such application, able to comply with the Financial Resources Rules and other legislation in force for the time being.

(4) The candidate shall provide the Board with all further information that the Board may require for dealing with the application.

Options Participantship Application Procedure

303A. (1) An Exchange Participant desirous of becoming an Options Exchange Participant shall:-

(a) complete, sign and deliver to the Secretary an application in writing in such form as the Board may from time to time prescribe;

(b) provide proof to the satisfaction of the Board that it is, at the time of making such application, able to comply with the requirements set out in the Options Trading Rules;

(c) specify whether it is applying to become an Options Trading Exchange Participant or an Options Broker Exchange Participant; and

(d) provide the Board with all further information that the Board may require for dealing with the application.

(2) If the Board rejects an application to be an Options Exchange Participant, the Exchange Participant 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.

Market Maker Permit Application Procedure

303B. (1) Any Options Trading Exchange Participant desirous of obtaining a Market Maker permit shall:-

(a) complete, sign and deliver to the Secretary an application in writing in such form as the Board may from time to time prescribe;

(b) provide proof to the satisfaction of the Board that it is, at the time of making such application, able to comply with the requirements set out in the Options Trading Rules in respect of a Market Maker permit; and

(c) provide the Board with all further information that the Board may

require for dealing with the application.

(2) The decision of the Board in respect of an application for a Market Maker permit shall be final and conclusive and the Board shall not be required to give any reason for its decision.

304. (1) [Repealed]

(2) [Repealed]

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) [Repealed]

(7) [Repealed]

(8) [Repealed]

Notice of admission

305. On the admission of an Exchange Participant the fact shall forthwith be notified to it in writing by the Secretary and a request for payment for the Stock Exchange Trading Right to be issued to it (if appropriate) and its current subscription shall be sent to it. It shall become an Exchange Participant upon its name being registered in the Register of Exchange Participants.

305A. (1) Notwithstanding anything contained in these Rules, any entitlement of an Exchange Participant to the benefit of a Seat in respect of each Stock Exchange Trading Right of the Exchange Participant, whether or not the Seat has already been granted by the Exchange and held by the Exchange Participant before the Cessation Date shall cease and extinguish with effect from the Cessation Date without any liability on the part of the Exchange.

(2) [Repealed]

Exchange Participant liable to expulsion for misrepresentation

306. An Exchange Participant shall be liable to expulsion if in any of the particulars or information given by an Exchange Participant any misrepresentation or omission shall be found to have been made which in the opinion of the Board was material. In the event that an Exchange Participant is so expelled:-

(1) all rights of the Exchange Participant in question shall cease totally except that the validity of any meeting or resolutions passed thereat during the period whilst it was an Exchange Participant shall not be affected;

(2) it shall remain indebted to the Exchange for all monies owed as an

Exchange Participant; and

(3) the Board may revoke its Stock Exchange Trading Right.

Notice of rejection

307. Notice of rejection shall be given in writing by the Secretary to the candidate which has failed to gain admission to the Exchange.

Stock Exchange Trading Rights

308. [Repealed]

309. A Stock Exchange Trading Right may not be held jointly.

310. A person may hold more than one Stock Exchange Trading Right.

311. No holder of Stock Exchange Trading Right(s) shall sell, transfer, pledge, mortgage or create any trust, charge, lien or any other encumbrance over the Stock Exchange Trading Right(s) he or it holds, nor assign any of his or its rights, benefits or privileges as a holder of a Stock Exchange Trading Right otherwise than in accordance with these Rules. The Exchange shall not be bound or compelled in any way to recognise (even when having notice thereof) any dealing or disposition made in contravention of this Rule.

311A. (a) Ownership of a Stock Exchange Trading Right will be recorded in an appropriate manner by the Exchange. Subject to Rule 3A18, a holder of a Stock Exchange Trading Right will be issued with an appropriate instrument which shall be prima facie evidence of the entry of his or its name in the register of holders of Stock Exchange Trading Rights kept by the Exchange.

(b) With effect from the tenth anniversary of the Scheme Effective Date, Stock Exchange Trading Rights held as from the Scheme Effective Date which were granted under the Stock Exchange Scheme are not transferable. For purposes of this Rule 311A(b), the following will not be transfers:

(A) the transmission of a Stock Exchange Trading Right to a person in consequence of the death of its recorded holder;

(B) the assignment of a Stock Exchange Trading Right from an individual to a company of which he is the sole beneficial owner; and

(C) a liquidator, receiver or trustee in bankruptcy taking possession of a Stock Exchange Trading Right in such capacity.

For the avoidance of doubt, the person and the company to whom a Stock Exchange Trading Right is transmitted or assigned and the liquidator, receiver or trustee in bankruptcy taking possession of a Stock Exchange Trading Right shall abide by these Rules and any decision of the Board as if he or it were the recorded holder.

(c) [Repealed]

(d) A Stock Exchange Trading Right cannot be fragmented into separate rights for different products unless so authorized by the Exchange.

(e) Stock Exchange Trading Rights which were not granted under the Stock Exchange Scheme shall not be transferable.

311B. No person may resign as an Exchange Participant of the Exchange and no holder of a Stock Exchange Trading Right may relinquish his or its Stock Exchange Trading Right(s) except with the prior written approval of the Board which may be given subject to any conditions the Board thinks fit. Pending such approval, these Rules shall continue to bind any Exchange Participant or holder of a Stock Exchange Trading Right which has given notice of resignation or relinquishment as if such notice had not been given and the jurisdiction of the Exchange over that Exchange Participant or holder of a Stock Exchange Trading Right, his or its business, affairs and employees shall be in no way affected by such notice.

312. [Repealed]

Responsible Officer of Exchange Participant

313. Unless otherwise determined by the Exchange, all licensed representatives of an Exchange Participant who have been approved by the Commission under Part V of the Ordinance as responsible officers in relation to Type 1 regulated activity shall be registered with the Exchange as Responsible Officers and be placed on the Register of Responsible Officers kept by the Exchange. Upon request by the Exchange, an Exchange Participant shall promptly provide to the Exchange any information of any of its responsible officers. Each Responsible Officer shall undertake to comply with all applicable Rules, any relevant regulations, procedures and guidelines made hereunder or any conditions and directions from time to time prescribed by the Exchange. At all times, an Exchange Participant shall have at least one executive director registered with the Exchange as a Responsible Officer.

313A. [Repealed]

313B. [Repealed]

313C. [Repealed]

314. An Exchange Participant shall not allow any of its Responsible Officers to carry on in Hong Kong a business of dealing in securities except a business carried on for and on behalf of:-

(1) that Exchange Participant; or

(2) [Repealed]

(3) a corporation of which he is a responsible officer as defined in the Ordinance and which is of the same group of companies as that Exchange Participant,

provided that in respect of (3) above, with regard to any Responsible Officer who

intends to carry on the business of dealing in securities for and on behalf of such a corporation, the Exchange Participant must make arrangements with a view to ensuring that in respect of each and every transaction the Responsible Officer will be readily identifiable with the particular corporation on behalf of which he carries on business and provided further that the Exchange Participant shall not allow such Responsible Officer to commence any business on behalf of such a corporation.

315. Any Responsible Officer, director, manager, secretary, or other similar officers of any Exchange Participant shall together with such Exchange Participant be liable for any breach, non-compliance, violation or contravention of these Rules if such breach, non-compliance, violation or contravention was committed or caused with the consent or connivance of or was attributable to any neglect on the part of such Responsible Officer, director, manager, secretary, or other similar officers.

316. [Repealed]

317. Any person who has been approved by the Commission under Part V of the Ordinance as a substantial shareholder shall be registered by the Exchange as a Substantial Shareholder. Any Exchange Participant with Substantial Shareholder(s) shall promptly provide to the Exchange in writing the name and detailed information as required by the Exchange of any person registered as a substantial shareholder under Part V of the Ordinance.

317A. An Exchange Participant shall promptly upon the request of the Exchange provide the Exchange with information as the Exchange may from time to time require for the purposes of these Rules or for the performance of its functions under the Ordinance. An Exchange Participant shall notify the Exchange in writing:-

(1) promptly upon the request of the Exchange of any change in any information supplied to the Exchange for its Exchange Participantship, whether at the time of application or any time thereafter.

(2) [Repealed]

318. – 344. [Repealed]

Incapacity

345. In the event of an Exchange Participant having passed a resolution to wind up or a court order for the appointment of a provisional liquidator or for winding up having been made against such Exchange Participant, all the rights and benefits of and in the Exchange Participantship shall be immediately suspended.

346. The receiver or liquidator (as the case may be) who shall have full charge and power over the assets of an Exchange Participant affected by the events referred to in Rule 345 (referred to hereinafter as the 'affected Exchange Participant') shall abide by these Rules and any decision of the Board as if he were the affected Exchange Participant but shall not be entitled to be registered as an Exchange Participant.

347. [Repealed]

348. [Repealed]

349. [Repealed]

350. [Repealed]

Business Name and Address

351. The business name of an Exchange Participant must be the same as that registered by such Exchange Participant under the Business Registration Ordinance. The Board shall have the power to prohibit any Exchange Participant from using any business name without prescribing any reason therefor.

Exchange Participants Certificates

351A. (1) The Exchange will no longer issue any Exchange Participant Certificate to a new Exchange Participant or re-issue any Exchange Participant Certificate issued to an Exchange Participant prior to 1 January 2021 that has been defaced, lost or destroyed. Registration of an Exchange Participant on the register of Exchange Participants shall be proof of its Exchange Participantship and the Register of Exchange Participants shall be conclusive as to the information registered thereon.

(2) - (5) [Repealed]

352. [Repealed]

352A. An Exchange Participant shall only carry on a business of dealing in securities at its registered business address.

352B. [Repealed]

353. An Exchange Participant shall give advance notice of commencement, suspension, cessation and recommencement of every type of its business to the Board. The period of advance notice required shall be fixed by the Board from time to time.

353A. An Exchange Participant which gives notice pursuant to Rule 353 of its intention to recommence any type of its business shall demonstrate to the satisfaction of the Board that it is able to comply with the Financial Resources Rules and where applicable the financial resources requirements under Rule 408 at the time of that notice.

Liability and Outside Business Interests

354. An Exchange Participant shall be responsible for all acts done, commitments and contracts entered into by its Responsible Officers and employees, and any other persons acting on its behalf in its business of dealing in securities.

355. [Repealed]

356. [Repealed]

356A. An Exchange Participant shall notify the Board in writing of any business or business

other than that of dealing in securities in which it is engaged or intends to engage.

Interest

357. Unless otherwise determined by the Board, where any sum of money is deposited with the Exchange under these Rules or otherwise, for general or specific purposes, no interest shall be payable in respect of such deposit.

CCASS Participation

358. (1) Every Exchange Participant which carries on the business of dealing in securities shall be required to:

(a) become a CCASS Clearing Participant if it intends to clear its own Exchange Trades and shall comply at all times with the HKSCC Rules; or

(b) have a valid, binding and effective CCASS Clearing Agreement with at least one CCASS GCP if it does not intend to clear its own Exchange Trades.

(2) Unless or until such time as an Exchange Participant is or becomes a CCASS Clearing Participant or has a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP for the clearing of its Exchange Trades, it shall not be allowed to trade on the Exchange.

(3) Every Exchange Participant shall cause all Exchange Trades to be settled through CCASS in accordance with the HKSCC Rules.

(4) Every Exchange Participant who has entered into a CCASS Clearing Agreement with a CCASS GCP shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.

(5) An Exchange Participant which is a Broker Participant immediately prior to 3 December 2007 shall be deemed to be a CCASS DCP from 3 December 2007 in accordance with the HKSCC Rules. These Rules, all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by the Exchange Participant prior to 3 December 2007 shall continue to be valid and binding on it whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.

(6) Where an Exchange Participant has entered into CCASS Clearing Agreements with more than one CCASS GCP, it must (a) ensure that each Exchange Trade executed by the Exchange Participant is designated to the relevant CCASS GCP by including its designated broker number or such other identifier as prescribed by the Exchange from time to time and (b) have arrangements in place to notify the relevant CCASS GCPs of such

designation.

The Exchange may impose a limit on the number of CCASS Clearing Agreements into which an Exchange Participant may enter. An Exchange Participant which has appointed only one CCASS GCP to clear its Exchange Trades is deemed to have all Exchange Trades executed by itself designated to the CCASS GCP for clearing.

359. [Repealed]

360. [Repealed]

361. [Repealed]

362. [Repealed]

363. [Repealed]

364. [Repealed]

364A. [Repealed]

Backup Central Gateway session

364AA. (1) (a) Subject to Rule 364AA(2) and unless otherwise determined by the Exchange, an Exchange Participant which has connected its BSS to a Central Gateway session, as entitled under Rule 365(1) or applied for under Rule 364B or Rule 365C for access to the System may apply to the Exchange for a Backup Central Gateway session for the backup of such Central Gateway session provided that the Backup Central Gateway session must be in respect of the same number of Stock Exchange Trading Rights and for the same number of standard Central Gateway throttle rates assigned to that Central Gateway session and the Exchange Participant may only apply for one Backup Central Gateway session irrespective of the number of Stock Exchange Trading Rights or standard Central Gateway throttle rates assigned to that Central Gateway session.

(b) Subject to Rule 364AA(2), an Exchange Participant which has connected its BSS to a Market Making Central Gateway session for access to the System may, subject to Rule 364AA(2), apply to the Exchange for a Backup Central Gateway session to be designated for the backup of such Market Making Central Gateway session unless otherwise determined by the Exchange provided that the Backup Central Gateway session must be in respect of the same number of standard Central Gateway throttle rates assigned to that Market Making Central Gateway session and the Exchange Participant may only apply for one Backup Central Gateway session irrespective of the number of standard Central Gateway throttle rates assigned to that Market Making Central Gateway session.

(2) An Exchange Participant which has connected to a Backup Central Gateway session shall comply with such terms and conditions as the Exchange shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(5A) Notwithstanding anything to the contrary herein contained, upon activation of a Backup Central Gateway session by the Exchange Participant, a Backup Central Gateway session shall for the purposes of these Rules be deemed a Central Gateway session entitled under Rule 365(1) or a Market Making Central Gateway session (as the case may be) and be used as such by the Exchange Participant concerned in accordance with these Rules relating to a Central Gateway session entitled under Rule 365(1) or a Market Making Central Gateway session (as the case may be) until such time as it is returned by the Exchange Participant to a "non-trading" mode.

(6) [Repealed]

(7) For the avoidance of doubt, references to "Central Gateway session entitled under Rule 365(1)" in this Rule 364AA shall include a new Central Gateway session under Rule 364B(3)(c) and a new Central Gateway session under Rule 365C(2).

Trading Facilities

364B. (1) [Repealed]

(1A) Where the entitlement to the benefit of a Seat for any Stock Exchange Trading Right held by an Exchange Participant has ceased and extinguished with effect from the Cessation Date and the Exchange Participant either (A) had not made any successful application to relinquish it for any other entitlement or (B) had made a successful application to relinquish it for an entitlement other than the following, the Exchange Participant may, in respect of such Stock Exchange Trading Right, still apply to the Exchange for the following:

(a) [Repealed]

(b) [Repealed]

(c) an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant.

(1B) [Repealed]

(1C) [Repealed]

(1D) [Repealed]

(2) [Repealed]

(2A) [Repealed]

(3) (a) (i) [Repealed]

(ii) The increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 364B shall unless otherwise determined by the Board be equivalent to a standard Central Gateway throttle rate.

(b) [Repealed]

(c) Any increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 364B shall be to an existing Central Gateway session designated to an Exchange Participant, or if the Exchange Participant applies to the Exchange for a new Central Gateway session, the increase in the throughput rate shall unless otherwise specified by the Exchange be to the new Central Gateway session. For the avoidance of doubt, a new Central Gateway session, if approved, shall in all respects be subject to the Rules applicable to "Central Gateway session" referred to in Rule 365(1) unless otherwise determined by the Board.

(4) Any application by an Exchange Participant under Rule 364B shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as it shall consider appropriate. In addition to these Rules, an Exchange Participant shall, if its application under Rule 364B is approved by the Exchange, comply with such terms and conditions as the Board shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

(5) [Repealed]

364C. [Repealed]

365. (1) An Exchange Participant upon payment of a fee to be determined by the Board from time to time shall in respect of each Stock Exchange Trading Right held be entitled to:

(i) [Repealed]

(ii) [Repealed]

(iii) a Central Gateway session.

(1A) [Repealed]

(1B) (a) An Exchange Participant shall assign at least one Stock Exchange Trading Right to at least one Central Gateway session designated to the Exchange Participant. The throughput rate of a Central Gateway message into the System through a Central Gateway session assigned with a single Stock Exchange Trading Right shall unless otherwise determined by the Board be equivalent to a standard Central Gateway throttle rate.

(b) An Exchange Participant may apply to the Exchange for an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant by assigning any additional Stock Exchange Trading Right which has not been assigned to any Central Gateway session to such Central Gateway session.

(c) Without prejudice to the entitlement under Rule 365(1) and Rule 365(1B)(a) and (b), an Exchange Participant may, in respect of each Stock Exchange Trading Right conferred on or issued to it by the Exchange on or after the Cessation Date, apply to the Exchange for an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant.

(d) The increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 365(1B)(b) or (c) shall unless otherwise determined by the Board be equivalent to a standard Central Gateway throttle rate.

(e) Any increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 365(1B)(c) shall be to an existing Central Gateway session designated to an Exchange Participant, or if the Exchange Participant applies to the Exchange for a new Central Gateway session, the increase in the throughput rate shall unless otherwise specified by the Exchange be to the new Central Gateway session. For the avoidance of doubt, a new Central Gateway session, if approved, shall in all respects be subject to the Rules applicable to "Central Gateway session" referred to in Rule 365(1) unless otherwise determined by the Board.

(f) Any application by an Exchange Participant under Rule 365(1B) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as it shall consider appropriate. In addition to these Rules, an Exchange Participant shall, if its application under Rule 365(1B) is approved by the Exchange, comply with such terms and conditions as the Board shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

(2) Notwithstanding Rule 365(1), the Exchange has the right to suspend, withdraw, or revoke the right of an Exchange Participant's access to the System on such terms and for such period as the Board thinks fit, whether requested by the Exchange Participant or not.

(3) An Exchange Participant may request the Exchange to suspend, withdraw or revoke its right to access the System.

(4) (a) [Repealed]

(b) An Exchange Participant may connect its BSS to a Central Gateway session designated to it and, for backup purpose, a Backup Central Gateway session.

(5) An Exchange Participant seeking to locate its BSS in any address must:

(a) provide prior written notification to the Exchange;

(b) ensure at all times that the environment is suitable for the location of such trading facility; and

(c) comply at all times with such other requirements for the installation and operation of the trading facility as the Exchange may prescribe from time to time.

(6) An Exchange Participant shall be solely responsible and liable for the granting, monitoring and supervision of access to its BSS and any Central Gateway session or Backup Central Gateway session designated to it.

(7) An Exchange Participant shall ensure that only the Exchange Participant and its Authorised Persons, as the case may be, can have access to and operate any Central Gateway session or Backup Central Gateway session designated to it.

(8) [Repealed]

(9) An Exchange Participant shall ensure its BSS is operated in such a way as not to affect the proper functioning of the System.

(10) An Exchange Participant using the BSS shall submit a declaration or a declaration and return, as the case may be, to the Exchange in a form prescribed by the Exchange from time to time in relation to its BSS:

(a) prior to the connection or re-connection of its BSS to the System;

(b) prior to the implementation of material changes to its BSS or at any time as required by the Exchange during any period that its BSS is connected to the System.

(11) [Repealed]

(12) An Exchange Participant shall ensure that every employee and Authorized Person of such Exchange Participant is competent and has acquired the necessary skills and knowledge to carry out his responsibilities.

365A. [Repealed]

365B. [Repealed]

Increase of Central Gateway Session Throughput Rate

365C. (1) An Exchange Participant with a Central Gateway session may apply to the Exchange for an increase in the throughput rate of a Central Gateway message into the System through the Central Gateway session under this Rule 365C(1) or, in the case of an increase on a temporary or monthly basis, under Rule 365D(1) or Rule 365E(1), and such application shall be subject to the approval of the Exchange. Any increase in the throughput rate shall be for a standard Central Gateway throttle rate or multiples of a standard Central Gateway throttle rate.

(2) An Exchange Participant which has applied for or which has acquired or subscribed for an increase in throughput rate entitlement under Rule 365C(1), Rule 365C(5), Rule 365D(1) or Rule 365E(1) may apply for a new Central Gateway session. The application for a new Central Gateway session shall be subject to the approval of the Exchange and such approval may be given subject to any conditions and payment of such fees and charges as the Board thinks fit. Without prejudice to the aforesaid, a new Central Gateway session, if approved, shall in all respects be subject to the Rules applicable to "Central Gateway session" referred to in Rule 365(1) unless otherwise determined by the Board.

(3) An Exchange Participant shall, if its application under Rule 365C(1) is approved by the Exchange, and an Exchange Participant which has acquired an increase in throughput rate entitlement under Rule 365C(5) also shall comply with such terms and conditions as the Board shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time. Without prejudice to the aforesaid, any increase in the throughput rate under Rule 365C(1), Rule 365D(1) or Rule 365E(1) or pursuant to a transfer under Rule 365C(5) shall be assigned to an existing Central Gateway session or a new Central Gateway session under Rule 365C(2), if any, provided that at least a standard Central Gateway throttle rate shall, unless otherwise specified by the Exchange, be assigned to the new Central Gateway session, if any.

(4) For the avoidance of doubt, references to Central Gateway session in this Rule 365C shall mean a Central Gateway session entitled under Rule 365(1) or a new Central Gateway session under Rule 364B(3)(c).

(5) An increase in throughput rate entitlement granted under Rule 365C(1), Rule 365D(1) or Rule 365E(1) or acquired under this Rule 365C(5) may be transferred by an Exchange Participant upon such terms and subject to such conditions as may from time to time be prescribed by the Exchange including but not limited to the condition that the Exchange Participant to

which the throughput rate increase entitlement is to be transferred must be a company within the same group of companies as the Exchange Participant. An Exchange Participant wishing to transfer an increase in throughput rate entitlement shall apply to the Exchange for the transfer and such application shall be subject to the approval of the Exchange.

Throttle-on-Demand Scheme

365D. (1) An Exchange Participant with a Central Gateway session may apply to the Exchange for a temporary increase in the throughput rate of a Central Gateway message into the System on a daily basis (the "Throttle-on-Demand Scheme") and such application shall be subject to the approval of the Exchange. Any temporary increase in the throughput rate shall be for a single or multiples of a standard Central Gateway throttle rate.

(2) The Exchange may impose a maximum number of standard Central Gateway throttle rates that may be granted to an Exchange Participant under the Throttle-on-Demand Scheme.

(3) An Exchange Participant shall, if its application under Rule 365D(1) is approved by the Exchange, comply with such terms and conditions as the Exchange shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

Monthly Throttle Subscription Scheme

365E. (1) An Exchange Participant with a Central Gateway session may apply to the Exchange for the subscription of an increase in the throughput rate of a Central Gateway message into the System on a monthly basis (the "Monthly Throttle Subscription Scheme") and such application shall be subject to the approval of the Exchange. Any such increase in the throughput rate subscribed shall be for a single or multiples of a standard Central Gateway throttle rate.

(2) The Exchange may impose a maximum number of standard Central Gateway throttle rates that may be granted to an Exchange Participant under the Monthly Throttle Subscription Scheme.

(3) An Exchange Participant shall, if its application under Rule 365E(1) is approved by the Exchange, comply with such terms and conditions as the Exchange shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

Kill Switch session and Backup Kill Switch session

365F. (1) An Exchange Participant which has connected its BSS to a Central Gateway session for access to the System may apply to the Exchange for a Kill Switch session or a Backup Kill Switch session for the backup of such Kill Switch session.

(2) An Exchange Participant shall, if its application under Rule 365F(1) is

approved by the Exchange, comply with such terms and conditions as the Exchange shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

(3) An Exchange Participant shall be solely responsible and liable for the granting, monitoring and supervision of access to its Kill Switch session or Backup Kill Switch session. An Exchange Participant shall ensure that only its Authorized Persons can have access to and operate any Kill Switch session or Backup Kill Switch session.

(4) An Exchange Participant is responsible for any request, instruction or message input via a Kill Switch session or a Backup Kill Switch session. The Exchange shall in no case be liable for any failure or unavailability of, or error or defect in any function in a Kill Switch session or a Backup Kill Switch session.

366. [Repealed]

367. [Repealed]

Legislative Council Ordinance

368. Pursuant to Section 20U of the Legislative Council Ordinance, the Exchange Participants which are suspended by the Exchange pursuant to Rule 702, Rule 704 or Rule 711 shall not be exchange participants for the purpose of the Legislative Council Ordinance.

CHAPTER 3A

STOCK EXCHANGE TRADING RIGHTS

Compliance with Rules

3A01. These Rules contain provisions affecting holders of Stock Exchange Trading Rights. A Stock Exchange Trading Right is conferred subject to the rights and obligations provided in these Rules and any rules, regulations, procedures or guidelines made hereunder, and any amendments thereto from time to time.

Entitlement to trade

3A02. Subject to fulfilling the conditions required under these Rules, a holder of a Stock Exchange Trading Right shall be eligible to trade on or through the Exchange as an Exchange Participant.

Stock Exchange Trading Right to be pre-requisite to admission as Exchange Participant

3A03. (a) In accordance with the provisions of Chapter 3 of these Rules, no person shall become an Exchange Participant unless it is a holder of a Stock Exchange Trading Right.

(b) Stock Exchange Trading Rights may be conferred by the Board on such terms and conditions as it may determine from time to time.

Application Procedures for the Issue of a Stock Exchange Trading Right

3A03A. (a) Any person desirous of applying for a Stock Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe.

(b) The applicant shall provide the Board with such information as the Board may require for dealing with the application.

(c) [Repealed]

(d) An applicant whose application has been approved by the Board shall not be issued a Stock Exchange Trading Right unless and until it has paid in full all fees (including the fee for the Stock Exchange Trading Right) from time to time prescribed by the Board and complied with any other conditions prescribed by the Board.

(e) The decision of the Board in respect of an application for a Stock Exchange Trading Right shall be final and conclusive.

(f) The applicant will be notified in writing as soon as its application for a Stock Exchange Trading Right has been approved. It shall become a holder of a Stock Exchange Trading Right upon its name being registered in the register

of holders of Stock Exchange Trading Rights.

(g) The applicant will be notified in writing if its application for a Stock Exchange Trading Right has not been approved.

(h) Unless the applicant is already an Exchange Participant, the applicant must simultaneously upon the issue of a Stock Exchange Trading Right become an Exchange Participant.

Payment of Subscription

3A04. All holders of Stock Exchange Trading Rights shall be liable to pay monthly subscription or other fees and charges and determined by the Exchange from time to time provided that holders of Stock Exchange Trading Rights which are Exchange Participants shall only be liable to pay the monthly subscription applicable to Exchange Participants.

Stock Exchange Trading Rights

3A05. All holders of Stock Exchange Trading Rights are bound to observe the provisions relating to the subsistence and non-transferability of Stock Exchange Trading Rights stated in Chapter 3 of these Rules.

Suspension of Trading Rights

3A06. The Stock Exchange Trading Right held by a person may be suspended under the provisions of these Rules.

Disciplinary Matters

3A07. A holder of a Stock Exchange Trading Right who in any manner contravenes these Rules, the Regulations, the Procedures, any conditions imposed on the approval of issue or transfer of a Stock Exchange Trading Right or any other requirements imposed on a holder of a Stock Exchange Trading Right may be liable to disciplinary proceedings. The disciplinary proceedings and the disciplinary powers that may be exercised against Exchange Participants set forth in Chapter 7 of these Rules shall mutatis mutandis apply to disciplinary proceedings and disciplinary powers that may be instituted or exercised against a holder of a Stock Exchange Trading Right.

3A08. The Board may exercise any of the following disciplinary powers against a holder of a Stock Exchange Trading Right :

(a) to impose a fine;

(b) to censure and direct whether if so in what manner such censure shall be published;

(c) to revoke his or its Stock Exchange Trading Right as set forth in Rule 3A11;

(d) [Repealed]

(e) to suspend or revoke his or its Stock Exchange Trading Right.

3A09. A holder of a Stock Exchange Trading Right shall remain bound by these Rules and the Disciplinary Procedures notwithstanding any disciplinary proceedings being instituted against him or it, any conditions being imposed upon him or it or any of his or its rights being suspended.

3A10. The Exchange, a recognized exchange controller which is the controller of the Exchange, their officers, directors, employees, agents or representatives or any other person or entity associated with them shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a holder of a Stock Exchange Trading Right may suffer or incur, whether directly or indirectly (including any loss of profit or any damage or reputation) by reason of any disciplinary proceedings instituted or disciplinary measures taken pursuant to these Rules.

Revocation of Trading Rights

3A11. If an Exchange Participant is expelled for any reason, the Exchange may revoke the Stock Exchange Trading Rights of the Exchange Participant subject to the provisions of Chapter 7 in these Rules.

Liability to contribute

3A12. The repealed Securities Ordinance requires the Exchange to make a contribution in respect of every holder of a Stock Exchange Trading Right towards the Compensation Fund. A holder of a Stock Exchange Trading Right shall be liable to make contributions in accordance with the provisions of Chapter 12 in these Rules. The contribution or security required and the limit of compensation payable under Chapter 9 by an Exchange Participant shall be construed by reference to the number of Stock Exchange Trading Rights held, as described in details in Chapter 9.

Relinquishment of Stock Exchange Trading Right

3A13. (a) A holder of a Stock Exchange Trading Right may, without affecting existing rights or obligations which have accrued and subject to these Rules, at any time relinquish his or its Stock Exchange Trading Right without penalty or compensation whereupon his or its name shall be removed from the register of holders of Stock Exchange Trading Rights.

(b) Notwithstanding Rule 3A13(a), the holder of the Stock Exchange Trading Right whose tender has been selected under a Tender Process shall relinquish its Stock Exchange Trading Right within six months from the date of the notice of acceptance of the tender issued by the Exchange and in accordance with the procedures as from time to time determined by the Exchange. Any payment due to the holder of Stock Exchange Trading Right will be made by the Exchange as soon as practicable after he or it has relinquished his or its Stock Exchange Trading Right.

(c) The holder of the Stock Exchange Trading Right shall be deemed to

relinquish his or its Stock Exchange Trading Right at the expiry of six months under Rule 3A13(b) and whereupon the holder of the Stock Exchange Trading Right shall be removed from the register of holders of Stock Exchange Trading Rights.

3A13A. (a) Notwithstanding Rule 3A13, a corporate holder of a Stock Exchange Trading Right which intends to re-organize its business of dealing in securities by having that business being conducted under one single entity together with that of the business of dealing in futures contracts or any similar re-organization may, at any time and subject to such conditions from time to time prescribed by the Exchange, apply to relinquish its Stock Exchange Trading Right to such entity which shall be a company within its own group of companies.

(b) For the purposes of Rule 3A13A(a), the holder of the Stock Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe to relinquish its Stock Exchange Trading Right and to nominate a company within its own group of companies to take up a new Stock Exchange Trading Right to be issued by the Exchange if its application to relinquish its Stock Exchange Trading Right under Rule 3A13A(a) is approved by the Board. The company so nominated by the holder of the Stock Exchange Trading Right shall simultaneously apply to become an Exchange Participant (if it is not already an Exchange Participant) in accordance with these Rules. Upon the issue of a Stock Exchange Trading Right to the company so nominated, it shall simultaneously become an Exchange Participant.

(c) The Board may, if it approves the application of the holder of the Stock Exchange Trading Right to relinquish the Stock Exchange Trading Right and the application of the company nominated to take up the Stock Exchange Trading Right to become an Exchange Participant, issue a new Stock Exchange Trading Right to the company nominated subject to the payment in full of all the fees and charges from time to time prescribed by the Board in relation to the relinquishment and issue of the Stock Exchange Trading Right and to the compliance of all conditions prescribed by the Board in relation to such applications.

(d) The holder of the Stock Exchange Trading Right shall be deemed to relinquish its Stock Exchange Trading Right when the new Stock Exchange Trading Right is issued to the company so nominated and whereupon its name shall be removed from the register of holders of Stock Exchange Trading Rights.

(e) The decision of the Board in respect of an application to relinquish a Stock Exchange Trading Right under Rule 3A13A shall be final and conclusive.

3A14. No person may relinquish his or its Stock Exchange Trading Right except with the prior written approval of the Board which may be given subject to any conditions the Board thinks fit. Pending such approval, these Rules shall continue to bind any holder of a Stock Exchange Trading Right which has given notice of relinquishment

as if such notice had not been given and the jurisdiction of the Exchange over that Exchange Participant or holder of a Stock Exchange Trading Right, his or its business, affairs and employees, and persons acting on his or its behalf shall be in no way affected by such notice.

3A15. Without prejudice to the right of the Board to impose any conditions as it thinks fit, the Board shall not give approval for relinquishment of a Stock Exchange Trading Right unless it is satisfied that the holder has discharged all claims and obligations that have accrued prior to the date at which he or it proposes to relinquish his or its right.

Register of holders of Stock Exchange Trading Rights

3A16. The Exchange shall establish a register of the holders of Stock Exchange Trading Rights, and enter therein the following particulars : -

(a) the names and addresses, and the occupations or descriptions, of the holders;

(b) the date at which each person was entered in the register as a holder;

(c) the date at which any person ceased to be a holder;

(d) [Repealed]

(e) such other details as may be determined by the Board from time to time.

3A17. The register may be kept by the use of any method or means, mechanical or electric, electronic or otherwise, which does not restrict the availability for inspection in a legible form of the information contained in the register.

Exchange Trading Right Certificate

3A18. Each holder of a Stock Exchange Trading Right will be issued an Exchange Trading Right Certificate except that no Exchange Trading Right Certificate (including duplicate Exchange Trading Right Certificate and replacement Exchange Trading Right Certificate) or any other instrument will be issued to holders of Stock Exchange Trading Rights from the tenth anniversary of the Scheme Effective Date.

3A19. [Repealed]

CHAPTER 4

FINANCIAL RESOURCES RULES AND ACCOUNTING REQUIREMENTS

Financial Resources Rules

Exchange Participants' Obligation to Comply with the Financial Resources Rules

401. (1) Every Exchange Participant shall at all times comply with the Financial Resources Rules and where applicable the financial resources requirements made under Rule 408.

(2) [Repealed]

402. [Repealed]

402A. [Repealed]

403. [Repealed]

403A. [Repealed]

404. [Repealed]

404A. [Repealed]

405. [Repealed]

Application of the Financial Resources Rules at the Time of Admission

406. Any applicant for Exchange Participantship shall demonstrate to the satisfaction of the Board that it is able to comply with the Financial Resources Rules at the time of admission.

407. [Repealed]

Board's Power to Increase the Minimum Financial Resources Rules Requirements

408. Notwithstanding the Financial Resources Rules and Rule 406, the Board may increase the requirements thereunder in respect of any Exchange Participant to suit the circumstances of a particular case or of Exchange Participants generally, if it deems that circumstances so justify. Such increased requirements may be subsequently varied by the Board as various circumstances may exist which require the Board to make ad hoc decisions. However, every Exchange Participant must still comply with the Financial Resources Rules.

408A. The Exchange shall ensure that changes in the prevailing minimum financial resources requirements determined pursuant to Rule 408 are promptly notified to all

relevant Exchange Participants in such manner as the Board may specify.

408B. The Exchange shall ensure that the Commission is notified of all prevailing minimum financial resources requirements as determined by the Board pursuant to Rule 408 and shall notify the Commission immediately of any changes in the minimum financial resources requirements prevailing from time to time.

408C. If any discrepancy exists between the financial resources requirements set forth in these Rules and those set forth in the Financial Resources Rules, the level which is higher or more stringent shall prevail.

409. [Repealed]

410. [Repealed]

411. [Repealed]

412. [Repealed]

412A. [Repealed]

413. [Repealed]

Exchange Participant's Duty to Notify the Exchange and the Commission of Details of Inability to Comply with the Financial Resources Rules and of Changes in Circumstances

414. (1) An Exchange Participant shall immediately notify the Exchange and the Commission in writing whenever it becomes aware of any of the matters that require notification to be given to the Commission under section 146 of the Ordinance and/or sections 54 and 55 of the Financial Resources Rules to the extent that they are applicable to a licensed corporation licensed to carry on Type 1 regulated activity.

(a) [Repealed]

(b) [Repealed]

(c) [Repealed]

(d) [Repealed]

(e) [Repealed]

(f) [Repealed]

(g) [Repealed]

(h) [Repealed]

(i) [Repealed]

(2) In addition to giving the aforesaid notification, an Exchange Participant shall, where it becomes aware of the matter stated in section 146(1) of the Ordinance, cease dealing in securities otherwise than for the purpose of completing such transactions as the Commission may permit under section 146(1) of the Ordinance, or unless otherwise permitted by the Commission under section 146(2) of the Ordinance.

(3) [Repealed]

(4) [Renumbered as Rule 414(9)]

(5) [Repealed]

(6) [Repealed]

(7) [Repealed]

(8) [Repealed]

(9) An Exchange Participant is and shall be deemed to have been aware of any of the matters which require notification under Rule 414(1) above if it or any of its Responsible Officers is or would, with the exercise of reasonable diligence, have been aware of such matters.

414A. [Repealed]

Power of the Board to Take Necessary Action in Case of Exchange Participant's Inability to Comply with the Financial Resources Rules

415. Where the Board has reasonable grounds for the belief that an Exchange Participant may be unable to comply with the Financial Resources Rules and the financial resources requirements made under Rule 408 it may, whether or not a notification has been given under Rules 414(1), take any action as it thinks fit, including but not limited to an order for the Exchange Participant to suspend or restrict its trading activities immediately including but not limited to Exchange Traded Options Business.

Exchange to Notify the Commission of Any Non-Compliance with Financial Resources Rules, and any Appearance of Financial Irregularities

416. (1) The Exchange is required to notify forthwith the Commission if it becomes aware:-

(a) that an Exchange Participant is unable to comply with the financial resources requirements made under Rule 408 or the Financial Resources Rules; and

(b) of any financial irregularity or other matter which, in the opinion of the Exchange, indicates or may indicate that the financial standing or integrity of an Exchange Participant is in question.

(2) If the Exchange notifies the Commission pursuant to section 21(5) of the Ordinance upon becoming aware of any matter referred to in Rule 416(1)(a) or (b) then even if the Exchange Participant concerned subsequently establishes that it is not the case, such Exchange Participant shall not be entitled to claim against the Exchange or the Board or any recognized exchange controller which is the controller of the Exchange for any loss or damage whatsoever.

Accounting Requirements

417. [Repealed]

418. [Repealed]

418A. (1) The Exchange or the Commission may require an Exchange Participant to obtain a report from a Professional Accountant in the form specified by the Exchange or the Commission from time to time.

(2) When a Professional Accountant is appointed by the Exchange Participant to prepare a report required under Rule 418A(1):-

(a) the Exchange Participant shall provide to the Professional Accountant a written appointment letter specifying the terms and conditions of the appointment and the duties of the Professional Accountant including but not limited to the following provisions:-

(i) that the Professional Accountant is thereby authorised and required to submit to the Exchange and the Commission such report as required under the appointment;

(ii) that the Professional Accountant is thereby authorised and required to disclose to the Exchange and the Commission all information obtained whilst performing his duties under the appointment concerning the purpose(s) for which he is appointed, provided that this paragraph shall not require the Professional Accountant to disclose any particular part of such information where that particular part also relates to a third party and may not be communicated by the Professional Accountant as stipulated in this paragraph by virtue of a legal obligation owed by the Professional Accountant to that third party which prevents such communication;

(iii) that the Professional Accountant is thereby authorised and required to include with any qualification of his report to the Exchange and the Commission under Rule 418A(2)(a)(i), a statement specifying the relevant requirements of the Exchange and the Commission and the reasons why the opinion expressed in such a report is qualified; and

(iv) the terms upon which the Exchange Participant appoints a Professional Accountant under Rule 418A(1) must provide, inter alia, that :-

(A) the Professional Accountant is authorised and required, within 5 business days of the resignation of his duties as a Professional Accountant for an Exchange Participant, to provide the Exchange and the Commission with :-

(i) a statement to the effect that there are no circumstances connected with his resignation which he considers should be brought to the notice of the Exchange and the Commission; or

(ii) a statement of any such aforesaid circumstances;

(B) if, in his capacity, or in the performance of his functions, as the Professional Accountant of the Exchange Participant, the Professional Accountant acquires information tending to suggest, or the Professional Accountant is of the opinion, that the Exchange Participant has not complied, or may not be able to comply, with any relevant legislation, Rules or Regulations governing its accounting system, financial affairs or operational system, then the Professional Accountant shall thereby be authorised and required :-

(i) to communicate such information or opinion to the Exchange and the Commission, regardless of whether he has been requested by the Exchange or the Commission to do so; and

(ii) should the Professional Accountant consider it appropriate to do so, to communicate such information or opinion to any person, other than the Exchange and the Commission, to whom reference is made in Rule 418C(1);

provided that this paragraph shall not require the Professional Accountant to disclose any particular part of such information where that particular part also relates to a third party and may not be communicated by the Professional Accountant as stipulated in this paragraph by virtue of a legal obligation owed by the Professional Accountant to that third party which prevents such communication; and

(C) in the event of the Professional Accountant complying in good faith with the requirements of this Rule, he shall be deemed not to be in breach of any duty which he might otherwise have, and shall not thereby incur any liability, to the Exchange Participant; and

(b) the Exchange Participant shall obtain written confirmation of acceptance of the terms and conditions of the appointment from the Professional Accountant.

418B. The Exchange Participant shall pay all its accounting and auditing costs.

Meetings Between Exchange Participants, Auditors, Professional Accountants, the Exchange and the Commission

418C. (1) An Exchange Participant, any auditor of an Exchange Participant, including an auditor appointed under Rule 422(6), any Professional Accountant appointed under Rule 418A(1) or 422(7), or any other auditor or Professional Accountant who has acted for the Exchange Participant for any period not earlier than 9 months before the date of the notice the Exchange or the Commission, may, by notice in writing to the other parties mentioned herein, request a meeting between those parties to discuss matters relating to the Exchange Participant.

(2) Any meeting to be held in pursuance of a notice under Rule 418C(1) may proceed notwithstanding the non-attendance of not more than one of the parties served with that notice.

419. [Repealed]

420. [Repealed]

421. [Repealed]

Keeping of Records

422. (1) [Repealed]

(2) [Repealed]

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) Every Exchange Participant shall make all books, records or documents required to be kept under the Ordinance available to the Board for inspection or audit by any auditor appointed by the Board to do so.

(7) If such books, records or documents are not kept sufficiently up to date, as required by these Rules, the Exchange may require the Exchange Participant to appoint a Professional Accountant approved by the Exchange, at its own expense, to immediately take such action as is necessary to bring such books, records or documents sufficiently up to date. The Exchange Participant shall issue a letter of appointment to the Professional Accountant setting out the terms of the appointment and stipulating the authorisation and the requirements which must be met by the Professional Accountant to discharge his duties under the appointment, and obtain a written confirmation from the Professional Accountant of his acceptance of the terms of the appointment.

423. [Repealed]

424. [Repealed]

Exchange Participants Not to Make False or Misleading Records

425. An Exchange Participant shall not record or provide the Exchange and the Commission with any account, return, submission or other information that is false or misleading.

426. [Repealed]

426A. [Repealed]

426B. [Repealed]

427. [Repealed]

427A. [Repealed]

427B. [Repealed]

428. [Repealed]

Monitoring of Financial and Accounting Requirements

Right to Demand Documents

429. (1) Every Exchange Participant shall within 14 calendar days, or such other

period as the Board or any designated HKEX staff may specify, of the receipt of a written demand from the Board or the designated HKEX staff, submit to the Board or any designated HKEX staff such books, records and other documents as the Board or any designated HKEX staff may demand.

(2) [Repealed]

Power to Carry Out Inspection

430. (1) Any designated HKEX staff or such persons appointed by the Board may from time to time inspect and copy the books, records and documents maintained by the Exchange Participant relating to its business and financial position. Every Exchange Participant shall provide or allow such designated HKEX staff or appointed persons access to its premises, books, records and documents necessary for the discharging of his or their duty whether such inspection is with or without prior notice.

(2) Any expenses incidental to or consequential upon an inspection under Rule 430(1) shall be borne by the Exchange Participant concerned unless the Board otherwise determines.

(3) An Exchange Participant shall not be entitled to claim against the Exchange, the Board, any designated HKEX staff or any appointed person for any loss or damages whatsoever relating to the inspection under Rule 430(1).

Power and Obligation of the Person Authorized by the Exchange to Carry Out Inspection

431. (1) Any person who carries out the inspection under Rule 430(1) shall be deemed to have been authorized by the Exchange Participant concerned to obtain direct from such Exchange Participant's auditor or a Professional Accountant appointed under Rule 418A(1) or 422(7) any information or explanation which he may consider necessary for the purpose of carrying out his duties.

(2) In any case where the information obtained under Rule 430(1) or 431(1) or any other matter arising out of his enquiries leads the person who carries out the inspection under Rule 430(1) to consider that further information should be obtained by the Board regarding the Exchange Participant's state of affairs, he shall report accordingly to the Board.

(3) All accounts and other information obtained by the person who carries out the inspection under Rule 430(1) under these Rules shall be retained by the Exchange and shall be regarded as confidential and disclosure of information contained or derived therefrom shall not be made to any body or persons without the prior approval of the Exchange Participant except that the Board may disclose the information without such prior approval:-

(a) whenever the Board has a statutory obligation to disclose the information;

(b) to the Commission;

(c) to an authority in a place outside Hong Kong which exercises functions in that place corresponding to the functions of the Exchange or the Commission, where in the opinion of the Board, it is desirable or expedient that the information should be so disclosed in the interests of investors or in the public interest and in the case of an overseas authority, such authority is subject to adequate secrecy provisions;

(d) in the form of a summary compiled from similar or related information obtained from other Exchange Participants if the summary is so compiled as to prevent particulars relating to the business or identity, or the trading particulars, of any Exchange Participant being ascertained from it;

(e) with a view to the institution of, or otherwise for the purposes of, any criminal proceedings or investigation, whether under the Ordinance or otherwise, in Hong Kong;

(f) in connection with any civil proceedings arising out of the Ordinance or otherwise in Hong Kong;

(g) to the Market Misconduct Tribunal established by section 251 of the Ordinance;

(h) to HKSCC;

(i) to SEOCH;

(j) to any recognized exchange controller;

(k) to any company of which a recognized exchange controller is a controller;

(l) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees; and

(m) to any exchange, regulatory authority or any organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement.

(4) Information may only be disclosed under Rule 431(3)(c) on terms that the person to whom the information is disclosed and any person obtaining that information directly or indirectly from the first named person shall not disclose that information to any other person without the consent of the Exchange Participant concerned.

(5) [Repealed]

Disclosure of Information

432. (1) The Exchange may supply information about an Exchange Participant to the Commission, any recognized exchange company under the Ordinance, any clearing house, any recognized exchange controller and any company of which a recognized exchange controller is a controller, and any such supply of information shall not be treated as a publication for the law of defamation, and the Exchange and a recognized exchange controller which is the controller of the Exchange shall not incur any liability as a consequence of supplying any such information.

(2) The Commission may demand from the Exchange such information, including information relating to the affairs of any Exchange Participant, as the Commission may reasonably require for the performance of its statutory functions, and the supply of such information by the Exchange shall not be treated as a publication for the law of defamation, and the Exchange and a recognized exchange controller which is the controller of the Exchange shall not incur any liability as a consequence of supplying any such information.

CHAPTER 5

TRADING

Operational Trading Rules

Trading Hours

501. (1) Trading on the Exchange is conducted on every weekday, unless otherwise determined by the Board (excluding Saturdays and public holidays) at the times specified below or at such other times as may be determined by the Chief Executive in consultation with the Chairman and 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 1:00 p.m. and end at 4:00 p.m..

There is no Afternoon Session on the eves of Christmas, New Year and Lunar New Year.

(2) In addition to the trading hours specified in Rule 501(1), trading on the Exchange is also conducted during the Pre-opening Session and the Closing Auction Session unless otherwise determined by the Board from time to time.

501A. In addition to the trading hours specified in Rule 501, trading of the Extended Trading Securities on a trading day is also conducted during the Extended Morning Session unless otherwise determined by the Board from time to time.

There is no Extended Morning Session on the eves of Christmas, New Year and Lunar New Year.

501B. Unless otherwise determined by the Board, there shall be no Extended Morning Session on a trading day if there is no morning session on that day for whatever reason.

Extended Trading Securities

501C. (1) The following Rules shall not apply to the trading of the Extended Trading Securities on the Exchange:-
Rule 502
Rule 502A
Rule 520
Rule 523
Rule 526

(2) Unless otherwise determined by the Board, Rules 501D to 501F shall only apply to the Extended Trading Securities.

501D. For the avoidance of doubt, the trading hours for the Extended Trading Securities shall comprise the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session.

501E. (1) All terminal activities (except enquiries) in relation to the Extended Trading Securities are, unless otherwise determined by the Board, to be terminated at the close of trading for the Extended Trading Securities on a trading day or at such times as may be determined by the Chief Executive in consultation with the Chairman and the Commission.

(2) Each selling Exchange Participant shall input into the System details of a sale transaction in respect of the Extended Trading Securities within 15 minutes after the conclusion of the transaction, but before the close of trading for the Extended Trading Securities on a trading day for transactions concluded on that trading day. Any transactions in respect of the Extended Trading Securities not recorded in the System before the close of trading for the Extended Trading Securities as aforesaid shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session or the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made. This Rule shall apply to all transactions in respect of the Extended Trading Securities other than direct business transactions and transactions concluded by automatic order matching. A selling Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board.

(3) Each buying Exchange Participant of the Extended Trading Securities shall review details of the transactions in respect of the Extended Trading Securities as recorded in its favour in the System and reject any erroneous input as soon as it discovers an error but before the close of trading for the Extended Trading Securities on a trading day for transactions input during that trading day.

501F. (1) It is the duty of every Exchange Participant conducting direct business transactions in respect of the Extended Trading Securities within the Pre-opening Session, the trading hours stipulated in Rule 501(1), the Extended Morning Session and the Closing Auction Session to input details of such transactions into the System within the following time limits (or other time limits as the Exchange may from time to time determine):

(i) in respect of direct business transactions which are ATS transactions, on a trade-by-trade basis immediately and in any case, within 1 minute after the conclusion of the transactions; and

(ii) in respect of all other direct business transactions, within 15 minutes after the conclusion of the transactions,

and in any event before the close of trading for the Extended Trading Securities on a trading day for transactions concluded on that trading day provided that no such duty exists for transactions concluded by automatic order matching. Any transactions in respect of the Extended Trading Securities not recorded in the System before the close of trading for the Extended Trading Securities as aforesaid shall be reported to the Exchange within the order input period, the no-cancellation period and the random

matching period of the Pre-opening Session or the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

(2) Direct business transactions in respect of the Extended Trading Securities conducted outside the trading hours for the Extended Trading Securities shall be reported within the first 15 minutes of the commencement of trading on the next trading session as transactions concluded during that trading session on which the reporting has been made provided that if the next trading session is a Pre-opening Session, such direct business transactions shall be reported within the order input period, the no-cancellation period and the random matching period of that Pre-opening Session or the first 15 minutes of the commencement of trading on the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

(3) The price of every direct business transaction in respect of the Extended Trading Securities concluded during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is lower, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is higher, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 501F(3) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session.

Pre-opening Session

501G. (1) Unless otherwise determined by the Exchange, the Pre-opening Session shall comprise four periods in the following sequence:

(i) the order input period which shall commence at 9:00 a.m. and end at 9:15 a.m.;

(ii) the no-cancellation period which shall commence at 9:15 a.m. and end at 9:20 a.m.;

(iii) the random matching period which shall commence at 9:20 a.m. and end at any time no later than 9:22 a.m.; and

(iv) the blocking period which shall commence at the end of the random matching period and end at 9:30 a.m..

(1A) The Exchange may prescribe from time to time in its absolute discretion a list of POS securities as eligible for trading in the Pre-opening Session. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of POS securities.

(1B) For the purpose of Rule 501(G)(3), unless otherwise determined by the Exchange,

(a) the upper price limit means a price which is 15% (or such other percentage as the Exchange may from time to time determine) higher than the POS reference price, rounded down to the nearest spread; and

(b) the lower price limit means a price which is 15% (or such other percentage as the Exchange may from time to time determine) lower than the POS reference price, rounded up to the nearest spread.

(2) During the order input period, at-auction orders and at-auction limit orders each with a specified price that does not deviate more than 15% from the POS reference price may be input into the System provided that each short selling order input into the System during the Pre-opening Session shall be an at-auction limit order and in accordance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). All orders input into the System during the order input period may be amended or cancelled. An auction order that is amended in connection with a reduction in size shall not affect the time priority of the original auction order. An auction order that is amended in connection with specified price or an increase in size will result in the loss of time priority of the original auction order.

(3) During the no-cancellation period and the random matching period, only at-auction orders and at-auction limit orders each with a specified price:-

(a) that does not deviate more than 15% from the POS reference price;

(b) (in respect of buy orders) within the range of the lower price limit and the higher of the highest bid price and the lowest ask price of the orders recorded in the System at the end of the order input period (if available);

(c) (in respect of sell orders) within the range of the upper price limit and the lower of the lowest ask price and the highest bid price of the orders recorded in the System at the end of the order input period (if available); and

(d) (in respect of short selling orders to be input into the System during the Pre-opening Session in accordance with Rule 563D(1) only) that is at or above the POS reference price (except where the Designated Security is a Market Making Security approved by the Commission to be excluded from the application of Regulation (15) in the Eleventh Schedule to these Rules),

may be input into the System but no order shall be amended or cancelled.

(3A) The Exchange has the right to waive the application of Rule 501G(3), including but not limited to on the first day of trading of an issue of securities and upon the resumption of trading of an issue of securities from trading suspension.

(3B) The random matching period may end at any time, as determined automatically and randomly by the System, no later than 9:22 a.m.. For the avoidance of doubt, the random matching period in relation to all POS securities will end at the same time.

(4) Commencing at the end of the random matching period, automatic order matching of the auction orders shall be conducted in accordance with Rule 517(1)(a) and no order shall be input into the System, amended or cancelled. All transactions so concluded based on the methodology specified in Rule 517(1)(a) shall be deemed to have been concluded at the end of the random matching period.

(5) During the blocking period, the System shall be static for transition from the Pre-opening Session to the Continuous Trading Session and no order shall be input into the System, amended or cancelled.

(6) For the avoidance of doubt, if no POS reference price in respect of a POS security is available, the price limits or restrictions which are made with reference to POS reference price, as referred to in Rules 501G(2) and 501G(3), shall not apply to the orders for the POS securities, unless the Exchange otherwise determines.

501H. (1) An IEP will be calculated according to the following rules only if the highest bid price of the buy at-auction limit orders is equal to or higher than the lowest ask price of the sell at-auction limit orders:

(a) the IEP shall be one of the bid prices or ask prices which falls within the range of the highest bid price of the buy at-auction limit orders and the lowest ask price of the sell at-auction limit orders (inclusive of both prices) at which the aggregate size of the trades to be concluded based on the methodology specified in Rule 517(1)(a) is maximised;

(b) if more than one price satisfies Rule 501H(1)(a), the IEP shall be the price at which the normal order imbalance is the lowest. For the purposes hereof, normal order imbalance, in relation to a price, means the difference between the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price and the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;

(c) if more than one price satisfies Rule 501H(1)(b), the IEP shall be-

(i) the highest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is greater than the aggregate size of the sell at-auction

orders and the sell at-auction limit orders with ask prices at or better than that price; or

(ii) the lowest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is smaller than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;

(d) if more than one price satisfies Rule 501H(1)(b) and 501H(1)(c) does not apply, the IEP shall be the price which is the closest to the previous closing price. If two prices are of equidistant from the previous closing price, the IEP shall be the higher of the two prices. However, if the previous closing price is not available, the IEP shall be the highest of such prices.

(2) If an IEP is calculated in accordance with Rule 501H(1) at the end of the random matching period of the Pre-opening Session, at-auction orders and at-auction limit orders with specified prices at or better than such IEP shall be matched by automatic order matching at such IEP commencing from the end of the random matching period of the Pre-opening Session based on the methodology specified in Rule 517(1)(a).

(3) If no IEP is calculated at the end of the random matching period of the Pre-opening Session in accordance with Rule 501H(1), there will be no automatic order matching commencing from the end of the random matching period of the Pre-opening Session and the auction orders (if any) shall be dealt with in accordance with Rule 501I as with auction orders which remain wholly or partly unmatched at the end of the random matching period of the Pre-opening Session.

501I. At the end of the random matching period of the Pre-opening Session when automatic order matching is completed, all auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically except for those at-auction limit orders the specified price of each of which does not deviate 9 times or more from the nominal price at that time. Such at-auction limit orders shall be converted to limit orders at the input specified price and carried forward to the Continuous Trading Session of the same trading day for automatic order matching. The order entry time of such converted limit orders shall be the time the at-auction limit orders were originally entered into the System. If there is no Continuous Trading Session on that trading day for whatever reason, such at-auction limit orders shall be cancelled and deleted from the System at the end of that trading day.

501J. [Repealed]

501K. [Repealed]

Closing Auction Session

501L. (1) The Exchange may prescribe from time to time in its absolute discretion a list of CAS securities as eligible for trading in the Closing Auction Session. For

the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of CAS securities.

(2) The Closing Auction Session shall comprise four periods in the following sequence: (i) the reference price fixing period; (ii) the order input period; (iii) the no-cancellation period and (iv) the random closing period. The duration of each of the four periods may be prescribed by the Exchange from time to time.

(3) (a) During the reference price fixing period, the CAS reference price of the CAS securities on that trading day will be calculated and no order shall be input into the System, amended or cancelled.

(b) For the purpose of Rule 501L(4), unless otherwise determined by the Exchange,

(i) the upper price limit means a price which is 5% (or such other percentage as the Exchange may from time to time determine) higher than the CAS reference price, rounded down to the nearest spread; and

(ii) the lower price limit means a price which is 5% (or such other percentage as the Exchange may from time to time determine) lower than the CAS reference price, rounded up to the nearest spread.

(4) All outstanding buy limit orders for a CAS security each with a specified price of not higher than the upper price limit and all outstanding sell limit orders for a CAS security each with a specified price of not lower than the lower price limit which remain wholly or partly unmatched at the close of the Continuous Trading Session immediately preceding the Closing Auction Session shall be treated as at-auction limit orders at the input specified price and carried forward to the Closing Auction Session of the same trading day for automatic order matching. The order entry time of such converted at-auction limit orders shall be the time the limit orders were originally entered into the System. All other outstanding buy limit orders and sell limit orders for a CAS security which remain wholly or partly unmatched at the close of the Continuous Trading Session shall be cancelled and deleted from the System automatically.

(5) (a) During the order input period, at-auction orders and at-auction limit orders each with a specified price that does not deviate more than 5% from the CAS reference price may be input into the System provided that each short selling order input into the System during the Closing Auction Session shall be an at-auction limit order and in accordance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). Except as provided in paragraph (b) below, all orders may be amended or cancelled provided that any outstanding short selling order carried forward to the Closing Auction Session that is amended in connection with the specified price shall only be made in compliance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). An auction order that is amended in connection with a reduction in size shall not affect the time priority of the original auction order. An auction order that is amended in connection with the specified price or an increase in size will result in

the loss of time priority of the original auction order.

(b) An outstanding Securities Market Maker Short Selling order carried forward to the Closing Auction Session pursuant to Rule 501L(4) may be amended in connection with a reduction in size or cancelled. For the avoidance of doubt, such order shall not be amended in connection with the specified price or an increase in size during the order input period.

(6) During the no-cancellation period and the random closing period up to the close of the Closing Auction Session, at-auction orders and at-auction limit orders each with a specified price (a) that does not deviate more than 5% from the CAS reference price; (b) (if available) within the range of the lowest ask price and the highest bid price of the orders recorded in the System at the end of the order input period; and (c) (in respect of short selling orders to be input into the System during the Closing Auction Session in accordance with Rule 563D(1) only) that is at or above the CAS reference price (except where the Designated Security is a Market Making Security approved by the Commission to be excluded from the application of Regulation (15) in the Eleventh Schedule to these Rules) may be input into the System but no order shall be amended or cancelled.

(7) The random closing period may end at any time, as determined automatically and randomly by the System, no later than 4:10 p.m. or 12:10 p.m., as the case may be. For the avoidance of doubt, the random closing period in relation to all CAS securities will end at the same time and the Closing Auction Session will close at the end of the random closing period.

(8) Commencing at the end of the random closing period, automatic order matching of the auction orders shall be conducted in accordance with Rule 517(1)(a) and no order shall be input into the System, amended or cancelled. All transactions so concluded based on the methodology specified in Rule 517(1)(a) shall be deemed to have been concluded at the end of the random closing period.

(9) For the avoidance of doubt, if no CAS reference price in respect of an issue of CAS securities is available, the price limits or restrictions which are made with reference to CAS reference price, as referred to in Rules 501L(4), 501L(5) and 501L(6), shall not apply to the orders for the CAS securities, unless the Exchange otherwise determines.

501M. (1) An IEP will be calculated according to the following rules only if the highest bid price of the buy at-auction limit orders is equal to or higher than the lowest ask price of the sell at-auction limit orders:

(a) the IEP shall be one of the bid prices or ask prices which falls within the range of the highest bid price of the buy at-auction limit orders and the lowest ask price of the sell at-auction limit orders (inclusive of both prices) at which the aggregate size of the trades to be concluded based on the methodology specified in Rule 517(1)(a) is maximised;

(b) if more than one price satisfies Rule 501M(1)(a), the IEP shall be the price at which the normal order imbalance is the lowest. For the

purposes hereof, normal order imbalance, in relation to a price, means the difference between the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price and the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;

(c) if more than one price satisfies Rule 501M(1)(b), the IEP shall be-

(i) the highest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is greater than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price; or

(ii) the lowest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is smaller than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;

(d) if more than one price satisfies Rule 501M(1)(b) and 501M(1)(c) does not apply, the IEP shall be the price which is the closest to the CAS reference price. If two prices are of equidistant from the CAS reference price, the IEP shall be the higher of the two prices. However, if the CAS reference price is not available, the IEP shall be the highest of such prices.

(2) If an IEP is calculated in accordance with Rule 501M(1) at the end of the random closing period of the Closing Auction Session, at-auction orders and at-auction limit orders with specified prices at or better than such IEP shall be matched by automatic order matching at such IEP commencing from the end of the random closing period of the Closing Auction Session based on the methodology specified in Rule 517(1)(a). All auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically at the end of that trading day.

(3) If no IEP is calculated at the end of the random closing period of the Closing Auction Session in accordance with Rule 501M(1), the CAS reference price shall be treated as IEP, at-auction orders and at-auction limit orders with specified prices at or better than the CAS reference price shall be matched by automatic order matching at the CAS reference price commencing from the end of the random closing period of the Closing Auction Session. All auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically at the end of that trading day.

(4) If no IEP is calculated at the end of the random closing period of the Closing Auction Session in accordance with Rule 501M(1) and if no CAS reference price is available and treated as IEP pursuant to Rule 501M(3), there will be no automatic order matching at the end of the random closing period of the Closing Auction Session and the auction orders (if any) shall be cancelled and

deleted from the System automatically at the end of that trading day.

Termination of terminal activities

502. All terminal activities (except enquiries) shall, unless otherwise determined by the Board, be terminated:

(a) at the end of the random matching period for the Pre-opening Session;

(b) at the end of the Morning Session for the Morning Session if it is not followed immediately by the Closing Auction Session;

(c) at the end of the Closing Auction Session; and

(d) at such time or times as may be determined by the Chief Executive in consultation with the Chairman and the Commission.

Cancellation of orders

502A. Cancellation of orders entered in the Morning Session is permitted from 30 minutes before the Afternoon Session of the same trading day unless otherwise determined by the Board.

Designation and re-designation of automatch or non-automatch stock

502B. [Repealed]

502C. [Repealed]

Trading of automatch stocks during the Pre-opening Session and the Closing Auction Session

502D. All automatch stocks which are POS securities shall be eligible for trading during the Pre-opening Session and all automatch stocks which are CAS securities shall be eligible for trading during the Closing Auction Session unless otherwise determined by the Board. The Board has absolute discretion at any time to determine the eligibility of any issue of securities for trading during the Pre-opening Session and the Closing Auction Session. Notwithstanding any other provisions contained in these Rules, in the event that any issue of securities is determined by the Board to be not eligible for trading during the Pre-opening Session or the Closing Auction Session, there shall be no terminal activities relating to such issue of securities during the Pre-opening Session or the Closing Auction Session.

Opening Quotations

503. (1) The opening quotation, if made during the Pre-opening Session, shall be made as follows: the first bid price (where there has been no first ask of the day) or the first ask price (where there has been no first bid of the day) shall not in any case deviate 9 times or more from the previous closing price, if available.

(2) The opening quotation, if made during the Continuous Trading Session, shall be made in accordance with the following requirements:-

(I) with respect to any automatch stocks other than Exchange Traded Funds-

(a) where there has been no first ask of the day, the first bid price must be higher than or equal to the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price; and

(b) where there has been no first bid of the day, the first ask price must be lower than or equal to the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price,

provided that such first bid or first ask price shall not in any case deviate 9 times or more from the previous closing price, if available; and

(II) with respect to Exchange Traded Funds-

(a) where there has been no first ask of the day, the first bid price must be higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price; and

(b) where there has been no first bid of the day, the first ask price must be lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price,

provided that such first bid or first ask price shall not in any case deviate 9 times or more from the previous closing price, if available.

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) [Repealed]

504. The Exchange has the right to waive the application of Rule 503, including but not limited to the first day of the ex-dividend quotation of an issue of securities.

Quotations

505. Rules 506A and 507A do not apply to auction orders and such orders can only be input into the System during the Pre-opening Session subject to Rule 501G or the Closing Auction Session subject to Rule 501L. Limit orders, enhanced limit orders and special limit orders can only be input into the System during the trading hours prescribed in Rule 501(1) provided that, if applicable, such orders in respect of the Extended Trading Securities can also be input into the System during the Extended Morning Session. For the avoidance of doubt,

(1) if an order is input into the System through the Central Gateway session designated to an Exchange Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Exchange Participant; and

(2) if an order is input into the System through the Special Participant Central Gateway session or Backup Special Participant Central Gateway session designated to a Special Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Special Participant.

505A. Without prejudice to the generality of Rules 506A and 507A, a buy order or a sell order shall not be made at a price that deviates 9 times or more from the nominal price, if available.

506. [Repealed]

506A. For quotations other than the opening quotation, a buy order (other than a buy auction order) may be made during the Continuous Trading Session as follows:-

(1) with respect to any automatch stocks other than Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-

(a) a limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price and (B) the current ask price;

(b) an enhanced limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price and (B) nine spreads above the current ask price; and

(c) a special limit order may be made at a price higher than or equal to the current ask price.

(1A) with respect to Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-

(a) a limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the

current bid price and (B) the current ask price;

(b) an enhanced limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price and (B) nine spreads above the current ask price; and

(c) a special limit order may be made at a price higher than or equal to the current ask price.

(2) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing buy order on the primary queue-

(a) a limit order may be made at a price within the range of (A) the current ask price and (B) the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day;

(b) an enhanced limit order may be made at a price within the range of (A) nine spreads above the current ask price and (B) the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day; and

(c) a special limit order may be made at a price higher than or equal to the current ask price.

(2A) with respect to Exchange Traded Funds and where there is no existing buy order on the primary queue-

(a) a limit order may be made at a price within the range of (A) the current ask price and (B) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day;

(b) an enhanced limit order may be made at a price within the range of (A) nine spreads above the current ask price and (B) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day; and

(c) a special limit order may be made at a price higher than or equal to the current ask price.

(3) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing sell order on the primary queue, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price.

(3A) with respect to Exchange Traded Funds and where there is no existing sell order on the primary queue, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price.

(4) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the last ask price, the previous closing price and the lowest transacted price of the day provided that if both the previous closing price and the lowest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price higher than or equal to or lower than the last ask price.

(4A) with respect to Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the last ask price, the previous closing price and the lowest transacted price of the day provided that if both the previous closing price and the lowest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price higher than or equal to or lower than the last ask price.

507. [Repealed]

507A. For quotations other than the opening quotation, a sell order (other than a sell auction order) may be made during the Continuous Trading Session as follows:-

(1) with respect to any automatch stocks other than Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-

(a) a limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) the current bid price;

(b) an enhanced limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 5% or other percentage

prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) nine spreads below the current bid price; and

(c) a special limit order may be made at a price lower than or equal to the current bid price.

(1A) with respect to Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-

(a) a limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) the current bid price;

(b) an enhanced limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) nine spreads below the current bid price; and

(c) a special limit order may be made at a price lower than or equal to the current bid price.

(2) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing sell order on the primary queue-

(a) a limit order may be made at a price within the range of (A) the current bid price and (B) the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day;

(b) an enhanced limit order may be made at a price within the range of (A) nine spreads below the current bid price and (B) the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day; and

(c) a special limit order may be made at a price lower than or equal to the current bid price.

(2A) with respect to Exchange Traded Funds and where there is no existing sell order on the primary queue-

(a) a limit order may be made at a price within the range of (A) the current bid price and (B) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time

(rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day;

(b) an enhanced limit order may be made at a price within the range of (A) nine spreads below the current bid price and (B) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day; and

(c) a special limit order may be made at a price lower than or equal to the current bid price.

(3) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing buy order on the primary queue, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price.

(3A) with respect to Exchange Traded Funds and where there is no existing buy order on the primary queue, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price.

(4) with respect to automatch stocks other than Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the last bid price, the previous closing price and the highest transacted price of the day provided that if both the previous closing price and the highest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price lower than or equal to or higher than the last bid price.

(4A) with respect to Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the last bid price, the previous closing price and the highest transacted price of the day provided that if both the previous closing price and the highest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price lower than or equal to or higher than the last bid price.

508. All bids and offers must be firm. The liability of posting an order for an automatch stock in the System for automatic order matching is the full order quantity input into

the System.

509. [Repealed]

510. [Repealed]

511. The lengths of all queues in respect of any securities shall be prescribed by the Board from time to time. The Board has absolute discretion at any time to prescribe different lengths of queues in respect of any securities for different trading sessions.

512. The scale of spreads and board lots may be amended from time to time by the Exchange. A Spread Table is prescribed in the Second Schedule to these Rules.

513. [Repealed]

Volatility Control Mechanism

513A. (1) The Exchange may impose a Volatility Control Mechanism on selected securities. Unless otherwise determined by the Exchange, the operation of the VCM in relation to a VCM security involves –

(a) a VCM monitoring period as set out in Rule 513B(1) during which a cooling-off period may be triggered pursuant to Rule 513B; and

(b) (where applicable) cooling-off period(s) during which trading shall be subject to Rule 513C.

(2) The Exchange may prescribe from time to time in its absolute discretion a list of VCM securities which are subject to the VCM. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of VCM securities.

(3) Rules 513B and 513C shall not apply to odd lot orders and special lot orders.

513B. (1) All orders for a VCM security input into the System during the Continuous Trading Session, with the exception of the following periods, shall be subject to VCM monitoring:

(a) the first 15 minutes of the Morning Session;

(b) the last 20 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year;

(c) the first 15 minutes and the last 20 minutes of the Afternoon Session; and

(d) such other time or times as the Exchange may from time to time prescribe.

(2) For the purposes of Rules 513B(3), 513C(2) and 513C(3), unless otherwise determined by the Exchange –

(a) the upper price limit means a price which is the VCM percentage above the VCM reference price, rounded down to the nearest spread; and

(b) the lower price limit means a price which is the VCM percentage below the VCM reference price, rounded up to the nearest spread.

(3) During the VCM monitoring period, a cooling-off period will be triggered and commence immediately when any order or any remaining unmatched part of an order for a VCM security which, if matched in the System, will be at a price that is -

(a) higher than the upper price limit; or

(b) lower than the lower price limit.

(4) In respect of each VCM security, a cooling-off period may be triggered more than once in each of the Morning Session and the Afternoon Session. For the avoidance of doubt, there will be no cooling-off period in the last 15 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year, and the last 15 minutes of the Afternoon Session.

513C. (1) A cooling-off period triggered during the Morning Session or the Afternoon Session pursuant to Rule 513B(3) shall last for 5 minutes (or such other duration as may be determined by the Exchange from time to time) from its commencement or until the end of the Morning Session or the Afternoon Session (as the case may be), whichever ends earlier. Where applicable, VCM monitoring of the relevant VCM security will resume at the end of the cooling-off period.

(2) On the commencement of a cooling-off period, unless otherwise determined by the Exchange,

(a) the order or the remaining unmatched part of any order, as the case may be, that triggered the cooling-off period will be rejected by the System. For the avoidance of doubt, the whole of such order or the whole of such remaining unmatched part of the order, as the case may be, will be rejected and will not be matched in the System; and

(b) (i) where the cooling-off period is triggered pursuant to Rule 513B(3)(a), all buy orders, including the remaining unmatched part of any buy orders, for the relevant VCM security on any buying queues in the System with a price higher than the upper price limit will be cancelled and deleted from the System automatically; or

(ii) where the cooling-off period is triggered pursuant to Rule 513B(3)(b), all sell orders, including the remaining unmatched part of any sell orders, for the relevant VCM security on any selling queues in the System with a price lower than the lower price limit will be cancelled and deleted from the System

automatically.

(3) Unless otherwise determined by the Exchange, during a cooling-off period,

(a) the price of any buy order input into the System shall not be higher than the upper price limit; and

(b) the price of any sell order input into the System shall not be lower than the lower price limit.

Self-match Prevention

513D. An 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 Exchange Participant or each client or other person approved by the Exchange under the Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the 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.

513E. An Exchange Participant acknowledges that orders tagged with an SMP ID entered into the System 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.

513F. An SMP ID may be used by more than one Exchange Participant. An 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 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 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 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.

513G. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an 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 Exchange Participant, suspend or prohibit the 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.

513H. Notwithstanding any other provisions contained in these Rules, if more than one Exchange Participant applies to the Exchange for SMP service for the same person, each Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Exchange Participant(s) as the Exchange

considers appropriate.

Odd Lot and Special Lot Quotations

514. Odd lot orders, special lot orders to be made at a price below the lowest price limits as prescribed by the Exchange from time to time and orders to be made at a price below the lowest price limits as prescribed by the Exchange from time to time shall be input into the System by using the operation specified for odd lot transactions. Such orders can only be input into the System as aforesaid during the trading hours prescribed in Rule 501(1) and, in respect of the Extended Trading Securities, the Extended Morning Session as well.

515. [Repealed]

516. The Spread Table is also applicable to orders input into the System in accordance with Rule 514. However, Rules 506A and 507A do not apply to orders input into the System in accordance with Rule 514.

516A. Rule 505A is also applicable to orders input into the System in accordance with Rule 514 except when the nominal price in respect of an issue of securities is at the lowest price limit as prescribed by the Exchange under Rule 514, the lowest input price of such orders in respect of that issue of securities may be extended to $0.001 or such other price as the Exchange shall from time to time prescribe.

Transactions

517. (1) (a) During the Pre-opening Session and the Closing Auction Session, one or more transactions are struck upon completion of matching by the System based on the application of a strict order type, price and time priority methodology. For the purposes hereof, the strict order type, price and time priority methodology to be applied by the System in effecting automatic order matching during the Pre-opening Session and the Closing Auction Session is as follows: at-auction orders shall carry a higher matching priority than at-auction limit orders; the priority of matching at-auction orders shall be determined by order entry time; the priority of matching of at-auction limit orders shall be determined by the specified price; and the priority of matching at-auction limit orders with the same specified price shall be determined by order entry time.

(b) During the Continuous Trading Session, one or more transactions are struck upon completion of matching by the System based on the application of a strict price and time priority methodology. For the purposes hereof, the strict price and time priority methodology to be applied by the System in effecting automatic order matching during the Continuous Trading Session is as follows: the priority of matching shall be determined by orders which reflect the best specified price; and priority of orders within a queue shall be determined by order entry time. This Rule shall not apply to odd lot order transactions which will be struck upon completion of matching by manual selection through the System.

(2) [Repealed]

(3) [Repealed]

(4) All transactions in auto-match stocks must be concluded by automatic order matching in the System unless otherwise prescribed by the Board provided that transactions concluded by using the operation specified for odd lot transactions, transactions concluded outside of the System, direct business transactions, Isolated Trades entered into for purposes of effecting a Buy-in as defined in the HKSCC Rules, and orders exceeding the size limit prescribed in Rule 517(6) shall be exempted from complying with this requirement.

(5) [Repealed]

(6) Orders for an automatch stock input into the System for automatic order matching must be within a size limit prescribed by the Board from time to time to be eligible for automatic order matching. The Board has absolute discretion to prescribe from time to time different size limits for different order types or orders input into the System during different trading sessions. The Chief Executive after consultation with the Chairman of the Board and the Commission may vary temporarily the order size limit for different types or categories of securities, or in cases of operational needs, or in emergency situations.

517A. [Repealed]

517B. All transactions in respect of an Eligible Security (other than a China Connect Security) that are recognized by the Exchange shall be settled in CCASS, and delivery and settlement in relation to such transactions shall be effected in accordance with the HKSCC Rules. Notwithstanding the foregoing, subsequent to a transaction having been made between two Exchange Participants, the method of settlement may be amended by mutual agreement between the Exchange Participants concerned or in accordance with the HKSCC Rules.

518. The price of every transaction concluded during the Continuous Trading Session (other than that concluded outside of the System in accordance with Rule 518A or 518B) must be within the range of the current bid price and the current ask price as displayed in the System at the moment of the transaction. In case there is no current bid price, then the price of a transaction shall be at the current ask price and vice versa. This Rule shall not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session.

518A. The price of every transaction concluded outside of the System during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is lower, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is higher, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 518A shall

not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session and transactions with respect to Exchange Traded Funds.

518B. With respect to Exchange Traded Funds, the price of every transaction concluded outside of the System during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is lower, twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is higher, twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 518B shall not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session.

519. Every transaction, except for odd lot and special lot transactions, must be for a board lot or multiples of a board lot.

519A. All transactions in respect of a structured product must only be for a board lot or multiples of a board lot. Exchange Participants shall only input orders or transactions relating to the structured product into the System for a board lot or multiples of a board lot.

520(1). Each selling Exchange Participant shall input into the System details of a sale transaction within 15 minutes after the conclusion of the transaction, but not later than:

(a) 15 minutes after the commencement of the Morning Session in respect of transactions concluded in the Pre-opening Session;

(b) the end of the Morning Session in respect of transactions concluded in the Morning Session and (where the Morning Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Morning Session;

(c) the end of the Afternoon Session in respect of transactions concluded in the Afternoon Session and (where the Afternoon Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Afternoon Session; and

(d) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Closing Auction Session.

520(2). Any transactions not recorded in the System before the end of trading on a trading day shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session, or within the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the

commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

520(3). Rules 520(1) and 520(2) shall apply to all transactions other than direct business transactions and transactions concluded by automatic order matching.

520(4). In respect of a sale transaction relating to an issue of a structured product concluded for the account of the issuer of the structured product or its associates, the selling Exchange Participant shall, in addition to complying with the requirements of Rules 520(1) to 520(2), report to the Exchange in such manner as the Board shall from time to time determine.

520(5). A selling Exchange Participant which fails to comply with Rules 520(1) to 520(4) shall be liable to disciplinary action by the Board.

521. The selling Exchange Participant shall input the broker number of the corresponding buying Exchange Participant when entering a transaction and shall not input the number of any other Exchange Participant.

522. All inputs are valid subject to these Rules unless otherwise determined by the Board. Subject to Rule 544(1), all trades concluded under Rule 517(1)(a) or Rule 517(1)(b) shall not be amended or cancelled and will be recognized by the Exchange unless otherwise determined by the Board.

Review and Rejection

523. Each buying Exchange Participant shall review details of the transactions as recorded in its favour in the System and reject any erroneous input as soon as it discovers an error but not later than:

(a) the end of the random matching period in respect of transactions inputted into the System during the Pre-opening Session;

(b) the end of the Morning Session in respect of transactions inputted into the System during the Morning Session;

(c) the end of the Afternoon Session in respect of transactions inputted into the System during the Afternoon Session; and

(d) the end of the Closing Auction Session in respect of transactions inputted into the System during the Closing Auction Session.

Securities Traded in Foreign Currencies

524. Exchange Participant when inputting orders or transactions relating to securities traded in foreign currencies into the System shall take note of the 'unit' of each currency as prescribed in the Currencies Table in the Third Schedule to these Rules. The 'unit' indicates the number by which the price of the issue of securities has to be divided before inputting into the System. For example, Japanese Yen is entered in units of 1,000. The price of an issue of securities in Japanese Yen at 10,000 Yen should be entered into the System as 10 Yen.

Interest Bearing Securities

525. All interest bearing securities are to be quoted in units of $100 of their nominal value or such other value as the Board may determine from time to time.

525A. (1) Only professional investors are allowed to purchase debt securities listed on the Exchange under Chapter 37 of the Main Board Listing Rules.

(2) Each Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rule 525A(1), including but not limited to (a) not accepting any instruction to purchase such debt securities or inputting any order for such debt securities for any direct client of the Exchange Participant unless it is reasonably satisfied that the client is a professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only professional investors are allowed to purchase such debt securities. In the event an Exchange Participant has failed to comply with the requirements under this Rule 525A, the Exchange Participant shall consider taking, and the Exchange may require the Exchange Participant to take, such actions or measures as may be necessary to remedy or rectify any non-compliance or to prevent any further non-compliance.

Direct Business

526. (1) (a) It is the duty of every Exchange Participant conducting direct business transactions within the Pre-opening Session, the trading hours stipulated in Rule 501(1) and the Closing Auction Session to input details of such transactions into the System within the following time limits (or other time limits as the Exchange may from time to time determine):

(i) in respect of direct business transactions which are ATS transactions, on a trade-by-trade basis immediately and in any case, within 1 minute after the conclusion of the transactions; and

(ii) in respect of all other direct business transactions, within 15 minutes after the conclusion of the transactions,

and in any event not later than

(i) 15 minutes from the commencement of the Morning Session in respect of transactions concluded during the Pre-opening Session,

(ii) the end of the Morning Session in respect of transactions concluded during the Morning Session and (where the Morning Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Morning Session;

(iii) the end of the Afternoon Session in respect of transactions concluded

during the Afternoon Session and (where the Afternoon Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Afternoon Session; and

(iv) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Closing Auction Session.

provided that no such duty exists for transactions concluded through automatic order matching.

(b) Any transactions not recorded in the System before the end of trading of the relevant securities on a trading day shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session, or within the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting is made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session in which the reporting is made.

(c) In respect of

(i) a direct business transaction relating to an issue of a structured product concluded for the account of the issuer of the structured product or its associates; or

(ii) a direct business transaction which is an ATS transaction,

the Exchange Participant shall, in addition to the above requirements, report to the Exchange in such manner, at such time or times and with such details as the Exchange shall from time to time determine.

(2) Direct business transactions conducted outside the Pre-opening Session, the trading hours stipulated in Rule 501(1) and the Closing Auction Session shall be reported within the first 15 minutes of the commencement of trading on the next trading session as transactions concluded during that trading session on which the reporting has been made provided that if the next trading session is a Pre-opening Session, such direct business transactions shall be reported within the order input period, the no-cancellation period and the random matching period of that Pre-opening Session or the first 15 minutes of the commencement of trading on the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

(3) The price of every direct business transaction concluded during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is lower, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the

previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is higher, twenty-four spreads or 5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 526(3) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session and transactions with respect to Exchange Traded Funds.

(3A) With respect to Exchange Traded Funds, the price of every direct business transaction concluded during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is lower, twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is higher, twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 526(3A) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session.

527. Direct business transactions once recorded by the System cannot be cancelled by the Exchange Participant concerned, unless expressly provided for under these Rules or otherwise directed by the Board. The Board may instruct that an erroneous direct business transaction be cancelled if the Exchange Participant concerned discovers an error and reports the case to the Exchange and the Board is satisfied that the error was not committed intentionally. Upon a cancellation instruction being made, the Exchange will certify to the Exchange Participant concerned that such record has been cancelled. The method of certification will be circularised by the Board and may be changed from time to time as so determined by the Board.

Day-end Review of Sales/Purchases

528. (1) (a) It is the duty of every Exchange Participant to review both sales and purchases journals at the end of each trading session. Any discrepancy, erroneous transaction or complaint should be reported to the Exchange in the form prescribed by the Board from time to time not later than 15 minutes after the commencement of the Morning Session of the next trading day.

(b) A Special Participant shall review all sales and purchases at the end of each trading session. Any discrepancy, erroneous transaction or complaint should be reported to the Exchange in the form prescribed by the Board from time to time not later than 15 minutes after the commencement of the Morning Session of the next trading day.

(2) If an emergency as stipulated in Rule 572 occurs, the Board may in its absolute discretion extend or vary the time within which any discrepancy, erroneous

transaction or complaint should be reported to the Exchange.

Password and Trading Records

529. It is the duty of every Exchange Participant and its Authorised Persons to keep confidential the password assigned by the Exchange and any password subsequently created therefrom. Under no circumstances shall the Exchange Participant distribute or disclose any password to any other person other than its Authorized Person.

530. Under no circumstances may an Exchange Participant enquire into another Exchange Participant's trading records, or use or attempt to use another Exchange Participant's password or other equipment.

531. [Repealed]

Dealing Practices

532. [Repealed]

532A. [Repealed]

532B. [Repealed]

533. [Repealed]

Fees

534. (1) [Repealed]

(2) [Repealed]

(3) Exchange Participants may impose charges in respect of the handling of the registration of share certificates at a rate of $2 per board lot or part thereof.

(4) [Repealed]

535. [Repealed]

536. [Repealed]

536A. [Repealed]

536B. [Repealed]

Disclosure of Information about Clients

537. (1) An Exchange Participant shall, upon the request of the Board or any designated HKEX staff disclose (or where appropriate, cause its clients to disclose) to the Board or such designated HKEX staff, all information regarding the identity of a client about which the 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 Board or any designated HKEX staff may request.

(2) [Repealed]

538. [Repealed]

Investor Identification

538A. (1) In this Rule 538A, unless the context otherwise required:

(a) "aggregated order" shall mean an order which comprises two or more buy orders and/or sell orders for the same security placed by different clients, which may be executed as an on-exchange order or off-exchange order;

(b) "CE number" shall mean a central entity identification number assigned by the Commission to a Relevant Regulated Intermediary;

(c) "client" shall mean a client of a Relevant Regulated Intermediary as defined in paragraph 5.6(m) of the SFC Code of Conduct;

(d) "on-exchange order" shall mean a buy or sell order for a security which is to be executed on the System;

(e) "off-exchange order" shall mean a buy or sell order for a security which is to be executed outside the System and the consummation of which would result in an off-exchange trade; and

(f) "off-exchange trade" shall mean a trade of security which takes place outside the System but is reportable by Exchange Participants to the Exchange pursuant to the Rules.

(2) Pursuant to paragraph 5.6(l) of the SFC Code of Conduct, a Relevant Regulated Intermediary is required to comply with all applicable Rules and other requirements as the Exchange prescribes in relation to the assignment of BCANs and the submission of BCAN-CID Mapping Files to the Exchange (including the notification of any changes, errors and omissions). As such, this Rule 538A shall apply to a Relevant Regulated Intermediary whether or not it is an Exchange Participant. The Exchange may report any breach of these Rules or any other applicable requirements by a Relevant Regulated Intermediary to the Commission.

(3) A Relevant Regulated Intermediary which is responsible for assigning BCANs, collecting CID and preparing the BCAN-CID Mapping File of its clients in accordance with the requirements under paragraphs 5.6 of the SFC Code of Conduct or otherwise prescribed by the Exchange or the Commission shall submit the BCAN-CID Mapping File to the Exchange in such manner and by

such deadline as the Exchange may prescribe from time to time, either directly or through another Relevant Regulated Intermediary.

(4) Without prejudice to Rule 538A(3), in order to enable an Exchange Participant to input an on-exchange order into the System or report an off-exchange trade for the account of a client on a trading day ("T day"), the Relevant Regulated Intermediary which is responsible for assigning a BCAN to the client shall, either directly or through another Relevant Regulated Intermediary, provide the BCAN-CID Mapping File to the Exchange for validation by the prescribed deadline on or before the previous trading day ("T-1 day"), unless the client is a new client who has opened the trading account with the Relevant Regulated Intermediary on T day or a client whose trading account has been inactive (irrespective of account balance or money movement) for at least 24 months since the last trade, in which case the Relevant Regulated Intermediary shall submit the BCAN-CID Mapping File containing such client's BCAN and CID to the Exchange by the prescribed deadline on T day.

(5) A Relevant Regulated Intermediary which is responsible for assigning BCANs and preparing the BCAN-CID Mapping File shall ensure that all information relating to the BCANs and CID in the BCAN-CID Mapping File which it submits to the Exchange is accurate and up-to-date. It shall notify the Exchange when it becomes aware that any information in the BCAN-CID Mapping File has changed, is inaccurate or should otherwise be updated, including where there is a closure of a client account, addition of a new client account, or a change in CID. A Relevant Regulated Intermediary shall report any correction or update of the CID to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time. A Relevant Regulated Intermediary shall put in place appropriate measures to require its clients to notify the Relevant Regulated Intermediary of any updates to their CID.

Notwithstanding the foregoing, a Relevant Regulated Intermediary shall ensure that the BCANs assigned to its clients will not be changed for a client unless such modification is necessary due to system upgrades or in other exceptional cases, and in such case the Relevant Regulated Intermediary shall report any amendment of the BCAN assignment and the reasons for such amendment to the Exchange in such manner and at such time as the Exchange may prescribe from time to time. A Relevant Regulated Intermediary shall also ensure that the BCANs assigned to its clients will not be re-used, except for a client which has closed and reopened a securities trading account with the Relevant Regulated Intermediary.

(6) (a) When inputting an on-exchange order (except for an odd lot order), an Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN to which the order relates in such manner as the Exchange may prescribe from time to time. An order will be rejected if any of the CE number or the BCAN is missing or is in an invalid format.

(b) For reporting a direct business transaction (except for an odd lot direct business transaction) into the System as required under Rule 501F or Rule 526, an Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the

BCAN to which the transaction relates for both the buy side and sell side in such manner as the Exchange may prescribe from time to time. Reporting of a direct business transaction will not be accepted by the System if any of the CE number or the BCAN for either the buy or sell side is missing or is in an invalid format.

(c) For reporting an off-exchange trade (except for an odd lot transaction) into the System as required under Rule 501E or Rule 520, the selling Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN for the sell side in such manner as the Exchange may prescribe from time to time. Reporting of a sale transaction will not be accepted by the System if any of the CE number or the BCAN is missing or is in an invalid format.

Within 15 minutes after the selling Exchange Participant input the details of a sale transaction into the System or within 30 minutes after the conclusion of the transaction, whichever is later, and in any event before market close, the buying Exchange Participant shall input the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN for the buy side in such manner as the Exchange may prescribe from time to time. In the event any of the CE number or BCAN is missing or is in an invalid format, the reporting of the BCAN for the buy side by the buying Exchange Participant will be rejected by the System. If the buying Exchange Participant fails to input the CE number or the relevant BCAN before market close, it shall report the CE number and the BCAN to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time.

For the avoidance of doubt, an off-exchange trade will be recorded in the System when the selling Exchange Participant completes the input of the sale transaction and will remain valid unless the off-exchange trade is rejected by the buying Exchange Participant before the prescribed deadline, irrespective of whether the buying Exchange Participant has reported the CE number and the BCAN to the Exchange.

(d) If an on-exchange order or off-exchange order is an aggregated order, unless otherwise prescribed by the Exchange, the Relevant Regulated Intermediary which aggregated the order shall tag a specific reserved BCAN value (as the Exchange may prescribe from time to time) to the order to be submitted to the Exchange. The Relevant Regulated Intermediary shall report each order underlying an executed aggregated order in such form the Exchange may prescribe from time to time on or before market close on the third trading day after the execution of the aggregated order ("T+3 day"). In the event that an aggregated order is partially executed, a Relevant Regulated Intermediary is only required to report the portion of the order that has been executed.

(e) In the event of any non-compliance by an Exchange Participant of any requirements under this Rule 538A(6), notwithstanding the rejection of any order or non-acceptance of the reporting of any off-exchange trade, the Exchange Participant which fails to input the CE number or the

relevant BCAN may be subject to further inquiries and disciplinary action by the Exchange.

(f) A Relevant Regulated Intermediary shall put in place appropriate measures to ensure that clients' BCANs or the specific reserved BCAN values (as the Exchange may prescribe from time to time) which are tagged to on-exchange orders or off-exchange trades are correct and valid.

(7) (a) An Exchange Participant which has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) when inputting an order into the System shall promptly cancel the order through the input of a cancellation request into the System if such order has not been matched or executed by the System. If such order has been matched or executed by the System, the Exchange Participant shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time.

(b) In the event that an Exchange Participant has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) in an off-exchange transaction, the Exchange Participant which inputs the incorrect BCAN shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time. If the transaction which includes an incorrect BCAN has been rejected by the buying Exchange Participant, the selling Exchange Participant shall re-input the off–exchange transaction with a correct BCAN into the System, and no reporting of the BCAN correction shall be required.

(c) A Structured Product Liquidity Provider which has included an incorrect BCAN to a quote shall amend such incorrect BCAN directly from the System without cancelling the quote. However, the relevant Structured Product Liquidity Provider shall also report the amendment activity to the Exchange in such manner as the Exchange may prescribe from time to time.

(8) A Relevant Regulated Intermediary shall ensure that all necessary authorizations and written or other express consents are obtained from each existing and new individual client regarding the collection, storage, processing, use, disclosure and transfer of personal data in relation to such client's BCANs and CID, including authorizations and consents which:

(a) allow the Relevant Regulated Intermediary to disclose and transfer the client's personal data (including BCANs and CID) by the Relevant Regulated Intermediary to the Exchange and/or the Commission in accordance with the rules and requirements of the Exchange and the Commission in effect from time to time;

(b) allow the Exchange to: (i) collect, store, process and use their personal data (including BCANs and CID) for market surveillance and monitoring purposes and enforcement of these Rules; (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in

Hong Kong (including, but not limited to, the Commission) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and

(c) allow the Commission to: (i) collect, store, process and use their personal data (including BCANs and CID) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements,

in each case in full compliance with all applicable laws including the Personal Data (Privacy) Ordinance and such that any subsequent purported withdrawal of authorization or consent by an individual client will not affect the continued storage, processing, use, disclosure and transfer of personal data for the above purposes.

(9) If the necessary authorizations and consents under this Rule 538A(8) from an individual client in relation to the collection, storage, processing, use, disclosure and transfer of the BCANs and CID as required under these Rules cannot be obtained by a Relevant Regulated Intermediary or are otherwise invalid or deficient, the Relevant Regulated Intermediary shall not submit any BCAN or CID of that client to the Exchange, and the Exchange Participant executing the on-exchange order or off-exchange order shall only input sell orders in respect of existing holdings of securities for that client (but not any buy orders) into the System or report sale transactions for the account of such client. A specific reserved BCAN value (as the Exchange may prescribe from time to time) should be tagged to such sell order or sale transaction. Subject to the requirements under paragraph 5.6 of the SFC Code of Conduct, the Exchange may impose such criteria, conditions and requirements as the Exchange may in its sole discretion consider appropriate from time to time to determine the orders and transactions which may be allowed to be inputted into the System for such client under such circumstances.

(10) Each Relevant Regulated Intermediary shall implement appropriate and effective measures and take all reasonable steps to ensure compliance with the requirements set out in this Rule 538A and any other requirements pertaining to investor identification as the Exchange may prescribe from time to time.

(11) In addition to any other powers that the Exchange may have under these Rules, the Exchange may at any time require an Exchange Participant to provide the Exchange with such information as it may request to assess whether there is, or the extent of, any non-compliance with the requirements set out in this Rule 538A.

Dealings in Suspended Securities

539. Under no circumstances shall an Exchange Participant deal in suspended securities otherwise than as set out in this Rule. An Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board except that the

following dealings in suspended securities shall not constitute a breach of this Rule:-

(1) where trading in the securities is suspended due to the fact that the minimum prescribed public float requirements under the Main Board Listing Rules or the GEM Listing Rules (as the case may be) are not met, dealing in such securities by an Exchange Participant for the purpose of facilitating the restoration of the prescribed minimum public float provided that the Exchange Participant shall report all such transactions in accordance with the procedures prescribed by the Exchange from time to time;

(2) the return of borrowed securities in which trading is suspended (without creating a new securities borrowing position), or making payment in lieu of such return;

(3) where trading in an applicable Market Making Security is suspended,

(a) the borrowing of shares of such applicable Market Making Security; or

(b) the placing of an order for the creation of shares of such applicable Market Making Security in accordance with the terms for the creation of shares of such Market Making Security as required by the issuer of shares of such Market Making Security

by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists for the purpose of completing a Securities Market Maker Short Selling transaction concluded prior to the suspension;

(3A) where trading in a Dual Counter Security is suspended, the borrowing of shares of such Dual Counter Security by a Dual Counter Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists for the purpose of completing a Dual Counter Market Maker Short Selling transaction concluded prior to the suspension;

(4) where trading in the securities is temporarily suspended for a period in relation to any of the following activities (and not for other reasons):-

(a) "placing" of such securities by or on behalf of the issuer of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be) or by an existing shareholder of such issuer; and

(b) "offer for subscription", "offer for sale", "rights issue" and "open offer" of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be),

in the case of "placing" the buying and selling of the placed securities by an Exchange Participant during the first 5 trading days of such period of suspension and in the case of "offer for subscription", "offer for sale", "rights issue" and "open offer" the entering into of subscription agreement or underwriting agreement with the issuer of such securities, the existing shareholder of such issuer or the underwriter in respect of such securities by an Exchange Participant during the first 5 trading days of such period of suspension provided that the Exchange Participant has complied with the requirements which the Exchange may prescribe from time to time. Notwithstanding the foregoing, an Exchange

Participant may, in respect of any such "placing", "offer for subscription", "offer for sale", "rights issue" and/or "open offer", apply to the Exchange for an extension of the period for which dealings in the securities in the period of suspension shall not constitute a breach of Rule 539 and the Exchange may authorize the extension for such period as the Exchange considers appropriate; and

(5) the lending or borrowing of the suspended security by an Exchange Participant to facilitate the settlement of the delivery obligations which may arise from the exercise and assignment of stock options contracts on the suspended security under the Options Trading Rules and the Clearing Rules.

540. Where dealing in an issue of securities has been suspended during trading hours stipulated in Rule 501 and (where applicable) the Extended Morning Session, the selling Exchange Participants shall report any transactions that have been concluded before the suspension but not yet input into the System. Such a report shall be made within 15 minutes of the suspension by the selling Exchange Participants concerned in accordance with the procedures prescribed by the Exchange.

Dealings with Suspended Exchange Participants

541. Except as may otherwise be permitted by the Board or the Chief Executive, under no circumstances shall an Exchange Participant deal with an Exchange Participant whose Exchange Participantship or right to access the System has been suspended. An Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board.

542. Where an Exchange Participant whose Exchange Participantship or right to access the System has been suspended during the trading hours stipulated in Rule 501 and/or the Extended Morning Session, any Exchange Participant which has conducted transactions with the suspended Exchange Participant before the suspension shall report any such transactions that have not yet been input into the System. Such a report shall be made within 15 minutes of the suspension by the Exchange Participant concerned, in accordance with the procedures prescribed by the Exchange.

543. [Repealed]

Transactions not Recognized

544. (1) The Exchange will only recognize those transactions which are duly recorded or concluded through the System within the trading hours stipulated in these Rules or otherwise recorded in the System pursuant to these Rules and, in the case of a CBBC, which are duly recorded or concluded through the System or otherwise recorded in the System prior to or at the time of the relevant call event as notified by the issuer to or otherwise determined by the Exchange.

(2) Save and except direct business transactions conducted in accordance with Rule 526 and direct business transactions in respect of the Extended Trading Securities conducted in accordance with Rule 501F, Exchange Participants shall cause transactions in securities listed or admitted to trading on the Exchange whether conducted during trading hours or after trading hours to be input into the System at the earliest opportunity. Any such transactions not so

recorded shall not be recognized.

(3) Any transaction relating to any dealing in any securities the subject matter of a new issue or placement for the purpose of qualifying for a listing shall not be recognized until such securities have been granted a listing by the Exchange.

(4) The Exchange will not entertain disputes between Exchange Participants in connection with or arising from any transactions that are not recognized.

Market Misconduct etc.

False trading

545. (1) A Participant shall not do anything or cause anything to be done, with the intention that it has, or is likely to have, the effect of creating a false or misleading appearance:-

(a) of active trading in securities traded on the Exchange; or

(b) with respect to the market for, or the price for dealings in securities traded on the Exchange.

(1A) A Participant shall not take part in, be concerned in, or carry out, directly or indirectly, one or more transactions, with the intention that it or they has or have, or is or are likely to have, the effect of creating an artificial price, or maintaining at a level that is artificial (whether or not it was previously artificial) a price, for dealings in securities traded on the Exchange.

(1B) Without limiting the generality of Rule 545(1), where a Participant:-

(a) enters into or carries out, directly or indirectly, any transaction of sale or purchase, or any transaction which purports to be a transaction of sale or purchase, of securities that does not involve a change in the beneficial ownership of them;

(b) offers to sell securities at a price that is substantially the same as the price at which it has made or proposes to make, an offer to purchase the same or substantially the same number of them; or

(c) offers to purchase securities at a price that is substantially the same as the price at which it has made or proposes to make, an offer to sell the same or substantially the same number of them,

then, unless the transaction in question is an off-market transaction, the Participant shall, for the purposes of Rule 545(1), be regarded as doing something or causing something to be done, with the intention that it has, or is likely to have, the effect of creating a false or misleading appearance of active trading in securities traded on the Exchange or with respect to the market for, or the price for dealing in, securities so traded.

(1C) In Rule 545(1B), "off-market transaction" has the same meaning as in section 274(7) of the Ordinance.

(1D) In Rules 545(1) to (1B), references to a transaction of sale or purchase and entering into and carrying out a transaction of sale or purchase have the same meaning as in section 274(8) of the Ordinance.

(2) [Repealed]

Price rigging

(3) A Participant shall not:-

(a) enter into or carry out, directly or indirectly, any transaction of sale or purchase of securities that does not involve a change in the beneficial ownership of those securities, which has the effect of maintaining, increasing, reducing, stabilizing, or causing fluctuations in, the price of securities traded on the Exchange; or

(b) enter into or carry out, directly or indirectly, any fictitious or artificial transaction or device, with the intention that, it has the effect of maintaining, increasing, reducing, stabilizing, or causing fluctuations in, the price of securities traded on the Exchange.

(3A) In Rule 545(3), references to a transaction of sale or purchase and entering into or carrying out a transaction of sale or purchase have the same meaning as in section 275(5) of the Ordinance.

Disclosure of information about prohibited transactions

(4) A Participant shall not disclose, circulate or disseminate, or authorize or be concerned in the disclosure, circulation or dissemination of, information to the effect that the price of securities of a corporation that are traded on the Exchange will be maintained, increased, reduced or stabilized, or is likely to be maintained, increased, reduced or stabilized, because of a prohibited transaction relating to securities of the corporation, if it:-

(a) has entered into or carried out, directly or indirectly, the prohibited transaction; or

(b) has received, or expects to receive, directly or indirectly, a benefit as a result of the disclosure, circulation or dissemination of the information.

(4A) In Rule 545(4), references to a prohibited transaction and any person having entered into or carried out the prohibited transaction have the same meaning as in section 276(3) of the Ordinance.

Fraudulent or deceptive devices, etc. in transactions in securities

(5) A Participant shall not, directly or indirectly, in a transaction involving securities trading:-

(a) employ any device, scheme or artifice with intent to defraud or

deceive; or

(b) engage in any act, practice, or course of business which is fraudulent or deceptive or would operate as a fraud or deception.

(5A) In Rule 545(5), a reference to a transaction includes an offer and an invitation (however expressed).

Stock market manipulation

(6) A Participant shall not:-

(a) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on the Exchange, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation;

(b) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on the Exchange, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation; or

(c) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilize, or are likely to maintain or stabilize, the price of any securities traded on the Exchange, with the intention of inducing another person to sell, purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation.

(6A) In Rule 545(6), references to a transaction and entering into or carrying out a transaction have the same meaning as in section 278(3) of the Ordinance.

Disclosure of false or misleading information inducing transactions

(7) A Participant shall not disclose, circulate or disseminate, or authorize or be concerned in the disclosure, circulation or dissemination of, information that is likely:-

(a) to induce another person to subscribe for securities traded on the Exchange;

(b) to induce the sale or purchase of securities by another person; or

(c) to maintain, increase, reduce or stabilize the price of securities traded on the Exchange,

if -

(i) the information is false or misleading as to material fact, or is false or misleading through the omission of a material fact; and

(ii) the Participant knows that the information is false or misleading as to a material fact, or is false or misleading through the omission of a material fact.

Insider dealing

(8) A Participant shall not participate in any insider dealing in relation to any securities listed or admitted to trading on the Exchange. For the purposes of this Rule 545(8), insider dealing shall have the same meaning as that used in Division 4 of Part XIII of the Ordinance.

(8A) In Rule 545(8), "securities" has the same meaning as in section 245(2) of the Ordinance.

546. [Repealed]

547. [Repealed]

547A. [Repealed]

Trading Hall Rules

Admission to the Trading Hall

548. [Repealed]

Use of Trading Hall

548A. [Repealed]

Conduct in the Trading Hall

549. [Repealed]

550. [Repealed]

Year 2000 Compliant

550A. [Repealed]

Equipment Failure

551. (1) In case of a failure, error or defect in any of the trading equipment supplied by the Exchange and installed in the address of a Participant or any other locations, the Participant shall report the same to the Exchange immediately and the Exchange shall have absolute discretion in replacing the equipment, where possible. Under no circumstances shall the Exchange be responsible for losses or damages arising from any such failure, error or defect in the equipment.

(2) [Repealed]

Delivery and Settlement

General Provisions

552. Prices quoted, unless otherwise stipulated, are cum all.

552A. Scrips and transfer deeds should be delivered in such manner as prescribed by the Board from time to time. All deliveries shall be in board lot unless otherwise agreed by the contracting parties.

553. It is the duty of the selling Exchange Participant to see that:-

(1) the instrument of transfer is correctly stamped in accordance with the Stamp Duty Ordinance; and

(2) the transferor's signature is duly witnessed and the transferor's name (with Chinese characters where necessary), the number of shares and the certificate numbers of the share certificate being transferred are correctly stated on the instrument of transfer.

554. A selling Exchange Participant is responsible for good delivery including the responsibility for:-

(a) passing good title to the securities to a transferee;

(b) delivery of the share scrip together with all necessary documents including the relevant instrument(s) of transfer duly executed by the transferor and bearing the endorsement as required by the Stamp Duty Ordinance or as otherwise provided by law; and

(c) the securities being freely transferrable and if in registered form capable of being registered, re-registered or re-issued.

554A. In the event of any defective transfer whereby a transferee, due to no fault of his or its own, is:-

(a) unable to effect registration, re-registration or re-issuance of a transfer of the securities purported to be transferred by a transferor under the relevant instrument(s) of transfer for any reason whatsoever including any defect in the relevant instrument(s) of transfer or in the title to the securities;

(b) following registration, re-registration or re-issuance of a transfer of securities found, not to have good title to such securities;

then in any such event a selling Exchange Participant shall take all steps necessary to correct such defective transfer within seven (7) days of the receipt of notice of such defective transfer from a transferee or the Exchange. The selling Exchange Participant shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by a transferee as a result of a selling Exchange Participant's failure to comply with the responsibilities prescribed in Rule 554. For the avoidance of doubt, a selling Exchange Participant shall, notwithstanding the fact that a transferee may also be partially at fault, continue to have the responsibilities specified in

Rule 554.

555. (1) Delivery and payment must be effected between 9:30 a.m. and 3:45 p.m. on the second trading day following the date of the transaction. Provided that if the transaction is made on the day preceding the first date of ex-all quotation of the securities, delivery and payment must be effected between 9:30 a.m. and 12:00 noon on the second trading day following the date of the transaction. If the selling Exchange Participant is unable to complete the delivery in time, it shall be responsible for the dividends, bonuses or any other rights so entitled.

(2) Payment must be effected to the selling Exchange Participant as and when the selling Exchange Participant delivers the scrips within the times specified in Rule 555(1) to effect settlement. The Exchange Participants which are parties to a transaction may by mutual agreement effect delivery and payment earlier than specified in Rule 555(1) and in which case the agreed time or day shall be binding on the Exchange Participants.

(3) For the purposes of delivery and payment, the eves of Christmas, New Year and Lunar New Year shall not count as trading days.

556. Should the buying Exchange Participant fail to take delivery or the selling Exchange Participant fail to deliver on the due date, the party not in default shall report the default to the Exchange as soon as it becomes aware of the matter. The Board may then summon both parties for an explanation and if thought fit the Board shall call upon the party in default to effect delivery within such reasonable time as the Board shall fix. Should the party in default fail to comply with the Board's instruction at the expiry of the time allowed by the Board, the Board may (without prejudice to the other powers conferred on the Board by the Articles and these Rules) direct the Exchange Participant not in default to obtain or dispose of the securities in the open market and the party in default shall be responsible for any difference in price and all incidental expenses.

557. Under no circumstances may an Exchange Participant repudiate a transaction recognized by the Exchange in accordance with these Rules.

558. Any Exchange Participant which fails, in relation to a transaction in a non-Eligible Security, to comply with Rules 552 to 557 shall be liable to the disciplinary action by the Board.

558A. Any Exchange Participant which fails, in relation to a transaction in an Eligible Security (other than a China Connect Security), to comply with Rules 552 to 557 where applicable, shall be liable to disciplinary action by the Board.

559. Exchange Participants shall not be liable for any claim of dividends, bonuses or any other rights so entitled where securities are delivered one trading day before the date advertised for the closing of register of transfers of such securities.

560. Unless agreed upon between the Exchange Participants concerned, no delivery shall take place on a non-trading day or such other days as may be determined by the Exchange.

561. The endorsement required by section 19(1)(d) of the Stamp Duty Ordinance caused to be made on the instrument of transfer by Exchange Participants shall:-

(1) in the case of an instrument of transfer which is printed on the reverse of a share certificate be 18 millimetres in height and 45 millimetres in breadth; and

(2) in any other case be either 18 or 30 millimetres in height and 45 millimetres in breadth; and

(3) in every case shall be rectangular in shape and shall bear the broker number and firm name of the Exchange Participant as well as the date of such endorsement.

The Board may prescribe by circular the standard design of the endorsement.

562. If at the time of delivery there is no defect in the title to the shares involved, the selling Exchange Participant shall be relieved of all responsibility if the transfer is not presented to the company concerned for registration 24 hours before the date of the next closing of books of that company.

563. [Repealed]

Registration of Warrants

563A. All registered warrants listed on the Exchange may be subject to a registration period imposed by the Exchange ("the imposed registration period") at such times, for such duration and upon such terms and conditions as the Exchange may, in its sole discretion, deem fit.

563B. The provisions of Rule 554 will apply to any selling Exchange Participant which delivers a warrant certificate during or after the end of the imposed registration period which should have been registered during the imposed registration period but which has not been so registered.

Securities Borrowing and Lending

563C. Exchange Participants engaged in securities borrowing shall comply at all times with the Regulations regarding securities borrowing in the Sixth Schedule to these Rules and as approved by the Exchange from time to time or the HKSCC Rules (as the case may be).

Short Selling

563D. (1) With the exception of Securities Market Maker Short Selling by a Securities Market Maker, Dual Counter Market Maker Short Selling by a Dual Counter Market Maker, Structured Product Liquidity Provider Short Selling by a Structured Product Liquidity Provider, Designated Index Arbitrage Short Selling by a Designated Index Arbitrage Short Selling Participant, Stock Futures Hedging Short Selling by a Designated Stock Futures Hedging Short Selling Participant, Structured Product Hedging Short Selling by a Structured Product Hedging Participant and Options Hedging Short Selling by a Market Maker or an Options Hedging Participant, short selling shall be limited to transactions in (a) Designated Securities which are also POS securities effected on the Exchange during the Pre-opening Session, (b) Designated Securities effected on the Exchange during the Continuous Trading Session and (c)

Designated Securities which are also CAS securities effected on the Exchange during the Closing Auction Session. For the avoidance of doubt, only at-auction limit orders may be input into the System as short selling orders during the Pre-opening Session and the Closing Auction Session. Exchange Participants engaged in short selling shall comply at all times with the Ordinance as amended from time to time, and the Regulations regarding short selling in the Eleventh Schedule to these Rules as approved by the Exchange from time to time.

(2) Securities Market Maker Short Selling shall be limited to transactions in Market Making Securities effected on the Exchange by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. A Securities Market Maker engaged in Securities Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Securities Market Maker Short Selling in the Fourteenth Schedule to these Rules as approved by the Exchange from time to time.

(3) Structured Product Liquidity Provider Short Selling shall be limited to transactions in structured products effected on the Exchange by a Structured Product Liquidity Provider in the course of performing liquidity providing functions during the Continuous Trading Session. A Structured Product Liquidity Provider engaged in Structured Product Liquidity Provider Short Selling shall comply at all times with the Ordinance and the Regulations regarding Structured Product Liquidity Provider Short Selling in the Eighteenth Schedule to these Rules as approved by the Exchange from time to time.

(4) [Repealed]

(5) Designated Index Arbitrage Short Selling shall be limited to transactions in the underlying stocks of an index or indexes prescribed by the Exchange from time to time. A Designated Index Arbitrage Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Designated Index Arbitrage Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

(6) Stock Futures Hedging Short Selling shall be limited to transactions in the underlying stocks of Stock Futures Contracts traded on HKFE. A Designated Stock Futures Hedging Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Stock Futures Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

(7) Structured Product Hedging Short Selling shall be limited to transactions in the underlying stocks of single stock derivative warrants and single stock CBBCs. A Structured Product Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Structured Product Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

(8) Options Hedging Short Selling shall be limited to transactions in the underlying

stocks of Options Contracts. A Market Maker or an Options Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Options Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

(9) Dual Counter Market Maker Short Selling shall be limited to transactions in Dual Counter Securities effected on the Exchange by a Dual Counter Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. A Dual Counter Market Maker engaged in Dual Counter Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Dual Counter Market Maker Short Selling in the Nineteenth Schedule to these Rules as approved by the Exchange from time to time.

563E. (1) In this Rule the term "short selling" shall have the meaning ascribed to them in the Eleventh Schedule to these Rules.

(2) The Exchange reserves the right at its absolute discretion:-

(a) to suspend, without giving prior notice, the short selling of a Designated Security, Securities Market Maker Short Selling, Dual Counter Market Maker Short Selling, Structured Product Liquidity Provider Short Selling, Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling or Options Hedging Short Selling;

(b) (i) for short selling and Securities Market Maker Short Selling, to impose limits on the number of shares of a particular Designated Security, or Market Making Security, which may be short sold;

(ii) for Structured Product Liquidity Provider Short Selling, to impose limits on the number of structured products, which may be short sold;

(iii) for Designated Index Arbitrage Short Selling, to impose limits on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong, which may be short sold;

(iv) for Stock Futures Hedging Short Selling, to impose limits on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE, which may be short sold;

(v) for Structured Product Hedging Short Selling, to impose limits on the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC, which may be short sold;

(vi) for Options Hedging Short Selling, to impose limits on the number of shares of an underlying stock of an Options Contract, which may be short sold;

(vii) for Dual Counter Market Maker Short Selling, to impose limits on the number of shares of a particular Dual Counter Security in either or both the primary counter and secondary counter, which may be short sold.

(c) to impose open short sold position limits on the number of shares of a particular Designated Security which an Exchange Participant may hold on its own account or for the account of its clients, on the number of shares of a particular Market Making Security which a Securities Market Maker may hold in respect of Securities Market Maker Short Selling for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists, on the number of shares of a particular Dual Counter Security which a Dual Counter Market Maker may hold in respect of Dual Counter Market Maker Short Selling in either or both the primary counter and secondary counter for its own account or for the account of any of its affiliates, or for the account of any of its Designated Specialists on the number of structured products which a Structured Product Liquidity Provider may hold in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates, on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong which a Designated Index Arbitrage Short Selling Participant may hold on its own account or for the account of its clients in respect of Designated Index Arbitrage Short Selling, on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE which a Designated Stock Futures Hedging Short Selling Participant may hold for a client in respect of Stock Futures Hedging Short Selling, on the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC which a Structured Product Hedging Participant may hold for the account of an issuer or the account of any of its associates in respect of Structured Product Hedging Short Selling and on the number of shares of an underlying stock of an Options Contract which a Market Maker may hold for its own account or for the account of an affiliate or which an Options Hedging Participant may hold for the account of a Market Maker or for the account of an affiliate of the Market Maker in respect of Options Hedging Short Selling;

(d) (i) to require an Exchange Participant to cease short selling whether temporarily or permanently and either generally or in relation to a particular Designated Security;

(ii) to require a Securities Market Maker to cease Securities Market Maker Short Selling whether temporarily or permanently and either generally or in relation to a particular Market Making Security;

(iii) to require a Structured Product Liquidity Provider to cease Structured Product Liquidity Provider Short Selling whether temporarily or permanently and either generally or in relation to a

particular structured product;

(iv) to require a Designated Index Arbitrage Short Selling Participant to cease Designated Index Arbitrage Short Selling or a Designated Stock Futures Hedging Short Selling Participant to cease Stock Futures Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or an underlying stock of a Stock Futures Contract traded on HKFE;

(v) to require a Structured Product Hedging Participant to cease Structured Product Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;

(vi) to require a Market Maker or an Options Hedging Participant to cease Options Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of an Options Contract;

(vii) to require a Dual Counter Market Maker to cease Dual Counter Market Maker Short Selling whether temporarily or permanently, whether in either or both the primary counter and secondary counter, and either generally or in relation to a particular Dual Counter Security;

(e) (i) to require an Exchange Participant to liquidate any or all open short sold positions held on its own account or for the account of its clients either generally or in relation to a particular Designated Security;

(ii) to require a Securities Market Maker to liquidate any or all open short sold positions in respect of Securities Market Maker Short Selling held for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists either generally or in relation to a particular Market Making Security;

(iii) to require a Structured Product Liquidity Provider to liquidate any or all open short sold positions in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular structured product;

(iv) [Repealed]

(v) to require a Designated Index Arbitrage Short Selling Participant to liquidate any or all open short sold positions held in respect of Designated Index Arbitrage Short Selling on its own account or for the account of its clients either generally or in relation to a

particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule);

(vi) to require a Designated Stock Futures Hedging Short Selling Participant to liquidate any or all open short sold positions held in respect of Stock Futures Hedging Short Selling for the account of its clients either generally or in relation to a particular underlying stock of a Stock Futures Contract traded on HKFE;

(vii) to require a Structured Product Hedging Participant to liquidate any or all open short sold positions held in respect of Structured Product Hedging Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;

(viii) to require a Market Maker to liquidate any or all open short positions held in respect of Options Hedging Short Selling for its own account or for the account of an affiliate either generally or in relation to a particular underlying stock of an Options Contract;

(ix) to require an Options Hedging Participant to liquidate any or all open short sold positions held in respect of Options Hedging Short Selling for the account of a Market Maker or the account of an affiliate of the Market Maker either generally or in relation to a particular underlying stock of an Options Contract;

(x) to require a Dual Counter Market Maker to liquidate any or all open short sold positions held in respect of Dual Counter Market Maker Short Selling for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists in either or both the primary counter and secondary counter and either generally or in relation to a particular Dual Counter Security;

(f) to stipulate for the purpose of Rule 563E(2)(e) the manner in which an Exchange Participant, a Securities Market Maker, a Structured Product Liquidity Provider, a Designated Index Arbitrage Short Selling Participant, a Designated Stock Futures Hedging Short Selling Participant, a Structured Product Hedging Participant, a Market Maker, an Options Hedging Participant or a Dual Counter Market Maker is to liquidate open short sold positions; and

(g) (i) to require an Exchange Participant to disclose to the Exchange the number of shares of a Designated Security in which the Exchange Participant holds an open short sold position either on its own account or for the account of its clients;

(ii) to require a Securities Market Maker to disclose to the Exchange the number of shares of a particular Market Making Security in which the Securities Market Maker holds an open short sold position for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists;

(iii) to require a Structured Product Liquidity Provider to disclose to the Exchange the number of structured products in which the Structured Product Liquidity Provider holds an open short sold position for the account of an issuer or the account of any of its associates;

(iv) to require a Designated Index Arbitrage Short Selling Participant to disclose to the Exchange the number of shares of the underlying stocks of a Designated Index (as defined in the Fifteenth Schedule) in which the Designated Index Arbitrage Short Selling Participant holds an open short sold position in respect of Designated Index Arbitrage Short Selling either on its own account or for the account of its clients;

(v) to require a Designated Stock Futures Hedging Short Selling Participant to disclose to the Exchange the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE in which the Designated Stock Futures Hedging Short Selling Participant holds an open short sold position in respect of Stock Futures Hedging Short Selling for the account of its clients;

(vi) to require a Structured Product Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC in which the Structured Product Hedging Participant holds an open short sold position in respect of Structured Product Hedging Short Selling for the account of an issuer or any of its associates;

(vii) to require a Market Maker to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Market Maker holds an open short sold position in respect of Options Hedging Short Selling for its own account or for the account of an affiliate;

(viii) to require an Options Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Options Hedging Participant holds an open short sold position in respect of Options Hedging Short Selling for the account of a Market Maker or for the account of an affiliate of the Market Maker; and

(ix) to require a Dual Counter Market Maker to disclose to the Exchange the number of shares and the counter of a particular Dual Counter Security in which the Dual Counter Market Maker holds an open short sold position for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists.

RMB Trading Support Facility

The TSF

563F. Rules 563F to 563S which relate to the TSF are binding on Exchange Participants which have been registered as TSF Exchange Participants.

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

(1) HKSCC may provide FX Services to TSF Exchange Participants for the conversion of HKD to RMB (to support TSF Buy FX Orders and TSF Buy FX Transactions) and for the conversion of RMB to HKD (to support TSF Sell FX Orders and TSF Sell FX Transactions);

(2) TSF Exchange Participants which place a TSF Buy FX Order accept that the funds in RMB which HKSCC may provide under the FX Services shall be applied towards the purchase of the relevant TSF Stocks only and accordingly shall only be used for the purposes of settling the corresponding TSF Buy Exchange Trade, when effected on the System;

(3) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the HKSCC Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as CCASS DCP under the HKSCC Rules;

(4) For the purposes of providing the FX Services and fulfilling its obligations arising from the provision of such services, HKSCC may acquire RMB from, and sell RMB to, one or several TSF Partner Banks on a principal-to-principal basis. Subject to obtaining such RMB funding from TSF Partner Banks, HKSCC may provide the FX Services to TSF Participants also on a principal-to-principal basis. Accordingly, the provision of FX Services for a TSF FX Order and for the settlement of a TSF FX Transaction is conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering to HKSCC the relevant funds in RMB or HKD, as the case may be;

(5) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in specially designated accounts of TSF CCASS Participants as prescribed by the HKSCC Rule; and be subject to restrictions on transfer to other accounts and withdrawal of share certificates from CCASS;

(6) TSF Participants wishing to sell earmarked TSF Stocks shall, subject to exceptions, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD;

(7) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. The process of earmarking and de-earmarking of TSF Stocks is set out in the HKSCC Rules;

(8) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its relevant powers under the HKSCC Rules without obtaining the prior consent of any person; and

(9) The terms and conditions for the provision of the FX Services as set out in Rules 563F to 563S may be amended by the Exchange (in consultation with HKSCC) from time to time. TSF Exchange Participants agree and acknowledge that HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, TSF Exchange Participants agree and acknowledge that HKSCC and the Exchange may vary, modify, waive or disapply these Rules and the HKSCC Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

TSF Participants

563G. Only TSF Participants will be permitted to use the TSF.

There are two categories of TSF Participants: TSF Exchange Participants and TSF CCASS Participants. The Exchange has the power to accept Exchange Participants as TSF Exchange Participants and HKSCC has the power to accept its participants as TSF CCASS Participants. An entity may be accepted as a TSF Exchange Participant and a TSF CCASS Participant.

The Exchange may by notice from time to time prescribe the eligibility criteria for Exchange Participants to be accepted for registration and to remain registered as TSF Exchange Participants.

Criteria for Registration as TSF Exchange Participants

563H. (1) Only the following Exchange Participants shall be eligible to apply for registration and to remain registered as TSF Exchange Participants:

(a) Exchange Participants that are themselves CCASS DCPs or CCASS GCPs; and

(b) Exchange Participants that are not CCASS DCPs but have entered into CCASS Clearing Agreements with CCASS GCPs that have been accepted for registration by HKSCC and which remain registered as TSF Clearing Participants.

(2) In the case of an Exchange Participant that is itself a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:

(a) meet the TSF Participant Registration Criteria;

(b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and

(c) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.

(3) In the case of an Exchange Participant that is not a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:

(a) meet the TSF Participant Registration Criteria;

(b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and

(c) have entered into a CCASS Clearing Agreement with at least one CCASS GCP which has been accepted for registration by HKSCC and which remains registered as a TSF Clearing Participant.

(4) An Exchange Participant wishing to apply for registration as a TSF Exchange Participant must apply to the Exchange in writing in such form as the Exchange may from time to time prescribe. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

TSF Stocks

563I. HKSCC may establish and maintain a list of TSF Stocks designated as eligible to be traded on the Exchange with the support of the TSF. The list of TSF Stocks may be amended by HKSCC from time to time in its absolute discretion. HKSCC may publish the list of TSF Stocks on the HKEX website or by such other means as it considers appropriate.

Unless HKSCC otherwise determines, the TSF shall only be available for supporting the trading of Eligible Securities in the form of shares (which may be denominated in any currency) which are accepted for trading on the Exchange in RMB and which are included in the list of TSF Stocks.

FX Services

563J. HKSCC may provide FX Services to TSF Exchange Participants in respect of TSF FX Orders and TSF FX Transactions.

In the case of TSF Buy FX Orders and TSF Buy FX Transactions, provision of the FX Services involves HKSCC selling RMB to a TSF Exchange Participant on a principal-to-principal basis through the conversion of HKD to RMB.

In the case of TSF Sell FX Orders and TSF Sell FX Transactions, provision of the FX Services involves HKSCC buying RMB from a TSF Participant on a principal-to-principal basis through the conversion of RMB to HKD.

The FX Services will not be provided to support the trading of Eligible Securities which are not TSF Stocks.

Trades Supported by TSF

563K. The TSF is only available for trades:

(1) which are designated by a TSF Exchange Participant as trades which require the FX Services and are effected on the System in accordance with Rule 563M; and
(2) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the HKSCC Rules.

Trades Not Supported by TSF

563L. TSF is not available to:

(1) any trades that are not accepted by HKSCC for settlement under the CNS System or are settled under an Isolated Trades System of CCASS;

(2) any trades which are not effected on the System; and

(3) any trades which have not been designated by a TSF Exchange Participant as requiring the FX Services.

TSF FX Orders, TSF FX Transactions and TSF Exchange Trades

563M. (1) Where a TSF Exchange Participant wishes to purchase TSF Stocks with the support of the TSF, it shall input the buy order for the relevant TSF Stocks and the corresponding TSF Buy FX Order into the System as follows:

(a) where the buy order is input during the Pre-opening Session of a trading day, such order shall be in the form of an at-auction order; and where the buy order is input during the Continuous Trading Session of a trading day, such order shall be in the form of a special limit order, an odd lot order or a special lot order; and

(b) where the TSF Buy FX Order is input during any trading session of a trading day, it shall be input into the System by making the relevant designation as the Exchange may from time to time prescribe.

(2) Where a TSF Exchange Participant wishes to sell earmarked TSF Stocks with the support of the TSF, it shall input the sell order for the relevant earmarked TSF Stocks and the corresponding TSF Sell FX Order into the System as follows:

(a) where the sell order is input during any trading session of a trading day, such order can be made in any order type permitted by the Rules; and

(b) where the TSF Sell FX Order is input during any trading session of a trading day, it shall be input into the System by making the relevant designation as the Exchange may from time to time prescribe.

(3) A TSF Exchange Participant shall input a TSF Buy FX Order by reference to the applicable RMB Sell Indicative FX Rate and a TSF Sell FX Order by reference to the applicable RMB Buy Indicative FX Rate, as referred to in Rule 563N.

(4) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Buy Exchange Trade on the System:

(a) a TSF Buy FX Transaction relating to the corresponding TSF Buy FX Order shall automatically be generated;

(b) the TSF Buy FX Transaction shall be binding on the TSF Exchange Participant and shall not be subject to revocation by it;

(c) the TSF Exchange Participant shall be bound to buy RMB from HKSCC at the applicable RMB Sell Final FX Rate;

(d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to acquire RMB from one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Buy FX Transaction; and agree that upon delivery of the funds in RMB by one or more TSF Partner Banks to HKSCC, the TSF Exchange Participant shall be deemed to have authorised HKSCC to apply the funds in RMB for the settlement of the TSF Buy Exchange Trade in accordance with the HKSCC Rules; and

(e) the TSF Exchange Participant shall, through the substitution of its rights and obligations under the TSF Buy Exchange Trade and the corresponding TSF FX Transaction by a CCASS GCP in accordance with Rule 563P, or if it is itself a TSF Clearing Participant, settle the corresponding TSF Buy FX Transaction on the day on which the TSF Buy Exchange Trade shall be settled under the HKSCC Rules by delivering to HKSCC the relevant amount of HKD calculated by reference to the RMB Sell Final FX Rate.

(5) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Sell Exchange Trade on the System:

(a) a TSF Sell FX Transaction relating to the TSF Sell FX Order shall automatically be generated;

(b) the TSF Sell FX Transaction shall be binding on the TSF Exchange Participant and shall not be subject to revocation by it;

(c) the TSF Exchange Participant shall be bound to sell RMB to HKSCC at the applicable RMB Buy Final FX Rate; and

(d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to sell RMB to one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Sell FX Transaction; agree that it shall be deemed to have authorised HKSCC to apply the RMB sale proceeds of the relevant earmarked TSF Stocks (which are the subject of the TSF Sell Exchange Trade) towards the settlement of the TSF Sell FX Transaction on the day on which the TSF Sell Exchange Trade shall be settled under the HKSCC Rules at the RMB Buy Final FX Rate; and accept that subject to exceptions as set out in the HKSCC Rules, the proceeds of sale of the relevant earmarked TSF Stocks shall be paid in HKD.

RMB FX Rates

563N. On any trading day when the FX Services are available and when the TSF has not been temporarily suspended or ceased to operate, the following rates will be published on the HKEX website or by such other means as HKSCC considers appropriate:

(1) The RMB Buy Indicative FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the indicative RMB buy rate, expressed as the amount of HKD per one RMB, for TSF Sell FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).

(2) The RMB Sell Indicative FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the indicative RMB sell rate, expressed as the amount of HKD per one RMB, for TSF Buy FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).

(3) The RMB Buy Final FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the RMB buy rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Sell FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, provided that such RMB buy rate shall not be lower than the RMB Buy Indicative FX Rate published by HKSCC for the relevant trading session on the relevant trading day. The RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Afternoon Session (if any) will be published at approximately 4:45 p.m., of a trading day.

(4) The RMB Sell Final FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the RMB sell rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Buy FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, provided that such RMB sell rate shall not be higher than the RMB Sell Indicative FX Rate published by HKSCC for the relevant trading session on the relevant trading day. The RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Afternoon Session (if any), will be published at approximately 4:45 p.m., of a trading day.

(5) HKSCC may in its discretion determine to publish the FX rates set out in this Rule at such other times as it considers appropriate, whether due to a change in the trading hours of the Exchange or otherwise.

(6) For the avoidance of doubt, where any order for the sale or purchase of TSF Stocks input into the System by a TSF Exchange Participant during the Morning Session is not effected during that Session but is transferred to the Afternoon Session of a trading day for execution:

(a) the RMB Buy Indicative FX Rate or the RMB Sell Indicative FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Order; and

(b) where the order is effected on the System during the Afternoon Session, the RMB Buy Final FX Rate or the RMB Sell Final FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Transaction.

HKSCC's Obligations as TSF Operator

563O. (1) The provision of the FX Services by HKSCC and HKSCC's obligations to settle TSF FX Transactions are at all times conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering funds or sufficient funds in RMB or HKD to HKSCC on the relevant settlement day.

(2) HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders or TSF FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation of operation of the TSF in accordance with the HKSCC Rules.

Substitution Process

563P. Where one of the parties to a TSF Exchange Trade is a TSF Exchange Participant which is not a CCASS Clearing Participant, the CCASS GCP of that TSF Exchange Participant designated for clearing such TSF Exchange Trade of that TSF Exchange Participant shall become a party to the TSF Exchange Trade and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction as, that TSF Exchange Participant at the same time as the relevant TSF Exchange Trade is effected on the System.

Temporary Suspension of TSF

563Q. (1) HKSCC may temporarily suspend all or any part of the FX Services in its sole and absolute discretion, including, without limiting the foregoing, when:

(a) in the judgement of HKSCC, the FX Services or any part thereof may not be maintained or provided in a manner that would ensure the existence of a fair and orderly market;

(b) in the judgement of HKSCC, it has reasonable grounds for concern that the RMB and/or HKD funding available to HKSCC may not be sufficient to support the fulfilment of its obligations under, or to support the settlement of, any or all TSF FX Orders or TSF FX Transactions; or

(c) in the judgment of HKSCC, there are operational or technical issues which must be resolved prior to the continuation of the TSF or any part of the FX Services.

(2) In exercising its judgement under this Rule, HKSCC is entitled to have regard to all relevant factors and circumstances including, without limitation, the availability of RMB and/or HKD in the market and the relevant FX rates, the demand for FX Services, the TSF Partner Banks' individual or aggregate commitment to provide FX rates or funding to HKSCC for the purposes of operating the TSF, the level of utilisation of such committed funding by HKSCC, whether a TSF Partner Bank has failed to provide committed funding and a TSF Partner Bank's willingness to be bound by, or its ability to perform, its obligation to provide FX rates or funding to HKSCC as agreed.

(3) If HKSCC decides to suspend all or part of the FX Services, it shall publish an announcement, on the HKEX website and/or by such other means as HKSCC considers appropriate, stating which part of the FX Services will be suspended, whether any TSF Exchange Trade, TSF FX Transaction or Stock Release FX Transaction will be affected, the effective date and time of suspension and any other information as HKSCC shall consider appropriate.

(4) Unless HKSCC otherwise determines or specifies:

(a) a suspension of part of the FX Services does not affect the availability of other FX Services. Specifically, a suspension of the FX Services for TSF Buy FX Orders does not affect FX Services for TSF Sell FX Orders, and a suspension of the FX Services for TSF Buy FX Transactions does not affect the FX Services for TSF Sell FX Transactions and vice versa;

(b) where the FX Services for TSF Buy FX Orders are suspended, all TSF Buy FX Orders input on the System and all TSF Buy FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC; and

(c) where the FX Services for TSF Sell FX Orders are suspended, all TSF Sell FX Orders input on the System and all TSF Sell FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC.

Cessation of Operation of TSF

563R. HKSCC may, in its sole and absolute discretion, decide to cease the operation of the TSF permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or by such other means as HKSCC considers appropriate.

If HKSCC decides to cease operating the TSF under this Rule, HKSCC shall notify the TSF Participants, the Exchange and the Commission in advance and shall specify the necessary arrangements and the conditions (including the treatment of earmarked TSF Stocks and any outstanding TSF FX Transactions) upon which the cessation of operation of the TSF shall take effect, having regard to such considerations and circumstances as HKSCC may consider fair and reasonable.

563S. [Repealed]

Miscellaneous Provisions

Disputes

564. Any dispute between Participants, whether arising from a breach of these Rules or otherwise, shall be immediately reported to the Exchange.

565. [Repealed]

566. Information, communication, documents, recordings, or computer records of transactions maintained by the Exchange and/or Participants are admissible evidence of transactions of Participants.

567. Any adjustments to a Participant's trading records kept by the Exchange can only be made after a dispute has been reported and a decision made by the Exchange. Any such decision shall be final and conclusive and binding on the parties involved.

Reports of Default of other Exchange Participants

568. It is the duty of an Exchange Participant to immediately report all or any defaults of fellow Exchange Participants in the due honour of cheques issued for the purchase of securities or in the due payment of sums for purchase of securities. A selling Exchange Participant which has failed to report such defaults on the trading day immediately following the receipt of any notice of dishonour shall be deemed to have committed a breach of these Rules. The Exchange reserves the right not to entertain any complaint by Exchange Participants if it is not lodged within the said period of time.

Power of the Board to Investigate and Demand Documents

569. (1) The Board shall designate any HKEX staff or authorize any other person from time to time when it thinks fit to carry out investigation at the registered business address of a Participant and any other locations at which it carries out its business of dealing in securities or order routing, as the case may be, and to make enquiries relating to the business of a Participant to determine whether or not the Participant has complied with the provisions of these Rules.

(2) A Participant shall grant access to its registered business address and any other locations, at which it carries out its business of dealing in securities or order routing, as the case may be, and make available such accounts, and other records or documents of that Participant to any person appointed pursuant to Rule 569(1), or his designate, and allow that person to make copies of such accounts, records or documents as that person appointed or authorized under Rule 569(1) above shall require.

(3) (a) A Participant shall promptly and within the period as the person appointed or authorized under Rule 569(1) may specify, answer any enquiries made by that person truthfully and fully.

(b) A Participant shall within such period as the Board may specify, of the receipt of a written demand from the Board, submit to it such accounts, records and documents as the Board may demand.

(4) If any investigation is carried out and a written report is produced to the Board, the Participant concerned shall have the right to request a copy of such report. The Board may also at the request of an authorized officer of the Commission or of the Exchange's recognized exchange controller, provide a copy of such a report to him and the Participant shall be deemed to have authorized the Board to do so.

(5) Any expenses incidental to or consequential upon an investigation under Rule 569 shall be borne by the Participant concerned unless the Board otherwise determines.

(6) In the event of the Board exercising its discretion in ordering an investigation, the Participant concerned shall not be entitled to claim against the Exchange, its recognized exchange controller, the Board, the officers and employees of the Exchange or any other authorized person for any loss or damage whatsoever.

Disclosure of Information

569A. The Board shall regard information concerning a Participant as confidential. Disclosure of such information shall not be made to any person without the prior approval of the Participant except that the Board may disclose the information without such prior approval:

(a) whenever the Board has a statutory obligation to disclose the information;

(b) to the Commission;

(c) to any exchange, regulatory authority or any organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement;

(d) in the form of a summary compiled from similar or related information obtained from other Participants if the summary is so compiled as to prevent particulars relating to the business or identity, or the trading particulars, of any Participant being ascertained from it;

(e) with a view to the institution of, or otherwise for the purposes of, any criminal proceedings or investigation, whether under the Ordinance or otherwise, in Hong Kong;

(f) in connection with any civil proceedings arising out of the Ordinance or otherwise in Hong Kong;

(g) to the Market Misconduct Tribunal established by section 251 of the Ordinance;

(h) to HKSCC;

(i) to SEOCH;

(j) to any recognized exchange controller;

(k) to any company of which a recognized exchange controller which is a controller

of the Exchange is a controller;

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

(m) in respect of information concerning a China Connect Exchange Participant, to the relevant SEHK Subsidiary, China Connect Market Operator, China Connect Clearing House or governmental or regulatory bodies;

(n) in respect of any order or trading information of a Securities Market Maker relating to a Market Making Security, to the issuer of such Market Making Security; and

(o) in respect of any order or trading information of a Dual Counter Market Maker relating to a Dual Counter Security, to the issuer of such Dual Counter Security.

569B. The Board may direct a Participant to provide it with any information requested by an exchange, regulatory authority or an organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement.

570. [Repealed]

571. [Repealed]

Emergency

572. 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 securities 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.

573. If an emergency as stipulated in Rule 572 occurs, the Board may, in its absolute discretion, extend to compensate for the loss in trading time arising from the emergency or shorten the trading hours as specified in Rule 501 and the Extended Morning Session and the times for termination of the terminal activities as specified in Rule 502 and Rule

501E(1) and in case the trading hours are shortened, notwithstanding Rule 101 and unless otherwise determined by the Board in its absolute discretion, determine the nominal price last taken by the System as the closing price of an issue of securities on a trading day.

Settlement under CCASS

574. (a) All the Rules in Chapter 5 shall apply to transactions settled through the CNS System except Rules 552A to 556, 558, 559, 560, 562, 563A, 563B and 571(2).

(b) All the Rules in Chapter 5 shall apply to transactions settled through the Isolated Trades System except Rules 552A, 553, 555, 556, 558, 560, 562, 563A, 563B and 571(2).

575. [Repealed]

Options Exchange Participants

576. Notwithstanding Rule 106, the following Rules will not apply to an Exchange Participant in relation to its Exchange Traded Options Business:-

Rules 501 to 511
Rules 514, 516 and 517
Rules 517B, 518, 518A and 518B
Rules 520 to 530
Rules 544(1) and 544(2)
Rules 552A to 556
Rules 558 to 562
Rules 563A and 563B
Rule 567
Rules 571 to 573
Rule 574(b).

Pilot Program

577. The Exchange may, in consultation with the Commission, admit securities into and remove securities from the Pilot Program.

578. The Exchange may suspend and resume trading of securities in the Pilot Program as determined by the Exchange from time to time.

579. [Repealed]

580. [Repealed]

581. [Repealed]

Dual Counter Market Makers

581A. Exchange Participants acting in the capacity as Dual Counter Market Makers shall comply at all times with these Rules and the Regulations regarding Dual Counter Market Makers in the Nineteenth Schedule to these Rules and such other rules as may be prescribed by the Exchange from time to time.

581B. Notwithstanding Rule 581A, an Exchange Participant acting in the capacity as a Dual Counter Market Maker shall not be subject to the following Rules:

Rules 514 to 516
Rule 517(4)
Rules 520 to 521
Rules 526(1) to 526(3A)
Rule 527
Rule 576

Dual Counter Security

581C. The Exchange may, in consultation with the Commission, designate any security as a Dual Counter Security or remove any security from the designation as a Dual Counter Security. The Exchange may establish and maintain a list of Dual Counter Securities and publish such list on the HKEX website or by such other means as it considers appropriate.

Securities Market Makers

582. Exchange Participants acting in the capacity as Securities Market Makers shall comply at all times with these Rules and the Regulations regarding Securities Market Makers in the Fourteenth Schedule to these Rules and as approved by the Exchange from time to time.

583. Notwithstanding Rule 582, an Exchange Participant acting in the capacity as a Securities Market Maker shall not be subject to the following Rules:

Rules 514 to 516
Rule 517(4)
Rules 520 to 521
Rules 526(1) to 526(3A)
Rule 527
Rule 576

Structured Products

583A. A structured product such as a CBBC may contain a mandatory call feature which obliges the issuer to call the issue of structured product when certain mandatory call event as stipulated in the relevant listing document is triggered. In the case of a CBBC, any transaction in the CBBC which is concluded through the System or otherwise recorded in the System after the time of mandatory call event as notified by the issuer to or otherwise determined by the Exchange shall not be recognized by the Exchange unless otherwise determined by the Exchange.

Structured Product Liquidity Providers

584. Exchange Participants acting in the capacity as Structured Product Liquidity Providers shall comply at all times with these Rules and the Regulations regarding Structured Product Liquidity Provider in the Eighteenth Schedule to these Rules and as approved by the Board from time to time.

585. Notwithstanding Rule 584, the following Rules will not apply to an Exchange Participant acting in the capacity as a Structured Product Liquidity Provider:

Rule 503
Rules 505A to 507A
Rules 514 to 516A
Rules 518, 518A and 518B
Rule 526(3) and 526(3A)
Rule 576

586. [Repealed]

587. [Repealed]

Market Making Security

588. The Exchange may, in consultation with the Commission, designate any security as a Market Making Security or remove any security from the designation as a Market Making Security.

China Connect Exchange Participants

589. An Exchange Participant acting in the capacity as a China Connect Exchange Participant shall comply at all times with these Rules, including but not limited to Chapter 14 of these Rules, as approved by the Exchange from time to time, the applicable China Connect Service Special Rules and the regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.

Exchange Participants trading through China Connect Exchange Participants

590. (1) For the purpose of this Rule 590, unless the context otherwise requires, an Exchange Participant means an Exchange Participant, other than a China Connect Exchange Participant, who conducts or intends to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly.

(2) An Exchange Participant who wishes to buy or sell China Connect Securities for the account of its clients through the use of the China Connect Service shall, in respect of each China Connect Market, submit to the Exchange a declaration in the form and manner prescribed by the Exchange from time to time confirming such matters as the Exchange may require, including the Exchange Participant's awareness of and ability and undertaking to comply with applicable laws in respect of the trading of China Connect Securities. The Exchange may prescribe different declaration forms with respect to different China Connect Markets. From time to time, the Exchange may, but is not

obliged to, publish on the HKEX website or by such other means as it considers appropriate a list of Exchange Participants who have submitted declarations to the Exchange under this Rule 590(2). An Exchange Participant shall not provide instructions to a China Connect Exchange Participant, whether directly or indirectly, to buy or sell China Connect Securities for the account of its clients before its name is included in such published list of Exchange Participants.

(2A) An Exchange Participant whose name is included in the published list of Exchange Participants referred to in Rule 590(2) may at any time give the Exchange advance written notice to cease to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whereupon the Exchange may remove its name from such list. Without prejudice to the foregoing, an Exchange Participant's name shall be removed from the list if:

(a) the Exchange Participant has applied for registration as a China Connect Exchange Participant under Rule 1406(4), the Exchange has approved its application and has registered it as a China Connect Exchange Participant; or

(b) the Exchange Participant ceases to carry on business.

(3) Subject to Rule 590(2), any instruction provided by an Exchange Participant, whether directly to a China Connect Exchange Participant or indirectly through another Exchange Participant, to sell or buy China Connect Securities shall be subject at all times to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets, including Chapter 14 of these Rules (except Rules 1404-1406A and 1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.

(4) An Exchange Participant shall not provide instructions to a China Connect Exchange Participant or accept instructions from any client to sell or buy China Connect Securities through the China Connect Service which may be in breach of or not be in compliance with any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets, including Chapter 14 of these Rules, the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements or other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.

(5) By providing instructions to a China Connect Exchange Participant as referred to in Rule 590(3), the Exchange Participant agrees and represents to the Exchange that it shall abide by all applicable laws with regard to the trading of China Connect Securities on the relevant China Connect Market, including but not limited to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or on China Connect Markets, Chapter 14 of these Rules (except Rules 1404-1406A and

1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules, in the same manner as if it were a China Connect Exchange Participant trading on the relevant China Connect Market through the use of the China Connect Service.

(6) Where margin trading, stock borrowing and lending and/or short selling of China Connect Securities through the use of the China Connect Service is allowed in relation to a China Connect Market, and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, unless the Exchange otherwise determines, an Exchange Participant who wishes to engage in the relevant activity for the account of its clients through China Connect Exchange Participants or as otherwise permitted shall be subject to, and shall comply with, the relevant provisions in these Rules and/or the applicable China Connect Service Special Rules as if it were a China Connect Exchange Participant engaging in the relevant activity. Further, the Exchange Participant:

(a) shall not provide instructions to a China Connect Exchange Participant, or accept instructions from any client, to carry out any margin trading, stock borrowing and lending and/or short selling of China Connect Securities in breach of any provision, restriction or requirement in these Rules and/or the applicable China Connect Service Special Rules; and

(b) shall abide by all applicable laws with regard to the conduct of margin trading, stock borrowing and lending and/or short selling with respect to the relevant China Connect Securities.

Stock borrowing and lending of China Connect Securities by Exchange Participants

591. Where Exchange Participants other than China Connect Exchange Participants and Exchange Participants referred to in Rule 590(1) are allowed to conduct stock borrowing and lending of China Connect Securities in relation to a China Connect Market and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, Exchange Participants who wish to engage in stock borrowing and lending activity shall be subject to and shall comply with the relevant provisions in these Rules and the applicable China Connect Service Special Rules. Exchange Participants shall also abide by all applicable laws with regard to the conduct of stock borrowing and lending with respect to the relevant China Connect Securities.

SPAC Shares and SPAC Warrants

592. Only professional investors are allowed to buy SPAC Shares and SPAC Warrants listed on the Main Board.

SPAC Exchange Participants

593. (1) Only SPAC Exchange Participants may conduct trading of SPAC Shares and SPAC Warrants.

(2) An Exchange Participant may apply to the Exchange for permission to be

registered as a SPAC Exchange Participant. The application must be made in writing in such form as the Exchange may from time to time prescribe.

(3) The Exchange may from time to time prescribe the eligibility criteria (including relevant controls and procedures) for Exchange Participants to be accepted for registration and to remain registered as SPAC Exchange Participants.

(4) The Exchange's decision in respect of an application shall be final and conclusive, and approval may be given subject to such terms and conditions as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

(5) The Exchange may publish a list of the SPAC Exchange Participants registered from time to time on the HKEX website or by such other means as it considers appropriate.

(6) Each SPAC Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rule 592, including but not limited to (a) not accepting any instruction to buy SPAC Shares or SPAC Warrants or inputting any buy order for SPAC Shares or SPAC Warrants for any direct client of the SPAC Exchange Participant unless it is reasonably satisfied that the client is a professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only professional investors are allowed to buy SPAC Shares and SPAC Warrants.

(7) Without prejudice to the power of the Exchange to prescribe the eligibility criteria under Rule 593(3), if a SPAC Exchange Participant has failed to comply with the prescribed criteria or requirements under Rule 593(3) or Rule 593(6) or, in the opinion of the Exchange, any of the prescribed criteria or requirements are not properly followed by a SPAC Exchange Participant, the Exchange may by notice prohibit the SPAC Exchange Participant from conducting trading of SPAC Shares and SPAC Warrants or impose such restrictions or conditions as appropriate. Where any such restriction or condition is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with such restriction or condition including, without limitation, the following:

(a) requiring the SPAC Exchange Participant to take such actions or measures as may be necessary to remedy or rectify any non-compliance or to prevent any further non-compliance;

(b) in circumstances where Rule 593(3) or Rule 593(6) is or may be breached, issuing a compulsory order to the SPAC Exchange Participant requiring the SPAC Exchange Participant to unwind any settled position in the relevant SPAC Shares or SPAC Warrants within such period as the Exchange may specify; and

(c) commence disciplinary action against the SPAC Exchange Participant for its failure to comply with Rule 593(3) or Rule 593(6).

Resignation as a SPAC Exchange Participant

594. (1) An Exchange Participant may at any time give the Exchange written notice of its intention to resign as a SPAC Exchange Participant.

(2) Where a notice under Rule 594(1) is given to the Exchange, the resignation of the SPAC Exchange Participant shall be subject to such conditions as the Exchange considers appropriate and shall take effect only after the Exchange has notified its approval in writing, the date on which the resignation is to take effect and any applicable conditions. Pending such approval and before the specified effective date, the SPAC Exchange Participant shall continue to be bound by all relevant provisions of Rule 593.

CHAPTER 6

PROFESSIONAL CONDUCT

601. All Participants and where the context admits, their Responsible Officers, nominated representatives, directors, partners, Authorized Persons, officers, employees, agents and representatives, and all persons acting on behalf of Participants, Market Makers, Securities Market Makers, Dual Counter Market Makers, Structured Product Hedging Participants and Structured Product Liquidity Providers, shall strictly comply with and adhere to the HKSCC Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.

602. Participants shall accept as final and binding and abide by all decisions, rulings and directions of the Board and any other person or body of persons authorized by the Board in the lawful execution of its powers pursuant to the Articles, these Rules and the Regulations.

603. A Participant shall not do or cause to be done any act, matter or thing which:-

(a) would adversely affect the goodwill or public image of the Exchange, an SEHK Subsidiary and a recognized exchange controller which is the controller of the Exchange; or

(b) brings or is likely to bring the Exchange, an SEHK Subsidiary and a recognized exchange controller which is the controller of the Exchange into disrepute.

(c) [Repealed]

604. [Repealed]

605. A Participant shall immediately notify the Exchange in writing of any events or matters as from time to time specified in these Rules and the Regulations or as the Board may from time to time specify or direct by means of circulars to the Participants.

606. A Participant shall report in writing to the Exchange any breach, infringement of or non-compliance with any of these Rules or the Regulations, or where it has reason to suspect any such breach, infringement or non-compliance whether by:-

(a) itself;

(b) its Responsible Officers or nominated representatives (as the case may be), directors, partners, Authorized Persons, officers, employees, agents and representatives, or persons acting on its behalf, Market Makers, Securities Market Makers, Dual Counter Market Makers, Structured Product Hedging Participants, Structured Product Liquidity Providers or registered arbitrageurs (as defined in the Fifteenth Schedule) (as the case may be); or

(c) any other Participant,

giving particulars of and/or the reasons for suspecting such breach, infringement or

non-compliance and all other relevant information and documents.

607. [Repealed]

608. [Repealed]

609. [Repealed]

610. [Repealed]

611. [Repealed]

612. A Participant shall put in place adequate and effective internal policies, guidelines and/or control procedures to protect its operations, its clients, and other Participants from any loss (financially or otherwise) arising from theft, fraud, and other dishonest acts, professional misconduct or omissions and to ensure its compliance with the HKSCC Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.

CHAPTER 7

DISCIPLINARY

Disciplinary Powers

701. (1) For the purpose of these disciplinary rules, the word "Exchange Participant" includes, where the context admits, a Responsible Officer, director, partner, Authorized Person, officer, employee, agent, representative and persons acting on behalf of an Exchange Participant, Market Maker, Securities Market Maker, Dual Counter Market Maker, Structured Product Hedging Participant, and/or Structured Product Liquidity Provider (as the case may be). For the avoidance of doubt, these disciplinary rules apply to an Exchange Participant where it is registered as a TSF Exchange Participant, a China Connect Exchange Participant and/or a SPAC Exchange Participant.

(2) For the purpose of these disciplinary rules, the word "Special Participant" includes, where the context admits, a nominated representative, director, partner, Authorized Person, officer, employee, agent, representative and persons acting on behalf of a Special Participant.

701A. Where the acts or omissions of a Responsible Officer, director, partner, Authorized Person, Designated Specialist, officer, employee, agent, representative or persons acting on behalf of an Exchange Participant, Market Maker, Securities Market Maker, Dual Counter Market Maker, Structured Product Hedging Participant, Structured Product Liquidity Provider or registered arbitrageur (as defined in the Fifteenth Schedule), or of a nominated representative, director, partner, Authorized Person, officer, employee, agent, representative or persons acting on behalf of a Special Participant, would have been subject to these Rules had such acts or omissions been committed by the Exchange Participant or the Special Participant (as the case may be), then such acts or omissions shall be deemed to be committed by that Exchange Participant or Special Participant and disciplinary action may be taken against it.

702. In addition to any other action that the Exchange may take, the Board may exercise any of the following disciplinary powers:-

(1) to expel a Participant by serving on it a notice of expulsion;

(2) to call upon a Participant, by written notice, to resign. Failing the receipt of notice of such resignation from the Participant within seven clear days of the date of notice, the Board may exercise the power of expulsion in Rule 702(1);

(3) to suspend a Participant from Participantship of the Exchange on such terms and for such period as the Board shall think fit;

(4) to impose a fine on a Participant;

(5) to censure a Participant and to direct whether and if so in what manner such censure shall be published;

(6) to suspend or revoke the registration of a Responsible Officer of an

Exchange Participant;

(6A) to suspend, withdraw or revoke the right of a Participant's access to the System on such terms and for such period as the Board shall think fit;

(6B) to restrict a Participant's trading activities on or through the Exchange including but not limited to (in the case of an Exchange Participant) its Exchange Traded Options Business, on such terms and for such period as the Board shall think fit;

(7) to suspend an Options Exchange Participant from its Options Exchange Participantship on such terms and for such period as the Board shall think fit;

(8) to suspend, withdraw, or revoke an Options Trading Exchange Participant's access to the Options Trading System and/or Options Clearing System on such terms and for such period as the Board shall think fit;

(9) to suspend, withdraw or revoke a Market Maker's permit, a Securities Market Maker's permit or a Dual Counter Market Maker's permit (as the case may be) on such terms and for such period as the Board shall think fit;

(10) to suspend a SEOCH Participant from its SEOCH Participantship on such terms and for such period as the Board shall think fit;

(11) to suspend, withdraw or revoke a SEOCH Participant's access to the Options Clearing System on such terms and for such period as the Board shall think fit;

(12) to prohibit an Exchange Participant from being appointed or acting as a Structured Product Liquidity Provider on such terms and for such period as the Board shall think fit;

(13) to prohibit an Exchange Participant from being appointed or acting as a Structured Product Hedging Participant on such terms and for such period as the Board shall think fit;

(14) to suspend, withdraw or revoke a Securities Market Maker's, a Dual Counter Market Maker's and/or a Structured Product Liquidity Provider's access to the System on such terms and for such period as the Board shall think fit;

(15) to suspend, withdraw or revoke an Exchange Participant's registration as a TSF Exchange Participant or its use of or access to the TSF on such terms and for such period as the Board shall think fit; and

(16) to suspend, withdraw or revoke an Exchange Participant's registration as a China Connect Exchange Participant or its use of or access to the China Connect Service or the CSC on such terms and for such period as the Board shall think fit.

702A. The Board may, in exercising its disciplinary powers and functions, determine guidelines or procedures for proceedings and meetings held for disciplinary purposes.

702B. The Board may, in exercising its power to revoke the registration of any of the

persons referred to in Rule 702(6) above, order that the revocation of registration shall not take effect unless, during a period specified by the Board (the "suspension period"), the person commits further acts or omissions which call for disciplinary action and the Board so orders that the revocation shall take effect.

702C. In the event that any of the persons referred to in Rule 702(6) above commits further acts or omissions which call for disciplinary action during the suspension period, the Board shall have discretion:-

(1) to order that the revocation of the person's registration shall take effect immediately; or

(2) not to revoke the person's registration and make such other order as the Board shall think fit.

702D. The exercise of powers by the Board or the Chief Executive, as the case may be, in connection with Rules 204(8), 226(5), 431(3)(f), 569A(f), 601, 723(1)(c) and 723(2)(h) and (i) shall be dealt with in the Disciplinary Procedures .

703. The Board may delegate, in accordance with the Articles or these Rules, any or part of its disciplinary powers (including its power to award costs) to committees to be known as the Disciplinary Committee and the Disciplinary Appeals Committee.

704. The Chief Executive may exercise the power referred to in Rules 702(3), 702(6), 702(6A), 702(6B), 702(7), 702(8), 702(9), 702(11), 702(12), 702(13), 702(14), 702(15) and 702(16) above provided he has first obtained the approval of the Chairman of the Board or in his absence any member of the Board which may be given either orally or in writing. Where the Chief Executive has exercised any of his powers referred to in this Rule, the affected Participant may at any time thereafter apply to the Chief Executive for the lifting of his decision by submitting to the Chief Executive such information, including any information as to the financial condition of the relevant Participant, as the Chief Executive may require in order for him to be satisfied that it is proper in all the circumstances to lift the decision. The Chief Executive may lift his decision conditionally or unconditionally.

705. The disciplinary powers referred to above may be exercised separately or cumulatively and in no circumstances shall the exercise of such powers prejudice in any way any right that may be vested in the Exchange to seek redress against a Participant.

Disciplinary Proceedings

706. The Board may convene a meeting at any time to consider the exercise of its disciplinary powers against a Participant. If at such meeting it is satisfied that a prima facie case has been established calling for disciplinary action against the Participant concerned the Board shall request the Participant to attend a meeting and explain its conduct in regard to the matter.

707. The Board may exercise any of its disciplinary powers against a Participant if, at such meeting or any adjournment thereof, it is of the opinion, after considering the explanation, if any, tendered by the Participant, that the case against the Participant is substantiated. The Board shall also be entitled to exercise any of its disciplinary

powers against the Participant concerned should it fail to attend the hearing called for by the Board.

708. The Board shall have unfettered discretion to decide upon the disciplinary action to be taken against a Participant.

709. The Board shall notify the Commission whenever it considers taking disciplinary action against a Participant and shall notify the Commission forthwith of the result of such consideration and the disciplinary action taken. In the event of a Participant giving notice to resign pursuant to Rule 702(2) the Board shall forthwith notify the Commission of such fact.

709A. The Board shall notify HKSCC whenever it considers taking disciplinary action against:

(1) an Exchange Participant in relation to any breaches of Rules 401, 406, 408, 414 to 416, 418A to 418C, 422(6) and (7), 425, 429(1), 501 to 508, 511 to 514, 516, 517, 517B to 530, 534(3), 537, 539 to 545, 552 to 562, 563A to 563D, 723 or the HKSCC Rules; or

(2) a Special Participant in relation to any breaches of Rules 501, 501G to 501I, 502A, 502D, 503 to 505A, 506A, 507A, 508, 511, 512, 514, 516, 516A, 517(1), 517(4), 517(6), 517B to 519, 522, 528, 544(1), 544(3), 544(4), 545, 723 or the HKSCC Rules,

and shall notify HKSCC forthwith of the result of such consideration and the disciplinary action taken, if any. In the event of a Participant giving notice to resign pursuant to Rule 702(2), the Board shall forthwith notify HKSCC of such fact.

709B. The Board shall notify SEOCH whenever it considers taking disciplinary action against an Exchange Participant in relation to any breaches of Rules 401, 406, 408, 414 to 416, 418A to 418C, 422(6) and (7), 425, 429(1), 534(3), 537, 539 to 542, 545, 563C, 563D, 723, the Options Trading Rules or the Clearing Rules and shall notify SEOCH forthwith of the result of such consideration and the disciplinary action taken, if any. In the event of an Exchange Participant giving notice to resign pursuant to Rule 702(2) the Board shall forthwith notify SEOCH of such fact.

710. Any resolution shall specify full details of the disciplinary action to be taken against a Participant and when recorded in the Minute Book of the Board or the Disciplinary Committee and signed by the chairman of the meeting deciding on the disciplinary action or a following meeting, shall be conclusive evidence thereof.

711. The Board shall have power to suspend if it thinks fit, any Participant whose conduct is under investigation until it has enquired into such matter and come to a decision thereon. The Participant whose conduct is under investigation shall not be entitled to complain about the length of time required for such investigation to be completed and the Board shall be under no obligation whatsoever to compensate a Participant suspended under these Rules even if the investigation subsequently vindicates the conduct of such Participant. An Exchange Participant which is suspended shall not be entitled to deal in securities or trade on or through the Exchange under any Stock Exchange Trading Right and shall not be exchange participants for the purpose of the Legislative Council Ordinance. A Special Participant which is suspended shall not

provide order-routing and related services, or trade on or through the Exchange.

712. (1) The Board may consider and act upon such evidence as the Board may in its absolute discretion determine admissible in relation to any matter as it thinks fit.

(2) Any decision of the Board shall be final and shall not be liable to be set aside or varied by any other authority or body.

713. [Repealed]

714. The Exchange shall have power to publish in the local newspapers or in circulars or via electronic or computer data transmission to Participants the name of any Participant expelled or whose Participantship or right to access the System has been suspended by the Exchange and also to publish such expulsion or suspension in any other way it may think fit. No action or other proceedings shall under any circumstances be taken by the Participant referred to in such publication or notification against any person or body authorising printing, publishing or circulating the same.

715. No Participant which has been expelled from the Exchange shall be eligible for re-admission.

716. (1) A Participant shall have the right to be represented at any meeting of the Board held for disciplinary purposes by a solicitor or counsel. Alternatively, in respect of an Exchange Participant, it may, if it so desires, solicit the assistance of another Exchange Participant to represent it or to make submissions on its behalf.

(2) The Board shall have the power to order payment to or by a Participant of costs and expenses incurred in obtaining legal representation for attending a meeting held for disciplinary purposes, such costs and expenses to be limited to professional legal fees and expenses of attending (but not preparing for) the meeting. Costs ordered to be paid by a Participant shall be recoverable by the Exchange as a civil debt.

(3) [Repealed]

717. Where disciplinary measures are taken against a Participant by the Chief Executive under Rule 704:-

(1) the Participant shall be entitled as of right to appeal to the Disciplinary Committee within fourteen days of being notified of the Chief Executive's decision;

(2) the Chief Executive shall not be obliged to give reasons to the Participant for his decision but shall be obliged to do so to the Disciplinary Committee in the event of an appeal;

(3) the Disciplinary Committee shall deal with and decide on the appeal in the same manner as if it were considering the exercise of its disciplinary powers afresh;

(4) no action shall accrue to a Participant (whether against the Chief Executive or the Chairman or member of the Board who approved his decision or any other person) and the Participant shall not institute any legal action in respect of any loss that the Participant may have suffered (including any loss of profit) by reason of a suspension or any damage to reputation by reason of the fact that a Participant's appeal is upheld by the Disciplinary Committee or the Disciplinary Appeals Committee in whole or in part.

718. Where a Participant whose Participantship or right to access the System is suspended for any reason whatsoever:-

(1) any monies due to the Exchange, including amounts for the replenishment of the Compensation Fund (if applicable) and any fees prescribed under these Rules shall nevertheless remain due and payable by the Participant as if its Participantship or right to access the System had not been suspended;

(2) the right of an Exchange Participant to be eligible to trade on or through the Exchange under its Stock Exchange Trading Right or the eligibility of a Special Participant to route orders to the Exchange, as the case may be, shall also be suspended and it shall not be permitted to trade either directly or indirectly during such suspension, except as may otherwise be permitted by the Board or the Chief Executive;

(3) the suspension shall not operate so as to avoid or affect the validity or enforceability of any agreement, transaction or arrangement in relation to the Participant's dealing in securities or order routing business entered into by the Participant prior to suspension;

(4) the Exchange Participant shall be under a duty to instruct and appoint another Exchange Participant to carry out any instructions already received by it on behalf of its clients prior to suspension and shall immediately notify the Exchange in writing of such appointment.

719. Where a Participant is expelled from the Exchange it shall forthwith lose all rights or its eligibility to trade on the Exchange.

720. If an Exchange Participant is expelled for any reason, the Board may, with effect from the date of expulsion, revoke any Stock Exchange Trading Right of the Exchange Participant. Upon revocation, the name of the Exchange Participant shall be removed from the register of holders of Stock Exchange Trading Rights kept by the Exchange. The Exchange shall not, by virtue of anything done under this Rule, be deemed to have assumed or acquired any obligation attaching to the Stock Exchange Trading Right(s) of the Exchange Participant and the Exchange Participant shall have no claim against the Exchange whatsoever.

721. In the event that (1) an Exchange Participant is expelled as referred to in Rule 719 and any Stock Exchange Trading Right of the Exchange Participant is revoked as referred to in Rule 720 or (2) a Special Participant is expelled as referred to in Rule 719, such Participant shall remain indebted to the Exchange for all monies owed to the Exchange, including but not limited to all legal and other incidental costs or disbursements incurred by the Exchange in connection with the expulsion

and revocation and any sums owing by the Participant to the Exchange (whether in its capacity as an Exchange Participant, holder of a Stock Exchange Trading Right, Special Participant or in any other capacity), an SEHK Subsidiary, any recognized exchange controller which is the controller of the Exchange or any company of which a recognized exchange controller which is a controller of the Exchange is a controller.

722. An Exchange Participant which is expelled shall not have any claim in respect of its contribution unless and until the monies representing its contribution are refunded to the Exchange by the Commission pursuant to the Ordinance in which event the Exchange Participant's claim against the Exchange shall be subject to the payment of any monies owed to the Exchange and shall in any event be limited to the amount of the refund.

Situations Calling for Disciplinary Action

723. (1) The Board and (subject to Rule 704 hereof) the Chief Executive may exercise their disciplinary powers against a Participant in such manner as they think fit if the Participant:-

(a) is or has been in breach of these Rules or disobeys or challenges any lawful exercise of any power pursuant or incidental thereto; or has shielded or assisted or omitted to report or has dealt with any Participant with the knowledge that such Participant has acted contrary to these Rules;

(ab) is or has been in breach of rules, regulations, code of conduct or procedures as may from time to time be prescribed by a recognized exchange controller which is the controller of the Exchange;

(b) [Repealed]

(c) is or has been in breach of the Ordinance;

(d) [Repealed]

(e) is or has been in breach of the HKSCC Rules;

(f) [Repealed]

(g) [Repealed]

(h) [Repealed]

(i) in relation to Exchange Traded Options, is or has been in breach of the Options Trading Rules or the Operational Trading Procedures;

(j) in relation to Exchange Traded Options, is or has been in breach of the Clearing Rules or the Operational Clearing Procedures;

(k) in relation to a Securities Market Maker, is or has been in breach of the Securities Market Maker Regulations;

(l) in relation to a Structured Product Liquidity Provider, is or has been in breach of the Structured Product Liquidity Provider Regulations;

(m) in relation to a TSF Exchange Participant, is or has been in breach of any provision in these Rules that applies to the use of the TSF Service;

(n) in relation to a China Connect Exchange Participant, is or has been in breach of any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or any Regulations, requirements, conditions, restrictions, arrangements or other stipulations that may be made, issued or published pursuant to these Rules; or

(o) in relation to a Dual Counter Market Maker, is or has been in breach of the Dual Counter Market Maker Regulations.

(2) Without prejudice to the generality of the foregoing, the Board and the Chief Executive may exercise their disciplinary powers against a Participant in the following instances, in such manner as they think fit, if the Participant:-

(a) (in the case of an Exchange Participant) after becoming aware of any inability on the part of the Exchange Participant to comply with the Financial Resources Rules and/or the financial resources requirements made under Rule 408, fails to notify the Commission and the Board forthwith of such inability or fails to cease dealing in securities, otherwise than for the purpose of giving effect to any agreement or arrangement entered into before the time when it becomes so aware;

(b) [Repealed]

(c) appears to have been admitted under any misrepresentation or by the suppression of any information which may be required of it or its references and which in the opinion of the Board is material;

(d) has been charged with or convicted of a criminal offence necessarily involving a finding of fraud or dishonesty or has been sentenced to a period of imprisonment without the option of a fine;

(e) has failed or is unable to carry out any legal obligation relating to securities;

(f) [Repealed]

(g) has dealt with any person, body, firm, corporation or company who or which may have been posted in the Exchange or otherwise notified to the Participants as one who or which has made default in carrying out his or its engagements relating to securities;

(h) is under investigation by the Commission under the Ordinance

including where an auditor is appointed by the Commission to investigate the affairs of the Participant;

(i) is or has been guilty of any misconduct as defined in section 193 of the Ordinance;

(j) fails to report a transaction or knowingly makes or reports a false or fictitious transaction;

(k) makes a material mis-statement to the Board, any Committee, the Chief Executive, the Exchange, an SEHK Subsidiary (if applicable), any designated HKEX staff, a recognized exchange controller which is the controller of the Exchange, or their respective employees or officers, where appropriate;

(l) knowingly disseminates false, misleading or inaccurate reports concerning market information or conditions that affect or tend to affect the price of any issue of securities;

(m) trades or deals after becoming insolvent;

(n) refuses to appear before the Board, any Committee, the Chief Executive, the Exchange, any designated HKEX staff or a recognized exchange controller which is the controller of the Exchange when being called upon;

(o) refuses to answer fully all questions or refuses to produce all books and records at any disciplinary hearing or investigation when required to do so or testifies falsely;

(p) refuses to grant access to its registered business address and any other locations, at which it carries out its business of dealing in securities or order routing, or make available all information, books, records and documents as may be required by any designated HKEX staff, appointed officers or employees of the Exchange, an SEHK Subsidiary (if applicable) or a recognized exchange controller which is a controller of the Exchange or any other authorized person in the course of any inspection provided for by these Rules;

(q) makes use of or reveals any confidential information obtained by reason of participating in any investigative proceedings or hearing, or revealed to it confidentially by the Board, any Committee, the Chief Executive, any designated HKEX staff, employees or officers of the Exchange, an SEHK Subsidiary or a recognized exchange controller which is a controller of the Exchange;

(r) induces or attempts to induce another person to buy or sell securities:-

(i) by dishonestly concealing any material fact;

(ii) by making or publishing or causing to be made or published whether recklessly, dishonestly or otherwise, any statement, promise or forecast that is misleading, false or deceptive;

(iii) by recording or storing in or by means of any mechanical, electronic or other device, information that it knows to be false or misleading in any material respect;

(s) accepts an order from a client including, in the case of a Special Participant, a China Connect Market Participant for the sale or purchase of securities without causing such order to be executed on or routed to an exchange or in accordance with the rules, bye-laws, regulations, customs and practice of such exchange;

(t) has defaulted in payment of its subscription or any fine imposed on it;

(u) has failed to pay any monies other than the subscription due to the Exchange after the expiry of notice in writing calling upon it to pay;

(v) has shielded or assisted, or omitted to report, or dealt with, any Participant which it knows has acted contrary to these Rules;

(w) fails to fulfill, observe or comply with any confirmation, representation, undertaking or statement given by it or makes a material mis-statement;

(x) [Repealed]

(y) [Repealed]

(z) [Repealed]

(aa) [Repealed]

(bb) [Repealed]

(cc) fails to provide information requested by an exchange, regulatory authority or an organization with which HKEX or the Exchange has entered into an information sharing arrangement or agreement;

(dd) fails to give notice of termination of Clearing Agreement under Rule 358(4) (in the case of an Exchange Participant) or ceases to have a valid, binding and effective clearing agreement referred to in Rule 1507(6) (in the case of a Special Participant).

724. Without prejudice to the scope of the power of suspension or other disciplinary powers vested in the Board and the Chief Executive, the Board and (subject to Rule 704) the Chief Executive may exercise the powers referred to in Rules 702(3), 702(6), 702(6A), 702(6B), 702(7), 702(8), 702(9), 702(11), 702(12), 702(13), 702(14), 702(15) and 702(16) in the following circumstances or if the Board or the Chief Executive, as the case may be, has reason to believe that any of the following circumstances has occurred:-

(1) where a Participant has conducted itself in such a manner as to call for disciplinary action and an investigation is being conducted into the affairs of the Participant for this purpose;

(2) where a Participant is unable to pay its debts as they fall due or has entered into any arrangement with its creditors for the payment of debts or is otherwise insolvent;

(2A) [Repealed]

(3) where a Participant is in breach of any of the conditions (if any) in the grant of its Participantship or (in the case of an Exchange Participant) its Stock Exchange Trading Right;

(4) where an Exchange Participant has:-

(a) created any incumbrance over its Stock Exchange Trading Right;

(b) failed to contribute towards the Compensation Fund;

(c) transferred or attempted to transfer its Options Exchange Participantship; or

(d) created or attempted to create any incumbrance over its Options Exchange Participantship.

(5) where a Participant has failed to pay any monies including any fees that are due and owing to the Exchange, an SEHK Subsidiary (if applicable) or SEOCH (if applicable) or any fine imposed on that Participant;

(6) where a Participant which is also a CCASS Clearing Participant has failed to meet any of its obligations to HKSCC;

(7) [Repealed]

(8) where an Exchange Participant has failed to meet any of its obligations to SEOCH;

(9) where an Exchange Participant which is also an HKCC Participant has failed to meet any of its obligations to HKCC;

(10) where a Participant is or may be in such financial or operational difficulty that the Participant may not be permitted to continue to do business as a Participant with safety to clients, China Connect Market Participants, other Participants, the Exchange, an SEHK Subsidiary, HKSCC or SEOCH, as the case may be;

(11) where such action is necessary to protect the interests of the Exchange, an SEHK Subsidiary, a recognized exchange controller which is the controller of the Exchange, HKSCC or SEOCH;

(12) where such action is necessary to ensure the orderly trading of securities and Option Contracts on the Exchange, the orderly routing of orders to the Exchange or a China Connect Market and/or the operation of HKSCC or

SEOCH;

(13) where a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed or any other step is taken by any person for the winding-up, administration, re-organisation, reconstruction, amalgamation, dissolution or bankruptcy of the Participant or for the appointment of a provisional liquidator, liquidator, receiver, administrator, trustee or similar officer over all or any part of the Participant's business or assets; or

(14) where a prohibition or requirement is imposed by the Commission on the Exchange Participant pursuant to section 204, 205 or 206 of the Ordinance, or on the Special Participant pursuant to the Ordinance or any rules made by the Commission under section 100 of the Ordinance.

725. [Repealed]

CHAPTER 8

PAYMENT OF FEES AND CHARGES

801. Subject to such approvals as may be required under the Ordinance, the Board shall have the power to impose fees and charges in relation to such matters or things and in such amount as the Board may from time to time think fit in addition to any fees and charges specifically required to be paid by or imposed on Participants under these Rules and to require the payment of such fees and charges by Participants or other persons and to prescribe the time and method of payment thereof.

802. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in respect of:-

Fee Type		Amount (HK$)
(1)	[Repealed]	
(1A)	[Repealed]	
(2)	monthly subscription:	
	(a) holder of Stock Exchange Trading Right;	2,900
	(b) Exchange Participant;	2,900
(2A)	(a) Stock Exchange Trading Right (other than those issued under the Stock Exchange Scheme and under Rule 3A13A)	500,000 per Stock Exchange Trading Right
	(b) Stock Exchange Trading Right under Rule 3A13A.	10,000
(3)	[Repealed]	
(4)	[Repealed]	
(5)	[Repealed]	
(6)	[Repealed]	
(7)	[Repealed]	
(8)	[Repealed]	
(9)	[Repealed]	
(10)	[Repealed]	
(11)	[Repealed]	

(12)	[Repealed]	
(12A)	Trading Fee;	0.00565% of the amount of the consideration for: (a) each purchase or sale of securities admitted to trading, listed, or approved to be listed on the Exchange (rounded to the nearest cent); and (b) each "Qualifying Transaction" or "offer for sale" of securities in accordance with the Main Board Listing Rules or the GEM Listing Rules (as the case may be) (rounded to the nearest cent)
(13)	[Repealed]	
(14)	[Repealed]	
(15)	[Repealed]	
(16)	[Repealed]	
(16A)	[Repealed]	
(16B)	[Repealed]	
(16C)	[Repealed]	
(16D)	[Repealed]	
(16E)	[Repealed]	
(16F)	[Repealed]	
(16G)	[Repealed]	

(16H)	[Repealed]	
(16I)	[Repealed]	
(16J)	[Repealed]	
(16K)	[Repealed]	
(17)	[Repealed]	
(17A)	[Repealed]	
(18)	[Repealed]	
(19)	[Repealed]	
(19A)	[Repealed]	
(20)	[Repealed]	
(21)	[Repealed]	
(22)	[Repealed]	
(23)	[Repealed]	
(24)	[Repealed]	
(25)	[Repealed]	
(26)	production of Trade File and/or Closing Price File Diskette for current day;	20/diskette
(27)	[Repealed]	
(28)	Broker Transaction Detail Report (request on non-current trading day);	100/broker number
(29)	[Repealed]	
(30)	[Repealed]	

802A. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in relation to the Central Gateway as follows:-

Fee Type		Amount (HK$)
(1)	administration fee for each Central Gateway session, Market Making Central Gateway session and Backup Central Gateway session applied for under Rule 365(1), 364B(3)(c), 365C(2), 364AA(1)(a), 364AA(1)(b), Regulation (15)(b) of the Fourteenth Schedule, Regulation(5)(b) of the Eighteenth Schedule or Regulation (16) of the Nineteenth Schedule	20,000 for each session
(2)	an increase in the Central Gateway throughput rate applied for under Rule 365C(1)	50,000 for each standard Central Gateway throttle rate
(3)	in addition to any one-time fee specified above, a monthly fee (unless otherwise stated) for:	
	(a) the use of a Central Gateway session, Market Making Central Gateway session or Backup Central Gateway session as follows depending on the number of standard Central Gateway throttle rates assigned (including any assigned under the Monthly Throttle Subscription Scheme but excluding any assigned under the Throttle-on-Demand Scheme):	
	(i) low capacity - up to 20 standard Central Gateway throttle rates	Central Gateway session: 2,000 for the first session for trading or backup, 7,500 for each additional session Market Making Central Gateway session: 7,500 for each session for trading or backup
	(ii) standard capacity - 21 to 60 standard Central Gateway throttle rates	10,000
	(iii) high capacity - 61 to 100 standard Central Gateway throttle rates	15,000
	- 101 to 150 standard Central Gateway throttle rates	20,000

	- 151 to 200 standard Central Gateway throttle rates	25,000
	- 201 to 250 standard Central Gateway throttle rates	30,000
(b)	Stock Exchange Trading Right(s) assigned to a Central Gateway session under Rule 365(1B)(a) or (b);	480 for each Stock Exchange Trading Right assigned
(c)	an increase in the throughput rate of a message into the System through an existing Central Gateway session or a new Central Gateway session under Rule 364B(1A);	480 for each standard Central Gateway throttle rate
(d)	an increase in the throughput rate of a message into the System through an existing Central Gateway session or a new Central Gateway session under Rule 365(1B)(c);	480 for each standard Central Gateway throttle rate
(e)	an increase in the throughput rate of a message into the System under Rule 365C(1) through an existing Central Gateway session;	960 for each standard Central Gateway throttle rate
(f)	an increase in the throughput rate of a message into the System under Rule 365C(1) through a new Central Gateway session under Rule 365C(2);	960 for each standard Central Gateway throttle rate
(g)	each standard Central Gateway throttle rate assigned to a Market Making Central Gateway session;	480 for each standard Central Gateway throttle rate
(h)	Drop-Copy session or Backup Drop-Copy session;	4,500 for each session, except that there shall be no charge for the first session
(i)	a temporary increase in the throughput rate of a message into the System under the Throttle-on-Demand Scheme in Rule 365D(1), whether through an existing Central Gateway session or a new Central Gateway session under Rule 365C(2);	200 for each standard Central Gateway throttle rate per trading day

(j)	the subscription of an increase in the throughput rate of a message into the System under the Monthly Throttle Subscription Scheme in Rule 365E(1), whether through an existing Central Gateway session or a new Central Gateway session under Rule 365C(2);	2,000 for each standard Central Gateway throttle rate
(k)	Kill Switch session or Backup Kill Switch session under Rule 365F(1)	6,000 for each session

802B. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in relation to the China Connect Central Gateway as follows:-

Fee Type		Amount (HK$)
(1)	administration fee for each China Connect Central Gateway session and Backup China Connect Central Gateway session applied for under Rule 1410(1) or Rule 1413(5)	20,000 for each session
(2)	an increase in the China Connect Central Gateway throughput rate applied for under Rule 1413	50,000 for each standard China Connect Central Gateway throttle rate
(3)	in addition to any one-time fee specified above, a monthly fee for:	
	(a) the use of a China Connect Central Gateway session or Backup China Connect Central Gateway session as follows depending on the number of standard China Connect Central Gateway throttle rates assigned (including any assigned under the China Connect Monthly Throttle Subscription Scheme):	
	(i) low capacity - up to 20 standard China Connect Central Gateway throttle rates	China Connect Central Gateway session: 2,000 for the first session for trading or backup, 7,500 for each additional session
	(ii) standard capacity - 21 to 60 standard China Connect Central Gateway throttle rates	10,000
	(iii) high capacity - 61 to 100 standard China Connect Central Gateway throttle rates	15,000

	- 101 to 150 standard China Connect Central Gateway throttle rates	20,000
	- 151 to 200 standard China Connect Central Gateway throttle rates	25,000
	- 201 to 250 standard China Connect Central Gateway throttle rates	30,000
(b)	an increase in the throughput rate of a message into the CSC through a new/an existing China Connect Central Gateway session under Rule 1413;	960 for each standard China Connect Central Gateway throttle rate
(c)	China Connect Drop-Copy session or Backup China Connect Drop-Copy session;	4,500 for each session, except that there shall be no charge for the first session
(d)	the subscription of a single or multiples of a standard China Connect Central Gateway throttle rate under the China Connect Monthly Throttle Subscription Scheme in Rule 1413A	2,000 for each standard China Connect Central Gateway throttle rate

803. The amount of any fees and charges which the Board may impose shall be specified in these Rules and shall be notified to the Participants by means of circulars from the Board to Participants.

804. The amount of any fees and charges imposed by the Board pursuant to these Rules may from time to time be revised by the Board as it shall in its absolute discretion think fit and the Board shall notify such revised fees and charges to Participants by means of circulars.

805. The Board shall also prescribe the time and method of payment of any fees and charges imposed pursuant to these Rules by means of circulars to Participants and all Participants shall comply with the requirements, instructions or directions contained in such circulars including the payment of interest, surcharge, penalty or fine for late payment of such fees and charges. For the avoidance of doubt, the Board may prescribe different requirements, instructions or directions in respect of different categories of Participants.

806. (a) Without prejudice to Rule 805, an Exchange Participant shall pay the Trading Fee to the Exchange in the manner as provided in and subject to the Trading Fee Operation Procedures as prescribed by the Board from time to time.

(b) Without prejudice to Rule 805, a Special Participant shall pay the Trading Fee in the manner as prescribed by the Board from time to time.

807. The Board shall have the power to exempt or waive the payment of any of the fees and charges, in whole or in part, required to be paid under these Rules as the Board may from time to time think fit.

CHAPTER 9

EXCHANGE PARTICIPANTS' COMPENSATION

(FIDELITY FUND AND GUARANTEE SCHEME)

General

901. For the purpose of compensating Exchange Participants which have suffered pecuniary loss as a result of or in connection with the default or defaults (each a "Relevant Default") of any Exchange Participant ("the Defaulting Exchange Participant") in its capacity as such or as a Member of the Exchange up to the Scheme Effective Date in the course of carrying on the business of dealing in securities listed or admitted to trading (notwithstanding that any such securities may be suspended from trading) on the Exchange and transacted in a manner recognised by the Exchange all Exchange Participants which carry on the business of dealing in securities on the Exchange shall furnish in respect of each Stock Exchange Trading Right held by them a guarantee of $2,000,000 in accordance with Rule 921 ("the Guarantee") or in the alternative participate in the Fidelity Fund established under Rule 911.

902. The Board shall establish a committee to be known as the "Compensation Committee" for the purpose of administering the Fidelity Fund, the receipt and enforcement of the Guarantee, and enforcing the Rules contained in this Chapter. Members of the Compensation Committee shall in no way be liable to any Exchange Participant (save for gross negligence or misconduct) and shall be entitled to be indemnified by the Exchange in respect of all liabilities arising in the course of their duties hereunder.

903. The Compensation Committee shall be constituted in accordance with Rule 212A. At least one member of the Compensation Committee should not be a participant of the Fidelity Fund.

Claims

904. Any Exchange Participant which wishes to claim compensation in respect of a Relevant Default must notify the Compensation Committee in writing within 10 trading days of its becoming aware of any such Relevant Default and at the same time submit in writing and in such form as the Compensation Committee may from time to time prescribe the full particulars of the default or defaults complained of and the nature and amount of its claim, together with all documentary evidence or other evidence available to substantiate its claim. The Compensation Committee shall investigate the claim, may summon any person who is reasonably believed or suspected to have any information relevant to the investigation to attend before the Compensation Committee and to provide or produce such further information or documents as the Compensation Committee may require. If satisfied that reasonable grounds for the claim have been shown, the Compensation Committee shall notify Exchange Participants as soon as practicable after being so satisfied by circular. Such circular shall state brief particulars of the claim, and invite Exchange Participants to lodge by notice to the Compensation Committee all claims they may have against the Defaulting Exchange Participant for any Relevant Defaults within 10 trading days of the date of such circular. The Compensation Committee shall have an absolute discretion to refuse to entertain any claim lodged beyond this 10

trading day period.

905. An Exchange Participant which has lodged a notice of claim pursuant to these Rules shall provide forthwith to the Compensation Committee such further information or documents as the Compensation Committee may require. The Exchange Participant shall notify forthwith the Compensation Committee of any change in the status of the claim or in the information submitted by the Exchange Participant to the Compensation Committee.

906. Any determination, ruling or direction by the Compensation Committee shall be conclusive and binding on all Exchange Participants. The Compensation Committee may allow a claim in respect of interest, legal and other costs in its sole discretion.

907. The Compensation Committee shall process any claims as soon as practicable after receipt of a notice of claim lodged under Rule 904 above and shall as soon as practicable after all claims against a Defaulting Exchange Participant have been determined by it, notify the claimants whether their claims have been accepted, rejected or accepted in whole or in part, as the case may be.

908. A claim in respect of a Defaulting Exchange Participant which is a participant of the Fidelity Fund shall be deemed to be a claim against the Fidelity Fund and payment shall be met out of the Fidelity Fund. A claim in respect of a Defaulting Exchange Participant which is not a participant in the Fidelity Fund shall be deemed to be a claim against the Guarantee of the Defaulting Exchange Participant. If the Compensation Committee accepts any claims it shall effect payment out of the Fidelity Fund or by enforcing the Guarantee of the Defaulting Exchange Participant, as the case may be, and the appropriate parts of these Rules including those regarding payment and apportionment shall apply.

908A. Any Exchange Participant which suffers a pecuniary loss as a result of or in connection with the default of any Exchange Participant, shall not be entitled to compensation under the Guarantee or the Fidelity Fund, if such loss arises out of a default relating to securities borrowing and lending transaction effected pursuant to the Regulations in the Sixth Schedule of these Rules or the HKSCC Rules (as the case may be).

908B. Any Exchange Participant which suffers a pecuniary loss as a result of or in connection with the default of any Exchange Participant, shall not be entitled to compensation under the Guarantee or the Fidelity Fund, if such loss arises out of a default relating to a transaction settled under the CNS System.

908C. Any Exchange Participant which suffers a pecuniary loss as a result of a default of any Options Trading Exchange Participant, shall not be entitled to compensation under the Guarantee or the Fidelity Fund, if such loss arises out of a default directly relating to that Options Trading Exchange Participant's Exchange Traded Options Business.

909. Payments under these Rules in satisfaction of claims shall be subject to the availability of funds or realisable assets in the Fidelity Fund or realisable assets of the Defaulting Exchange Participant under its Guarantee, as the case may be, but provided that the aggregate amount payable to all successful claimants in respect of all the defaults of any one Defaulting Exchange Participant shall not exceed $2,000,000.

910. In the event that the sum of $2,000,000 (or, if the funds comprising the Fidelity Fund or realisable under the Defaulting Exchange Participant's Guarantee are less than $2,000,000, then the available funds) is insufficient to compensate the loss of the claimant or claimants, the said sum of $2,000,000 (or, if less, the available funds) shall be apportioned by the Compensation Committee amongst the claimants in such manner as the Compensation Committee thinks equitable.

910A. Upon any Exchange Participant ceasing to carry on the business of dealing in securities or ceasing to be an Exchange Participant, the Compensation Committee shall issue a circular to Exchange Participants advising Exchange Participants of the fact and inviting Exchange Participants to lodge claims they may have against such Exchange Participant within a period of time not less than 10 trading days from the date of the circular. The Compensation Committee shall have an absolute discretion to refuse to entertain any claim lodged beyond this 10 trading day period.

Fidelity Fund

911. A fund shall be established by the Exchange to be known as the "Fidelity Fund" for the purpose of compensating Exchange Participants which have suffered pecuniary loss as a result of or in connection with any Relevant Default(s) of any Exchange Participant which is a participant of the Fidelity Fund.

912. Any Exchange Participant which is desirous of participating in the Fidelity Fund shall deposit with the Compensation Committee a sum of $50,000 at the time of submitting an application to participate in the Fidelity Fund which application shall be in such form as the Compensation Committee may from time to time prescribe. For the avoidance of doubt, participation in the Fund is voluntary, subject to the requirement that an Exchange Participant which is not a participant of the Fidelity Fund shall furnish a Guarantee in accordance with Rule 921.

912A. Any Exchange Participant which was a participant in the Fidelity Fund immediately prior to the Scheme Effective Date shall be deemed to have made the required deposit under Rule 912.

913. Upon any payment being made out of the Fidelity Fund in respect of any claim under these Rules the Fidelity Fund shall be subrogated to the extent of that payment to all the rights and remedies of the Exchange Participant receiving the payment in relation to the loss sustained by that Exchange Participant by reason of the default or defaults on which the claim was based and the Compensation Committee may require that Exchange Participant to execute such deed of assignment or other documents in favour of such person or persons as the Committee may stipulate. Without prejudice to the foregoing the Defaulting Exchange Participant shall pay to the Fidelity Fund all sums or amounts which are paid or payable out of the Fidelity Fund in respect of any Relevant Default and all incidental legal and other expenses.

914. The Compensation Committee shall prepare and arrange for audit of annual accounts in respect of the Fidelity Fund which shall be delivered to all Exchange Participants which participate in the Fidelity Fund.

915. The Fidelity Fund may be dissolved if so resolved by a three-quarters majority of Exchange Participants which are participants in the Fidelity Fund (or, if the amount for the time being standing to the credit of the Fidelity Fund shall fall below $2,000,000, by a simple majority) present and voting at a meeting of such Exchange Participants, at which 10 participating Exchange Participants shall constitute a quorum. Such meeting may be convened by the Compensation Committee or by not less than 10% in number of the participating Exchange Participants by not less than 21 days' notice in writing. The accidental omission to give such notice to any such Exchange Participant shall not invalidate any business transacted at such meeting. No payment under Rule 916 or Rule 917 shall be made at any time after a notice convening a meeting to consider a resolution to dissolve the Fidelity Fund has been despatched unless at such meeting or at any adjournment thereof such resolution has been defeated and no dissolution of the Fidelity Fund shall take effect until and unless all participating Exchange Participants thereof shall have provided Guarantees as set out in Rule 921.

916. Any Exchange Participant which has not ceased and is not intending to cease carrying on its business of dealing in securities and which has not committed any Relevant Defaults may apply to withdraw from the Fidelity Fund by notice to the Compensation Committee and furnishing a Guarantee pursuant to Rule 921. Such withdrawal shall be subject to the prior written approval of the Compensation Committee and, if so approved, the retiring Exchange Participant shall be entitled to a refund from the Fidelity Fund of an amount being the lesser of firstly the amount of $50,000 and secondly the sum attributable to the retiring Exchange Participant calculated by dividing the amount comprising the Fidelity Fund at the time (less such provisions as the Compensation Committee may for the time being set aside against liabilities or unrecoverable amounts or doubtful debts, actual or contingent) by the number of participating Exchange Participants of the Fidelity Fund (including the retiring Exchange Participant).

917. Upon any Exchange Participant ceasing to carry on the business of dealing in securities or ceasing to be an Exchange Participant, the Exchange Participant itself, its liquidator or (in the case of an Individual Exchange Participant) his personal representatives, successors and assigns or trustees in bankruptcy shall be entitled to withdraw from the Fidelity Fund subject to Rule 910A and provided that the Compensation Committee is satisfied that such Exchange Participant has no outstanding liabilities (actual or contingent) in respect of a Relevant Default. A refund calculated under Rule 916 shall be made after the expiration of 3 months from the date of cessation. The cessation of business of dealing in securities of an Exchange Participant shall be notified to the Compensation Committee by the Exchange. The Exchange Participant shall not be liable to replenish under Rule 918 for any claims lodged in respect of other participating Exchange Participants, the first notice of which is received subsequent to its date of cessation of business of dealing in securities.

918. Upon any payment out of the Fidelity Fund under these Rules in order to satisfy any claim, all Exchange Participants participating in the Fidelity Fund as at the day when the first notice of such claim was received by the Compensation Committee shall replenish the Fund by depositing with the Compensation Committee a sum (unless reduced under Rule 918A) equivalent to the amount of the payment divided by the number of such Exchange Participants, and all Exchange Participants which are participants of the Fidelity Fund shall be liable to meet all such calls to replenish whenever made.

918A. The Compensation Committee shall have absolute discretion to reduce the sum to be replenished by Exchange Participants under Rule 918 by deducing all or part of any interest received by or accrued to the Fidelity Fund.

918B. The Compensation Committee may at any time repay such amounts as it may think fit from the Fidelity Fund equally to all Exchange Participants which are participants in the Fidelity Fund, by reference to the number of months of participation in the Fidelity Fund of each participant in any period as the Compensation Committee may determine and based on such criteria as it deems equitable, provided that no such payment shall reduce the size of the Fidelity Fund below an amount equivalent to $50,000 per participant.

919. The Compensation Committee shall be entitled to manage and invest and administer the Fidelity Fund in such manner as it shall in its absolute discretion think fit (including the power to evaluate any assets to determine the amount comprising the Fidelity Fund) and the Compensation Committee, the Exchange and a recognized exchange controller which is the controller of the Exchange shall not be liable for any losses of the Fidelity Fund and shall be entitled to be indemnified out of the Fidelity Fund for any liabilities incurred in relation thereto. Without limiting the generality of the foregoing, the Compensation Committee may use a part or the whole of the Fidelity Fund to take out and pay for any policies of insurance to cover any claims against the Fidelity Fund.

920. The Compensation Committee may from time to time issue circulars to Exchange Participants which are participants of the Fidelity Fund and any instructions, requirements or directions stated in such circulars shall be observed or complied with by such Exchange Participants and shall be conclusive and binding on all such Exchange Participants. Without prejudice to any disciplinary powers conferred by these Rules, any Exchange Participant which is in default of any Rules or requirements or calls issued under these Rules shall be liable to be expelled by the Compensation Committee from participating in the Fidelity Fund and in such event it shall furnish a Guarantee pursuant to Rule 921 and all amounts (if any) standing to its credit in the Fidelity Fund shall in the meantime be held in a suspense account.

Guarantee

921. Any Exchange Participant which is not a participant of the Fidelity Fund shall provide and maintain a Guarantee by way of security for any Relevant Defaults committed by it. This Guarantee shall be in a form acceptable to the Compensation Committee and shall be for such amounts as the Committee may from time to time require but shall not in any event be for a sum less than $2,000,000. The Compensation Committee may determine from time to time what property or other

assets are acceptable as a basis for any Guarantee and may determine the appropriate basis for valuation of any property or other assets. Upon any payment out of the funds or against the security provided by such Exchange Participant, such Exchange Participant shall replenish the amounts so paid.

921A. Any Exchange Participant which maintains a Guarantee under Rule 921 and which has not ceased and is not intending to cease carrying on its business of dealing in securities and which has not committed any Relevant Defaults may apply in writing to the Compensation Committee for permission to participate in the Fidelity Fund pursuant to Rule 912. If written permission is given by the Compensation Committee, then upon the Exchange Participant making the deposit required by Rule 912, its Guarantee and all associated security shall be released to it by the Compensation Committee.

921B. Upon any Exchange Participant ceasing to carry on the business of dealing in securities or ceasing to be an Exchange Participant, the Exchange Participant itself or its liquidator shall be entitled to the release of its Guarantee subject to Rule 910A provided that the Compensation Committee is satisfied that such Exchange Participant has no outstanding liabilities (actual or contingent) in respect of a Relevant Default. Its Guarantee and all associated security or the balance after payment in respect of a Relevant Default shall be released to it after the expiration of 3 months from the date of cessation.

Miscellaneous

922. For the purposes of determining the contribution or security required and the limit of compensation payable under this Chapter the expression “Exchange Participant” and “Exchange Participants” shall be construed by reference to the number of Stock Exchange Trading Rights held so that any company holding more than one Stock Exchange Trading Right shall be treated as being a separate Exchange Participant for each Stock Exchange Trading Right held.

923. The Rules in this Chapter shall be binding on the liquidators of all Exchange Participants.

924. The Compensation Committee may, with the approval of the Commission, require any further or additional payments to the Fidelity Fund and further or additional Guarantees and assets to be provided as security for such Guarantees and may increase the maximum limit of payment out of the Fidelity Fund or Guarantees.

CHAPTER 10

SPECIAL LEVY

1001. A levy ("the special levy") shall be payable to the Exchange on every purchase or sale of securities listed or admitted to trading on the Exchange carried out by a Participant whether as principal or agent, whether or not the transaction is arranged or concluded in Hong Kong or elsewhere and which is recorded on the Exchange. The special levy is payable in order to reimburse the Exchange in respect of its obligations under the Exchanges (Special Levy) Ordinance. For the avoidance of doubt, both the buyer and the seller shall each pay to the Exchange the amount of the special levy specified by the Exchange under Rule 1003.

1002. (a) Every Exchange Participant which operates a business of dealing in securities shall collect the special levy from its clients, or shall be liable itself if it deals as a principal. In the event that an Exchange Participant fails to collect the special levy from its clients, that Exchange Participant shall nevertheless be liable to the Exchange for payment of the special levy.

(b) Every Special Participant shall collect the special levy from the relevant China Connect Market Participants. In the event that a Special Participant fails to collect the special levy from such China Connect Market Participants, the Special Participant shall nevertheless be liable to the Exchange for payment of the special levy.

1003. The rate of the special levy shall be such rate as specified under section 4 of the Exchanges (Special Levy) Ordinance or as varied from time to time under section 4A of that Ordinance, (rounded to the nearest cent) of the amount of the consideration for each purchase or sale of securities recorded on the Exchange. The rate of the special levy shall be notified to Participants by circular.

1003A. No special levy shall be payable for so long as a suspension order made under section 4A of the Exchanges (Special Levy) Ordinance is in force. The Participants shall be notified of the suspension order by circular.

1004. (a) An Exchange Participant shall state in every contract note to clients as a separate item the amount of the special levy payable to the Exchange.

(b) A Special Participant shall state in every contract note as a separate item the amount of the special levy payable to the Exchange.

1005. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the special levy collected from clients and remitted to the Exchange. An Exchange Participant shall whenever called upon by the Board produce its books and records for inspection by any person authorised by the Exchange.

(b) A Special Participant shall keep complete and true records of the special levy paid by it to the Exchange under Rule 1002(b). A Special Participant shall whenever called upon by the Board produce its books and records for

inspection by any person authorised by the Exchange.

1006. (a) Within 4 days from the beginning of each month, an Exchange Participant shall submit to the Exchange a complete and signed return of the special levy payable in respect of transactions carried out as principal or agent during the previous month and shall separately show the amounts it collected from clients during that month, in such form as specified by the Exchange from time to time. Without prejudice to the foregoing, the Exchange shall have power to require an Exchange Participant to make such returns at such other time(s) and in respect of such other period(s) as the Exchange may think fit. The return shall be accompanied by the amount of the special levy payable to the Exchange.

(b) Within 4 days from the beginning of each month, a Special Participant shall submit to the Exchange a complete and signed return of the special levy payable in respect of transactions carried out by it during the previous month in such form as specified by the Exchange from time to time. Without prejudice to the foregoing, the Exchange shall have power to require a Special Participant to make such returns at such other time(s) and in respect of such other period(s) as the Exchange may think fit. The return shall be accompanied by the amount of the special levy payable to the Exchange.

1007. If any Participant fails to remit the special levy to the Exchange within the period specified in Rule 1006, interest shall be payable at such rate as the Board may by resolution determine and which shall be notified to the relevant Participant in writing or notified to all Participants by circular. If the special levy and any interest thereon remains unpaid at the end of the month in which the special levy or any part thereof was due, the Participant shall be liable to be suspended from trading and may be subject to any other disciplinary action as the Board may think fit. Notwithstanding any such action which the Board may take against the Participant in default, the Exchange may also take legal action to recover the outstanding amount of the special levy and any interest thereon, and all the expenses for taking such action shall be borne by the Participant.

1008. Where the total amount of the special levy computed by a Participant and the accompanying return(s) it submits to the Exchange pursuant to Rule 1006 differs from the Exchange's own computation as to the amount of special levy payable, the Participant shall within 2 days after being required to do so pay to the Exchange the difference between its computation and the Exchange's computation and the determination of the Exchange as to the amount of special levy payable shall be final and binding on the said Participant. If the amount payable to the Exchange under this provision is not paid to the Exchange within the time specified, interest shall be payable thereon at the rate determined pursuant to Rule 1007.

1009. (a) Where an Exchange Participant suspends or ceases its business of dealing in securities, it shall immediately notify the Exchange in writing, and such Exchange Participant shall submit a return up to and including the date of suspension or cessation within 4 days after the date of suspension or cessation, such return to be accompanied by the amount of the special levy payable up to the date of suspension or cessation. In the event that the Exchange Participant fails to pay the said amount within the said period, interest shall be payable on

the said amount at the rate determined pursuant to Rule 1007.

(b) Where a Special Participant suspends or ceases its order-routing business, it shall immediately notify the Exchange in writing, and such Special Participant shall submit a return up to and including the date of suspension or cessation within 4 days after the date of suspension or cessation, such return to be accompanied by the amount of the special levy payable up to the date of suspension or cessation. In the event that the Special Participant fails to pay the said amount within the said period, interest shall be payable on the said amount at the rate determined pursuant to Rule 1007.

1010. Where a Participant fails to make a return required under the foregoing Rules, the Exchange may assess the amount of the special levy payable in respect of such Participant which shall be computed on the basis of the amount shown in the records of the Exchange for the month in respect of which the special levy is due, subject to any adjustments which the Board considers appropriate. The right to make an assessment shall be without prejudice to the right of the Exchange to obtain recovery of the special levy under any of the foregoing Rules.

1011. For the purposes of Rules 1001 to 1010 inclusive, "day" shall mean a trading day.

CHAPTER 11

TRANSACTION AND INVESTOR COMPENSATION LEVIES

1101. Transaction Levies shall be payable to the Exchange on every purchase or sale of securities admitted to trading, listed, or approved to be listed on the Exchange carried out by a Participant whether as principal or agent and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, the buyer and the seller shall each pay the Transaction Levies in accordance with Rule 1103.

1101A. An Investor Compensation Levy shall be payable to the Exchange on every purchase or sale of:-

(a) securities admitted to trading, listed, or approved to be listed on the Exchange carried out by an Exchange Participant; and

(b) China Connect Securities through the use of the China Connect Service by a China Connect Exchange Participant,

in each case, whether as principal or agent and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, the buyer and the seller shall each pay the Investor Compensation Levy in accordance with Rule 1103.

1102. (a) Every Exchange Participant which operates a business of dealing in securities shall collect the Transaction Levies and the Investor Compensation Levy payable pursuant to Rules 1101 and 1101A from its clients, or shall be liable itself if it deals as principal. In the event that an Exchange Participant fails to collect the Transaction Levies and/or the Investor Compensation Levy from its clients, that Exchange Participant shall nevertheless be liable to the Exchange for payment of the Transaction Levies and/or the Investor Compensation Levy.

(b) Every Special Participant shall collect the Transaction Levies payable pursuant to Rule 1101 from the relevant China Connect Market Participants. In the event that a Special Participant fails to collect the Transaction Levies from such China Connect Market Participants, the Special Participant shall nevertheless be liable to the Exchange for payment of the Transaction Levies.

1103. The rate of the SFC Transaction Levy shall be at a rate as specified from time to time in the Securities and Futures (Levy) Order of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The rate of the AFRC Transaction Levy shall be at a rate as specified from time to time in the Accounting and Financial Reporting Council Ordinance of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The rate of the Investor Compensation Levy shall be at a rate as specified from time to time in the Securities and Futures (Investor Compensation - Levy) Rules of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The respective rates of the SFC Transaction Levy, the AFRC Transaction Levy and the Investor Compensation Levy and the manner of collection (determined by the Board from time to time) will be notified to

Participants by circular.

1103A. No Investor Compensation Levy shall be payable for so long as an exemption notice made under section 25 of the Securities and Futures (Investor Compensation – Levy) Rules is in force. Participants will be notified of the exemption notice (and its termination) by circular.

1104. (a) An Exchange Participant shall state in every contract note to clients as separate items relevant amounts of the Transaction Levies and the Investor Compensation Levy payable to the Exchange according to the requirements of the Commission. Relevant amounts of the SFC Transaction Levy and the AFRC Transaction Levy may be stated either as separate items or as an aggregate amount.

(b) A Special Participant shall state in every contract note relevant amounts of the Transaction Levies payable to the Exchange according to the requirements of the Commission. Relevant amounts of the SFC Transaction Levy and the AFRC Transaction Levy may be stated either as separate items or as an aggregate amount.

1105. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the SFC Transaction Levy, the AFRC Transaction Levy and the Investor Compensation Levy actually collected from clients and remitted to the Exchange. An Exchange Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorised by the Board.

(b) A Special Participant shall keep complete and true records of the SFC Transaction Levy and the AFRC Transaction Levy actually paid by it to the Exchange under Rule 1102(b). A Special Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorised by the Board.

1106. (a) Within 7 days from the beginning of each month, an Exchange Participant shall submit to the Exchange a complete and signed return of the Transaction Levies and the Investor Compensation Levy payable pursuant to Rules 1101 and 1101A in respect of transactions carried out as principal or agent during the previous month and shall separately show the amounts it collected from clients during that month, in such form as specified by the Board from time to time. Without prejudice to the foregoing, the Board shall have the power to require an Exchange Participant to make such returns at such other time(s) and in respect of such other period(s) as the Board may require.

(b) Within 7 days from the beginning of each month, a Special Participant shall submit to the Exchange a complete and signed return of the Transaction Levies payable pursuant to Rule 1101 payable in respect of transactions carried out by it during the previous month in such form as specified by the Board from time to time. Without prejudice to the foregoing, the Board shall have the power to require a Special Participant to make such returns at such other time(s) and in respect of such other period(s) as the Board may require.

1107. (a) An Exchange Participant shall remit within 15 days from the beginning of

each month the total Transaction Levies and Investor Compensation Levy as stated in its return under Rule 1106(a) to the Exchange in such manner as the Board may from time to time specify. Without prejudice to the foregoing, upon demand by the Exchange, immediate payment of all Transaction Levies and Investor Compensation Levy due from an Exchange Participant or its clients referred to in Rule 1102(a), whether collected or not, relating to transactions of any period prior to the date of payment, shall be effected.

(b) A Special Participant shall remit within 15 days from the beginning of each month the total Transaction Levies as stated in its return under Rule 1106(b) to the Exchange in such manner as the Board may from time to time specify. Without prejudice to the foregoing, upon demand by the Exchange, immediate payment of all Transaction Levies due from a Special Participant referred to in Rule 1102(b), whether collected from the relevant China Connect Market Participants or not, relating to transactions of any period prior to the date of payment, shall be effected.

1108. If any Participant fails to remit any SFC Transaction Levy, AFRC Transaction Levy and/or Investor Compensation Levy to the Exchange within the period specified in Rule 1107, a surcharge at the same rate as the rate of the late remittance charge, if any, specified in the Securities and Futures (Levy) Rules, the Accounting and Financial Reporting Council Ordinance or the Securities and Futures (Investor Compensation-Levy) Rules (as the case may be) on the outstanding SFC Transaction Levy, AFRC Transaction Levy and/or Investor Compensation Levy payable shall be imposed. If any SFC Transaction Levy, AFRC Transaction Levy, Investor Compensation Levy and the surcharges remain unpaid at the end of the month in which the SFC Transaction Levy, the AFRC Transaction Levy and/or the Investor Compensation Levy is/are due, the Participant shall be liable to be suspended from trading and may be subject to any other disciplinary action as the Board may think fit. Notwithstanding any such action which the Board may take against the Participant in default, the Board may also take legal action to recover the outstanding amount of Transaction and Investor Compensation Levies and surcharges, and all expenses incurred or to be incurred by the Board for taking recovery action against the Participant shall be borne by such Participant.

1109. Where the total amount of the SFC Transaction Levy, the AFRC Transaction Levy or the Investor Compensation Levy in a return of a Participant under Rule 1106 is different from the sum computed by the Exchange on the basis of transactions as recorded by the Exchange, such Participant shall take immediate actions to verify the records to ascertain the correct amount that should be payable. It shall however remit the lesser of the two sums to the Exchange under Rules 1107 and 1108. Upon the correct amount being ascertained, the amount owing, if any, shall be paid to the Exchange immediately. In case of dispute, the amounts computed by the Exchange as aforesaid shall, in the absence of manifest error, be final and binding.

1110. (a) When an Exchange Participant suspends or ceases its business of dealing in securities, it shall immediately notify the Exchange in writing, and such Exchange Participant shall submit a return up to and including the date of suspension or cessation within 7 days after such date and shall effect payment within 15 days after such date and Rules 1106 to 1109 (where they apply to an Exchange Participant) shall apply accordingly.

(b) When a Special Participant suspends or ceases its order-routing business, it shall immediately notify the Exchange in writing, and such Special Participant shall submit a return up to and including the date of suspension or cessation within 7 days after such date and shall effect payment within 15 days after such date and Rules 1106 to 1109 (where they apply to a Special Participant) shall apply accordingly.

1111. [Repealed]

1112. Without prejudice to Rule 1103, the SFC Transaction Levy payable for a sale and purchase of Exchange Traded Options is payable by the seller and the buyer, and is 0% of the consideration for each sale or purchase in accordance with the Securities and Futures (Levy) Order and no AFRC Transaction Levy and Investor Compensation Levy are payable in accordance with the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively.

1113. Without prejudice to 1103, the SFC Transaction Levy payable for a sale or purchase of securities by an Exchange Participant acting in the capacity as a Securities Market Maker for a Market Making Security is nil in accordance with the Securities and Futures (Levy) Order and no AFRC Transaction Levy and Investor Compensation Levy are payable in accordance with the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively.

1113A. [Repealed]

1114. The SFC Transaction Levy so collected by the Exchange under these Rules shall be paid to the Commission in accordance with the Securities and Futures (Levy) Rules and these Rules.

1114A. The Investor Compensation Levy so collected by the Exchange under these Rules shall be paid to the Commission in accordance with the Securities and Futures (Investor Compensation – Levy) Rules and these Rules.

1114B. The AFRC Transaction Levy so collected by the Exchange under these Rules shall be paid to the Accounting and Financial Reporting Council in accordance with the Accounting and Financial Reporting Council Ordinance and these Rules.

CHAPTER 12

INVESTORS' COMPENSATION

(UNIFIED EXCHANGE COMPENSATION FUND)

General

1201. These Rules set out the obligations of the holders of Stock Exchange Trading Rights in relation to the Unified Exchange Compensation Fund ("Compensation Fund") as established under Part X of the repealed Securities Ordinance.

1202. The Compensation Committee shall exercise on behalf of the Board such of the powers, duties and functions of the Exchange in relation to the Compensation Fund as may from time to time be delegated to the Compensation Committee by the Board.

Compensation Fund Reserve Account

1203. Each person shall deposit with the Exchange, a sum of $50,000.00 in cash for every Stock Exchange Trading Right transferred or issued to him or it on or after the Scheme Effective Date. For the avoidance of doubt, contribution by the holders of Stock Exchange Trading Rights to the Compensation Fund is mandatory. The Exchange shall make deposits in respect of the Stock Exchange Trading Rights with the Commission and shall maintain an account, known as the Compensation Fund Reserve Account ("Reserve Account"), for all receipts and payments by the Exchange in relation to the Compensation Fund, including any deposits-in-transit, interests accumulated in the Reserve Account, interests received from the Commission, and any amounts lawfully paid into the Reserve Account.

1203A. The deposit made by a holder of a Stock Exchange Trading Right prior to the Scheme Effective Date shall for the purposes of these Rules be deemed to be a deposit for the purposes of the Compensation Fund.

1204. The funds in the Reserve Account shall in all circumstances be applied for the making of deposits with the Commission in respect of the Compensation Fund and for the refund to a past holder of a Stock Exchange Trading Right or as allowed by the Rules.

1205. The Exchange shall have absolute discretion in dealing with the funds in the Reserve Account which is not immediately required for making deposits with the Compensation Fund or refund to a past holder of a Stock Exchange Trading Right, including but not limited to the following manners:-

(1) placing the money in any kind of deposit or investment as the Board shall deem fit;

(2) applying the money towards the amount required of the Exchange to replenish the Compensation Fund;

(3) repaying holders of Stock Exchange Trading Rights if in the exceptional

circumstances the Board thinks it fit to do so and any repayment shall be in the manner as determined by the Board.

Replenishment

1206. Upon any payment out of the Compensation Fund in order to satisfy any claim, all Members of the Exchange or holders of Stock Exchange Trading Rights as at the day when the notice calling for such claim was issued by the Exchange shall contribute to replenish the Compensation Fund by depositing with the Exchange a sum (unless reduced under Rule 1207) equivalent to the amount of compensation payment divided by the number of Stock Exchange Trading Rights, and all such Members or holders of Stock Exchange Trading Rights shall be liable to meet such calls to contribute whenever made. Unless the Compensation Committee determines otherwise, any holder of a Stock Exchange Trading Right shall not be liable to contribute for the claims lodged against the Compensation Fund, the notice calling for which is issued subsequent to his or its date of cessation as a holder of a Stock Exchange Trading Right.

1207. The Board shall have absolute discretion to reduce the sum to be contributed by Members or holders of Stock Exchange Trading Rights under Rule 1206 by applying all or part of the funds in the Reserve Account towards the amount required of the Exchange to replenish the Compensation Fund.

1208. The Exchange shall call upon the Members or holders of Stock Exchange Trading Rights under Rule 1206 to contribute to replenish the Compensation Fund where the Commission, having exhausted all rights of action and other legal remedies subrogated to it by the claimants, requires replenishment of the Compensation Fund from the Exchange.

1209. The Board may require any further or additional payments to the Reserve Account in circumstances as it deems necessary, including but not limited to the increase of the maximum limit of payment out of the Compensation Fund.

Refund

1210. Where a person has deposited or deemed to have deposited a sum of money with the Exchange under Rule 1203 or 1203A in respect of a Stock Exchange Trading Right and thereafter such person ceases to be the holder of a Stock Exchange Trading Right, he or it, his personal representatives, successors and assigns, trustees in bankruptcy or its liquidator (the "retiring holder") shall be entitled to withdraw from the Compensation Fund in respect of that Stock Exchange Trading Right provided that the Compensation Committee is satisfied that such retiring holder has no outstanding liabilities (actual or contingent) in relation to a claim against the Compensation Fund in respect of that Stock Exchange Trading Right or his or its former Membership, and a refund shall be made after the expiration of 3 months from the date of such retiring holder's cessation as the holder of a Stock Exchange Trading Right and until the monies representing his or its contribution are refunded to the Exchange by the Commission pursuant to the repealed Securities Ordinance of an amount being the lesser of firstly the amount of $50,000 and secondly the sum attributable to the retiring holder calculated by dividing the amount comprising the Compensation Fund at the time (less such amount as the Compensation Committee may for the time being set aside as payment of any claims for which the retiring

holder is liable to replenish, actual or contingent) by the number of Stock Exchange Trading Rights (including that of the retiring holder).

1211. The Compensation Committee shall have absolute discretion to withhold any or all withdrawals from the Compensation Fund if in the circumstances it thinks fit to do so.

Interest and Income

1212. Interests of the deposits received in respect of the Compensation Fund shall be accumulated in the Reserve Account and together with any other income generated from the application of funds in the Reserve Account shall form part of the pool of funds in the Reserve Account.

Powers

1213. The Compensation Committee may from time to time issue circulars to holders of Stock Exchange Trading Rights and any instructions, requirements or directions stated in such circulars shall be observed or complied with by such holders of Stock Exchange Trading Rights and shall be conclusive and binding on all such holders of Stock Exchange Trading Rights. Without prejudice to any disciplinary powers conferred by these Rules, any holder of a Stock Exchange Trading Right who is in default of any Rules or requirements or calls made under these Rules (the "defaulting holder") shall be liable to be expelled by the Board from Exchange Participantship (if such defaulting holder is an Exchange Participant) and all amounts (if any) standing to the credit of the defaulting holder in the Reserve Account shall (regardless of whether the defaulting holder is an Exchange Participant) in the meantime be held in a suspense account. The Board shall have full discretion to apply the funds of the defaulting holder standing in the suspense account to the satisfaction of all liabilities owing or due by the defaulting holder to the Exchange, any recognized exchange controller which is the controller of the Exchange, or any company of which a recognized exchange controller which is a controller of the Exchange is a controller, the balance thereof (if any) shall be refunded to the defaulting holder.

Miscellaneous

1214. [Repealed]

1215. The Rules in this Chapter shall be binding on the personal representatives, successors and assigns, trustees in bankruptcy or liquidators of all holders of Stock Exchange Trading Rights.

1216. Any repayment, refund or distribution made under these Rules which remains unclaimed after six years from the date of notice of such repayment, refund or distribution may be forfeited by a resolution of the Board. Any forfeiture of unclaimed amount shall be deemed an income of the Reserve Account for the purpose of Rule 1212.

CHAPTER 13

STAMP DUTY COLLECTION

1301. A Participant shall pay to the Exchange in the manner and in accordance with the Operation Procedures for Stamp Duty Collection ("Operation Procedures") as prescribed by the Exchange from time to time the stamp duty chargeable under the Stamp Duty Ordinance on each and every contract note issued in respect of all transactions recognized by the Exchange under Rule 544, save and except:

(a) Market Maker jobbing transactions for which any applicable stamp duty shall be paid directly to the Collector of Stamp Revenue or in such other way as prescribed in the Stamp Duty Ordinance from time to time;

(b) Exchange Traded Fund underlying stock transactions; and

(c) Sale or purchase transactions of a Dual Counter Security in connection with market making or liquidity providing activities performed by an Exchange Participant in its capacity as a Dual Counter Market Maker, which satisfy such conditions and requirements as prescribed by the Exchange from time to time to qualify for exemption from stamp duty.

1302. All Exchange Participants which carry on the business of dealing in securities on the Exchange and all Special Participants shall at all times maintain a deposit in the amount as specified by the Exchange and notified to the Participants from time to time as security for their liabilities for the chargeable recognized transactions. Should the deposit at any time fall below the amount specified by the Exchange because of deduction under Rule 1303 or for any other reason, the Participant shall forthwith deposit sum or sums to make up the shortfall.

1303. Each and every Participant unconditionally and irrevocably authorizes the Exchange to deduct from the deposit referred to in Rule 1302 such sum or sums to satisfy its outstanding liabilities for stamp duty in the event it fails to pay to the Exchange the stamp duty in accordance with the Operation Procedures. All sums deducted shall, in the absence of manifest error, be final and binding.

1304. In addition to any penalty imposed under the Stamp Duty Ordinance, the Exchange shall have the right to charge a Participant surcharge and penalty at such rate as may from time to time be determined by the Exchange for any late payment of stamp duty to the Exchange, such payment to be made to the Exchange within 7 trading days from the date of demand from the Exchange. All amounts computed by the Exchange, shall in the absence of manifest error, be final and binding.

1305. (a) Without prejudice to the Operation Procedures, the Exchange may demand from an Exchange Participant immediate payment of any stamp duty due from it or its clients relating to any transaction concluded by the Exchange Participant, whether such stamp duty has been collected by the Exchange Participant or not.

(b) Without prejudice to the Operation Procedures, the Exchange may demand from a Special Participant immediate payment of any stamp duty due from it relating to any transaction concluded by the Special Participant, whether such stamp duty has been collected by the Special Participant from the relevant China Connect Market Participants or not.

1306. All Participants remain liable to the Collector of Stamp Revenue for the chargeable stamp duty on contract notes issued in respect of transactions not recognized by the Exchange (if any).

1307. Without prejudice to any other rights the Exchange may have in recovering monies due to it from the Participants, all monies owing to the Exchange by them under these Rules shall be recoverable by the Exchange as a civil debt.

1308. (a) Where an Exchange Participant suspends or ceases its business of dealing in securities, it shall immediately notify the Exchange in writing, and such Exchange Participant shall remain liable to the Exchange for the stamp duty chargeable on contract notes issued prior to the suspension or cessation on transactions recognized by the Exchange.

(b) When a Special Participant suspends or ceases its order-routing business, it shall immediately notify the Exchange in writing, and such Special Participant shall remain liable to the Exchange for the stamp duty chargeable on contract notes issued prior to the suspension or cessation on transactions recognized by the Exchange.

1309. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the chargeable stamp duty due and collected from clients and paid to the Exchange. An Exchange Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorized by the Board.

(b) A Special Participant shall keep complete and true records of the chargeable stamp duty paid by it to the Exchange. A Special Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorized by the Board.

1310. A Participant shall at the same time as it submits a return to the Collector of Stamp Revenue submit a copy of such return to the Exchange, certified by the Participant that the copy submitted to the Exchange is a copy of the return submitted to the Collector of Stamp Revenue.

1311. The Chief Executive or his delegates shall have power to enforce the Operation Procedures.

CHAPTER 14

CHINA CONNECT SERVICE

Cross-boundary Trading Links

1401. The Exchange and a China Connect Market Operator may enter into Trading Links to establish and operate:

(1) an order-routing arrangement to enable Exchange Participants and their clients to trade in securities listed on the relevant China Connect Market through an SEHK Subsidiary (which shall be a member or participant of the relevant China Connect Market), and/or

(2) an order-routing arrangement to enable China Connect Market Participants of a China Connect Market Operator and their clients to trade in securities listed on the Exchange through a subsidiary of the China Connect Market Operator (which shall be a Special Participant of the Exchange subject to these Rules),

for the purpose of facilitating cross-boundary mutual market access and connectivity.

1402. This Chapter 14 sets out the provisions that apply to Exchange Participants who wish to participate in the trading of China Connect Securities through the use of the China Connect Service.

The China Connect Service

1403. (1) For the purposes of establishing and operating a Trading Link referred to in Rule 1401(1), the Exchange may enter into arrangements, upon such terms and conditions as the Exchange considers appropriate, with an SEHK Subsidiary pursuant to which the SEHK Subsidiary will provide services to China Connect Exchange Participants for the routing of China Connect orders to a China Connect Market System. Where such services are provided, China Connect orders input by a China Connect Exchange Participant into the CSC via a China Connect Central Gateway session will, subject to these Rules, be routed to the relevant China Connect Market System by the SEHK Subsidiary for automatic matching and execution. Any reference in these Rules to "through the China Connect Service" or "through the use of the China Connect Service" shall, unless the context otherwise requires, be construed accordingly.

(2) In conjunction with the order-routing service referred to in Rule 1403(1), the Exchange may, on its own or through an SEHK Subsidiary, provide related supporting services to China Connect Exchange Participants as the Exchange considers appropriate. These may include the following:

(a) order receipt and order rejection reporting service in respect of China Connect orders;

(b) trade confirmation reporting service in respect of China Connect Securities Trades; and

(c) order cancellation reporting service in respect of China Connect orders which China Connect Exchange Participants have submitted a cancellation request.

(3) To facilitate the provision of the order-routing and related supporting services referred to in Rules 1403(1) and (2) by an SEHK Subsidiary to China Connect Exchange Participants, the Exchange will provide the SEHK Subsidiary with technical infrastructure and related support and services on such terms and conditions and upon payment of such fees as the Exchange and the SEHK Subsidiary may from time to time agree.

(4) The use of the China Connect Service by China Connect Exchange Participants shall be subject to such terms and conditions and the payment of such fees as the Exchange and/or the relevant SEHK Subsidiary may from time to time prescribe.

China Connect Exchange Participants and Eligibility Criteria for Registration

1404. Only China Connect Exchange Participants may use the China Connect Service. An Exchange Participant, other than a China Connect Exchange Participant, who wishes to conduct trading through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly, shall refer to and comply with Rule 590.

1405. The Exchange may by notice from time to time prescribe the eligibility criteria for Exchange Participants to be accepted for registration and to remain registered as China Connect Exchange Participants. The Exchange may prescribe different eligibility criteria for registration in respect of different China Connect Markets and different China Connect Securities.

1406. (1) Exchange Participants (whether or not they are CCASS Clearing Participants) shall be eligible to apply for registration and to remain registered as China Connect Exchange Participants provided that:

(a) they are CCASS Clearing Participants which are and remain registered by HKSCC as China Connect CCASS Clearing Participants for the clearing of their China Connect Securities Trades; or

(b) they are not registered by HKSCC as China Connect CCASS Clearing Participants but have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is and remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.

(2) An Exchange Participant that is a CCASS Clearing Participant shall itself clear, or appoint a CCASS GCP which is registered as a China Connect Clearing Participant to clear, its China Connect Securities Trades. To be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:

(a) meet the relevant China Connect Exchange Participant Registration Criteria;

(b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and

(c) be approved as a China Connect CCASS Clearing Participant and such approval must not have been withdrawn by HKSCC or has entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.

(3) In the case of an Exchange Participant that is not a CCASS Clearing Participant, to be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:

(a) meet the relevant China Connect Exchange Participant Registration Criteria;

(b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and

(c) have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades and if such CCASS GCP does not also clear its Exchange Trades, it must also have entered into a valid, binding and effective CCASS Clearing Agreement with at least one CCASS GCP for the clearing of its Exchange Trades.

(4) Applications under Rule 1406(1) must be made in writing in such form as the Exchange may from time to time prescribe. Exchange Participants may be required to make separate applications with respect to the trading of China Connect Securities in different China Connect Markets.

(5) The Exchange's decision in respect of an application shall be final and conclusive, and approval may be given subject to such terms and conditions (including such system testing requirements, market readiness rehearsals and market contingency rehearsals) as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

(6) The Exchange may publish the China Connect Exchange Participant Registration Criteria and a list of the China Connect Exchange Participants registered from time to time on the HKEX website or by such other means as it considers appropriate.

(7) Exchange Participants must sign an undertaking in the prescribed form with the relevant SEHK Subsidiary prior to their being accepted for registration as China Connect Exchange Participants for trading in a China Connect Market through the use of the China Connect Service. The Exchange may prescribe different forms of undertakings with respect to different China Connect Markets.

(8) Every China Connect Exchange Participant which has entered into a CCASS Clearing Agreement with a CCASS GCP for the clearing of its China Connect Securities Trades shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.

Resignation as a China Connect Exchange Participant

1406A. (1) An Exchange Participant may at any time give the Exchange written notice of its intention to resign as a China Connect Exchange Participant.

(2) Where a notice under Rule 1406A(1) is given to the Exchange, the resignation of the China Connect Exchange Participant shall be subject to such conditions as the Exchange considers appropriate and shall take effect only after the Exchange has notified its approval in writing, the date on which the resignation is to take effect and any applicable conditions. Pending such approval and before the specified effective date, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14, 14A and 14B.

(3) If a China Connect Exchange Participant, in its capacity as an Exchange Participant, gives notice of its cessation of business to the Exchange under Rule 353, such notice shall be deemed to be a notice under Rule 1406A(1) whereupon Rule 1406A shall apply.

China Connect Securities, Special China Connect Securities and China Connect Markets

1407. The Exchange may (after consulting the relevant China Connect Market Operator) accept any securities that are listed on a China Connect Market as eligible for China Connect buy orders and China Connect sell orders through the use of the China Connect Service, such securities are referred to as "China Connect Securities" in these Rules. The Exchange may apply different criteria in accepting securities as China Connect Securities with respect to different China Connect Markets.

1408. (1) Notwithstanding Rule 1407, the Exchange may (after consulting the relevant China Connect Market Operator) accept or designate any security (including any security not within the scope of Rule 1407) as only eligible for China Connect sell orders and not for China Connect buy orders through the use of the China Connect Service, such securities are referred to as "Special China Connect Securities" in these Rules.

(2) Where securities are accepted or designated by the Exchange under Rule 1408(1), China Connect Exchange Participants shall not input or accept instructions from any person to input any China Connect buy orders for Special China Connect Securities.

(3) Unless the context otherwise requires, any reference in these Rules to "China Connect Securities" shall include "Special China Connect Securities".

1409. (1) The Exchange may establish and maintain the following lists and may publish them on the HKEX website or by such other means as it considers appropriate:

(a) a list of China Connect Securities referred to in Rule 1407 in respect of a China Connect Market;

(b) a list of Special China Connect Securities referred to in Rule 1408(1) in respect of a China Connect Market;

(c) a list of China Connect Markets; and

(d) a list of China Connect Market Operators.

(2) The Exchange may (after consulting with the relevant China Connect Market Operator) exclude any securities from the list of China Connect Securities and the list of Special China Connect Securities.

China Connect Central Gateway Session and Backup China Connect Central Gateway Session

1410. (1) In order to access the CSC or use the China Connect Service, a China Connect Exchange Participant must apply to the Exchange in the prescribed form for:

(a) [Repealed]

(b) [Repealed]

(c) one or more China Connect Central Gateway sessions, and in respect of each China Connect Central Gateway session applied for, a single standard China Connect Central Gateway throttle rate or multiples of a standard China Connect Central Gateway throttle rate (whether by subscribing to the China Connect Monthly Throttle Subscription Scheme or otherwise) for assignment to the China Connect Central Gateway session.

(2) A China Connect Exchange Participant which has connected its BSS with the China Connect Central Gateway via its China Connect Central Gateway session in accordance with Rule 1411(1) may, subject to Rule 1414(1), apply to the Exchange in the prescribed form for a Backup China Connect Central Gateway session to backup such China Connect Central Gateway session.

(3) Applications made under Rules 1410(1) and (2) are subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

1411. (1) Upon approval of an application made under Rule 1410(1) or Rule 1413(5), a China Connect Exchange Participant may:

(a) [Repealed]

(b) [Repealed]

(c) connect its BSS with the China Connect Central Gateway via its China Connect Central Gateway session.

(2) Where an application for a Backup China Connect Central Gateway session under Rule 1410(2) is approved, the Backup China Connect Central Gateway session shall be used for backup purposes in accordance with Rule 1414.

(3) A China Connect Exchange Participant shall comply with all such terms and conditions and pay all such fees and charges as the Exchange may prescribe from time to time with respect to the use of a China Connect Central Gateway session, a standard China Connect Central Gateway throttle rate and/or a Backup China Connect Central Gateway session.

1412. (1) Notwithstanding Rules 1411, 1413(5) and 1414, the Exchange has the right to suspend, withdraw or revoke a China Connect Exchange Participant's use of a China Connect Central Gateway session or a Backup China Connect Central Gateway session or access to the CSC on such terms and for such period as the Exchange thinks fit, whether requested by the China Connect Exchange Participant or not.

(2) A China Connect Exchange Participant may request the Exchange to suspend, withdraw or revoke its use of any China Connect Central Gateway session, Backup China Connect Central Gateway session or access to the CSC any time.

(3) [Repealed]

(4) A China Connect Exchange Participant shall ensure that only it or its Authorized Persons can operate or have access to a China Connect Central Gateway session or a Backup China Connect Central Gateway session, and shall be solely responsible

and liable for monitoring and supervising such grant of access and operation by it or its Authorized Persons. A China Connect Exchange Participant shall be fully liable for any consequences resulting from any unauthorized use of its China Connect Central Gateway session s or Backup China Connect Central Gateway sessions.

(5) [Repealed]

(6) A China Connect Exchange Participant shall ensure that its BSS is operated in such a way as not to affect the proper functioning of the CSC.

(7) A China Connect Exchange Participant shall submit to the Exchange a declaration in a form prescribed by the Exchange from time to time in relation to its BSS:

(a) prior to the connection or re-connection of its BSS to the China Connect Central Gateway via a China Connect Central Gateway session; and

(b) prior to the implementation of material changes to its BSS or at any time as required by the Exchange during any period that its BSS is connected to the China Connect Central Gateway.

Increase and Transfer of China Connect Central Gateway Throughput Rate

1413. (1) The Exchange may, upon the application of a China Connect Exchange Participant, approve the increase of the throughput rate of a China Connect order into the CSC via a China Connect Central Gateway session under this Rule 1413(1) or, in the case of an increase on a monthly basis, under Rule 1413A(1). An application for an increase in the throughput rate shall be for a standard China Connect Central Gateway throttle rate or multiples of a standard China Connect Central Gateway throttle rate.

(2) The Exchange may, upon the application of a China Connect Exchange Participant that has more than one China Connect Central Gateway session, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to one of its China Connect Central Gateway sessions to another China Connect Central Gateway session of the China Connect Exchange Participant.

(3) The Exchange may, upon the application of a China Connect Exchange Participant, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to an existing China Connect Central Gateway session of such China Connect Exchange Participant to a new China Connect Central Gateway session of such China Connect Exchange Participant approved under Rule 1413(5).

(4) The Exchange may, upon the application of a China Connect Exchange Participant, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to a China Connect Central Gateway session of such China Connect Exchange Participant to a China Connect Central Gateway

session of any of its group companies.

(5) The Exchange may, upon the application of a China Connect Exchange Participant which already has a China Connect Central Gateway session, approve the application of the China Connect Exchange Participant for a new China Connect Central Gateway session.

(6) Applications made by a China Connect Exchange Participant under Rules 1413(1) to (5) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate from time to time. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

China Connect Monthly Throttle Subscription Scheme

1413A. (1) The Exchange may, upon the application of a China Connect Exchange Participant with a China Connect Central Gateway session, approve the subscription of a single or multiples of a standard China Connect Central Gateway throttle rate on a monthly basis (the "China Connect Monthly Throttle Subscription Scheme"). An application for the subscription of the China Connect Monthly Throttle Subscription Scheme shall be for a single or multiples of a standard China Connect Central Gateway throttle rate.

(2) The Exchange may impose a maximum number of standard China Connect Central Gateway throttle rates that may be granted to a China Connect Exchange Participant under the China Connect Monthly Throttle Subscription Scheme.

(3) Applications made by a China Connect Exchange Participant under Rule 1413A(1) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate from time to time. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

Use of Backup China Connect Central Gateway session

1414. (1) The number of Backup China Connect Central Gateway sessions that a China Connect Exchange Participant may apply for under Rule 1410(2) must not exceed the total number of China Connect Central Gateway sessions connected to the China Connect Central Gateway at the time of the application. The number of standard China Connect Central Gateway throttle rates to be assigned to a Backup China Connect Central Gateway session for the backup of a China Connect Central Gateway session must be the same as the number of standard China Connect Central Gateway throttle rates assigned to that China Connect Central Gateway session.

(2) [Repealed]

(3) [Repealed]

(4) Notwithstanding anything to the contrary contained in these Rules, upon activation of a Backup China Connect Central Gateway session by the China Connect Exchange Participant, such Backup China Connect Central Gateway session shall for the purposes of these Rules be deemed as a "China Connect Central Gateway session" as defined and shall be used as such by the China Connect Exchange Participant until such time as it is de-activated by the China Connect Exchange Participant.

(5) [Repealed]

Operational Hours of the China Connect Service

1415. (1) The Exchange has absolute discretion to determine from time to time the operational hours of the China Connect Service. The Exchange will prescribe the operational hours and related arrangements of the China Connect Service by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate. Different operational hours and arrangements may be prescribed in respect of different China Connect Markets.

(2) The Exchange has absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary basis, due to operational needs, inclement weather, under emergency situations or otherwise. Except in the case of emergency, changes will be announced on the HKEX website or through such other means as the Exchange considers appropriate.

Order Input and Transactions Executed Through the China Connect Service

1416. For China Connect orders to be routed to a China Connect Market for automatic matching and execution, a China Connect Exchange Participant must input such China Connect orders into the CSC via a China Connect Central Gateway session connected with its BSS. A China Connect Exchange Participant shall at all times be responsible for all the China Connect orders routed through its China Connect Central Gateway sessions to the relevant China Connect Market irrespective of whether the China Connect orders are executed on the China Connect Market System or not. Where China Connect orders are executed, a China Connect Exchange Participant shall bear responsibility for the China Connect Securities Trades.

1417. The Exchange has absolute discretion to determine the types of China Connect orders that may be input by a China Connect Exchange Participant. Such order types may differ for different China Connect Markets and/or different China Connect Securities. The Exchange will prescribe or change the order types to be used for a China Connect Market by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.

1418. Without limiting Rule 1417, China Connect Exchange Participants must input China Connect orders in accordance with and subject to the scale of spreads, limitations on lot size, price limit, order size and other quotation requirements or restrictions (including but not limited to shareholding restrictions, restrictions on turnaround trading arrangements and any form of circuit breaker mechanism) set by the China Connect Market Operator for or otherwise applicable to the relevant China Connect Market from

time to time. Different quotation requirements or restrictions may apply to different China Connect Markets and different China Connect Securities. The Exchange will set out such requirements or restrictions as are communicated to the Exchange by the relevant China Connect Market Operator by making rules or through publication on the HKEX website or such other means as it considers appropriate. The Exchange has the power to reject China Connect orders that do not comply with the relevant requirements and restrictions. Further, the Exchange has absolute discretion to prescribe additional quotation requirements or restrictions under Rule 1430.

1419. Unless the Exchange otherwise determines, China Connect orders shall be made in RMB.

1420. Unless the Exchange otherwise determines, all inputs into the CSC via a China Connect Central Gateway session of a China Connect Exchange Participant are valid and binding on the China Connect Exchange Participant subject to these Rules, and by inputting a China Connect order into the CSC, a China Connect Exchange Participant is deemed to have authorised the relevant SEHK Subsidiary to route such China Connect order through the China Connect Service to the relevant China Connect Market System for automatic matching and execution. A China Connect Exchange Participant shall be responsible for the accuracy of all information and messages input into the CSC via a China Connect Central Gateway session of the China Connect Exchange Participant, and it is deemed to have authorised and have knowledge of all inputs that bear the China Connect Exchange Participant's unique identifier.

1421. (1) A China Connect Exchange Participant shall not accept instructions from any client to sell or buy China Connect Securities through the China Connect Service which may be in breach of or not be in compliance with any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets.

(2) Before a China Connect Exchange Participant inputs a China Connect sell order for routing through the China Connect Service, it shall ensure that it or its clients have sufficient securities at the time of placement of such order to settle the delivery obligation assuming that the China Connect order will be matched and executed on the relevant China Connect Market System.

1422. A China Connect order input by a China Connect Exchange Participant may, subject to the rules of the relevant China Connect Market Operator that apply to the relevant SEHK Subsidiary (including without limitation any form of circuit breaker mechanism), be cancelled at the request of the China Connect Exchange Participant through the input of a cancellation request into the CSC via a China Connect Central Gateway session provided that such China Connect order has not been matched or executed by the relevant China Connect Market System. No China Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the relevant China Connect Market System. Neither the Exchange nor the relevant SEHK Subsidiary shall have any liability in the event that a China Connect order which a China Connect Exchange Participant has requested be cancelled is not cancelled for any reason whatsoever.

1423. Unless the Exchange otherwise determines, all China Connect Securities Trades executed by a China Connect Exchange Participant, whether as agent or principal, shall

be binding on the China Connect Exchange Participant and cannot be revoked, amended or cancelled.

1424. Where a China Connect buy order is executed through the use of the China Connect Service by a China Connect Exchange Participant, the China Connect Exchange Participant shall ensure that it or its clients will have sufficient funds to settle the payment obligation of the China Connect Exchange Participant on the settlement day. Funds should be sufficient to cover all fees, charges and taxes payable in respect of the purchase of the relevant China Connect Securities on the relevant China Connect Market.

1425. All China Connect Securities Trades shall be settled through CCASS in accordance with the HKSCC Rules. Where a China Connect order is executed on a China Connect Market System through the use of the China Connect Service by a China Connect Exchange Participant, the China Connect Exchange Participant shall cause such transaction to be settled through CCASS as a China Connect Securities Trade in accordance with the HKSCC Rules.

Broker-to-Client Assigned Number (BCAN)

1425A. (1) (a) A China Connect Exchange Participant shall ensure that each of its clients who buys or sells China Connect Securities is assigned a BCAN.

(b) If a client holds multiple accounts with a China Connect Exchange Participant, a single BCAN shall be assigned to identify such client, unless the other account(s) of the China Connect Exchange Participant are held by the client jointly with any other person in which case a separate BCAN in respect of the China Connect orders for such joint account shall be assigned.

(c) If a China Connect Exchange Participant and/or any of its group companies will buy or sell China Connect Securities as principal or on a proprietary basis, the China Connect Exchange Participant shall assign a BCAN to identify itself and a separate BCAN to identify each of the relevant group companies as if they were clients of the China Connect Exchange Participant.

(d) For the purposes of this Rule 1425A, "client" shall mean:

(i) a direct client of a China Connect Exchange Participant; or

(ii) an indirect client whose BCAN may from time to time be required by the Exchange to be included in an order that is inputted by the China Connect Exchange Participant into the CSC, including without limitation and unless otherwise prescribed by the Exchange, any direct client of a group company of the China Connect Exchange Participant if the group company itself is a direct or, through any other group companies, an indirect client of the China Connect Exchange Participant.

If the China Connect Exchange Participant's direct client is an Exchange Participant trading through the China Connect Exchange Participant

pursuant to Rule 590, the China Connect Exchange Participant shall (i) provide sufficient BCANs to such Exchange Participant to enable it to assign a BCAN to each of its clients in accordance with this Rule 1425A(1) and (ii) submit a list of such Exchange Participants so that they can provide the BCANs and CID of their clients in the form of a BCAN-CID Mapping File to the Exchange in accordance with Rule 1425A(2).

(e) A China Connect Exchange Participant shall ensure that the BCAN assigned to a client will not be changed or re-used for another client unless such modification is necessary due to system upgrades or other exceptional cases and the Exchange's prior written approval is obtained.

(2) In order to input a China Connect order into the CSC for the account of a client on a CSC trading day ("T day"), a China Connect Exchange Participant must on or before the previous CSC trading day, unless otherwise permitted by the Exchange ("T-1 day"), have provided the BCAN and CID of such client in the form of a BCAN-CID Mapping File to the Exchange for validation.

(3) A China Connect Exchange Participant shall ensure that the CID in the BCAN-CID Mapping File is accurate and up to date. A China Connect Exchange Participant may report any correction or update of the CID to the Exchange in such manner and by such deadline as may be prescribed by the Exchange from time to time.

(4) When inputting a China Connect order into the CSC, a China Connect Exchange Participant shall include the corresponding BCAN in such manner as the Exchange may from time to time prescribe. A China Connect order will be rejected if no BCAN is included or the BCAN included is invalid or deficient.

(5) A China Connect Exchange Participant shall ensure that all necessary authorizations and written consents are obtained from each individual client regarding the collection, storage, use, disclosure and transfer of personal data in relation to such client's BCANs and CID, including authorizations and consents which:

(a) allow the China Connect Exchange Participant to (i) disclose and transfer the client's BCANs and CID to the Exchange and the relevant SEHK Subsidiary from time to time; and (ii) indicate the client's BCAN when inputting a China Connect order into the CSC which will be further routed to the relevant China Connect Market Operator on a real-time basis;

(b) allow each of the Exchange and the relevant SEHK Subsidiary to: (i) collect, use and store BCANs and CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via HKEX) for market surveillance and monitoring purposes and enforcement of these Rules; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes stated in Rule 1425A(5)(c) and (d); and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate

the performance of their statutory functions with respect to the Hong Kong financial markets;

(c) allow the relevant China Connect Clearing House to: (i) collect, use and store the client's BCANs and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its own investor identification database and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use the client's BCANs and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and

(d) allow the relevant China Connect Market Operator to (i) collect, use and store BCANs and CID to facilitate its surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets,

in each case in full compliance with all applicable laws including the Personal Data (Privacy) Ordinance and such that any subsequent purported withdrawal of authorization or consent by an individual client will not affect the China Connect Exchange Participant's continued storage, use, disclosure and transfer of personal data for the above purposes in respect of trading in China Connect Securities conducted for the account of the individual client.

(6) If the necessary authorizations and consents from a client in relation to the collection, storage, use, disclosure and transfer of the BCAN and CID as required under these Rules cannot be obtained by a China Connect Exchange Participant or are otherwise invalid or deficient, the China Connect Exchange Participant may, without prejudice to Rule 1425A(4), only input China Connect sell orders (but not any buy order) into the CSC for the account of such client. The Exchange may impose such criteria, conditions and requirements as the Exchange may in its sole discretion consider appropriate from time to time to determine the China Connect orders which may be allowed to be inputted into the CSC for such client under such circumstances.

(7) A China Connect Exchange Participant which has included an incorrect BCAN when inputting a China Connect order into the CSC shall promptly cancel the China Connect order through the input of a cancellation request into the CSC if such China Connect order has not been matched or executed by the relevant China Connect Market System. If such China Connect order has been matched or executed by the relevant China Connect Market System, the China Connect Exchange Participant shall report any correction of BCAN to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

(8) In addition to any other powers that the Exchange may have under these Rules, the Exchange may at any time require a China Connect Exchange Participant to provide the Exchange with such information as it may request to assess whether there is, or the extent of, any non-compliance with the requirements set out in this Rule 1425A.

(9) For the purpose of this Rule 1425A and without prejudice to Rule 590, unless the context otherwise requires, China Connect Exchange Participant includes an Exchange Participant, other than a China Connect Exchange Participant, who conducts or intends to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly.

Quotas on the Trading of China Connect Securities

1426. Relevant governmental or regulatory bodies may impose quotas on the trading of China Connect Securities from time to time depending on market conditions and readiness, the level of cross-boundary fund flows, stability of the markets and other factors and considerations. Where quotas are imposed in respect of a China Connect Market, the Exchange will prescribe relevant details including the quota limit, level of quota utilisation, balance of available quota and the applicable restrictions and arrangements by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.

1427. Where a quota referred to in Rule 1426 is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with the relevant quota requirements or restrictions including, without limitation, the following:

(a) restricting or rejecting China Connect buy orders;

(b) suspending or restricting the access to or the use of all or any part of the China Connect Service under Rule 1438 or 1439; and

(c) amending the operational hours and related arrangements of the China Connect Service under Rule 1415,

provided that China Connect sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to make the China Connect Service or any part of it available. China Connect Exchange Participants shall comply with all such actions, steps or measures as are taken or required by the Exchange.

1428. (1) A China Connect Exchange Participant shall not enter into or carry out, directly or indirectly, any fictitious or artificial transaction or device or any other act with the intention that, or being reckless as to whether, it has or is likely to have the effect of artificially using or filling any quota or quota balance referred to in Rule 1426 or causing any such quota limit to be exceeded, whether through artificial, unauthorised or bulk input of China Connect buy orders, input of China Connect buy orders at an artificially low price, or through the creation of a false market in, or a misleading appearance of active China Connect orders for, any China

Connect Securities or otherwise.

(2) For the purpose of preventing the acts referred to in Rule 1428(1), the Exchange and the relevant SEHK Subsidiary may set restrictions in the CSC and related system connections to block the input of China Connect orders at an artificially low price at such thresholds as the Exchange and the relevant SEHK Subsidiary may consider appropriate.

Fees and Charges on the Trading of China Connect Securities

1429. China Connect Exchange Participants shall pay all fees, charges, levies and taxes payable in respect of the buying and selling of China Connect Securities as required by the relevant China Connect Market Operator and applicable laws from time to time. The Exchange will provide information on such fees, charges, levies and taxes payable in respect of a China Connect Market as are communicated to it by the relevant China Connect Market Operator and the manner of collection by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.

1429A. China Connect Exchange Participants shall pay the Investor Compensation Levy on their China Connect Securities Trades to the Exchange in accordance with Chapter 11.

Conditions and Restrictions on the Use of the China Connect Service

1430. The Exchange has absolute discretion to impose or amend conditions or restrictions for access to or the use of the China Connect Service from time to time for the purpose of ensuring that the trading of China Connect Securities will not contravene applicable laws or for any other reasons which the Exchange considers appropriate. To comply with applicable laws in Mainland China and the requirements of the relevant China Connect Market Operator, such conditions or restrictions may include requirements to comply with certain shareholding thresholds and disclosure obligations, any form of circuit breaker mechanism, conditions in conducting margin trading, stock borrowing and lending and short selling activities, restrictions in conducting off-exchange transactions, and obligations to alert investors of investment risk and their obligations to comply with applicable laws, and to communicate with investors on regulatory warnings or investigations. Different conditions or restrictions may be prescribed in respect of different China Connect Securities and China Connect Markets. The Exchange will prescribe the conditions or restrictions or change of such conditions or restrictions by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate. China Connect Exchange Participants shall comply with the conditions and restrictions in all respects.

1431. Where any condition or restriction referred to in Rule 1430 is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with such condition or restriction including, without limitation, the following:

(1) restricting or rejecting China Connect buy orders in respect of any or all of the China Connect Securities;

(2) suspending or restricting the access to or use of all or any part of the China

Connect Service under Rule 1438 or 1439;

(3) amending the operational hours and related arrangements of the China Connect Service under Rule 1415;

(4) imposing a forced sale of the relevant China Connect Securities in circumstances where a shareholding limit under applicable laws is or may be breached or exceeded; and

(5) taking actions as required under the applicable laws or as requested by the Commission, a relevant governmental or regulatory body or a China Connect Market Operator,

provided that China Connect sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to make the China Connect Service or any part of it available. China Connect Exchange Participants shall comply with all such actions, steps or measures as are taken or required by the Exchange.

Compliance with Applicable Laws and the Rules

1432. By applying for registration and being registered as a China Connect Exchange Participant, a China Connect Exchange Participant agrees, and represents to the Exchange, that it shall, and shall ensure that its Authorized Persons, Responsible Officers, directors, managers, officers, employees, representatives and persons acting on its behalf shall, for so long as the China Connect Exchange Participant remains registered as a China Connect Exchange Participant, comply with and abide by all applicable laws with regard to the trading of China Connect Securities on the relevant China Connect Market including but not limited to laws and regulations prohibiting insider dealing, market manipulation, price rigging, false trading or the creation of a false or misleading appearance of active trading on any China Connect Securities.

1433. By applying for registration and being registered as a China Connect Exchange Participant, a China Connect Exchange Participant agrees, and represents to the Exchange, that it shall, and shall ensure that its Authorized Persons, Responsible Officers, directors, managers, officers, employees, representatives and persons acting on its behalf shall, for so long as the China Connect Exchange Participant remains registered as a China Connect Exchange Participant, comply with and abide by these Rules and any requirements, conditions, restrictions, arrangements and other stipulations that may be issued or published pursuant to these Rules with regard to the trading of China Connect Securities or the access to or use of the China Connect Service. The prohibitions in Rule 545 on market misconduct shall apply to China Connect Exchange Participants in relation to their use of the China Connect Service, provided that any reference in Rule 545 to securities traded on the Exchange shall be construed, mutatis mutandis, to include China Connect Securities.

1434. For informational purposes only, the Exchange may publish or make available on the HKEX website or through such other means as the Exchange considers appropriate a list of laws, rules and regulations of Mainland China which may be relevant to the trading of China Connect Securities on the relevant China Connect Market. Publication of such list by the Exchange shall be for ease of reference only and shall not be regarded as the giving of legal or professional advice by the Exchange to any China Connect Market

Participants. The Exchange does not make any representations or warranties as to the accuracy, completeness, suitability or timeliness of any of the information included in such list and does not accept any liability for any person's reliance or use of the information. Each China Connect Exchange Participant shall be responsible on an ongoing basis for seeking its own advice with regard to compliance with applicable laws as may be in force from time to time.

1435. (1) A China Connect Exchange Participant is subject to and shall comply with the provisions in this Chapter 14 and the applicable China Connect Service Special Rules in addition to those applicable to it as an Exchange Participant, unless otherwise determined by the Exchange. For the avoidance of doubt, nothing in this Chapter 14 or the applicable China Connect Service Special Rules shall affect or relieve the obligations and liabilities of a China Connect Exchange Participant as an Exchange Participant under these Rules.

(2) Without prejudice to Rule 569A, the Exchange may, without obtaining the prior approval of a China Connect Exchange Participant, disclose information concerning the China Connect Exchange Participant (including information relating to its use of the China Connect Service, the China Connect orders and , order cancellation requests input by it and China Connect Securities Trades made by it) to the China Connect Market Operator which operates the China Connect Market and the relevant governmental or regulatory bodies.

(3) Without prejudice to the generality of Rule 569B, the Board may direct a China Connect Exchange Participant to provide the Exchange with such information or documents in Chinese (or where the information or document is not in the Chinese language, a Chinese translation thereof) as may be required by a China Connect Market Operator or a relevant governmental or regulatory body for the purpose of any investigation or otherwise pursuant to Rule 569B within a period specified by the Exchange.

1436. The Exchange may at any time and on such terms as it thinks fit revoke or terminate an Exchange Participant's registration as a China Connect Exchange Participant, or suspend, restrict or terminate a China Connect Exchange Participant's access to or use of the China Connect Service in respect of any China Connect Market or any part thereof, or suspend or restrict a China Connect Exchange Participant from inputting China Connect orders under any specified BCAN where the Exchange considers it appropriate and reasonable to do so (including where the China Connect Exchange Participant fails to comply with these Rules). Before the revocation or termination of an Exchange Participant's registration as a China Connect Exchange Participant takes effect, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14, 14A and 14B.

1437. In the event that the Exchange, an SEHK Subsidiary or HKSCC is notified by a China Connect Market Operator, China Connect Clearing House or a relevant governmental or regulatory body that there is reasonable cause to suspect or believe that a China Connect Exchange Participant or any of its clients has failed to comply with or has breached any applicable laws of Mainland China with regard to the trading of China Connect Securities on the relevant China Connect Market through the use of the China Connect Service, the Exchange shall, in addition to any other powers that it may have under these Rules, have the following powers:

(1) require the relevant China Connect Exchange Participant to provide the Exchange with such information within such period as it may request to assess, or to enable the relevant China Connect Market Operator, China Connect Clearing House or governmental or regulatory body to assess, whether there is any non-compliance or breach of the applicable laws or the extent of any non-compliance or breach, including but not limited to information regarding the relevant client, and where the client is an individual, the personal data of the client. The Exchange may require the relevant China Connect Exchange Participant to provide information on the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a China Connect Securities Trade (and the instruction given) and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the China Connect Securities Trade and/or bear its commercial or economic risk and such other information within such period as the Exchange may request;

(2) require the relevant China Connect Exchange Participant to take such actions, steps or measures to stop and/or to remedy or rectify the breach, including but not limited to requiring the relevant China Connect Exchange Participant not to accept further instructions from or to act for the relevant client or not to accept or input China Connect orders under any BCAN; and

(3) commence disciplinary action against the relevant China Connect Exchange Participant for its failure to comply with Rule 1432 or 1433.

Suspension, Restriction and Cessation of Operation of the China Connect Service, and Emergency Arrangements

1438. (1) The Exchange or the relevant SEHK Subsidiary (after consulting the Exchange) may temporarily suspend or restrict the China Connect Service in respect of a China Connect Market or any part thereof in its sole and absolute discretion. Suspension or restriction may be in respect of all or part of the order-routing and related supporting services or with regard to all or any China Connect Securities or one or more China Connect Markets, and for such duration and frequency as the Exchange may consider appropriate.

(2) The circumstances under which the powers under Rule 1438(1) may be exercised include, without limitation, the following:

(a) in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), any applicable quota prescribed under Rule 1426 or 1427 may not be sufficient to support the fulfilment of China Connect orders, or any restrictions or measures put in place for quota management as referred to in Rule 1428 may not be effective;

(b) in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), a fair, informed and orderly market for the trading of the relevant China Connect Securities may not exist or be maintained (including where investors are unable to access relevant market information), or there is unusual trading of the relevant China Connect Securities through the use of the China Connect Service;

(c) in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), the normal operation of any Trading Link is affected or there are operational or technical issues which must be resolved before the China Connect Service should continue to be made available or not be restricted;

(d) where the Commission, a relevant governmental or regulatory body, competent authority or a China Connect Market Operator has requested for a suspension or restriction of the China Connect Service or any part thereof;

(e) where the Exchange or the relevant SEHK Subsidiary is notified by HKSCC in writing confirming that there are operational or technical issues in respect of HKSCC, a China Connect Clearing House or any Clearing Link which must be resolved before the China Connect Service should continue to be made available or not be restricted; and

(f) where an error, mistake or delay has occurred in relation to the compilation or publication of the list of China Connect Securities, the list of Special China Connect Securities or any other lists concerning China Connect Securities referred to in this Chapter 14 or the applicable China Connect Service Special Rules which, in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), has affected or may affect the normal or continued operation of the China Connect Service or the relevant Trading Link.

(3) If the Exchange or an SEHK Subsidiary decides to suspend or restrict the China Connect Service or any part thereof under Rule 1438(1), the Exchange shall (except in the case of emergency) publish an announcement on the HKEX website or by such other means as the Exchange considers appropriate, stating the nature of the suspension or restriction, the effective date and time of suspension or restriction and any other information as the Exchange considers appropriate.

1439. If, in the opinion of the Chief Executive, the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), the operation or functioning of the China Connect Service in respect of a China Connect Market or any part thereof is, or is likely to be, severely or adversely threatened or affected by an emergency (including but not limited to fire, epidemic or other casualty or accident, severe weather conditions, earthquake, natural disaster, power outage, communications breakdown, system failure, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack, material change of law or issue of any governmental or regulatory order, decree or judgment or other similar events) having significant impact on the continuous operation of the China Connect Service, the CSC, a China Connect Market System or a China Connect Market Operator, the Chief Executive (with prior reference to the Board), the Exchange and the relevant SEHK Subsidiary (after consulting the Exchange) shall have full authority (in consultation with the Commission) to suspend the China Connect Service and to take such other actions, steps or measures in relation to the China Connect Service, the CSC or otherwise, as they may deem necessary or appropriate to deal with such emergency. For the avoidance of doubt, in order to deal with an emergency, the Exchange shall have full authority to suspend or restrict access to or the use of the China Connect Service in

respect of any China Connect Market or any part thereof, change the relevant operational hours and related arrangements, or cancel or request for the cancellation of any or all China Connect orders input by any or all China Connect Exchange Participants, irrespective of whether such China Connect orders have already been routed to the relevant China Connect Market System. Under no circumstances shall the Exchange or the relevant SEHK Subsidiary be responsible for damages arising from any such emergency or any action taken by the Exchange and the relevant SEHK Subsidiary in respect thereof.

1440. The Exchange or the relevant SEHK Subsidiary (with the agreement of the Exchange) may, in respect of any or all of the China Connect Markets (in the case of the Exchange) and in respect of the relevant China Connect Market (in the case of the SEHK Subsidiary), decide to cease the provision of the China Connect Service and the relevant part or parts of the operation of the CSC permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or through such other means as the Exchange considers appropriate. Subject to the requirements of the relevant governmental or regulatory bodies, the Exchange and the relevant China Connect Market Operator will cooperate to implement the winding-down arrangements in respect of the relevant Trading Link as the Exchange and the relevant China Connect Market Operator may from time to time agree.

Disclosure of Information and Publication of Trade Information

1441. (1) In addition to other powers which the Exchange may have in these Rules, the Exchange may require China Connect Exchange Participants to provide, in relation to each China Connect Market, information on their clients' profiles, and the type and value of China Connect orders and the China Connect Securities Trades executed for them at such intervals and in such form as the Exchange may specify from time to time.

(2) Without prejudice to any other rights which it may have to disclose information in its possession, the Exchange may, in respect of any one or more China Connect Markets and in such manner and form and at such intervals as it considers appropriate, publish, disseminate or publicly distribute aggregated information in respect of China Connect Securities Trades, trading volumes, investor profiles and other related data, provided that the identities of investors and China Connect Exchange Participants cannot reasonably be determined from the information published, disseminated or publicly distributed by the Exchange.

Responsibilities of the Exchange and the SEHK Subsidiaries

1442. In allowing access to the CSC or making the China Connect Service available, the Exchange and the SEHK Subsidiaries are only providing the system connection arrangements and related services to facilitate the trading of China Connect Securities on the relevant China Connect Market System. The Exchange, HKEX and the SEHK Subsidiaries and their respective directors, employees and agents shall not be liable for any obligation with respect to a transaction concluded through the use of the China Connect Service, and all obligations in relation to or arising from any China Connect order or any transaction concluded through the use of the China Connect Service shall be borne by the China Connect Exchange Participant concerned. In addition to any indemnities given by a China Connect Exchange Participant as an Exchange Participant

under these Rules, a China Connect Exchange Participant shall fully indemnify the Exchange, HKEX, the relevant SEHK Subsidiary and HKSCC and their respective directors, employees and agents and keep each of them indemnified against all third party claims, actions and proceedings in relation to or arising from, directly or indirectly, any China Connect order routed to a China Connect Market for execution, any transaction concluded through the use of the China Connect Service by the China Connect Exchange Participant or any non-compliance by the China Connect Exchange Participant with any provision of this Chapter 14 and the applicable China Connect Service Special Rules and for all losses, damages, costs and expenses incurred by the Exchange, HKEX, the relevant SEHK Subsidiary and HKSCC and their directors, employees and agents in relation to such claims, actions and proceedings.

1443. The Exchange, HKEX and the SEHK Subsidiaries, and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by a China Connect Exchange Participant, its clients or any third parties arising from or in connection with the China Connect Service or the CSC including, without limitation, the following:

(1) a suspension, restriction or cessation of the China Connect Service or the CSC, any inability to access or use the CSC or the China Connect Service or any rejection of China Connect orders inputted under any BCAN;

(2) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders input by China Connect Exchange Participants;

(3) the trading of any China Connect Securities through the use of the China Connect Service;

(4) any suspension, delay, interruption or cessation of trading of any China Connect Securities on a China Connect Market whether as a result of the imposition of any circuit breaker mechanism or due to any other reasons;

(5) any delay or failure to route any China Connect orders, order cancellation requests or to provide the China Connect Service due to any system or connection failure, power outage, software or hardware malfunction or events beyond the control of the Exchange;

(6) any abnormal trading in any China Connect Market or any delay, failure or error of any China Connect Market System or any system which an SEHK Subsidiary uses or relies on to provide the China Connect Service;

(7) any delay or failure to execute, or any error in matching or executing any, China Connect order due to reasons beyond the control of the Exchange, HKEX or the SEHK Subsidiaries including but not limited to any action or decision taken or made, or not taken or made, by any China Connect Market Operator or a relevant governmental or regulatory body;

(8) any delay, failure or error of any China Connect Market Operator in communicating any quotation requirements or restrictions, fees, charges, levies and taxes payable in respect of the trading of any China Connect Securities set or

prescribed by the China Connect Market Operator or the relevant governmental or regulatory bodies to the Exchange as referred to in Rules 1418 and 1429;

(9) the imposition, introduction or change of any quota or quota limit, or any condition, restriction or requirement on the input or cancellation of China Connect orders, the trading of China Connect Securities or the use of the China Connect Service under these Rules;

(10) any consequences arising from unauthorized access to the CSC via a China Connect Central Gateway session or Backup China Connect Central Gateway session of a China Connect Exchange Participant;

(11) any error, mistake or delay in the compilation or publication of the list of China Connect Securities, the list of Special China Connect Securities or any other lists concerning China Connect Securities referred to in this Chapter 14 or the applicable China Connect Service Special Rules;

(12) the taking of any action or the exercise of any discretion, or not doing so, by any China Connect Market Operator or any relevant governmental or regulatory body;

(13) the taking of any action or the exercise of any discretion, or not doing so, by the Exchange, HKEX or an SEHK Subsidiary pursuant to these Rules or otherwise; and

(14) the collection, storage, use, disclosure and transfer of BCANs and CID as provided for in these Rules.

China Connect Service Special Rules

1444. (1) As set out in various parts of this Chapter 14, the Exchange may prescribe rules that govern China Connect Exchange Participants when trading in a China Connect Market. Different rules may be prescribed in respect of different China Connect Markets and different China Connect Securities.

(2) In addition to this Chapter, China Connect Exchange Participants engaged in the trading of securities listed on the Shanghai Stock Exchange through the use of the China Connect Service shall comply with Chapter 14A.

(3) In addition to this Chapter, China Connect Exchange Participants engaged in the trading of securities listed on the Shenzhen Stock Exchange through the use of the China Connect Service shall comply with Chapter 14B.

CHAPTER 14A

CHINA CONNECT SERVICE - SHANGHAI

Application

14A01. (1) This Chapter 14A sets out the China Connect Service Special Rules that apply to Shanghai-Hong Kong Stock Connect as a Trading Link referred to in Rule 1401, and the use of the China Connect Service for the trading of securities listed on SSE as a China Connect Market.

(2) China Connect Exchange Participants who wish to trade in eligible SSE-listed securities through the China Connect Service or engage in margin trading, securities borrowing and lending and short selling activities of eligible SSE-listed securities shall comply with this Chapter.

(3) The general provisions of Chapter 14 on the China Connect Service apply to the trading of SSE-listed securities as China Connect Securities and shall be read in conjunction with this Chapter.

Interpretation

14A02. (1) Unless defined or specified in this Rule 14A02 or the context otherwise requires, terms used in this Chapter have the same meanings as defined in Chapter 1 of these Rules.

(2) In this Chapter, unless the context otherwise requires:

"A shares"	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the stock exchanges of Mainland China from time to time;
"China Connect order"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SSE Market System being the "China Connect Market System";
"China Connect Securities"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the eligible securities listed on SSE being accepted as "China Connect Securities", under Rule 14A04;
"China Connect Securities Trade"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SSE Market being the "China Connect Market";
"Circuit Breaker Provisions"	means the relevant provisions in the SSE Rules under which SSE Circuit Breakers may be

	imposed for the purpose of, among others, minimising or averting substantial upward or downward price movements of securities traded on the SSE Market including all related provisions on the application and lifting of SSE Circuit Breakers;
"Daily Quota"	means the daily quota of RMB 52 billion for Shanghai-Hong Kong Stock Connect as announced by the CSRC and the Commission on 11 April 2018 or such revised amount as both regulators shall decide from time to time;
"Daily Quota Balance"	has the meaning ascribed to it in Rule 14A07(6);
"DVR structure"	means a structure of an issuer, the shares of which are accepted for listing and admitted to trading on the SSE Market from time to time, that results in differentiated voting rights, and "DVR stock" shall be construed accordingly;
"H shares"	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the Exchange from time to time;
"Margin Trading"	means the purchase of eligible China Connect Securities referred to in Rule 14A15 by a China Connect Exchange Participant through the China Connect Service on behalf of its client, where the funds used for the purchase of the relevant China Connect Securities are provided to the client by the China Connect Exchange Participant through any form of securities margin financing arrangement;
"Master SPSA Holder"	has the same meaning as defined in the HKSCC Rules;
"Master SPSA ID"	has the same meaning as defined in the HKSCC Rules;
"Master SPSA order"	means a China Connect order for the sale of China Connect Securities held in Special Segregated Accounts which have been mapped to a Master SPSA ID;
"Non-registered Exchange Participant"	means an Exchange Participant other than a China Connect Exchange Participant and an Exchange Participant referred to in Rule 590(1) who owns or holds China Connect Securities for its own account or on a

	proprietary basis;
"non-trade transfer"	means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the China Connect Service and executed on the SSE Market System;
"operational hours"	means the hours in a CSC trading day during which the China Connect Service is available for order-routing of China Connect orders, as referred to in Rule 14A03(3);
"price stabilization period"	in relation to the listing of H shares on the Exchange, means the price stabilization period referred to in the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) and as set out in the prospectus of the relevant H shares;
"Qualified Institution"	in relation to the Securities Borrowing and Lending of China Connect Securities referred to in Rule 14A16, means: (a) any fund, Exchange Traded Fund or collective investment scheme managed by a person licensed or registered to carry out Type 9 (asset management) regulated activity under the Ordinance; (b) a participant of HKSCC (other than an Investor Participant as defined in the HKSCC Rules); or (c) any other person accepted or specified by SSE;
"Securities Borrowing and Lending Arrangement"	means an arrangement permitted under Rule 14A16 whereby the persons referred to in Rules 14A16(4) to (7) borrow or lend China Connect Securities for the purposes mentioned in Rule 14A16(2) pursuant to a securities borrowing and lending agreement, and references to "Securities Borrowing and Lending", "Securities Lender", "Securities Borrower", "lend" and "borrow" shall be construed accordingly;
"SEHK Subsidiary"	has the meaning as defined in Chapter 1 and in this Chapter, means Gangsheng Information Services (Shanghai) Limited;

"Shanghai-Hong Kong Stock Connect"	means the pilot programme jointly announced by the CSRC and the Commission dated 10 April 2014 comprising, among others, the order-routing arrangements to be entered into between the Exchange, SSE, the SEHK Subsidiary and a subsidiary of SSE which shall become a Special Participant, and any enhancements and expansions to the programme as both regulators may agree from time to time;
"Short Selling"	means the sale of Short Selling Securities in respect of which the China Connect Exchange Participant as seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the Short Selling Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement;
"Short Selling order"	means a China Connect sell order to effect Short Selling;
"Short Selling Ratio"	means the number of shares/units sold via Short Selling orders for a Short Selling Security on a given CSC trading day divided by the number of shares/units of that Short Selling Security held by all investors through CCASS as at the commencement of that CSC trading day, expressed as a percentage rounded to 2 decimal places;
"Short Selling Securities"	means any China Connect Securities which are from time to time included in the List of Eligible SSE Securities for Short Selling as eligible for Short Selling, as referred to in Rule 14A17(3);
"Special China Connect Securities"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the securities listed on SSE being accepted or designated as "Special China Connect Securities" under Rule 14A05;
"Special Segregated Account" or "SPSA"	has the same meaning as defined in the HKSCC Rules;
"special voting rights"	in relation to a DVR stock, means the voting power attached to a share of a particular class that is greater or superior to the voting power attached to an ordinary share;

"SPSA ID"	has the same meaning as defined in the HKSCC Rules;
"SPSA order"	means a China Connect order for the sale of China Connect Securities held in a Special Segregated Account, other than one which has been mapped to a Master SPSA ID;
"SSE"	means Shanghai Stock Exchange, a China Connect Market Operator as defined in Chapter 1;
"SSE Circuit Breaker"	means any measures that may be imposed or activated by SSE on the SSE Market in accordance with the Circuit Breaker Provisions;
"SSE ETF Market"	means the exchange traded fund market operated by SSE;
"SSE-listed ETFs"	means the exchange traded funds which are accepted for listing and admitted to trading on the SSE ETF Market from time to time;
"SSE Main Board"	means the Main Board market operated by SSE;
"SSE Market"	means the securities markets operated by SSE, comprising the SSE Main Board, SSE STAR Market and SSE ETF Market, collectively, a China Connect Market as defined in Chapter 1;
"SSE Market System"	means the trading system of SSE, a China Connect Market System as defined in Chapter 1;
"SSE Rules"	means the SSE Regulations on the Shanghai-Hong Kong Stock Connect and the business and trading rules and regulations of SSE;
"SSE STAR Market"	means the STAR market operated by SSE;
"STAR shares"	means the A shares which are accepted for listing and admitted to trading on the SSE STAR Market from time to time;
"under risk alert"	in relation to A shares listed on SSE, means the relevant shares are placed under "risk alert" by SSE including shares of "ST companies", "*ST companies" and shares subject to the delisting process or the listing of which has been suspended by SSE under the SSE Rules; and

"unit"	means one undivided share or undivided beneficial interest in an exchange traded fund or a similar investment arrangement.

(3) Unless the context otherwise requires:

(a) where there is any conflict or inconsistency between a provision in this Chapter and Chapter 14, the provision in this Chapter shall prevail insofar as it relates to the trading of eligible SSE-listed securities as China Connect Securities, otherwise, the provision in Chapter 14 shall prevail;

(b) except as provided in Rules 14A15(3), 14A16(3) and 14A17(3), references in this Chapter to "China Connect Securities" include "Special China Connect Securities"; and

(c) the definition of "short selling", "short sale", "borrower", "lender", "stock" as they appear in other parts of these Rules do not apply to this Chapter 14A.

(4) Any description of or reference to Mainland China laws or regulations in this Chapter 14A is not intended to be, nor should it be regarded as, legal or other professional advice for China Connect Exchange Participants or their clients. China Connect Exchange Participants are solely responsible for determining whether they are subject to any compliance or other obligations under applicable Mainland China laws or regulations, as may be amended from time to time, as a result of their use of the China Connect Service and are advised to seek their own professional advice.

Operational Hours of the China Connect Service in relation to SSE

14A03. (1) Pursuant to the Exchange's powers under Rule 1415(1) (discretion to determine the operational hours), the operational hours of the China Connect Service in relation to SSE are set out in Rules 14A03(3) to (5).

(2) The trading days and trading hours of SSE are set out below, which may be subject to change in accordance with the SSE Rules. Except (i) between 9:20 and 9:25; and (ii) between 14:57 and 15:00, SSE normally accepts order cancellation requests during its trading hours.

SSE trading days	Monday to Friday except where it is a public holiday in Mainland China
Trading hours on an SSE trading day	Opening Call Auction session in the morning: 09:15 – 09:25 Continuous Auction session in the morning: 09:30 – 11:30 Continuous Auction session in the afternoon: 13:00 – 14:57 Closing Call Auction session in the afternoon: 14:57 – 15:00

(2A) Without prejudice to Rule 14A03(2), the execution of trades in China Connect Securities is subject to the SSE Rules including the Circuit Breaker Provisions. Imposition of a SSE Circuit Breaker on any SSE trading day will result in the suspension of the execution of trades through the SSE Market System for such period or periods as set out in the Circuit Breaker Provisions. Further, the lifting of a SSE Circuit Breaker during a Continuous Auction session of any SSE trading day may result in trades being executed through call auction.

(3) The trading days of the China Connect Service and the operational hours are set out below, which may be subject to change in accordance with Rule 1415.

CSC trading days	Monday to Friday except where it is a public holiday in Mainland China or Hong Kong
Operational hours	Morning session: 09:10 – 11:30 Afternoon session: 12:55 – 15:00

(a) If a CSC trading day falls on a day on which only half-day trading is available on the Exchange, the China Connect Service will remain available until the SSE Market closes on that day unless otherwise advised by the Exchange.

(b) Unless otherwise determined or announced by the Exchange, China Connect Exchange Participants may input China Connect orders for transmission to the CSC on a CSC trading day starting from:

(i) 9:10 in respect of the SSE Opening Call Auction session in the morning;

(ii) 9:25 in respect of the SSE Continuous Auction session in the morning;

(iii) 12:55 in respect of the SSE Continuous Auction session in the afternoon; and

(iv) 14:57 in respect of the SSE Closing Call Auction session in the afternoon

This means that the CSC will normally accept China Connect orders five minutes before commencement of each SSE trading session except for the SSE Closing Call Auction session. Processing of China Connect orders in the SSE Market System normally starts at the beginning of each SSE trading session, as referred to in Rule 14A03(2).

(4) [Repealed]

(5) If Shanghai is or may be affected by severe weather conditions on a CSC trading day and an announcement on the adjustment of SSE trading hours is made by SSE, the Exchange will, as soon as practicable after SSE issues an announcement, publish a corresponding announcement on the HKEX website or through such other means as the Exchange considers appropriate, informing the market of the adjustment to the operational hours of the China Connect Service.

SSE-listed Securities as China Connect Securities

14A04. (1) Pursuant to the Exchange's powers under Rule 1407 (power to accept securities as China Connect Securities), securities which meet the criteria set out in Rule 14A04(2) or Rule 14A04(2A) shall, subject to Rules 14A04(3), (4) and (4A), be accepted as China Connect Securities and be eligible for China Connect buy orders and China Connect sell orders.

(2) Unless the Exchange otherwise determines, SSE-listed A shares set out below will be accepted as a China Connect Security:

(a) a constituent stock of the SSE A Share Index that fulfils all of the following eligibility criteria at any relevant review:

(i) the constituent stock must have a daily average market capitalization in the last six months of RMB5 billion or above;

(ii) the constituent stock must have a daily average turnover in the last six months of RMB30 million or above;

(iii) the constituent stock must not have been suspended for trading on any SSE Market on 50% or more of the total number of trading days of the SSE Market in the last six months; and

(iv) if the constituent stock is a DVR stock, it must also fulfil all of the following additional criteria for its first time inclusion as a China Connect Security at any relevant review:

(A) the constituent stock must have been listed on SSE for no less than six months and twenty SSE trading days;

(B) the constituent stock must have a daily average market capitalization in the last 183 calendar days of RMB20 billion or above;

(C) the constituent stock must have an aggregated turnover in the last 183 calendar days of RMB6 billion or above; and

(D) neither the issuer of the DVR stock nor any beneficiary of special voting rights has been publicly censured by SSE since the listing of the DVR stock due to any breach of any requirements under the SSE Rules applicable to DVR stocks relating to, among others, corporate governance, information disclosure or investor protection safeguards;

and the Exchange will publish the review mechanism for constituent stocks based on the eligibility criteria set out above on the HKEX website or through such other means as it considers appropriate;

(b) [Repealed]

(c) A shares listed on SSE that are not accepted as a China Connect Security by virtue of (a) above but which have corresponding H shares accepted for listing and trading on the Exchange,

provided that:

(i) they are not traded on SSE in currencies other than RMB; and

(ii) they are not under risk alert.

(2A) Unless the Exchange otherwise determines, an SSE-listed ETF that fulfils all of the following eligibility criteria at any regular review will be accepted as a China Connect Security:

(a) the SSE-listed ETF must be traded in RMB and has a daily average assets under management in the last six months of no less than RMB500 million;

(b) the SSE-listed ETF must have been listed on SSE for no less than six months;

(c) the benchmark index must have been launched for no less than one year;

(d) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index must not be less than 60% and the total weighting of constituents which are China Connect Securities in the benchmark index must not be less than 60%; and

(e) the benchmark index or the index methodology of the benchmark index must also meet either of the following criteria: (i) (for broad-based indices) a constituent stock must not be more than 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks must not be less than 30, (B) a constituent must not be more than 15% of the index's weighting and the five highest weighted constituents in the aggregate must not be more than 60% of the index's weighting, and (C) the constituent stocks comprising no less than 90% of the index's weighting must be the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months.

The Exchange will publish such eligibility criteria on the HKEX website or through such other means as it considers appropriate.

(3) Unless the Exchange otherwise determines, the timing of acceptance of any securities as China Connect Securities shall follow Rule 14A04(4) and Rule 14A04(4A) (as applicable). Further, without prejudice to its powers under Rules 1407 and 1409, the Exchange will include and exclude securities as China Connect Securities based on the criteria set out in or prescribed under Rule 14A04(2) or Rule 14A04(2A) (as applicable), the adjustments made to the SSE A Share Index, the timing at which relevant A shares, H shares and SSE-listed ETFs are listed on or delisted from SSE and/or the Exchange, and the timing at which relevant A shares are placed under risk alert or released from risk alert (as applicable).

(4) (a) For SSE-listed A shares which meet the criteria set out in Rule 14A04(2)(a), the A shares will be accepted as China Connect Securities after the criteria are met but if there are corresponding H shares listed or to be listed on the Exchange, the A shares will only be accepted after the price stabilization period of the relevant H shares has ended or expired.

(b) For SSE-listed A shares referred to in Rule 14A04(2)(c):

(i) where the corresponding H shares are listed on the Exchange after the A shares have been listed and traded on SSE for at least 10 trading days, the A shares will be accepted as China Connect Securities after the price stabilization period of the corresponding H shares has ended or expired; and

(ii) where the corresponding H shares are listed on the Exchange on or before the tenth trading day of the initial listing of the A shares, the A shares will be accepted as China Connect Securities after they have been traded on the SSE for 10 trading days and after the price stabilization period of the corresponding H shares has ended or expired, whichever is later.

(4A) The Exchange will publish a list of SSE-listed ETFs which meet the criteria set out in or prescribed under Rule 14A04(2A) as soon as practicable after completion of any regular review that may be undertaken on eligible SSE-listed ETFs. Such eligible SSE-listed ETFs will be accepted as China Connect Securities on the second Monday after publication of the list of eligible SSE-listed ETFs by the Exchange, or, the next CSC trading day if it is not a CSC trading day.

(5) The Exchange will publish a list of China Connect Securities in respect of SSE in accordance with Rule 1409(1)(a) based on the criteria and principles set out in this Rule. For the avoidance of doubt, no SSE-listed securities are eligible for China Connect buy orders or China Connect sell orders unless and until such securities have been included in the list of China Connect Securities published by the Exchange.

SSE-listed Securities as Special China Connect Securities

14A05. (1) Pursuant to the Exchange's power under Rule 1408 (power to accept or designate securities as Special China Connect Securities), the securities referred to in Rules 14A05(2), (2A) and (3) shall be accepted and designated as Special China Connect Securities and be eligible only for China Connect sell orders and not for China Connect buy orders.

(2) Unless the Exchange otherwise determines, the Exchange will accept or designate the following China Connect Securities as Special China Connect Securities provided that they remain listed on SSE:

(a) any China Connect Security which has been accepted under Rule 14A04(2)(a) and does not fall under Rule 14A04(2)(c) but it is subsequently determined at any relevant review that any of the following conditions has occurred:

(i) its daily average market capitalization in the last six months has fallen under RMB4 billion;

(ii) its daily average turnover in the last six months has fallen under RMB20 million; or

(iii) it has been suspended for trading on a SSE Market on 50% or more of the total number of trading days of the SSE Market in the last six months;

(b) any China Connect Security which has been accepted under Rule 14A04(2)(c) but the H shares of which have been delisted from the Exchange, and based on its market capitalization, turnover and the number of trading days with trading suspension at any subsequent relevant review, does not fall under Rule 14A04(2)(a);

(c) any China Connect Security which has been accepted under Rule 14A04(2)(a) or (c) but which has been placed under risk alert;

(d) any China Connect Security which has been accepted under Rule 14A04(2)(a) but which has subsequently ceased to be a constituent stock of the SSE A Share Index, and does not fall under Rule 14A04(2)(c); or

(e) any China Connect Security which has been accepted under Rule 14A04(2)(c) but the H shares of which have been delisted from the Exchange, and is not a constituent stock of the SSE A Share Index.

(2A) Unless the Exchange otherwise determines, the Exchange will accept or designate an SSE-listed ETF, which has been accepted as a China Connect Security under Rule 14A04(2A) but which has subsequently met any of the following eligibility criteria of becoming a Special China Connect Security at any regular review that may be undertaken on eligible SSE-listed ETFs, as a Special China Connect Security provided that it remains listed on SSE:

(a) the SSE-listed ETF's daily average assets under management in the last six months falls under RMB400 million;

(b) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index falls under 55% or the total weighting of constituents which are China Connect Securities in the benchmark index falls under 55%; or

(c) the benchmark index and the index methodology of the benchmark index meets either of the following criteria: (i) (for broad-based indices) a constituent stock exceeds 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks falls under 30; (B) a constituent exceeds 15% of the index's weighting or the five highest weighted constituents in the aggregate exceeds 60% of the index's weighting; or (C) the constituent stocks which are the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months falls under 90% of the index's weighting.

(3) Where, as a result of any distribution of rights (including the right to subscribe for rights issues or open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances arising from China Connect Securities, any China Connect Exchange Participant receives (whether as principal or agent through their or their China Connect CCASS Participant's account with HKSCC) any securities (including STAR shares) which are not already accepted as China Connect Securities, provided that such securities are listed on SSE and traded in RMB, the Exchange will accept or designate such securities as Special China Connect Securities.

(4) The Exchange will publish a list of Special China Connect Securities in respect of SSE in accordance with Rule 1409(1)(b) based on the principles set out in this Rule. The SSE-listed ETFs on the list will be accepted and designated as Special China Connect Securities on the second Monday after publication of the list, or, the next CSC trading day if it is not a CSC trading day, provided that they remain listed on SSE and meet the relevant conditions prescribed by the Exchange from time to time.

Trading Arrangements

14A06. (1) Pursuant to the Exchange's powers under Rules 1417 (power to determine the order types), 1418 (power to stipulate quotation requirements) and 1430 (conditions and restrictions on the use of the China Connect Service), Rules 14A06(2) to (12) shall apply to the use of the China Connect Service for the trading of China Connect Securities listed on SSE.

Quotation requirements and restrictions

(2) China Connect orders shall comply with the quotation requirements and restrictions set out from time to time through publication on the HKEX website or such other means as the Exchange considers appropriate.

SPSA order

(2A) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:

(i) the Special Segregated Account has been designated to the client and an SPSA ID has been assigned by CCASS to the Special Segregated Account in accordance with the HKSCC Rules;

(ii) it has been authorized to execute on behalf of the client the sale of China Connect Securities in the specified Special Segregated Account; and

(iii) it has received confirmation from the client or has advised the client to ensure that there are sufficient China Connect Securities in the Special Segregated Account to settle the delivery obligations on the settlement day and, if the SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14A06(2A)(a), a China Connect Exchange Participant shall, when inputting an SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant SPSA ID and other details required by the Exchange. By inputting an SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding SPSA orders set out in this Rule 14A06(2A).

(c) In this Rule 14A06(2A), references to "China Connect Exchange Participant" do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

Master SPSA order

(2B) (a) A China Connect Exchange Participant who receives instructions from a client which is a Master SPSA Holder to sell China Connect Securities held in one or more Special Segregated Accounts mapped to its Master SPSA ID shall, before inputting a Master SPSA order into the CSC, ensure that:

(i) a Master SPSA ID has been designated to the Master SPSA Holder;

(ii) it has been authorized to execute on behalf of the Master SPSA Holder the sale of China Connect Securities held under the mapped Special Segregated Accounts;

(iii) it has received pre-allocation instructions from the Master SPSA Holder in respect of the relevant China Connect Securities; and

(iv) it has received confirmation from the Master SPSA Holder or has advised the Master SPSA Holder to ensure that there are sufficient China Connect Securities held under the mapped Special Segregated Accounts to settle the delivery obligations on the settlement day and, if the Master SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14A06(2B)(a), a China Connect Exchange Participant shall, when inputting a Master SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant Master SPSA ID and other details required by the Exchange. By inputting a Master SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding Master SPSA orders set out in this Rule 14A06(2B).

(c) In this Rule 14A06(2B), references to "China Connect Exchange Participant" do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

Odd lots

(3) China Connect buy orders involving odd lots are not allowed. A sale of odd lots is allowed provided that the China Connect sell order relates to the sale of all, and not part, of the odd lots held in respect of a China Connect Security for a China Connect Exchange Participant or for a client (as the case may be).

No Turnaround Trading

(4) China Connect Exchange Participants shall not sell or input any China Connect sell order in respect of any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day, unless the Exchange otherwise determines. China Connect Exchange Participants shall also make appropriate arrangements to ensure that their clients will not sell or instruct it to sell any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day. For the avoidance of doubt, this means that China Connect Exchange Participants must put in place appropriate measures to ensure that China Connect Securities purchased by or through it on a CSC trading day will not be sold on the same day whether as principal or as agent.

Pre-trade checking

(5) As SSE will conduct pre-trade checking of all sell orders routed to the SSE Market System to ensure that there will be sufficient securities to settle delivery obligations on the settlement day assuming that all submitted sell orders will be executed, pre-trade checking procedures with respect to all China Connect sell orders will be applied by the Exchange and the SEHK Subsidiary to ensure that the relevant accounts have sufficient securities available for settlement before they are routed to the SSE Market System for execution.

(6) In respect of a China Connect Exchange Participant who is a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will be conducted on the securities holding position of its designated CCASS stock account(s) in accordance with Rules 14A06(8)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14A06(7A) or Rule 14A06(7B), as the case may be, shall apply.

(7) In respect of a China Connect Exchange Participant who is not a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will, unless such order is an SPSA order or a Master SPSA order, be conducted on the securities holding position of the CCASS stock account(s) that has been designated to it by its duly appointed CCASS GCP for the settlement of its China Connect Securities Trades. Pre-trade checking of its China Connect sell orders will be conducted in accordance with Rules 14A06(8)(a), (c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14A06(7A) or Rule 14A06(7B), as the case may be, shall apply.

(7A) In respect of an SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the securities holding position of the

Special Segregated Account with the assigned SPSA ID when it inputs the SPSA order in accordance with Rules 14A06(8)(b), (c) and (d).

(7B) In respect of a Master SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the aggregate securities holding position of all the Special Segregated Accounts mapped to the assigned Master SPSA ID when it inputs the Master SPSA order in accordance with Rules 14A06(8)(b), (c) and (d).

(8) (a) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, the total number of shares/units which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14A06(6) or (7) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(b) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules:

(i) the total number of shares/units which can be the subject of SPSA orders in respect of each China Connect Security in a Special Segregated Account on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant Special Segregated Account referred to in Rule 14A06(7A) immediately before the commencement of operation of the China Connect Service on that CSC trading day; and

(ii) the total number of shares/units which can be the subject of Master SPSA orders in respect of each China Connect Security in the Special Segregated Accounts which are mapped to a Master SPSA ID on a CSC trading day shall not exceed the aggregate securities holding position in respect of the same China Connect Security as shown in all the Special Segregated Accounts mapped to the assigned Master SPSA ID referred to in Rule 14A06(7B) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(c) In respect of overdue short securities positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short securities position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading

day. If such overdue short securities positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant(s) and the relevant Special Segregated Accounts will be adjusted in accordance with the HKSCC Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the HKSCC Rules.

(d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total securities holding positions mentioned in Rule 14A06(8)(a) or (b) above will (subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules) be rejected.

(9) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the HKSCC Rules and subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, reproduce and replicate the securities holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14A06(6) and (7) and the Special Segregated Accounts referred to in Rule 14A06(7A) and Rule 14A06(7B), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its securities holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts, acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction, replication and transmission of the securities holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.

(10) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14A06(2A) will be complied with and in respect of a Master SPSA order, Rule 14A06(2B) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their client or for their

own account, as the case may be. Upon matching of a China Connect sell order on the SSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14A06(8)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for securities settlement in accordance with the HKSCC Rules.

Input and cancellation of China Connect orders while a SSE Circuit Breaker is in effect

(10A) (a) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be received or transmitted to the SSE Market System during the period when a SSE Circuit Breaker is in effect, China Connect Exchange Participants may input China Connect orders through the China Connect Service during such period as usual. Notwithstanding this, China Connect Exchange Participants accept that imposition of a SSE Circuit Breaker on any SSE trading day will result in the suspension of trade execution through the SSE Market System as referred to in Rule 14A03(2A).

(b) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be cancelled during the period when a SSE Circuit Breaker is in effect, China Connect Exchange Participants may input order cancellation requests through the China Connect Service during such period as usual. Notwithstanding this, as is provided in Rule 1422, no China Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the SSE Market System and neither the Exchange nor the SEHK Subsidiary shall have any liability in the event that a China Connect order which a China Connect Exchange Participant has required be cancelled is not cancelled for any reason whatsoever.

Suspension of trading on A shares and H shares

(11) Where any H shares with corresponding A shares accepted as China Connect Securities are suspended from trading on the Exchange but the China Connect Securities are not suspended from trading on the SSE, the China Connect Service will normally remain available for routing China Connect sell orders and China Connect buy orders for such China Connect Securities to the SSE Market System for execution. The Exchange, however, reserves its discretion to restrict or suspend the China Connect Service for trading in such China Connect Securities and will publish an announcement on the HKEX website or through such other means as it considers appropriate accordingly. For the avoidance of doubt, the Exchange will restrict or suspend the China Connect Service for trading in such China Connect Securities if it is so directed or required by a relevant governmental or regulatory body.

Review of Sales/Purchases

(12) A China Connect Exchange Participant shall review all sales and purchases of China Connect Securities at the end of each SSE trading session on each CSC trading day and shall report any discrepancy, erroneous transaction or

complaint to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

Trading of STAR shares

(13) The Exchange may from time to time, as it may determine or as directed by the Commission, prescribe, change, supplement or remove any requirements, conditions, restrictions and arrangements in relation to the use of the China Connect Service for trading STAR shares through publication on the HKEX website or such other means as the Exchange considers appropriate. China Connect Exchange Participants shall comply with the requirements, conditions, restrictions and arrangements in all respects.

(14) (a) Except as provided in Rule 14A06(14)(b), only institutional professional investors are allowed to buy or sell STAR shares which are accepted as China Connect Securities (other than Special China Connect Securities which are eligible for sell orders only) through the China Connect Service.

(b) Where, as a result of any distribution of rights (including the right to subscribe for rights issues open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances arising from China Connect Securities, China Connect Exchange Participants receive (whether as principal or agent for their client and whether or not such client is an institutional professional investor) through their or their China Connect CCASS Participant's account with HKSCC any STAR shares, China Connect Exchange Participants may sell such STAR shares which are accepted or designated by the Exchange as China Connect Securities under Rule 14A04(1) or Special China Connect Securities under Rule 14A05(3) through the China Connect Service.

(15) Each China Connect Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rules 14A06(13) and (14), including but not limited to (a) not accepting any instruction to buy STAR shares or inputting any China Connect buy order for STAR shares for any direct client of the China Connect Exchange Participant unless it is reasonably satisfied that the client is an institutional professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only institutional professional investors are allowed to buy STAR shares which are accepted as China Connect Securities through the China Connect Service.

Quotas on SSE-listed Securities as China Connect Securities

14A07. (1) Pursuant to the Exchange's powers under Rules 1426 (discretion to prescribe quota limits and controls), 1427 (discretion to take actions to ensure compliance with quota controls) and 1428(2) (power to set price restrictions to block the input of artificial China Connect orders), the Daily Quota and quota

monitoring and management provisions under Rules 14A07(2) to (14) shall apply.

Daily Quota

(2) The Daily Quota shall apply to the trading of China Connect Securities through the use of the China Connect Service.

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) The Daily Quota limits the maximum value of all the China Connect Securities Buy Trades that can be executed by all the China Connect Exchange Participants in respect of all the China Connect Securities through the China Connect Service on each CSC trading day. The Daily Quota Balance is monitored on a real-time basis during the operational hours and is calculated based on the following formula:

Daily Quota Balance = Daily Quota – value of China Connect buy orders + value of China Connect Securities Sell Trades + value of China Connect buy orders that have been cancelled or rejected + difference between the execution price and the specified price in respect of those China Connect buy orders that have been executed at a better price than the specified price

(7) [Repealed]

(8) The Daily Quota shall apply to each CSC trading day. Regardless of the level of the Daily Quota Balance at the end of a CSC trading day, the Daily Quota Balance will not be carried forward for utilization on the following or subsequent CSC trading days.

(9) In respect of each CSC trading day, if the Daily Quota Balance drops to zero or below (i.e. if the Daily Quota is fully utilized):

(a) during the SSE Opening Call Auction session and before commencement of the SSE Continuous Auction session in the morning at 9:30, China Connect buy orders input after the time at which the Daily Quota Balance drops to zero or below will not be accepted by the CSC, but China Connect buy orders input before such time will not be affected and will be transmitted by the CSC to the SSE Market System for execution in the usual manner. Only if the Daily Quota Balance resumes to a positive level before commencement of the SSE Continuous Auction session in the morning will new China Connect buy orders be accepted by CSC; and

(b) after commencement of the SSE Continuous Auction session in the morning at 9:30 and before the end of the SSE Closing Call Auction session in the afternoon at 15:00, no China Connect buy orders will be accepted for the rest of the CSC trading day unless the Exchange otherwise determines, but China Connect buy orders input before the time at which the Daily Quota Balance drops to zero or below will not be

affected and will be transmitted by the CSC to the SSE Market System for execution in the usual manner.

(10) For the avoidance of doubt:

(a) references in the formula in Rule 14A07(6) to "China Connect buy orders", "China Connect Securities Buy Trades" and "China Connect Securities Sell Trades" do not include the value of any transaction fees, taxes, levies or stamp duties payable or collected in respect of such orders or trades; and

(b) only China Connect buy orders will be subject to quota controls under this Rule. Unless otherwise determined by the Exchange, China Connect sell orders will be accepted by the CSC during the operational hours of a CSC trading day and will not be affected by the level of the Daily Quota Balance.

(11) The following table summarizes the treatment of China Connect orders as described in Rules 14A07(6) to (10) depending on the Daily Quota Balance on a given CSC trading day:

	Daily Quota Balance drops to zero or below before 09:30	**Daily Quota Balance drops to zero or below at or after 09:30**
China Connect sell order	Accepted	Accepted
China Connect buy order submitted after the time at which the Daily Quota Balance drops to zero or below	Not accepted (unless and until the Daily Quota Balance becomes larger than zero before 09:30)	Not accepted for the rest of the CSC trading day (unless the Exchange otherwise determines pursuant to Rule 14A07(9)(b))
China Connect buy orders submitted before the time at which the Daily Quota Balance drops to zero or below	Not affected	Not affected

Quota Management

(12) Pursuant to its power under Rule 1428(2) (power to set price restrictions to block artificial transactions), restrictions are set in CSC and the related system connections to block the input of China Connect buy orders of all China Connect Securities at a price lower than the reference price referred to in Rule 14A07(13) by a certain percentage prescribed by the Exchange from time to time.

(13) Unless otherwise determined by the Exchange:

(a) during the SSE Opening Call Auction session and the five minutes before the commencement of the SSE Opening Call Auction session on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current bid price of the relevant China Connect Security; and (ii) where no current bid price is available, the previous closing price of the China Connect Security;

(b) during the SSE Continuous Auction sessions (morning and afternoon) and the five minutes before the commencement of each SSE Continuous Auction session on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current best bid price of the relevant China Connect Security; (ii) where no current best bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security;

(ba) during the SSE Closing Call Auction session on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security; and

(c) where a SSE Circuit Breaker has been imposed, the reference price referred to in Rule 14A07(12) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security.

(14) If there is any change in the operational procedures relating to the quota limits and related arrangements as set out in this Rule 14A07, the Exchange will publish the details on the HKEX website or through such other means as the Exchange considers appropriate.

Shareholding Restrictions on China Connect Securities

14A08. (1) Under Rule 1430, the Exchange has absolute discretion to impose conditions or restrictions for the use of the China Connect Service for the purpose of ensuring that the trading of China Connect Securities will not contravene applicable laws or for any reasons which the Exchange considers appropriate. In light of the shareholding restrictions and forced sale requirements imposed by the CSRC, SSE and applicable laws of Mainland China, the conditions and requirements set out in Rules 14A08(2) to (12) shall apply.

Shareholding limits on foreign investors

(2) China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 10% individual shareholding limit in relation to A shares applicable to foreign investors (including Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors approved under the applicable laws of Mainland China, and other investors using the China Connect Service) as

stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shanghai-Hong Kong Stock Connect. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the individual shareholding limit.

(3) China Connect Exchange Participants shall note and understand the 30% aggregate shareholding limit in relation to A shares and the related forced-sale requirements applicable to foreign investors who invest in China Connect Securities as stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shanghai-Hong Kong Stock Connect. China Connect Exchange Participants shall alert their clients to the 30% aggregate shareholding limit and the forced-sale arrangements under this Rule.

Shareholding Monitoring Procedures

(4) Where foreign investors (including investors holding China Connect Securities through CCASS) hold 28% or more of the issued shares of a relevant issuer in aggregate, SSE will notify the SEHK Subsidiary, and the Exchange and SEHK Subsidiary will as soon as practicable thereafter suspend accepting China Connect buy orders in respect of the relevant China Connect Securities until the aggregate shareholding of foreign investors is reduced to below 26%, as advised by SSE.

Forced-sale Procedures

(5) Notwithstanding Rule 14A08(4), where the aggregate shareholding of foreign investors (including investors holding through CCASS) in respect of a relevant issuer exceeds 30% of the issued shares of the issuer on an SSE trading day, SSE may, pursuant to the SSE Rules, issue a forced-sale notice to the SEHK Subsidiary on the following trading day, requiring it to arrange for a sell down of the portion of the China Connect Securities that exceeds 30% within 5 SSE trading days on a "last-in, first-out" basis (as determined in accordance with Rule 14A08(11)).

(6) Upon receipt of a forced-sale notice under Rule 14A08(5), the SEHK Subsidiary will notify the relevant China Connect Exchange Participant(s) through the Exchange, requiring or directing them to, or arrange for their clients to, sell and liquidate the specified number of China Connect Securities within a period specified by the Exchange.

(7) Upon receipt of the notice under Rule 14A08(6), the China Connect Exchange Participant shall comply with the notice, and where applicable, it shall issue a corresponding notice to the relevant client(s) or their custodian(s) requesting for the sale and liquidation of the number of China Connect Securities specified by the China Connect Exchange Participant within the period specified by the Exchange. If a client fails to comply with the China Connect Exchange Participant's notice, the China Connect Exchange Participant shall, if necessary, exercise its power to sell the specified number of China Connect Securities through the use of the China Connect Service on the client's behalf before expiry of the period specified by the Exchange.

(8) China Connect Exchange Participants shall implement appropriate measures to enable them to comply with Rule 14A08(7) on a timely basis including entering into legally enforceable client agreements to facilitate compliance with the forced-sale arrangements referred to in that Rule.

(9) Where a forced-sale notice is issued by SSE under Rule 14A08(5), no China Connect buy orders for the relevant China Connect Securities will be accepted by the CSC until SSE informs the SEHK Subsidiary or the Exchange that the aggregate foreign shareholding falls below 30%. China Connect sell orders for the relevant China Connect Securities will not be affected by a forced-sale notice.

(10) If, within the 5-day period mentioned in Rule 14A08(5), the aggregate foreign shareholding is reduced to below 30% due to other foreign investors selling down the relevant shares, the SEHK Subsidiary may, on its own or upon request from a China Connect Exchange Participant referred to in Rules 14A08(6) and (7) apply for permission to hold the relevant shares without a sell down at such time and in such manner as the Exchange may prescribe from time to time.

(11) The relevant China Connect Exchange Participants referred to in Rule 14A08(6) will be identified by the Exchange based on its or the SEHK Subsidiary's own records (which shall be final and conclusive) generally by reference to the time of purchase of the relevant China Connect Securities, on a "last in, first out" basis. Notwithstanding the foregoing, the Exchange has absolute discretion to determine which China Connect Exchange Participants and what quantity of China Connect Securities should be subject to a forced sale notice.

(12) Where the 30% aggregate foreign shareholding limit is exceeded due to a share repurchase conducted by the relevant issuer, investors and China Connect Exchange Participants holding China Connect Securities through CCASS may continue to hold the relevant shares without being subject to a forced-sale. However, the SEHK Subsidiary and the Exchange will suspend acceptance of China Connect buy orders for those China Connect Securities until the aggregate foreign shareholding limit is reduced to below 26%.

Disclosure Obligations regarding China Connect Securities

14A09. China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 5% shareholding disclosure requirement applicable to persons who invest in A shares under applicable laws of Mainland China. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the relevant disclosure requirements.

Compliance with applicable laws in Mainland China

14A10. As required by SSE, China Connect Exchange Participants shall:

(1) comply, and advise their clients to comply, with SSE Rules (to the extent applicable to the trading of China Connect Securities in the SSE Market, and not inconsistent with these Rules and any regulations, requirements or

conditions prescribed or published pursuant to these Rules) and laws and regulations of Mainland China relating to the use of the China Connect Service and the trading of China Connect Securities;

(2) make adequate disclosure to their clients with regard to the risks associated with investing in China Connect Securities through appropriate arrangements including, without limitation, the risk that their instructions to trade in China Connect Securities may not be accepted and that they may be liable to regulatory investigations and the relevant legal consequences if they are in breach of or fail to comply with the SSE Rules and the laws and regulations referred to in this Rule 14A10;

(3) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange has the power not to extend the China Connect Service to them, the power to require China Connect Exchange Participants not to accept instructions from them and the power to suspend or restrict China Connect Exchange Participants from inputting China Connect orders under any BCAN, if it is found that the China Connect Exchange Participant or any of its clients (as the case may be) has or may have committed any abnormal trading conduct set out in or fail to comply with the SSE Rules and the laws and regulations referred to in Rule 14A10(1);

(4) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that if the SSE Rules are breached, or if the disclosure and other obligations referred to in the listing rules of the SSE (including the rules of the SSE for stock listing on the SSE STAR Market and the rules of the SSE for ETFs listing on SSE ETF Market) or the SSE Rules are breached, SSE has the power to carry out investigations, and may, through the Exchange or the SEHK Subsidiary, require China Connect Exchange Participants to provide relevant information and materials (including the information and personal data of their clients and other persons referred to in Rules 537 and 1437) to assist in its investigation;

(5) acknowledge that where there is a serious breach of the SSE Rules, SSE may request the Exchange to take appropriate regulatory actions or commence disciplinary proceedings against China Connect Exchange Participants, or request the Exchange to require China Connect Exchange Participants to issue warning statements (verbally or in writing) to their clients, and not to extend the China Connect Service to them or to their clients;

(6) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange may (for the purpose of assisting SSE in its regulatory surveillance of the SSE Market and enforcement of the SSE Rules and as part of the regulatory cooperation arrangement between the Exchange, the SEHK Subsidiary and SSE), at the request of SSE, require China Connect Exchange Participants to provide information concerning their clients and other persons referred to in Rules 537 and 1437 with respect to any China Connect orders input or China Connect Securities Trades made or entered into by China Connect Exchange Participants on their behalf; and

(7) for the purposes referred to in paragraphs (4) to (6), China Connect Exchange Participants shall authorize the Exchange (whether directly or through the

SEHK Subsidiary) to disclose, transfer and provide information and personal data concerning their clients and other persons referred to in Rules 537 and 1437 to SSE upon request and shall make appropriate arrangements (including obtaining the relevant consents) to ensure that the relevant information and personal data may be disclosed, transferred and provided in compliance with applicable laws including the Personal Data (Privacy) Ordinance.

Fees and Taxes

14A11. (1) Pursuant to Rule 1429, the fees, charges, levies and taxes set out in Rules 14A11(2) and (3) shall be payable in respect of the trading of China Connect Securities.

(2) With respect to any fees, charges, levies and taxes which may be payable to SSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China in respect of every purchase or sale of China Connect Securities executed through the China Connect Service, China Connect Exchange Participants shall pay to the Exchange such fees (including any handling fee, securities management fee and transfer fee), charges, levies and taxes, which will be published on the HKEX website or notified to China Connect Exchange Participants through such other means as the Exchange considers appropriate, for onward payment to SSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China, as the case may be.

(3) Where SSE, the relevant China Connect Clearing House, any relevant governmental or regulatory body or applicable law imposes any other fees, charges, levies or taxes on or in relation to the sale and purchase of China Connect Securities which are required to be paid or collected by the Exchange, the SEHK Subsidiary and/or HKSCC, China Connect Exchange Participants shall be responsible for paying (for themselves or on behalf of their clients) all such fees, charges, levies and taxes to the Exchange, the SEHK Subsidiary and/or HKSCC for onward payment to SSE, the relevant China Connect Clearing House or the relevant governmental or regulatory body. For the avoidance of doubt, where any China Connect Exchange Participant fails to pay any such fees, charges, levies or taxes, the indemnity referred to in Rule 1442 applies. The Exchange will provide relevant information regarding such fees, charges, levies and taxes (including, where applicable, the manner of payment, collection and the filing or registration requirements) as are communicated to it by SSE, the relevant China Connect Clearing House or the relevant governmental or regulatory body through publication on the HKEX website or such other means as the Exchange considers appropriate.

Off-Exchange Trades or Transfers Prohibited

14A12. (1) Except permitted under Rule 14A12(2) or where the CSRC otherwise provides or allows, the SEHK Subsidiary and Exchange Participants shall not trade or provide services to facilitate the trading of any China Connect Securities held within CCASS through any venue other than through the SSE Market System, and an Exchange Participant shall not match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of its clients

in respect of any China Connect Securities in any manner otherwise than through the use of the China Connect Service in accordance with these Rules.

(2) The following non-trade transfers are permitted:

(a) Securities Borrowing and Lending as permitted under Rule 14A16(2);

(b) transfers between Exchange Participants and their clients for the purpose of rectifying error trades;

(c) post-trade allocation of China Connect Securities to funds or sub-funds in different accounts by fund managers who have entered into China Connect Securities Trades for the collective account of funds or sub-funds under management; and

(d) transfers set out in Rule 4110iii(e) to (j) of the HKSCC Rules.

(3) China Connect Exchange Participant who carry out non-trade transfers of China Connect Securities referred to in Rule 14A12(2)(b) for the purpose of rectifying an error trade shall submit to the Exchange an error trade report together with supporting documents explaining the nature of the error, how the error was made and providing details of the non-trade transfer to be processed. The Exchange may disallow a particular China Connect Exchange Participant from carrying out non-trade transfers under Rule 14A12(2)(b) where the Exchange has reasonable cause to suspect or believe that the China Connect Exchange Participant may abuse or may have abused the rectification arrangements or may have used any non-trade transfers permitted under Rule 14A12(2)(b) to circumvent the prohibition under Rule 14A12(1).

Record Keeping

14A13. To comply with applicable laws in Mainland China and the requirements of SSE, China Connect Exchange Participants shall keep proper books and records of the China Connect orders input and the China Connect Securities Trades executed by it and the related client instructions and account information (including the related BCAN and CID) for a period of not less than 20 years. Such books and records shall include all relevant information concerning the Margin Trading, Short Selling and Securities Borrowing and Lending of any China Connect Securities. For the avoidance of doubt, with respect to Margin Trading, proper books and records on the funds provided to and the relevant securities margin financing arrangement entered into with the clients shall also be kept.

Exclusion of Liability of SSE

14A14. Exchange Participants shall acknowledge, and make appropriate arrangements for their clients to acknowledge, that SSE shall not be responsible or held liable for any loss or damage suffered directly or indirectly by a China Connect Exchange Participant, its clients or any third parties arising from or in connection with SSE making, amending or enforcing the SSE Rules, or any action taken by it in the discharge of its supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.

Margin Trading of China Connect Securities

14A15. (1) Unless otherwise determined by the Exchange, Margin Trading may be conducted by a China Connect Exchange Participant on behalf of its clients through the China Connect Service subject to Rules 14A15(2) to (10).

List of Eligible SSE Securities for Margin Trading

(2) China Connect Exchange Participants shall ensure that Margin Trading is confined to those China Connect Securities that are included in the List of Eligible SSE Securities for Margin Trading published by the Exchange from time to time. No China Connect Exchange Participant is allowed to provide funds or securities margin financing arrangements to any of its clients for the purpose of or with the view to facilitating the purchase of China Connect Securities not included in the List of Eligible SSE Securities for Margin Trading. A China Connect Exchange Participant which fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14A15(6).

(3) The Exchange will publish the List of Eligible SSE Securities for Margin Trading on the HKEX website or through such other means as it considers appropriate and may update or amend the list from time to time. Unless the Exchange otherwise determines, the List of Eligible SSE Securities for Margin Trading will be compiled by reference to SSE's list of eligible securities for margin trading for the SSE Market, excluding Special China Connect Securities.

Suspension and Resumption of SSE Securities Margin Trading

(4) Where the volume of margin trading activities in respect of any eligible China Connect Security exceeds the margin trading threshold prescribed by SSE, and SSE decides to suspend or has suspended margin trading activities in respect of that China Connect Security in the SSE Market, the Exchange may, as soon as practicable after being notified by SSE, require any or all China Connect Exchange Participants to stop or suspend carrying out any further Margin Trading in respect of that China Connect Security through the publication of a notice on the HKEX website or such other means as the Exchange considers appropriate. Margin Trading of the relevant China Connect Securities by China Connect Exchange Participants shall not resume until SSE has allowed margin trading activities on the relevant China Connect Securities to resume in the SSE Market; after SSE has notified the Exchange of the resumption, and after the Exchange has published a notice to that effect. China Connect Exchange Participants shall comply with the restrictions set out in this Rule 14A15(4) and all relevant notices issued pursuant to this Rule. For the avoidance of doubt, China Connect buy orders involving Margin Trading of China Connect Securities (whether they have been executed on the SSE System prior to the suspension taking effect or not) will not be affected.

(5) Where the Exchange requires China Connect Exchange Participants to stop or suspend carrying out further Margin Trading pursuant to Rule 14A15(4), any new China Connect buy orders for the relevant China Connect Securities input into the CSC by any China Connect Exchange Participant shall be deemed to have been made with the representation and confirmation to the Exchange that such China Connect buy order does not involve Margin Trading. Where any

China Connect Exchange Participant is found to have breached this Rule, the Exchange may take appropriate actions against it under Rules 1437 and 14A15(6).

Abnormal margin trading activities

(6) Where the situation referred to in Rule 14A15(5) occurs, where there is reasonable cause to suspect or believe that abnormal margin trading activities have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers which it/they may have under these Rules, take any of the following actions:

(a) reject or suspend the routing of China Connect buy orders which, in its judgement, may involve Margin Trading in contravention of Rule 14A15(4) or (5) at any time;

(b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect buy orders originating from any of its clients;

(c) suspend a China Connect Exchange Participant's access to the China Connect Service; and

(d) restrict Margin Trading to certain specified China Connect Securities within the List of Eligible SSE Securities for Margin Trading.

Others

(7) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Margin Trading of China Connect Securities. In particular, China Connect Exchange Participants shall inform their clients that China Connect Exchange Participants may conduct Margin Trading only in respect of China Connect Securities that are within the List of Eligible SSE Securities for Margin Trading.

(8) The Exchange may require China Connect Exchange Participants to flag or indicate China Connect buy orders that involve Margin Trading when inputting China Connect orders into the CSC in such manner and at such time or times as the Exchange considers appropriate.

(9) For the avoidance of doubt, references in this Rule 14A15 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Margin Trading of China Connect Securities for their clients through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.

(10) This Rule 14A15 is made pursuant to Rule 1430.

Securities Borrowing and Lending of China Connect Securities

14A16. (1) Unless the Exchange otherwise determines, China Connect Exchange Participants shall not enter into or carry out any Securities Borrowing and Lending Arrangement in respect of China Connect Securities and Special China Connect Securities except in accordance with this Rule 14A16.

Purpose of Securities Borrowing and Lending of China Connect Securities

(2) Securities Borrowing and Lending of China Connect Securities may only be carried out for the following purposes:

(a) for the purpose of Short Selling in accordance with Rule 14A17 provided that the securities loan period (inclusive of the date of securities loan and securities return) does not exceed one calendar month;

(b) for the purpose of enabling the clients of China Connect Exchange Participants to sell China Connect Securities held by them but which have not been transferred to the relevant CCASS stock account in time to meet the pre-trade checking requirement set out in Rule 14A06 provided that the securities loan period does not exceed one day and is non-renewable; and

(c) for such other purposes as the Exchange or SSE may specify from time to time.

(3) For the purpose of Rule 14A16(2)(a), Securities Borrowing and Lending shall be limited to China Connect Securities excluding Special China Connect Securities; and for the purpose of Rule 14A16(2)(b), Securities Borrowing and Lending may cover any China Connect Securities including Special China Connect Securities. References to "China Connect Securities" in this Rule 14A16 shall be construed accordingly.

Permitted Securities Lenders and Securities Borrowers

(4) Subject to Rules 14A16(5) to (7), only Exchange Participants and Qualified Institutions may lend China Connect Securities.

(5) The following Exchange Participants may lend China Connect Securities:

(a) China Connect Exchange Participants; and

(b) Non-registered Exchange Participants.

(6) Only China Connect Exchange Participants may lend China Connect Securities to their clients. A China Connect Exchange Participant may also lend China Connect Securities to other China Connect Exchange Participants.

(7) A Non-registered Exchange Participant and a Qualified Institution may lend China Connect Securities to China Connect Exchange Participants, but not directly to the clients of China Connect Exchange Participants.

Source of China Connect Securities subject to Securities Borrowing and Lending

(8) The China Connect Securities to be lent by a China Connect Exchange Participant may be securities held or owned by it as principal, or securities borrowed from other China Connect Exchange Participants, Non-registered Exchange Participants or Qualified Institutions (in each case, lending as principal).

(9) The China Connect Securities to be lent by a Non-registered Exchange Participant or a Qualified Institution shall only be securities held or owned by it as principal.

Provision of undertaking/confirmation

(10) Before a China Connect Exchange Participant lends any China Connect Securities to its clients under a Securities Borrowing and Lending Arrangement, it shall apply to the Exchange to be a Securities Lender and provide the Exchange with an undertaking in the prescribed form undertaking as follows:

(a) it is duly licensed by the Commission to carry on the business of dealing in securities, and no restriction exists that would prevent or restrict it from dealing in securities or engaging in securities lending activities at the time of the application;

(b) it shall continue to be duly licensed by the Commission to carry on the business of dealing in securities and not subject to restrictions from securities dealing or engaging in securities lending activities at such time or times when China Connect Securities are lent to its clients;

(c) it shall promptly inform the Exchange and stop lending further China Connect Securities to its clients if it is suspended or restricted from dealing in securities or engaging in securities lending activities by the Commission; and

(d) it shall comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE.

(11) Before a China Connect Exchange Participant borrows any China Connect Securities from another Exchange Participant or a Qualified Institution (as Securities Lender) under a Securities Borrowing and Lending Arrangement, the China Connect Exchange Participant shall provide the Exchange with a confirmation in the prescribed form confirming that the Securities Lender has provided it with an undertaking in respect of the following:

(a) that no restriction exists that prevents or restricts the Securities Lender from engaging in securities lending activities at the time the China Connect Securities are lent to the China Connect Exchange Participant;

(b) that the Securities Lender will promptly inform the China Connect Exchange Participant and stop lending further China Connect Securities to the China Connect Exchange Participant if it is suspended or restricted by a relevant regulator from engaging in securities lending activities;

(c) where the Securities Lender is a Non-registered Exchange Participant or a Qualified Institution, the China Connect Securities being lent are held or owned by it as principal; and

(d) that the Securities Lender shall, upon notification by the China Connect Exchange Participant, comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE, failing which the Securities Lender agrees that the Securities Borrowing and Lending Arrangement may be terminated by the China Connect Exchange Participant if so directs by the Exchange.

Reporting of Securities Borrowing and Lending activities

(12) A China Connect Exchange Participant referred to in Rule 14A16(10) and (11) shall file a monthly report with the Exchange providing details on its Securities Borrowing and Lending activities with respect to China Connect Securities in the prescribed form.

Others

(13) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Securities Borrowing and Lending of China Connect Securities.

(14) China Connect Exchange Participants acknowledge that the undertakings and confirmations referred to in Rules 14A16(10) and (11) and the monthly reports referred to in Rule 14A16(12) will be disclosed or made available to SSE for information.

(15) A Non-registered Exchange Participant who wishes to conduct securities lending activities concerning China Connect Securities shall comply with the following requirements:

(a) lend China Connect Securities only for the purposes allowed under Rule 14A16(2);

(b) comply with the requirements under Rules 14A16(7) to (9);

(c) provide the undertaking referred to in Rule 14A16(11) to the relevant China Connect Exchange Participant as Securities Lender;

(d) provide such information to the relevant China Connect Exchange Participant so as to enable it to comply with the monthly reporting requirement referred to in Rule 14A16(12); and

(e) such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE.

(16) Without prejudice to any other powers which the Exchange may have under these Rules, where a China Connect Exchange Participant or a Non-registered

Exchange Participant fails to comply with this Rule 14A16, the Exchange may take any of the following actions:

(a) require it to terminate or unwind any Securities Borrowing and Lending Arrangement;

(b) require it to stop borrowing China Connect Securities from or lending China Connect Securities to any person;

(c) restrict or suspend it from carrying out any securities borrowing or lending activities concerning any China Connect Securities.

(17) Unless otherwise determined by the Exchange, other provisions in these Rules on securities borrowing and lending and the Sixth Schedule do not apply to the Securities Borrowing and Lending of China Connect Securities under this Rule.

(18) For the avoidance of doubt, references in this Rule 14A16 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Securities Borrowing and Lending of China Connect Securities subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.

(19) This Rule 14A16 is made pursuant to Rule 1430.

Short Selling

14A17. (1) Unless otherwise determined by the Exchange, China Connect Exchange Participants shall not conduct Short Selling of China Connect Securities for their own account or for the account of its clients other than in accordance with this Rule 14A17.

(2) A China Connect Exchange Participant shall not input any Short Selling order unless at the time it inputs the order,

(a) it has or, where it is selling for the account of its client, its client has; or

(b) it believes and has reasonable grounds to believe that the seller has,

a presently exercisable and unconditional right to vest the relevant China Connect Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement. For the avoidance of doubt, the pre-trade checking requirements set out in Rule 14A06 apply to Short Selling orders.

List of Eligible SSE Securities for Short Selling

(3) Only those China Connect Securities that are included in the List of Eligible SSE Securities for Short Selling published by the Exchange from time to time may be the subject of a Short Selling order through the China Connect Service. China Connect Exchange Participants shall ensure that Short Selling is confined to those China Connect Securities that are included in the List of Eligible SSE

Securities for Short Selling. A China Connect Exchange Participant who fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14A17(23).

(4) The Exchange will publish the List of Eligible SSE Securities for Short Selling on the HKEX website or through such other means as it considers appropriate and may update or amend the list from time to time. Unless the Exchange otherwise determines, the List of Eligible SSE Securities for Short Selling will be compiled by reference to SSE's list of eligible securities for short selling for the SSE Market, excluding Special China Connect Securities.

Short Selling Order

(5) A Short Selling order shall only be input during the SSE Opening Call Auction session, a SSE Continuous Auction session or the SSE Closing Call Auction session.

(6) Before a China Connect Exchange Participant inputs a China Connect sell order for the account of a client, it shall ask its client to confirm whether it is a Short Selling order or have appropriate arrangements in place that require the client, when placing a Short Selling order, to inform the China Connect Exchange Participant that the order is a Short Selling order. A China Connect Exchange Participant shall establish effective procedures and keep proper records to ensure compliance with this Rule.

(7) A China Connect Exchange Participant who knows or is informed that an order to be input into the CSC is a Short Selling order shall:

(a) when passing the order to another China Connect Exchange Participant or any other person having access to the CSC (including but not limited to an employee of the China Connect Exchange Participant) with a view that it or he shall input the order into the CSC, inform it or him that the order is a Short Selling order; and

(b) when inputting the order into the CSC, indicate such matters and in such manner as the Exchange shall from time to time determine.

(8) Short Selling orders shall be input into the CSC only in multiples of 100 shares/units.

Price restriction

(9) A Short Selling order for a Short Selling Security shall not be input into the CSC at a price lower than the most recent execution price for that Short Selling Security or, if there have been no executed trades for that Short Selling Security on the relevant CSC trading day, the previous closing price for that Short Selling Security.

(10) As required by SSE, where shares/units in any Short Selling Security borrowed for the purpose of Short Selling remain outstanding and have not yet been returned, China Connect Exchange Participants shall, and shall require their relevant clients to, comply with the price requirement in Rule 14A17(9) in respect of any instructions for the sale of that Short Selling Security through the

China Connect Service, except for those instructions that exceed the number of the outstanding and unreturned shares/units.

(11) The Exchange and the SEHK Subsidiary may set price restrictions, at such thresholds as the Exchange and the SEHK Subsidiary may consider appropriate, in the CSC or related system connections to block the input of Short Selling orders at an artificially high price which has the effect of artificially using up the limits of the Short Selling Ratio specified in Rule 14A17(14).

Securities Borrowing for Short Selling

(12) Securities Borrowing and Lending for the purpose of Short Selling shall be subject to Rule 14A16(2)(a) and other restrictions as may be prescribed by the Exchange.

(13) Before inputting a Short Selling order into the CSC, a China Connect Exchange Participant shall:

(a) where acting for the account of a client (including a Master SPSA Holder where applicable):

(i) ensure that its client has borrowed sufficient Short Selling Securities to settle the Short Selling order if executed;

(ii) to the extent that it has borrowed Short Selling Securities from another Exchange Participant or a Qualified Institution to on-lend to the client for purposes of Short Selling, have complied with the requirement in Rule 14A16(11) to provide the Exchange with a specified confirmation;

(iii) to the extent that its client has borrowed Short Selling Securities from a Securities Lender other than the China Connect Exchange Participant, have required the client to inform it (if and after the Short Selling order is executed on the SSE Market) of the client's return of the Short Selling Securities which are the subject of the Short Selling order to the Securities Lender (including the relevant date or dates of return and the number of shares/units being returned); and

(iv) to the extent that the Short Selling order to be input is an SPSA order or a Master SPSA order, have required its client to confirm that the borrowed Short Selling Securities are held in the relevant Special Segregated Account(s) and the order meets the pre-trade checking requirements set out in Rule14A06(7A) or Rule 14A06(7B), as the case may be, and if the order is executed on the SSE Market, the borrowed securities will be delivered to it or its CCASS GCP for securities settlement; and

(b) where acting for its own account, have complied with the requirement in Rule 14A16(11) to provide the Exchange with a specified confirmation and have borrowed sufficient Short Selling Securities to settle the Short Selling order if executed.

Short Selling Ratio Limits

(14) The Short Selling Ratio for any Short Selling Security shall not exceed 1% on any CSC trading day, and the cumulative Short Selling Ratios for a Short Selling Security in any period of 10 consecutive CSC trading days shall not exceed 5%. Any Short Selling order that, if executed, will cause the 1% daily limit or the 5% cumulative limit for a Short Selling Security to be exceeded during the course of a CSC trading day will be rejected by the CSC.

(15) The Exchange will publish on the HKEX website or through such other means as the Exchange considers appropriate the following information (for A shares only):

(a) during a CSC trading day, the quantity of each Short Selling Security that may be the subject of Short Selling orders for the CSC trading day in the event that its Short Selling availability falls below a specified quantity as announced by the Exchange from time to time;

(b) after market close, the Short Selling turnover (including the number of shares and the value) and the Short Selling Ratio of each Short Selling Security for that CSC trading day, and the cumulative Short Selling Ratios of each Short Selling Security over the previous 10 consecutive CSC trading days.

(16) The Exchange may, upon the request of SSE or otherwise, adjust the limits of the Short Selling Ratio referred to in Rule 14A17(14) or suspend the acceptance or routing of Short Selling orders.

Reporting Requirements

(17) China Connect Exchange Participants shall submit reports to the Exchange on the open short position of any Short Selling Security and other information required by the Exchange, at such intervals as the Exchange may from time to time require. For the purposes of this Rule 14A17, "open short position" means the total number of shares/units of a Short Selling Security that have been short sold by the China Connect Exchange Participant (whether as principal or agent) through the China Connect Service less the total number of shares/units borrowed for the purpose of Short Selling that have already been returned to the relevant Securities Lender.

(18) In addition to the reports referred to in Rule 14A17(17), a China Connect Exchange Participant shall submit a report to the Exchange if the open short position of any Short Selling Security it has executed for its own account or for the account of any of its clients exceeds the reporting thresholds prescribed by the Exchange from time to time.

(19) The reports referred to in each of Rules 14A17(17) and 14A17(18) shall be in a prescribed form and contain such particulars as the Exchange may require. The Exchange may publish on the HKEX website, or via other channels as it deems appropriate, any information submitted by China Connect Exchange Participants on an aggregate and no-names basis.

(20) China Connect Exchange Participants must comply with such other reporting requirements as the Exchange may prescribe from time to time.

Suspension and Resumption of Short Selling Activities

(21) Notwithstanding any other provision in this Rule 14A17, where SSE decides to suspend or has suspended short selling activities in respect of a Short Selling Security in the SSE Market, the Exchange may, as soon as practicable after being notified by SSE, require any or all China Connect Exchange Participants to stop inputting Short Selling orders, through the publication of a notice on the HKEX website or such other means as the Exchange considers appropriate. Short Selling of the relevant Short Selling Securities by China Connect Exchange Participants shall not resume and China Connect Exchange Participants shall not submit Short Selling orders until the Exchange are notified by SSE that short selling of the relevant Short Selling Securities will resume in the SSE Market, and after the Exchange has published a notice on the HKEX website to that effect. China Connect Exchange Participants shall comply with the restrictions set out in this Rule and all relevant notices issued pursuant to this Rule.

(22) The Exchange may, upon the request of SSE, the Commission or otherwise, direct a China Connect Exchange Participant to apply restrictions on the number of shares/units of any Short Selling Security that can be short sold by the China Connect Exchange Participants or particular clients and to report information about its or such clients' Short Selling activity as the Exchange, the SSE or the Commission may direct.

Abnormal Short Selling Activities

(23) Where the situation referred to in Rule 14A17(22) occurs, where there is reasonable cause to suspect or believe that abnormal short selling activities have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers that it/they may have under these Rules, take any of the following actions:

(a) reject or suspend the routing of Short Selling orders at any time;

(b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect orders originating from any of its clients;

(c) suspend or restrict a China Connect Exchange Participant's access to the China Connect Service; and

(d) restrict Short Selling to certain specified Short Selling Securities within the List of Eligible SSE Securities for Short Selling.

Exchange's Powers

(24) Notwithstanding anything contained herein, the Exchange reserves the right in its absolute discretion to:

(a) suspend, without giving prior notice, the Short Selling of any Short Selling Securities;

(b) impose limits on the number of shares/units of a particular Short Selling Security which may be the subject of Short Selling orders;

(c) impose open short position limits on the number of shares/units of a particular Short Selling Security which a China Connect Exchange Participant may hold on its own account or for the account of its clients;

(d) require a China Connect Exchange Participant to cease Short Selling whether temporarily or permanently and either generally or in relation to a particular Short Selling Security;

(e) require a China Connect Exchange Participant to liquidate any or all open short positions held on its own account or for the account of its clients either generally or in relation to a particular Short Selling Security and stipulate, for this purpose, the manner in which a China Connect Exchange Participant is to liquidate open short positions;

(f) require a China Connect Exchange Participant to disclose to the Exchange at any time the number of shares/units of a Short Selling Security in which the China Connect Exchange Participant holds an open short position either on its own account or for the account of its clients; and

(g) prescribe from time to time such other restrictions, requirements and conditions subject to which Short Selling and the related Securities Borrowing and Lending shall be conducted.

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

(26) The Exchange may from time to time exempt any Short Selling orders, related Securities Borrowing and Lending Arrangement, China Connect Securities Trades and China Connect Exchange Participants from all or any of the restrictions, requirements or conditions to which Short Selling shall be subject.

Others

(27) China Connect Exchange Participants must make appropriate arrangements to ensure that clients who wish to carry out Short Selling understand and are aware of the restrictions, requirements and conditions applicable to Short Selling. In particular, China Connect Exchange Participants shall ensure that their clients acknowledge the price requirements referred to in Rules 14A17(9) – (11).

(28) For the avoidance of doubt, references to "Short Selling Securities" in this Rule 14A17 do not include Special China Connect Securities.

(29) Unless otherwise determined by the Exchange, the Eleventh Schedule of these Rules does not apply to the Short Selling of China Connect Securities or Short Selling Securities.

(30) For the avoidance of doubt, references in this Rule 14A17 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Short Selling of China Connect Securities through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule. This Rule shall apply to them as if they were China Connect Exchange Participants.

(31) This Rule 14A17 is made pursuant to Rule 1430.

CHAPTER 14B

CHINA CONNECT SERVICE - SHENZHEN

Application

14B01. (1) This Chapter 14B sets out the China Connect Service Special Rules that apply to Shenzhen-Hong Kong Stock Connect as a Trading Link referred to in Rule 1401, and the use of the China Connect Service for the trading of securities listed on SZSE as a China Connect Market.

(2) China Connect Exchange Participants who wish to trade in eligible SZSE-listed securities through the China Connect Service or engage in margin trading, securities borrowing and lending and short selling activities of eligible SZSE-listed securities shall comply with this Chapter.

(3) The general provisions of Chapter 14 on the China Connect Service apply to the trading of SZSE-listed securities as China Connect Securities and shall be read in conjunction with this Chapter.

Interpretation

14B02. (1) Unless defined or specified in this Rule 14B02 or the context otherwise requires, terms used in this Chapter have the same meanings as defined in Chapter 1 of these Rules.

(2) In this Chapter, unless the context otherwise requires:

"A shares"	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the stock exchanges of Mainland China from time to time;
"China Connect order"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SZSE Market System being the "China Connect Market System";
"China Connect Securities"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the eligible securities listed on SZSE being accepted as "China Connect Securities", under Rule 14B04;
"China Connect Securities Trade"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SZSE Market being the "China Connect Market";
"ChiNext shares"	means the A shares which are accepted for listing and admitted to trading on the SZSE

	ChiNext from time to time;
"Circuit Breaker Provisions"	means the relevant provisions in the SZSE Rules under which SZSE Circuit Breakers may be imposed for the purpose of, among others, minimising or averting substantial upward or downward price movements of securities traded on the SZSE Market including all related provisions on the application and lifting of SZSE Circuit Breakers;
"Daily Quota"	means the daily quota of RMB 52 billion for Shenzhen-Hong Kong Stock Connect as announced by the CSRC and the Commission on 11 April 2018 or such revised amount as both regulators shall decide from time to time;
"Daily Quota Balance"	has the meaning ascribed to it in Rule 14B07(3);
"DVR structure"	means a structure of an issuer, the shares of which are accepted for listing and admitted to trading on the SZSE Market from time to time, that results in differentiated voting rights, and "DVR stock" shall be construed accordingly;
"H shares"	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the Exchange from time to time;
"Margin Trading"	means the purchase of eligible China Connect Securities referred to in Rule 14B15 by a China Connect Exchange Participant through the China Connect Service on behalf of its client, where the funds used for the purchase of the relevant China Connect Securities are provided to the client by the China Connect Exchange Participant through any form of securities margin financing arrangement;
"Master SPSA Holder"	has the same meaning as defined in the HKSCC Rules;
"Master SPSA ID"	has the same meaning as defined in the HKSCC Rules;
"Master SPSA order"	means a China Connect order for the sale of China Connect Securities held in Special Segregated Accounts which have been

	mapped to a Master SPSA ID;
"Non-registered Exchange Participant"	means an Exchange Participant other than a China Connect Exchange Participant and an Exchange Participant referred to in Rule 590(1) who owns or holds China Connect Securities for its own account or on a proprietary basis;
"non-trade transfer"	means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the China Connect Service and executed on the SZSE Market System;
"operational hours"	means the hours in a CSC trading day during which the China Connect Service is available for order-routing of China Connect orders, as referred to in Rule 14B03(4);
"price stabilization period"	in relation to the listing of H shares on the Exchange, means the price stabilization period referred to in the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) and as set out in the prospectus of the relevant H shares;
"Qualified Institution"	in relation to the Securities Borrowing and Lending of China Connect Securities referred to in Rule 14B16, means: (a) any fund, Exchange Traded Fund or collective investment scheme managed by a person licensed or registered to carry out Type 9 (asset management) regulated activity under the Ordinance; (b) a participant of HKSCC (other than an Investor Participant as defined in the HKSCC Rules); or (c) any other person accepted or specified by SZSE;
"Securities Borrowing and Lending Arrangement"	means an arrangement permitted under Rule 14B16 whereby the persons referred to in Rules 14B16(4) to (7) borrow or lend China Connect Securities for the purposes mentioned in Rule 14B16(2) pursuant to a securities borrowing and lending agreement, and references to "Securities Borrowing and Lending", "Securities Lender", "Securities

	Borrower", "lend" and "borrow" shall be construed accordingly;
"SEHK Subsidiary"	has the meaning as defined in Chapter 1 and in this Chapter, means Gangyu Information Services (Shenzhen) Limited;
"Shenzhen-Hong Kong Stock Connect"	means the programme jointly announced by the CSRC and the Commission dated 16 August 2016 comprising, among others, the order-routing arrangements to be entered into between the Exchange, SZSE, the SEHK Subsidiary and a subsidiary of SZSE which shall become a Special Participant, and any enhancements and expansions to the programme as both regulators may agree from time to time;
"Short Selling"	means the sale of Short Selling Securities in respect of which the China Connect Exchange Participant as seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the Short Selling Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement;
"Short Selling order"	means a China Connect sell order to effect Short Selling;
"Short Selling Ratio"	means the number of shares/units sold via Short Selling orders for a Short Selling Security on a given CSC trading day divided by the number of shares/units of that Short Selling Security held by all investors through CCASS as at the commencement of that CSC trading day, expressed as a percentage rounded to 2 decimal places;
"Short Selling Securities"	means any China Connect Securities which are from time to time included in the List of Eligible SZSE Securities for Short Selling as eligible for Short Selling, as referred to in Rule 14B17(3);
"Special China Connect Securities"	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the securities listed on SZSE being accepted or designated as "Special China Connect Securities" under Rule 14B05;

"Special Segregated Account" or "SPSA"	has the same meaning as defined in the HKSCC Rules;
"special voting rights"	in relation to a DVR stock, means the voting power attached to a share of a particular class that is greater or superior to the voting power attached to an ordinary share;
"SPSA ID"	has the same meaning as defined in the HKSCC Rules;
"SPSA order"	means a China Connect order for the sale of China Connect Securities held in a Special Segregated Account, other than one which has been mapped to a Master SPSA ID;
"SZSE"	means Shenzhen Stock Exchange, a China Connect Market Operator as defined in Chapter 1;
"SZSE Circuit Breaker"	means any measures that may be imposed or activated by SZSE on the SZSE Market in accordance with the Circuit Breaker Provisions;
"SZSE ChiNext"	means the ChiNext market operated by SZSE;
"SZSE ETF Market"	means the exchange traded fund market operated by SZSE;
"SZSE-listed ETFs"	means the exchange traded funds which are accepted for listing and admitted to trading on the SZSE ETF Market from time to time;
"SZSE Main Board"	means the Main Board market operated by SZSE;
"SZSE Market"	means the securities markets operated by SZSE comprising the SZSE Main Board, SZSE ChiNext and SZSE ETF Market, collectively, a China Connect Market as defined in Chapter 1;
"SZSE Market System"	means the trading system of SZSE, a China Connect Market System as defined in Chapter 1;
"SZSE Rules"	means the SZSE Regulations on Shenzhen-Hong Kong Stock Connect and the business and trading rules and regulations of SZSE;
"under risk alert"	in relation to A shares listed on SZSE, means the relevant shares are placed under "risk

	alert" by SZSE including shares of "ST companies", "*ST companies" and shares subject to the delisting process or the listing of which has been suspended by SZSE under the SZSE Rules; and
"unit"	means one undivided share or undivided beneficial interest in an exchange traded fund or a similar investment arrangement.

(3) Unless the context otherwise requires:

(a) where there is any conflict or inconsistency between a provision in this Chapter and Chapter 14, the provision in this Chapter shall prevail insofar as it relates to the trading of eligible SZSE-listed securities as China Connect Securities, otherwise, the provision in Chapter 14 shall prevail;

(b) except as provided in Rules 14B15(3), 14B16(3) and 14B17(3), references in this Chapter to "China Connect Securities" include "Special China Connect Securities"; and

(c) the definition of "short selling", "short sale", "borrower", "lender", "stock" as they appear in other parts of these Rules do not apply to this Chapter 14B.

(4) Any description of or reference to Mainland China laws or regulations in this Chapter 14B is not intended to be, nor should it be regarded as, legal or other professional advice for China Connect Exchange Participants or their clients. China Connect Exchange Participants are solely responsible for determining whether they are subject to any compliance or other obligations under applicable Mainland China laws or regulations, as may be amended from time to time, as a result of their use of the China Connect Service and are advised to seek their own professional advice.

Operational Hours of the China Connect Service in relation to SZSE

14B03. (1) Pursuant to the Exchange's powers under Rule 1415(1) (discretion to determine the operational hours), the operational hours of the China Connect Service in relation to SZSE are set out in Rules 14B03(4) to (6).

(2) The trading days and trading hours of SZSE are set out below, which may be subject to change in accordance with the SZSE Rules. Except (i) between 9:20 and 9:25; and (ii) between 14:57 and 15:00, SZSE normally accepts order cancellation requests during its trading hours.

SZSE trading days	Monday to Friday except where it is a public holiday in Mainland China
Trading hours on an SZSE trading day	Opening Call Auction session in the morning : 09:15 – 09:25 Continuous Auction session in the morning: 09:30 – 11:30 Continuous Auction session in the afternoon: 13:00 – 14:57

	Closing Call Auction session in the afternoon: 14:57 – 15:00

(3) Without prejudice to Rule 14B03(2), the execution of trades in China Connect Securities is subject to the SZSE Rules including the Circuit Breaker Provisions. Imposition of a SZSE Circuit Breaker on any SZSE trading day will result in the suspension of the execution of trades through the SZSE Market System for such period or periods as set out in the Circuit Breaker Provisions. Further, the lifting of a SZSE Circuit Breaker during a Continuous Auction session of any SZSE trading day may result in trades being executed through call auction.

(4) The trading days of the China Connect Service and the operational hours are set out below, which may be subject to change in accordance with Rule 1415.

CSC trading days	Monday to Friday except where it is a public holiday in Mainland China or Hong Kong
Operational hours	Morning session: 09:10 – 11:30 Afternoon session: 12:55 – 15:00

(a) If a CSC trading day falls on a day on which only half-day trading is available on the Exchange, the China Connect Service will remain available until the SZSE Market closes on that day unless otherwise advised by the Exchange.

(b) Unless otherwise determined or announced by the Exchange, China Connect Exchange Participants may input China Connect orders for transmission to the CSC on a CSC trading day starting from:

(i) 9:10 in respect of the SZSE Opening Call Auction session in the morning;

(ii) 9:25 in respect of the SZSE Continuous Auction session in the morning;

(iii) 12:55 in respect of the SZSE Continuous Auction session in the afternoon; and

(iv) 14:57 in respect of the SZSE Closing Call Auction session in the afternoon.

This means that the CSC will normally accept China Connect orders five minutes before commencement of each SZSE trading session except for the SZSE Closing Call Auction session. Processing of China Connect orders in the SZSE Market System normally starts at the beginning of each SZSE trading session, as referred to in Rule 14B03(2).

(5) [Repealed]

(6) If Shenzhen is or may be affected by severe weather conditions on a CSC trading day and an announcement on the adjustment of SZSE trading hours is made by SZSE, the Exchange will, as soon as practicable after SZSE issues an announcement, publish a corresponding announcement on the HKEX

website or through such other means as the Exchange considers appropriate, informing the market of the adjustment to the operational hours of the China Connect Service.

SZSE-listed Securities as China Connect Securities

14B04. (1) Pursuant to the Exchange's powers under Rule 1407 (power to accept securities as China Connect Securities), securities which meet the criteria set out in Rule 14B04(2) or Rule 14B04(2A) shall, subject to Rules 14B04(3), (4) and (4A) be accepted as China Connect Securities and be eligible for China Connect buy orders and China Connect sell orders.

(2) Unless the Exchange otherwise determines, SZSE-listed A shares set out below will be accepted as a China Connect Security:

(a) a constituent stock of the SZSE Composite Index that fulfils all of the following eligibility criteria at any relevant review:

(i) the constituent stock must have a daily average market capitalization in the last six months of RMB5 billion or above;

(ii) the constituent stock must have a daily average turnover in the last six months of RMB30 million or above;

(iii) the constituent stock must not have been suspended for trading on any SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months; and

(iv) if the constituent stock is a DVR stock, it must also fulfil all of the following additional criteria for its first time inclusion as a China Connect Security at any relevant review:

(A) the constituent stock must have been listed on SZSE for no less than six months and twenty SZSE trading days;

(B) the constituent stock must have a daily average market capitalization in the last 183 calendar days of RMB20 billion or above;

(C) the constituent stock must have an aggregated turnover in the last 183 calendar days of RMB6 billion or above; and

(D) neither the issuer of the DVR stock nor any beneficiary of special voting rights has been publicly censured by SZSE since the listing of the DVR stock due to any breach of any requirements under the SZSE Rules applicable to DVR stocks relating to, among others, corporate governance, information disclosure or investor protection safeguards;

and the Exchange will publish the review mechanism for constituent stocks based on the eligibility criteria set out above on the HKEX website or through such other means as it considers appropriate;

(b) [Repealed]

(c) A shares listed on SZSE that are not accepted as a China Connect Security by virtue of (a) above but which have corresponding H shares accepted for listing and trading on the Exchange,

provided that:

(i) they are not traded on SZSE in currencies other than RMB; and

(ii) they are not under risk alert.

(2A) Unless the Exchange otherwise determines, an SZSE-listed ETF that fulfils all of the following eligibility criteria at any regular review will be accepted as a China Connect Security:

(a) the SZSE-listed ETF must be traded in RMB and has a daily average assets under management in the last six months of no less than RMB500 million;

(b) the SZSE-listed ETF must have been listed on SZSE for no less than six months;

(c) the benchmark index must have been launched for no less than one year;

(d) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index must not be less than 60% and the total weighting of constituents which are China Connect Securities in the benchmark index must not be less than 60%; and

(e) the benchmark index or the index methodology of the benchmark index must also meet either of the following criteria: (i) (for broad-based indices) a constituent stock must not be more than 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks must not be less than 30, (B) a constituent must not be more than 15% of the index's weighting and the five highest weighted constituents in the aggregate must not be more than 60% of the index's weighting, and (C) the constituent stocks comprising no less than 90% of the index's weighting must be the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months.

The Exchange will publish such eligibility criteria on the HKEX website or through such other means as it considers appropriate.

(3) Unless the Exchange otherwise determines, the timing of acceptance of any securities as China Connect Securities shall follow Rule 14B04(4) and Rule 14B04(4A) (as applicable). Further, without prejudice to its powers under Rules 1407 and 1409, the Exchange will include and exclude securities as

China Connect Securities based on the criteria set out in Rule 14B04(2) or prescribed under Rule 14B04(2A) (as applicable), the adjustments made to the SZSE Composite Index, the timing at which relevant A shares, H shares and SZSE-listed ETFs are listed on or delisted from SZSE and/or the Exchange, and the timing at which relevant A shares are placed under risk alert or released from risk alert (as applicable).

(4) (a) SZSE-listed A shares will be accepted as China Connect Securities after the criteria set out in Rule 14B04(2)(a) are met but if there are corresponding H shares listed or to be listed on the Exchange, the A shares will only be accepted after the price stabilization period of the corresponding H shares has ended or expired.

(b) For SZSE-listed A shares referred to in Rule 14B04(2)(c):

(i) where the corresponding H shares are listed on the Exchange after the A shares have been listed and traded on SZSE for at least 10 trading days, the A shares will be accepted as China Connect Securities after the price stabilization period of the corresponding H shares has ended or expired; and

(ii) where the corresponding H shares are listed or will be listed on the Exchange on or before the tenth trading day of the initial listing of the A shares, the A shares will be accepted as China Connect Securities after they have been traded on the SZSE for 10 trading days and after the price stabilization period of the corresponding H shares has ended or expired, whichever is later.

(4A) The Exchange will publish a list of SZSE-listed ETFs which meet the criteria set out in or prescribed under Rule 14B04(2A) as soon as practicable after completion of any regular review that may be undertaken on eligible SZSE-listed ETFs. Such eligible SZSE-listed ETFs will be accepted as China Connect Securities on the second Monday after publication of the list of eligible SZSE-listed ETFs by the Exchange, or, the next CSC trading day if it is not a CSC trading day.

(5) The Exchange will publish a list of China Connect Securities in respect of SZSE in accordance with Rule 1409(1)(a) based on the criteria and principles set out in this Rule. For the avoidance of doubt, no SZSE-listed securities are eligible for China Connect buy orders or China Connect sell orders unless and until such securities have been included in the list of China Connect Securities published by the Exchange.

SZSE-listed Securities as Special China Connect Securities

14B05. (1) Pursuant to the Exchange's power under Rule 1408 (power to accept or designate securities as Special China Connect Securities), the securities referred to in Rules 14B05(2), (2A) and (3) shall be accepted and designated as Special China Connect Securities and be eligible only for China Connect sell orders and not for China Connect buy orders.

(2) Unless the Exchange otherwise determines, the Exchange will accept or designate the following China Connect Securities as Special China Connect Securities provided that they remain listed on SZSE:

(a) any China Connect Security which has been accepted under Rule 14B04(2)(a) and does not fall under Rule 14B04(2)(c) but it is subsequently determined at any relevant review that any of the following conditions has occurred:

(i) its daily average market capitalization in the last six months has fallen under RMB4 billion;

(ii) its daily average turnover in the last six months has fallen under RMB20 million; or

(iii) it has been suspended for trading on a SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months;

(b) any China Connect Security which has been accepted under Rule 14B04(2)(a) but which has subsequently ceased to be a constituent stock of the SZSE Composite Index, and does not fall under Rule 14B04(2)(c);

(c) any China Connect Security which has been accepted under Rule 14B04(2)(c) but the H shares of which have been delisted from the Exchange, and based on its market capitalization, turnover and the number of trading days with trading suspension at any subsequent relevant review, does not fall under Rule 14B04(2)(a);

(d) any China Connect Security which has been accepted under Rule 14B04(2)(c) but the H shares of which have been delisted from the Exchange, and is not a constituent stock of the SZSE Composite Index; or

(e) any China Connect Security which has been accepted under Rule 14B04(2)(a) or (c) but which has been placed under risk alert.

(2A) Unless the Exchange otherwise determines, the Exchange will accept or designate an SZSE-listed ETF which has been accepted as a China Connect Security under Rule 14B04(2A) but which has subsequently met any of the following eligibility criteria of becoming a Special China Connect Security at any regular review that may be undertaken on eligible SZSE-listed ETFs, as a Special China Connect Security provided that it remains listed on SZSE:

(a) the SZSE-listed ETF's daily average assets under management in the last six months falls under RMB400 million;

(b) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index falls under 55% or the total weighting of constituents which are China Connect Securities in the benchmark index falls under 55%; or

(c) the benchmark index and the index methodology of the benchmark index meets either of the following criteria: (i) (for broad-based indices) a constituent stock exceeds 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks falls under 30; (B) a constituent exceeds 15% of the index's weighting or the five highest weighted constituents in the aggregate exceeds 60% of the

index's weighting; or (C) the constituent stocks which are the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months falls under 90% of the index's weighting.

(3) Where, as a result of any distribution of rights (including the right to subscribe for rights issues or open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances arising from China Connect Securities, any China Connect Exchange Participant receives (whether as principal or agent through their or their China Connect CCASS Participant's account with HKSCC) any securities (including ChiNext shares) which are not already accepted as China Connect Securities, provided that such securities are listed on SZSE and traded in RMB, the Exchange will accept or designate such securities as Special China Connect Securities.

(4) The Exchange will publish a list of Special China Connect Securities in respect of SZSE in accordance with Rule 1409(1)(b) based on the principles set out in this Rule. The SZSE-listed ETFs on the list will be accepted and designated as Special China Connect Securities on the second Monday after publication of the list, or, the next CSC trading day if it is not a CSC trading day, provided that they remain listed on SZSE and meet the relevant conditions prescribed by the Exchange from time to time.

Trading Arrangements

14B06. (1) Pursuant to the Exchange's powers under Rules 1417 (power to determine the order types), 1418 (power to stipulate quotation requirements) and 1430 (conditions and restrictions on the use of the China Connect Service), Rules 14B06(2) to (18) shall apply to the use of the China Connect Service for the trading of China Connect Securities listed on SZSE.

Quotation requirements and restrictions

(2) China Connect orders shall comply with the quotation requirements and restrictions set out from time to time through publication on the HKEX website or such other means as the Exchange considers appropriate.

SPSA order

(3) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:

(i) the Special Segregated Account has been designated to the client and an SPSA ID has been assigned by CCASS to the Special Segregated Account in accordance with the HKSCC Rules;

(ii) it has been authorized to execute on behalf of the client the sale of China Connect Securities in the specified Special Segregated Account; and

(iii) it has received confirmation from the client or has advised the client to ensure that there are sufficient China Connect Securities in the Special Segregated Account to settle the delivery obligations on the settlement day and, if the SPSA order is

executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14B06(3)(a), a China Connect Exchange Participant shall, when inputting an SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant SPSA ID and other details required by the Exchange. By inputting an SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding SPSA orders set out in this Rule 14B06(3).

(c) In this Rule 14B06(3), references to "China Connect Exchange Participant" do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

Master SPSA order

(3A) (a) A China Connect Exchange Participant who receives instructions from a client which is a Master SPSA Holder to sell China Connect Securities held in one or more Special Segregated Accounts mapped to its Master SPSA ID shall, before inputting a Master SPSA order into the CSC, ensure that:

(i) a Master SPSA ID has been designated to the Master SPSA Holder;

(ii) it has been authorized to execute on behalf of the Master SPSA Holder the sale of China Connect Securities held under the mapped Special Segregated Accounts;

(iii) it has received pre-allocation instructions from the Master SPSA Holder in respect of the relevant China Connect Securities; and

(iv) it has received confirmation from the Master SPSA Holder or has advised the Master SPSA Holder to ensure that there are sufficient China Connect Securities held under the mapped Special Segregated Accounts to settle the delivery obligations on the settlement day and, if the Master SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14B06(3A)(a), a China Connect Exchange Participant shall, when inputting a Master SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant Master SPSA ID and other details required by the Exchange. By inputting a Master SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding Master SPSA orders set out in this Rule 14B06(3A).

(c) In this Rule 14B06(3A), references to "China Connect Exchange Participant" do not include the Exchange Participants referred to in Rule

590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

Odd lots

(4) China Connect buy orders involving odd lots are not allowed. A sale of odd lots is allowed provided that the China Connect sell order relates to the sale of all, and not part, of the odd lots held in respect of a China Connect Security for a China Connect Exchange Participant or for a client (as the case may be).

No Turnaround Trading

(5) China Connect Exchange Participants shall not sell or input any China Connect sell order in respect of any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day, unless the Exchange otherwise determines. China Connect Exchange Participants shall also make appropriate arrangements to ensure that their clients will not sell or instruct it to sell any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day. For the avoidance of doubt, this means that China Connect Exchange Participants must put in place appropriate measures to ensure that China Connect Securities purchased by or through it on a CSC trading day will not be sold on the same day whether as principal or as agent.

Pre-trade checking

(6) As SZSE will conduct pre-trade checking of all sell orders routed to the SZSE Market System to ensure that there will be sufficient securities to settle delivery obligations on the settlement day assuming that all submitted sell orders will be executed, pre-trade checking procedures with respect to all China Connect sell orders will be applied by the Exchange and the SEHK Subsidiary to ensure that the relevant accounts have sufficient securities available for settlement before they are routed to the SZSE Market System for execution.

(7) In respect of a China Connect Exchange Participant who is a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will be conducted on the securities holding position of its designated CCASS stock account(s) in accordance with Rules 14B06(10)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14B06(9) or Rule 14B06(9A), as the case may be, shall apply.

(8) In respect of a China Connect Exchange Participant who is not a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will, unless such order is an SPSA order or a Master SPSA order, be conducted on the securities holding position of the CCASS stock account(s) that has been designated to it by its duly appointed CCASS GCP for the settlement of its China Connect Securities Trades. Pre-trade checking of its China Connect sell orders will be conducted in accordance with Rules 14B06(10)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14B06(9) or Rule 14B06(9A), as the case may be, shall apply.

(9) In respect of an SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the securities holding position of the Special Segregated Account with the assigned SPSA ID when it inputs the SPSA order in accordance with Rules 14B06(10)(b),(c) and (d).

(9A) In respect of a Master SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the aggregate securities holding position of all the Special Segregated Accounts mapped to the assigned Master SPSA ID when it inputs the Master SPSA order in accordance with Rules 14B06(10)(b), (c) and (d).

(10) (a) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, the total number of shares/units which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14B06(7) or (8) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(b) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules:

(i) the total number of shares/units which can be the subject of SPSA orders in respect of each China Connect Security in a Special Segregated Account on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant Special Segregated Account referred to in Rule 14B06(9) immediately before the commencement of operation of the China Connect Service on that CSC trading day; and

(ii) the total number of shares/units which can be the subject of Master SPSA orders in respect of each China Connect Security in the Special Segregated Accounts which are mapped to a Master SPSA ID on a CSC trading day shall not exceed the aggregate securities holding position in respect of the same China Connect Security as shown in all the Special Segregated Accounts mapped to the assigned Master SPSA ID referred to in Rule 14B06(9A) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(c) In respect of overdue short securities positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short securities position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the

sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading day. If such overdue short securities positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant and the relevant Special Segregated Accounts will be adjusted in accordance with the HKSCC Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the HKSCC Rules.

(d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total securities holding positions mentioned in Rule 14B06(10)(a) or (b) above will (subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules) be rejected.

(11) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the HKSCC Rules and subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, reproduce and replicate the securities holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14B06(7) and (8) and the Special Segregated Accounts referred to in Rule 14B06(9) and Rule 14B06(9A), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its securities holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction, replication and transmission of the securities holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.

(12) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14B06(3) will be complied with and in respect of a Master SPSA order, Rule 14B06(3A) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their

client or for their own account, as the case may be. Upon matching of a China Connect sell order on the SZSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14B06(10)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for securities settlement in accordance with the HKSCC Rules.

Input and cancellation of China Connect orders while a SZSE Circuit Breaker is in effect

(13) (a) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be received or transmitted to the SZSE Market System during the period when a SZSE Circuit Breaker is in effect, China Connect Exchange Participants may input China Connect orders through the China Connect Service during such period as usual. Notwithstanding this, China Connect Exchange Participants accept that imposition of a SZSE Circuit Breaker on any SZSE trading day will result in the suspension of trade execution through the SZSE Market System as referred to in Rule 14B03(3).

(b) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be cancelled during the period when a SZSE Circuit Breaker is in effect, China Connect Exchange Participants may input order cancellation requests through the China Connect Service during such period as usual. Notwithstanding this, as is provided in Rule 1422, no China Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the SZSE Market System and neither the Exchange nor the SEHK Subsidiary shall have any liability in the event that a China Connect order which a China Connect Exchange Participant has required be cancelled is not cancelled for any reason whatsoever.

Suspension of trading on A shares and H shares

(14) Where any H shares with corresponding A shares accepted as China Connect Securities are suspended from trading on the Exchange but the China Connect Securities are not suspended from trading on the SZSE, the China Connect Service will normally remain available for routing China Connect sell orders and China Connect buy orders for such China Connect Securities to the SZSE Market System for execution. The Exchange, however, reserves its discretion to restrict or suspend the China Connect Service for trading in such China Connect Securities and will publish an announcement on the HKEX website or through such other means as it considers appropriate accordingly. For the avoidance of doubt, the Exchange will restrict or suspend the China Connect Service for trading in such China Connect Securities if it is so directed or required by a relevant governmental or regulatory body.

Review of Sales/Purchases

(15) A China Connect Exchange Participant shall review all sales and purchases of China Connect Securities at the end of each SZSE trading session on each CSC trading day and shall report any discrepancy, erroneous transaction or

complaint to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

Trading of ChiNext shares

(16) The Exchange may from time to time, as it may determine or as directed by the Commission, prescribe, change, supplement or remove any requirements, conditions, restrictions and arrangements in relation to the use of the China Connect Service for trading ChiNext shares through publication on the HKEX website or such other means as the Exchange considers appropriate. China Connect Exchange Participants shall comply with the requirements, conditions, restrictions and arrangements in all respects.

(17) (a) Except as provided in Rule 14B06(17)(b), only institutional professional investors are allowed to buy or sell ChiNext shares which are accepted as China Connect Securities (other than Special China Connect Securities which are eligible for sell orders only) through the China Connect Service.

(b) Where, as a result of any distribution of rights (including the right to subscribe for rights issues open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances arising from China Connect Securities, China Connect Exchange Participants receive (whether as principal or agent for their client and whether or not such client is an institutional professional investor) through their or their China Connect CCASS Participant's account with HKSCC any ChiNext shares, China Connect Exchange Participants may sell such ChiNext shares which are accepted or designated by the Exchange as China Connect Securities under Rule 14B04(1) or Special China Connect Securities under Rule 14B05(3) through the China Connect Service.

(18) Each China Connect Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rules 14B06(16) and (17), including but not limited to (a) not accepting any instruction to buy ChiNext shares or inputting any China Connect buy order for ChiNext shares for any direct client of the China Connect Exchange Participant unless it is reasonably satisfied that the client is an institutional professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only institutional professional investors are allowed to buy ChiNext shares which are accepted as China Connect Securities through the China Connect Service.

Quotas on SZSE-listed Securities as China Connect Securities

14B07. (1) Pursuant to the Exchange's powers under Rules 1426 (discretion to prescribe quota limits and controls), 1427 (discretion to take actions to ensure compliance with quota controls) and 1428(2) (power to set price restrictions to block the input of artificial China Connect orders), the Daily Quota and quota monitoring and management provisions under Rules 14B07(2) to (10) shall apply.

Daily Quota

(2) The Daily Quota shall apply to the trading of China Connect Securities through the use of the China Connect Service.

(3) The Daily Quota limits the maximum value of all the China Connect Securities Buy Trades that can be executed by all the China Connect Exchange Participants in respect of all the China Connect Securities through the China Connect Service on each CSC trading day. The Daily Quota Balance is monitored on a real-time basis during the operational hours and is calculated based on the following formula:

Daily Quota Balance = Daily Quota – value of China Connect buy orders + value of China Connect Securities Sell Trades + value of China Connect buy orders that have been cancelled or rejected + difference between the execution price and the specified price in respect of those China Connect buy orders that have been executed at a better price than the specified price

(4) The Daily Quota shall apply to each CSC trading day. Regardless of the level of the Daily Quota Balance at the end of a CSC trading day, the Daily Quota Balance will not be carried forward for utilization on the following or subsequent CSC trading days.

(5) In respect of each CSC trading day, if the Daily Quota Balance drops to zero or below (i.e. if the Daily Quota is fully utilized):

(a) during the SZSE Opening Call Auction session and before commencement of the SZSE Continuous Auction session in the morning at 9:30, China Connect buy orders input after the time at which the Daily Quota Balance drops to zero or below will not be accepted by the CSC, but China Connect buy orders input before such time will not be affected and will be transmitted by the CSC to the SZSE Market System for execution in the usual manner. Only if the Daily Quota Balance resumes to a positive level before commencement of the SZSE Continuous Auction session in the morning will new China Connect buy orders be accepted by CSC; and

(b) after commencement of the SZSE Continuous Auction session in the morning at 9:30 and before the end of the SZSE Closing Call Auction session at 15:00, no China Connect buy orders will be accepted for the rest of the CSC trading day unless the Exchange otherwise determines, but China Connect buy orders input before the time at which the Daily Quota Balance drops to zero or below will not be affected and will be transmitted by the CSC to the SZSE Market System for execution in the usual manner.

(6) For the avoidance of doubt:

(a) references in the formula in Rule 14B07(3) to "China Connect buy orders", "China Connect Securities Buy Trades" and "China Connect Securities Sell Trades" do not include the value of any transaction fees, taxes, levies or stamp duties payable or collected in respect of such orders or trades; and

(b) only China Connect buy orders will be subject to quota controls under this Rule. Unless otherwise determined by the Exchange, China Connect sell orders will be accepted by the CSC during the operational hours of a CSC trading day and will not be affected by the level of the Daily Quota Balance.

(7) The following table summarizes the treatment of China Connect orders as described in Rules 14B07(3) to (6) depending on the Daily Quota Balance on a given CSC trading day:

	Daily Quota Balance drops to zero or below before 09:30	**Daily Quota Balance drops to zero or below at or after 09:30**
China Connect sell order	Accepted	Accepted
China Connect buy order submitted after the time at which the Daily Quota Balance drops to zero or below	Not accepted (unless and until the Daily Quota Balance becomes larger than zero before 09:30)	Not accepted for the rest of the CSC trading day (unless the Exchange otherwise determines pursuant to Rule 14B07(5)(b))
China Connect buy orders submitted before the time at which the Daily Quota Balance drops to zero or below	Not affected	Not affected

Quota Management

(8) Pursuant to its power under Rule 1428(2) (power to set price restrictions to block artificial transactions), restrictions are set in CSC and the related system connections to block the input of China Connect buy orders of all China Connect Securities at a price lower than the reference price referred to in Rule 14B07(9) by a certain percentage prescribed by the Exchange from time to time.

(9) Unless otherwise determined by the Exchange:

(a) during the SZSE Opening Call Auction session and the five minutes before the commencement of the SZSE Opening Call Auction session on each CSC trading day, the reference price referred to in Rule 14B07(8) shall be (i) the current bid price of the relevant China Connect Security; and (ii) where no current bid price is available, the previous closing price of the China Connect Security;

(b) during the SZSE Continuous Auction sessions (morning and afternoon) and the five minutes before the commencement of each SZSE Continuous Auction session on each CSC trading day, the reference

price referred to in Rule 14B07(8) shall be (i) the current best bid price of the relevant China Connect Security; (ii) where no current best bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security;

(c) during the SZSE Closing Call Auction session, the reference price referred to in Rule 14B07(8) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security; and

(d) where a SZSE Circuit Breaker has been imposed, the reference price referred to in Rule 14B07(8) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security.

(10) If there is any change in the operational procedures relating to the quota limits and related arrangements as set out in this Rule 14B07, the Exchange will publish the details on the HKEX website or through such other means as the Exchange considers appropriate.

Shareholding Restrictions on China Connect Securities

14B08. (1) Under Rule 1430, the Exchange has absolute discretion to impose conditions or restrictions for the use of the China Connect Service for the purpose of ensuring that the trading of China Connect Securities will not contravene applicable laws or for any reasons which the Exchange considers appropriate. In light of the shareholding restrictions and forced sale requirements imposed by the CSRC, SZSE and applicable laws of Mainland China, the conditions and requirements set out in Rules 14B08(2) to (12) shall apply.

Shareholding limits on foreign investors

(2) China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 10% individual shareholding limit in relation to A shares applicable to foreign investors (including Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors approved under the applicable laws of Mainland China, and other investors using the China Connect Service) as stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shenzhen-Hong Kong Stock Connect. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the individual shareholding limit.

(3) China Connect Exchange Participants shall note and understand the 30% aggregate shareholding limit in relation to A shares and the related forced-sale requirements applicable to foreign investors who invest in China Connect Securities as stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shenzhen-Hong Kong Stock

Connect. China Connect Exchange Participants shall alert their clients to the 30% aggregate shareholding limit and the forced-sale arrangements under this Rule.

Shareholding Monitoring Procedures

(4) Where foreign investors (including investors holding China Connect Securities through CCASS) hold 28% or more of the issued shares of a relevant issuer in aggregate, SZSE will notify the SEHK Subsidiary, and the Exchange and SEHK Subsidiary will as soon as practicable thereafter suspend accepting China Connect buy orders in respect of the relevant China Connect Securities until the aggregate shareholding of foreign investors is reduced to below 26%, as advised by SZSE.

Forced-sale Procedures

(5) Notwithstanding Rule 14B08(4), where the aggregate shareholding of foreign investors (including investors holding through CCASS) in respect of a relevant issuer exceeds 30% of the issued shares of the issuer on an SZSE trading day, SZSE may, pursuant to the SZSE Rules, issue a forced-sale notice to the SEHK Subsidiary on the following trading day, requiring it to arrange for a sell down of the portion of the China Connect Securities that exceeds 30% within 5 SZSE trading days on a "last-in, first-out" basis (as determined in accordance with Rule 14B08(11)).

(6) Upon receipt of a forced-sale notice under Rule 14B08(5), the SEHK Subsidiary will notify the relevant China Connect Exchange Participant(s) through the Exchange, requiring or directing them to, or arrange for their clients to, sell and liquidate the specified number of China Connect Securities within a period specified by the Exchange.

(7) Upon receipt of the notice under Rule 14B08(6), the China Connect Exchange Participant shall comply with the notice, and where applicable, it shall issue a corresponding notice to the relevant client(s) or their custodian(s) requesting for the sale and liquidation of the number of China Connect Securities specified by the China Connect Exchange Participant within the period specified by the Exchange. If a client fails to comply with the China Connect Exchange Participant's notice, the China Connect Exchange Participant shall, if necessary, exercise its power to sell the specified number of China Connect Securities through the use of the China Connect Service on the client's behalf before expiry of the period specified by the Exchange.

(8) China Connect Exchange Participants shall implement appropriate measures to enable them to comply with Rule 14B08(7) on a timely basis including entering into legally enforceable client agreements to facilitate compliance with the forced-sale arrangements referred to in that Rule.

(9) Where a forced-sale notice is issued by SZSE under Rule 14B08(5), no China Connect buy orders for the relevant China Connect Securities will be accepted by the CSC until SZSE informs the SEHK Subsidiary or the Exchange that the aggregate foreign shareholding falls below 30%. China Connect sell orders for the relevant China Connect Securities will not be affected by a forced-sale notice.

(10) If, within the 5-day period mentioned in Rule 14B08(5), the aggregate foreign shareholding is reduced to below 30% due to other foreign investors selling down the relevant shares, the SEHK Subsidiary may, on its own or upon request from a China Connect Exchange Participant referred to in Rules 14B08(6) and (7) apply for permission to hold the relevant shares without a sell down at such time and in such manner as the Exchange may prescribe from time to time.

(11) The relevant China Connect Exchange Participants referred to in Rule 14B08(6) will be identified by the Exchange based on its or the SEHK Subsidiary's own records (which shall be final and conclusive) generally by reference to the time of purchase of the relevant China Connect Securities, on a "last in, first out" basis. Notwithstanding the foregoing, the Exchange has absolute discretion to determine which China Connect Exchange Participants and what quantity of China Connect Securities should be subject to a forced sale notice.

(12) Where the 30% aggregate foreign shareholding limit is exceeded due to a share repurchase conducted by the relevant issuer, investors and China Connect Exchange Participants holding China Connect Securities through CCASS may continue to hold the relevant shares without being subject to a forced-sale. However, the SEHK Subsidiary and the Exchange will suspend acceptance of China Connect buy orders for those China Connect Securities until the aggregate foreign shareholding limit is reduced to below 26%.

Disclosure Obligations regarding China Connect Securities

14B09. China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 5% shareholding disclosure requirement applicable to persons who invest in A shares under applicable laws of Mainland China. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the relevant disclosure requirements.

Compliance with applicable laws in Mainland China

14B10. As required by SZSE, China Connect Exchange Participants shall:

(1) comply, and advise their clients to comply, with SZSE Rules (to the extent applicable to the trading of China Connect Securities in the SZSE Market, and not inconsistent with these Rules and any regulations, requirements or conditions prescribed or published pursuant to these Rules) and laws and regulations of Mainland China relating to the use of the China Connect Service and the trading of China Connect Securities;

(2) make adequate disclosure to their clients with regard to the risks associated with investing in China Connect Securities through appropriate arrangements including, without limitation, the risk that their instructions to trade in China Connect Securities may not be accepted and that they may be liable to regulatory investigations and the relevant legal consequences if they are in breach of or fail to comply with the SZSE Rules and the laws and regulations referred to in this Rule 14B10;

(3) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange has the power not to extend the China Connect Service to them, the power to require China Connect Exchange Participants not to accept instructions from them and the power to suspend or restrict China Connect Exchange Participants from inputting China Connect orders under any BCAN, if it is found that the China Connect Exchange Participant or any of its clients (as the case may be) has or may have committed any abnormal trading conduct set out in or fail to comply with the SZSE Rules and the laws and regulations referred to in Rule 14B10(1);

(4) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that if the SZSE Rules are breached, or if the disclosure and other obligations referred to in the listing rules of the SZSE (including the rules of the SZSE for stock listing on ChiNext and the rules of the SZSE for ETFs listing on SZSE ETF Market) or the SZSE Rules are breached, SZSE has the power to carry out investigations, and may, through the Exchange or the SEHK Subsidiary, require China Connect Exchange Participants to provide relevant information and materials (including the information and personal data of their clients and other persons referred to in Rules 537 and 1437) to assist in its investigation;

(5) acknowledge that where there is a serious breach of the SZSE Rules, SZSE may request the Exchange to take appropriate regulatory actions or commence disciplinary proceedings against China Connect Exchange Participants, or request the Exchange to require China Connect Exchange Participants to issue warning statements (verbally or in writing) to their clients, and not to extend the China Connect Service to them or to their clients;

(6) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange may (for the purpose of assisting SZSE in its regulatory surveillance of the SZSE Market and enforcement of the SZSE Rules and as part of the regulatory cooperation arrangement between the Exchange, the SEHK Subsidiary and SZSE), at the request of SZSE, require China Connect Exchange Participants to provide information concerning their clients and other persons referred to in Rules 537 and 1437 with respect to any China Connect orders input or China Connect Securities Trades made or entered into by China Connect Exchange Participants on their behalf; and

(7) for the purposes referred to in paragraphs (4) to (6), China Connect Exchange Participants shall authorize the Exchange (whether directly or through the SEHK Subsidiary) to disclose, transfer and provide information and personal data concerning their clients and other persons referred to in Rules 537 and 1437 to SZSE upon request and shall make appropriate arrangements (including obtaining the relevant consents) to ensure that the relevant information and personal data may be disclosed, transferred and provided in compliance with applicable laws including the Personal Data (Privacy) Ordinance.

Fees and Taxes

14B11. (1) Pursuant to Rule 1429, the fees, charges, levies and taxes set out in Rules 14B11(2) and (3) shall be payable in respect of the trading of China Connect Securities.

(2) With respect to any fees, charges, levies and taxes which may be payable to SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China in respect of every purchase or sale of China Connect Securities executed through the China Connect Service, China Connect Exchange Participants shall pay to the Exchange such fees (including any handling fee, securities management fee and transfer fee), charges, levies and taxes, which will be published on the HKEX website or notified to China Connect Exchange Participants through such other means as the Exchange considers appropriate, for onward payment to SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China, as the case may be.

(3) Where SZSE, the relevant China Connect Clearing House, any relevant governmental or regulatory body or applicable law imposes any other fees, charges, levies or taxes on or in relation to the sale and purchase of China Connect Securities which are required to be paid or collected by the Exchange, the SEHK Subsidiary and/or HKSCC, China Connect Exchange Participants shall be responsible for paying (for themselves or on behalf of their clients) all such fees, charges, levies and taxes to the Exchange, the SEHK Subsidiary and/or HKSCC for onward payment to SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory body. For the avoidance of doubt, where any China Connect Exchange Participant fails to pay any such fees, charges, levies or taxes, the indemnity referred to in Rule 1442 applies. The Exchange will provide relevant information regarding such fees, charges, levies and taxes (including, where applicable, the manner of payment, collection and the filing or registration requirements) as are communicated to it by SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory body through publication on the HKEX website or such other means as the Exchange considers appropriate.

Off-Exchange Trades or Transfers Prohibited

14B12. (1) Except permitted under Rule 14B12(2) or where the CSRC otherwise provides or allows, the SEHK Subsidiary and Exchange Participants shall not trade or provide services to facilitate the trading of any China Connect Securities held within CCASS through any venue other than through the SZSE Market System, and an Exchange Participant shall not match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of its clients in respect of any China Connect Securities in any manner otherwise than through the use of the China Connect Service in accordance with these Rules.

(2) The following non-trade transfers are permitted:

(a) Securities Borrowing and Lending as permitted under Rule 14B16(2);

(b) transfers between Exchange Participants and their clients for the purpose of rectifying error trades;

(c) post-trade allocation of China Connect Securities to funds or sub-funds in different accounts by fund managers who have entered into China Connect Securities Trades for the collective account of funds or sub-funds under management; and

(d) transfers set out in Rule 4110iii(e) to (j) of the HKSCC Rules.

(3) China Connect Exchange Participant who carry out non-trade transfers of China Connect Securities referred to in Rule 14B12(2)(b) for the purpose of rectifying an error trade shall submit to the Exchange an error trade report together with supporting documents explaining the nature of the error, how the error was made and providing details of the non-trade transfer to be processed. The Exchange may disallow a particular China Connect Exchange Participant from carrying out non-trade transfers under Rule 14B12(2)(b) where the Exchange has reasonable cause to suspect or believe that the China Connect Exchange Participant may abuse or may have abused the rectification arrangements or may have used any non-trade transfers permitted under Rule 14B12(2)(b) to circumvent the prohibition under Rule 14B12(1).

Record Keeping

14B13. To comply with applicable laws in Mainland China and the requirements of SZSE, China Connect Exchange Participants shall keep proper books and records of the China Connect orders input and the China Connect Securities Trades executed by it and the related client instructions and account information (including the related BCAN and CID) for a period of not less than 20 years. Such books and records shall include all relevant information concerning the Margin Trading, Short Selling and Securities Borrowing and Lending of any China Connect Securities. For the avoidance of doubt, with respect to Margin Trading, proper books and records on the funds provided to and the relevant securities margin financing arrangement entered into with the clients shall also be kept.

Exclusion of Liability of SZSE

14B14. Exchange Participants shall acknowledge, and make appropriate arrangements for their clients to acknowledge, that SZSE shall not be responsible or held liable for any loss or damage suffered directly or indirectly by a China Connect Exchange Participant, its clients or any third parties arising from or in connection with SZSE making, amending or enforcing the SZSE Rules, or any action taken by it in the discharge of its supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.

Margin Trading of China Connect Securities

14B15. (1) Unless otherwise determined by the Exchange, Margin Trading may be conducted by a China Connect Exchange Participant on behalf of its clients through the China Connect Service subject to Rules 14B15(2) to (10).

List of Eligible SZSE Securities for Margin Trading

(2) China Connect Exchange Participants shall ensure that Margin Trading is confined to those China Connect Securities that are included in the List of Eligible SZSE Securities for Margin Trading published by the Exchange from

time to time. No China Connect Exchange Participant is allowed to provide funds or securities margin financing arrangements to any of its clients for the purpose of or with the view to facilitating the purchase of China Connect Securities not included in the List of Eligible SZSE Securities for Margin Trading. A China Connect Exchange Participant which fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14B15(6).

(3) The Exchange will publish the List of Eligible SZSE Securities for Margin Trading on the HKEX website or through such other means as it considers appropriate and may update or amend the list from time to time. Unless the Exchange otherwise determines, the List of Eligible SZSE Securities for Margin Trading will be compiled by reference to SZSE's list of eligible securities for margin trading for the SZSE Market, excluding Special China Connect Securities.

Suspension and Resumption of SZSE Securities Margin Trading

(4) Where the volume of margin trading activities in respect of any eligible China Connect Security exceeds the margin trading threshold prescribed by SZSE, and SZSE decides to suspend or has suspended margin trading activities in respect of that China Connect Security in the SZSE Market, the Exchange may, as soon as practicable after being notified by SZSE, require any or all China Connect Exchange Participants to stop or suspend carrying out any further Margin Trading in respect of that China Connect Security through the publication of a notice on the HKEX website or such other means as the Exchange considers appropriate. Margin Trading of the relevant China Connect Securities by China Connect Exchange Participants shall not resume until SZSE has allowed margin trading activities on the relevant China Connect Securities to resume in the SZSE Market; after SZSE has notified the Exchange of the resumption, and after the Exchange has published a notice to that effect. China Connect Exchange Participants shall comply with the restrictions set out in this Rule 14B15(4) and all relevant notices issued pursuant to this Rule. For the avoidance of doubt, China Connect buy orders involving Margin Trading of China Connect Securities (whether they have been executed on the SZSE System prior to the suspension taking effect or not) will not be affected.

(5) Where the Exchange requires China Connect Exchange Participants to stop or suspend carrying out further Margin Trading pursuant to Rule 14B15(4), any new China Connect buy orders for the relevant China Connect Securities input into the CSC by any China Connect Exchange Participant shall be deemed to have been made with the representation and confirmation to the Exchange that such China Connect buy order does not involve Margin Trading. Where any China Connect Exchange Participant is found to have breached this Rule, the Exchange may take appropriate actions against it under Rules 1437 and 14B15(6).

Abnormal margin trading activities

(6) Where the situation referred to in Rule 14B15(5) occurs, where there is reasonable cause to suspect or believe that abnormal margin trading activities

have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers which it/they may have under these Rules, take any of the following actions:

(a) reject or suspend the routing of China Connect buy orders which, in its judgement, may involve Margin Trading in contravention of Rule 14B15(4) or (5) at any time;

(b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect buy orders originating from any of its clients;

(c) suspend a China Connect Exchange Participant's access to the China Connect Service; and

(d) restrict Margin Trading to certain specified China Connect Securities within the List of Eligible SZSE Securities for Margin Trading.

Others

(7) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Margin Trading of China Connect Securities. In particular, China Connect Exchange Participants shall inform their clients that China Connect Exchange Participants may conduct Margin Trading only in respect of China Connect Securities that are within the List of Eligible SZSE Securities for Margin Trading.

(8) The Exchange may require China Connect Exchange Participants to flag or indicate China Connect buy orders that involve Margin Trading when inputting China Connect orders into the CSC in such manner and at such time or times as the Exchange considers appropriate.

(9) For the avoidance of doubt, references in this Rule 14B15 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Margin Trading of China Connect Securities for their clients through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.

(10) This Rule 14B15 is made pursuant to Rule 1430.

Securities Borrowing and Lending of China Connect Securities

14B16. (1) Unless the Exchange otherwise determines, China Connect Exchange Participants shall not enter into or carry out any Securities Borrowing and Lending Arrangement in respect of China Connect Securities and Special China Connect Securities except in accordance with this Rule 14B16.

Purpose of Securities Borrowing and Lending of China Connect Securities

(2) Securities Borrowing and Lending of China Connect Securities may only be carried out for the following purposes:

(a) for the purpose of Short Selling in accordance with Rule 14B17 provided that the securities loan period (inclusive of the date of securities loan and securities return) does not exceed one calendar month;

(b) for the purpose of enabling the clients of China Connect Exchange Participants to sell China Connect Securities held by them but which have not been transferred to the relevant HKSCC stock account in time to meet the pre-trade checking requirement set out in Rule 14B06 provided that the securities loan period does not exceed one day and is non-renewable; and

(c) for such other purposes as the Exchange or SZSE may specify from time to time.

(3) For the purpose of Rule 14B16(2)(a), Securities Borrowing and Lending shall be limited to China Connect Securities excluding Special China Connect Securities; and for the purpose of Rule 14B16(2)(b), Securities Borrowing and Lending may cover any China Connect Securities including Special China Connect Securities. References to "China Connect Securities" in this Rule 14B16 shall be construed accordingly.

Permitted Securities Lenders and Securities Borrowers

(4) Subject to Rules 14B16(5) to (7), only Exchange Participants and Qualified Institutions may lend China Connect Securities.

(5) The following Exchange Participants may lend China Connect Securities:

(a) China Connect Exchange Participants; and

(b) Non-registered Exchange Participants.

(6) Only China Connect Exchange Participants may lend China Connect Securities to their clients. A China Connect Exchange Participant may also lend China Connect Securities to other China Connect Exchange Participants.

(7) A Non-registered Exchange Participant and a Qualified Institution may lend China Connect Securities to China Connect Exchange Participants, but not directly to the clients of China Connect Exchange Participants.

Source of China Connect Securities subject to Securities Borrowing and Lending

(8) The China Connect Securities to be lent by a China Connect Exchange Participant may be securities held or owned by it as principal, or securities borrowed from other China Connect Exchange Participants, Non-registered Exchange Participants or Qualified Institutions (in each case, lending as principal).

(9) The China Connect Securities to be lent by a Non-registered Exchange Participant or a Qualified Institution shall only be securities held or owned by it as principal.

Provision of undertaking/confirmation

(10) Before a China Connect Exchange Participant lends any China Connect Securities to its clients under a Securities Borrowing and Lending Arrangement, it shall apply to the Exchange to be a Securities Lender and provide the Exchange with an undertaking in the prescribed form undertaking as follows:

(a) it is duly licensed by the Commission to carry on the business of dealing in securities, and no restriction exists that would prevent or restrict it from dealing in securities or engaging in securities lending activities at the time of the application;

(b) it shall continue to be duly licensed by the Commission to carry on the business of dealing in securities and not subject to restrictions from securities dealing or engaging in securities lending activities at such time or times when China Connect Securities are lent to its clients;

(c) it shall promptly inform the Exchange and stop lending further China Connect Securities to its clients if it is suspended or restricted from dealing in securities or engaging in securities lending activities by the Commission; and

(d) it shall comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SZSE.

(11) Before a China Connect Exchange Participant borrows any China Connect Securities from another Exchange Participant or a Qualified Institution (as Securities Lender) under a Securities Borrowing and Lending Arrangement, the China Connect Exchange Participant shall provide the Exchange with a confirmation in the prescribed form confirming that the Securities Lender has provided it with an undertaking in respect of the following:

(a) that no restriction exists that prevents or restricts the Securities Lender from engaging in securities lending activities at the time the China Connect Securities are lent to the China Connect Exchange Participant;

(b) that the Securities Lender will promptly inform the China Connect Exchange Participant and stop lending further China Connect Securities to the China Connect Exchange Participant if it is suspended or restricted by a relevant regulator from engaging in securities lending activities;

(c) where the Securities Lender is a Non-registered Exchange Participant or a Qualified Institution, the China Connect Securities being lent are held or owned by it as principal; and

(d) that the Securities Lender shall, upon notification by the China Connect Exchange Participant, comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SZSE, failing which the Securities Lender agrees that the Securities Borrowing and Lending Arrangement may be terminated by the China Connect Exchange Participant if so directs by the Exchange.

Reporting of Securities Borrowing and Lending activities

(12) A China Connect Exchange Participant referred to in Rules 14B16(10) and (11) shall file a monthly report with the Exchange providing details on its Securities Borrowing and Lending activities with respect to China Connect Securities in the prescribed form.

Others

(13) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Securities Borrowing and Lending of China Connect Securities.

(14) China Connect Exchange Participants acknowledge that the undertakings and confirmations referred to in Rules 14B16(10) and (11) and the monthly reports referred to in Rule 14B16(12) will be disclosed or made available to SZSE for information.

(15) A Non-registered Exchange Participant who wishes to conduct securities lending activities concerning China Connect Securities shall comply with the following requirements:

(a) lend China Connect Securities only for the purposes allowed under Rule 14B16(2);

(b) comply with the requirements under Rules 14B16(7) to (9);

(c) provide the undertaking referred to in Rule 14B16(11) to the relevant China Connect Exchange Participant as Securities Lender;

(d) provide such information to the relevant China Connect Exchange Participant so as to enable it to comply with the monthly reporting requirement referred to in Rule 14B16(12); and

(e) such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SZSE.

(16) Without prejudice to any other powers which the Exchange may have under these Rules, where a China Connect Exchange Participant or a Non-registered Exchange Participant fails to comply with this Rule 14B16, the Exchange may take any of the following actions:

(a) require it to terminate or unwind any Securities Borrowing and Lending Arrangement;

(b) require it to stop borrowing China Connect Securities from or lending China Connect Securities to any person;

(c) restrict or suspend it from carrying out any securities borrowing or lending activities concerning any China Connect Securities.

(17) Unless otherwise determined by the Exchange, other provisions in these Rules on securities borrowing and lending and the Sixth Schedule do not apply to the

Securities Borrowing and Lending of China Connect Securities under this Rule.

(18) For the avoidance of doubt, references in this Rule 14B16 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Securities Borrowing and Lending of China Connect Securities subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.

(19) This Rule 14B16 is made pursuant to Rule 1430.

Short Selling

14B17. (1) Unless otherwise determined by the Exchange, China Connect Exchange Participants shall not conduct Short Selling of China Connect Securities for their own account or for the account of its clients other than in accordance with this Rule 14B17.

(2) A China Connect Exchange Participant shall not input any Short Selling order unless at the time it inputs the order,

(a) it has or, where it is selling for the account of its client, its client has; or

(b) it believes and has reasonable grounds to believe that the seller has,

a presently exercisable and unconditional right to vest the relevant China Connect Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement. For the avoidance of doubt, the pre-trade checking requirements set out in Rule 14B06 apply to Short Selling orders.

List of Eligible SZSE Securities for Short Selling

(3) Only those China Connect Securities that are included in the List of Eligible SZSE Securities for Short Selling published by the Exchange from time to time may be the subject of a Short Selling order through the China Connect Service. China Connect Exchange Participants shall ensure that Short Selling is confined to those China Connect Securities that are included in the List of Eligible SZSE Securities for Short Selling. A China Connect Exchange Participant who fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14B17(23).

(4) The Exchange will publish the List of Eligible SZSE Securities for Short Selling on the HKEX website or through such other means as it considers appropriate and may update or amend the list from time to time. Unless the Exchange otherwise determines, the List of Eligible SZSE Securities for Short Selling will be compiled by reference to SZSE's list of eligible securities for short selling for the SZSE Market, excluding Special China Connect Securities.

Short Selling Order

(5) A Short Selling order shall only be input during the SZSE Opening Call Auction session, a SZSE Continuous Auction session or the SZSE Closing Call Auction session.

(6) Before a China Connect Exchange Participant inputs a China Connect sell order for the account of a client, it shall ask its client to confirm whether it is a Short Selling order or have appropriate arrangements in place that require the client, when placing a Short Selling order, to inform the China Connect Exchange Participant that the order is a Short Selling order. A China Connect Exchange Participant shall establish effective procedures and keep proper records to ensure compliance with this Rule.

(7) A China Connect Exchange Participant who knows or is informed that an order to be input into the CSC is a Short Selling order shall:

(a) when passing the order to another China Connect Exchange Participant or any other person having access to the CSC (including but not limited to an employee of the China Connect Exchange Participant) with a view that it or he shall input the order into the CSC, inform it or him that the order is a Short Selling order; and

(b) when inputting the order into the CSC, indicate such matters and in such manner as the Exchange shall from time to time determine.

(8) Short Selling orders shall be input into the CSC only in multiples of 100 shares/units.

Price restriction

(9) A Short Selling order for a Short Selling Security shall not be input into the CSC at a price lower than the most recent execution price for that Short Selling Security or, if there have been no executed trades for that Short Selling Security on the relevant CSC trading day, the previous closing price for that Short Selling Security.

(10) As required by SZSE, where shares/units in any Short Selling Security borrowed for the purpose of Short Selling remain outstanding and have not yet been returned, China Connect Exchange Participants shall, and shall require their relevant clients to, comply with the price requirement in Rule 14B17(9) in respect of any instructions for the sale of that Short Selling Security through the China Connect Service, except for those instructions that exceed the number of the outstanding and unreturned shares/units.

(11) The Exchange and the SEHK Subsidiary may set price restrictions, at such thresholds as the Exchange and the SEHK Subsidiary may consider appropriate, in the CSC or related system connections to block the input of Short Selling orders at an artificially high price which has the effect of artificially using up the limits of the Short Selling Ratio specified in Rule 14B17(14).

Securities Borrowing for Short Selling

(12) Securities Borrowing and Lending for the purpose of Short Selling shall be subject to Rule 14B16(2)(a) and other restrictions as may be prescribed by the Exchange.

(13) Before inputting a Short Selling order into the CSC, a China Connect Exchange Participant shall:

(a) where acting for the account of a client (including a Master SPSA Holder where applicable):

(i) ensure that its client has borrowed sufficient Short Selling Securities to settle the Short Selling order if executed;

(ii) to the extent that it has borrowed Short Selling Securities from another Exchange Participant or a Qualified Institution to on-lend to the client for purposes of Short Selling, have complied with the requirement in Rule 14B16(11) to provide the Exchange with a specified confirmation;

(iii) to the extent that its client has borrowed Short Selling Securities from a Securities Lender other than the China Connect Exchange Participant, have required the client to inform it (if and after the Short Selling order is executed on the SZSE Market) of the client's return of the Short Selling Securities which are the subject of the Short Selling order to the Securities Lender (including the relevant date or dates of return and the number of shares/units being returned); and

(iv) to the extent that the Short Selling order to be input is an SPSA order or a Master SPSA order, have required its client to confirm that the borrowed Short Selling Securities are held in the relevant Special Segregated Account(s) and the order meets the pre-trade checking requirements set out in Rule 14B06(9) or Rule 14B06(9A), as the case may be, and if the order is executed on the SZSE Market, the borrowed securities will be delivered to it or its CCASS GCP for securities settlement; and

(b) where acting for its own account, have complied with the requirement in Rule 14B16(11) to provide the Exchange with a specified confirmation and have borrowed sufficient Short Selling Securities to settle the Short Selling order if executed.

Short Selling Ratio Limits

(14) The Short Selling Ratio for any Short Selling Security shall not exceed 1% on any CSC trading day, and the cumulative Short Selling Ratios for a Short Selling Security in any period of 10 consecutive CSC trading days shall not exceed 5%. Any Short Selling order that, if executed, will cause the 1% daily limit or the 5% cumulative limit for a Short Selling Security to be exceeded during the course of a CSC trading day will be rejected by the CSC.

(15) The Exchange will publish on the HKEX website or through such other means as the Exchange considers appropriate the following information (for A shares only):

(a) during a CSC trading day, the quantity of each Short Selling Security that may be the subject of Short Selling orders for the CSC trading day in the

event that its Short Selling availability falls below a specified quantity as announced by the Exchange from time to time;

(b) after market close, the Short Selling turnover (including the number of shares and the value) and the Short Selling Ratio of each Short Selling Security for that CSC trading day, and the cumulative Short Selling Ratios of each Short Selling Security over the previous 10 consecutive CSC trading days.

(16) The Exchange may, upon the request of SZSE or otherwise, adjust the limits of the Short Selling Ratio referred to in Rule 14B17(14) or suspend the acceptance or routing of Short Selling orders.

Reporting Requirements

(17) China Connect Exchange Participants shall submit reports to the Exchange on the open short position of any Short Selling Security and other information required by the Exchange, at such intervals as the Exchange may from time to time require. For the purposes of this Rule 14B17, "open short position" means the total number of shares/units of a Short Selling Security that have been short sold by the China Connect Exchange Participant (whether as principal or agent) through the China Connect Service less the total number of shares/units borrowed for the purpose of Short Selling that have already been returned to the relevant Securities Lender.

(18) In addition to the reports referred to in Rule 14B17(17), a China Connect Exchange Participant shall submit a report to the Exchange if the open short position of any Short Selling Security it has executed for its own account or for the account of any of its clients exceeds the reporting thresholds prescribed by the Exchange from time to time.

(19) The reports referred to in each of Rules 14B17(17) and 14B17(18) shall be in a prescribed form and contain such particulars as the Exchange may require. The Exchange may publish on the HKEX website, or via other channels as it deems appropriate, any information submitted by China Connect Exchange Participants on an aggregate and no-names basis.

(20) China Connect Exchange Participants must comply with such other reporting requirements as the Exchange may prescribe from time to time.

Suspension and Resumption of Short Selling Activities

(21) Notwithstanding any other provision in this Rule 14B17, where SZSE decides to suspend or has suspended short selling activities in respect of a Short Selling Security in the SZSE Market, the Exchange may, as soon as practicable after being notified by SZSE, require any or all China Connect Exchange Participants to stop inputting Short Selling orders, through the publication of a notice on the HKEX website or such other means as the Exchange considers appropriate. Short Selling of the relevant Short Selling Securities by China Connect Exchange Participants shall not resume and China Connect Exchange Participants shall not submit Short Selling orders until the Exchange are notified by SZSE that short selling of the relevant Short Selling Securities will resume in the SZSE Market, and after the Exchange has published a notice on the HKEX website to that effect. China Connect Exchange Participants shall

comply with the restrictions set out in this Rule and all relevant notices issued pursuant to this Rule.

(22) The Exchange may, upon the request of SZSE, the Commission or otherwise, direct a China Connect Exchange Participant to apply restrictions on the number of shares/units of any Short Selling Security that can be short sold by the China Connect Exchange Participants or particular clients and to report information about its or such clients' Short Selling activity as the Exchange, the SZSE or the Commission may direct.

Abnormal Short Selling Activities

(23) Where the situation referred to in Rule 14B17(22) occurs, where there is reasonable cause to suspect or believe that abnormal short selling activities have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers that it/they may have under these Rules, take any of the following actions:

(a) reject or suspend the routing of Short Selling orders at any time;

(b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect orders originating from any of its clients;

(c) suspend or restrict a China Connect Exchange Participant's access to the China Connect Service; and

(d) restrict Short Selling to certain specified Short Selling Securities within the List of Eligible SZSE Securities for Short Selling.

Exchange's Powers

(24) Notwithstanding anything contained herein, the Exchange reserves the right in its absolute discretion to:

(a) suspend, without giving prior notice, the Short Selling of any Short Selling Securities;

(b) impose limits on the number of shares/units of a particular Short Selling Security which may be the subject of Short Selling orders;

(c) impose open short position limits on the number of shares/units of a particular Short Selling Security which a China Connect Exchange Participant may hold on its own account or for the account of its clients;

(d) require a China Connect Exchange Participant to cease Short Selling whether temporarily or permanently and either generally or in relation to a particular Short Selling Security;

(e) require a China Connect Exchange Participant to liquidate any or all open short positions held on its own account or for the account of its clients either generally or in relation to a particular Short Selling Security and stipulate, for this purpose, the manner in which a China Connect Exchange Participant is to liquidate open short positions;

(f) require a China Connect Exchange Participant to disclose to the Exchange at any time the number of shares/units of a Short Selling Security in which the China Connect Exchange Participant holds an open short position either on its own account or for the account of its clients; and

(g) prescribe from time to time such other restrictions, requirements and conditions subject to which Short Selling and the related Securities Borrowing and Lending shall be conducted.

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

(26) The Exchange may from time to time exempt any Short Selling orders, related Securities Borrowing and Lending Arrangement, China Connect Securities Trades and China Connect Exchange Participants from all or any of the restrictions, requirements or conditions to which Short Selling shall be subject.

Others

(27) China Connect Exchange Participants must make appropriate arrangements to ensure that clients who wish to carry out Short Selling understand and are aware of the restrictions, requirements and conditions applicable to Short Selling. In particular, China Connect Exchange Participants shall ensure that their clients acknowledge the price requirements referred to in Rules 14B17(9) – (11).

(28) For the avoidance of doubt, references to "Short Selling Securities" in this Rule 14B17 do not include Special China Connect Securities.

(29) Unless otherwise determined by the Exchange, the Eleventh Schedule of these Rules does not apply to the Short Selling of China Connect Securities or Short Selling Securities.

(30) For the avoidance of doubt, references in this Rule 14B17 to "China Connect Exchange Participant" and "China Connect Exchange Participants" shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Short Selling of China Connect Securities through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule. This Rule shall apply to them as if they were China Connect Exchange Participants.

(31) This Rule 14B17 is made pursuant to Rule 1430.

CHAPTER 15

SPECIAL PARTICIPANTS

Cross-boundary Trading Links

1501. This Chapter sets out the provisions that apply to Special Participants in relation to the trading of SEHK Securities as part of the order-routing arrangements between the Exchange and a China Connect Market Operator to enable the relevant China Connect Market Participants and their clients to trade in securities listed on the Exchange, for the purpose of facilitating cross-boundary mutual market access and connectivity.

Special Participants and Order-routing Service for China Connect Market Participants

1502. (1) Subject to these Rules, a Special Participant may provide services to China Connect Market Participants by routing orders in SEHK Securities placed by them or their clients to the System for automatic order matching.

(2) As part of the order-routing services referred to in Rule 1502(1), a Special Participant may:

(a) receive confirmations issued by the Exchange in respect of the receipt, rejection and cancellation of orders placed through it;

(b) receive confirmations issued by the Exchange in respect of the Exchange Trades executed through it; and

(c) transmit confirmations referred to in Rules 1502(2)(a) and (b) to the relevant China Connect Market Participants.

1503. A Special Participant shall at all times be fully responsible and liable for all the orders routed to the System through any Special Participant Central Gateway session designated to it irrespective of whether they are executed or not. Where orders are executed on the System, a Special Participant shall bear full responsibility and liability for the relevant Exchange Trades.

Securities Eligible for the Order-routing Service of Special Participants

1504. Unless otherwise determined by the Exchange, a Special Participant may only route buy and sell orders in SEHK Securities and only sell orders in Special SEHK Securities placed by China Connect Market Participants to the System for automatic order matching for the purpose of its order-routing services or business referred to in Rule 1502.

1505. (1) The Exchange may from time to time determine (after consulting the relevant China Connect Market Operator) which Eligible Securities are eligible for buying and selling through Special Participants (such securities are referred to as "SEHK Securities" in these Rules), and the eligibility

criteria to be applied in making such determination. Different SEHK Securities may be eligible for buying and selling by different Special Participants.

(2) The Exchange will establish and maintain a list of SEHK Securities referred to in Rule 1505(1) in respect of each Special Participant and will publish it on the HKEX website or by such other means as it considers appropriate.

(3) For the avoidance of doubt, China Connect Securities will not be included in the list of SEHK Securities.

1506. (1) Notwithstanding Rule 1505(1), the Exchange may (after consulting the relevant China Connect Market Operator) accept or designate any Eligible Security (including any Eligible Security not within the scope of Rule 1505(1)) as only eligible for selling and not for buying through Special Participants (such securities are referred to as "Special SEHK Securities" in these Rules). Different Special SEHK Securities may be accepted or designated for selling only by different Special Participants.

(2) Where securities are accepted or designated by the Exchange under Rule 1506(1), Special Participants shall not input any order to buy Special SEHK Securities or accept instructions from any China Connect Market Participants or any other persons to buy Special SEHK Securities on the System.

(3) [Repealed]

(4) For the avoidance of doubt, China Connect Securities will not be accepted or designated as Special SEHK Securities.

(5) Unless the context otherwise requires, any reference in these Rules to "SEHK Securities" shall include "Special SEHK Securities".

Eligibility Criteria for Special Participants

1507. A person applying to the Exchange to be admitted as a Special Participant must satisfy the following criteria:

(1) be a company limited by shares incorporated in Hong Kong;

(2) be an ATS provider authorised by the Commission under section 95(2) of the Ordinance;

(3) be a subsidiary of a China Connect Market Operator and be duly authorised by all relevant regulators in Mainland China to provide order-routing services on the Exchange for the relevant China Connect Market Participants;

(4) be of good financial standing and integrity;

(5) meet any financial resources requirements and other conditions under the

Ordinance or as specified by the Commission, including in relation to the authorisation of the Special Participant as an ATS provider by the Commission;

(6) have entered into a valid, binding and effective clearing agreement with a China Connect Clearing House duly licensed under applicable laws and acceptable to the Exchange and HKSCC, under which the China Connect Clearing House shall, as a clearing agency participant of HKSCC, assume the obligation to settle all the Exchange Trades entered into by the Special Participant; and

(7) meet such other requirements for Special Participantship as the Exchange may from time to time prescribe including those set out in Rule 1514 and requirements on additional financial resources as the Exchange may consider appropriate.

1508. For the avoidance of doubt, Stock Exchange Trading Right is not a pre-requisite to admission as a Special Participant.

Application Procedure

1509. (1) Applications made under Rule 1507 must be in writing and in such form as the Exchange may from time to time prescribe, and must be supported by such documentation and information as the Exchange may require for the assessment of the application. Upon request, an applicant must demonstrate to the satisfaction of the Exchange that it is able to comply with any eligibility criteria including the financial requirements applicable to an ATS provider under the Ordinance or as specified by the Commission in relation to the authorisation of the Special Participant as an ATS provider.

(2) The Exchange's decision in respect of an application shall be final and conclusive, and admission may be granted subject to such terms and conditions as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

1510. An applicant shall become a Special Participant when its name is included in the Register of Special Participants. The Exchange will publish the Register of Special Participants on the HKEX website or by such other means as it considers appropriate.

Special Participant Central Gateway session

1511. (1) In order to access the System for trading in the SEHK Securities, a Special Participant may apply to the Exchange for:

(a) [Repealed]

(b) one or more Special Participant Central Gateway sessions to connect to the system of the Special Participant in Mainland China used for

the routing of orders from the China Connect Market Participants.

(2) (a) [Repealed]

(b) A Special Participant with a Special Participant Central Gateway session designated to it may apply to the Exchange for an increase in the throughput rate of a Special Participant Central Gateway message into the System through the Special Participant Central Gateway session. Any increase in the throughput rate shall be for a standard Central Gateway throttle rate or multiples of a standard Central Gateway throttle rate.

(3) Notwithstanding the approval of the application of a Special Participant Central Gateway session under Rule 1511(1)(b) by the Exchange, the Exchange has the right to suspend, withdraw, or revoke a Special Participant's use of a Special Participant Central Gateway session designated to it, or its access to the System on such terms and for such period as the Exchange thinks fit, whether requested by the Special Participant or not.

1512. [Repealed]

Backup Special Participant Central Gateway session

1512A. (1) Subject to Rule 1513, a Special Participant which has connected to a Special Participant Central Gateway session to access the System may apply to the Exchange for a Backup Special Participant Central Gateway session provided that the number of Backup Special Participant Central Gateway sessions applied for by the Special Participant must not exceed the number of its Special Participant Central Gateway sessions connected to the System. Each Backup Special Participant Central Gateway session shall be assigned with the same number of standard Central Gateway throttle rate as that assigned to the Special Participant Central Gateway session for which it serves as backup.

(2) Notwithstanding anything to the contrary contained in these Rules, upon activation of a Backup Special Participant Central Gateway session by the Special Participant, such Backup Special Participant Central Gateway session shall for the purposes of these Rules be deemed to be a Special Participant Central Gateway session as defined and shall be used as such by the Special Participant until such time as it is returned by the Special Participant to a "non-trading" mode.

1513. (1) A Special Participant which has a Special Participant Central Gateway session or a Backup Special Participant Central Gateway session designated to it shall comply with such terms and conditions and pay such fees and charges as specified by the Exchange from time to time.

(2) A Special Participant shall be solely responsible and liable for the granting, monitoring and supervision of access to any Special Participant Central Gateway session and Backup Special Participant Central Gateway session designated to it.

(3) A Special Participant shall ensure that only the Special Participant and its Authorized Persons, as the case may be, can have access to and operate any Special Participant Central Gateway session and Backup Special Participant Central Gateway session designated to it.

(4) [Repealed]

(5) A Special Participant shall ensure that its system in Mainland China used for the routing of orders from the China Connect Market Participants is operated in such a way as not to affect the proper functioning of the System.

Continuing Obligations of Special Participants

1514. A Special Participant shall at all times:

(1) comply with the eligibility criteria set out in Rule 1507;

(2) comply with and be bound by these Rules as in force from time to time and all procedures, requirements, regulations, conditions and guidance published by the Exchange pursuant to these Rules;

(3) comply with all applicable laws in the conduct of its business and the order-routing services referred to in Rule 1502 including but not limited to the applicable rules, regulations and interpretations promulgated or issued by the CSRC and the relevant China Connect Market Operator from time to time;

(4) pay when due all amounts required by the Exchange including but not limited to fees, levies, duties, charges and fines, in such currency and at such exchange rate as specified by the Exchange from time to time;

(5) have, to the satisfaction of the Exchange, adequate personnel, operational capability, systems, facilities, equipment and controls in place to carry out the order-routing services referred to in Rule 1502 and its obligations under these Rules; and

(6) cause all Exchange Trades to be settled through CCASS in accordance with the HKSCC Rules.

1515. (1) A Special Participant shall only allow those China Connect Market Participants who have satisfied any eligibility criteria (including technical standards, system, risk management and client documentation requirements) from time to time prescribed by it or the relevant China Connect Market Operator to place orders through its order-routing services. A Special Participant shall require China Connect Market Participants to pass such system testing requirements, market readiness rehearsals and market contingency rehearsals as it may from time to time prescribe before allowing them to place orders in SEHK Securities through its order-routing services.

(2) A Special Participant shall require China Connect Market Participants that

trade through it to comply with all applicable laws and its requirements in connection with the trading of SEHK Securities when making its order-routing services available to them.

(3) A Special Participant shall provide appropriate guidance to China Connect Market Participants that trade through it and their clients to enable them to understand the Hong Kong securities market, their investment objectives, the order and trade flow arrangements, the legal and regulatory framework and other related matters and requirements relating to the use of its order-routing services and the risks associated in trading and investing in SEHK Securities. A Special Participant shall require China Connect Market Participants who trade through it to enter into an agreement with those clients who wish to invest in SEHK Securities to set out their respective rights and obligations and to adequately disclose the risks associated with investing in SEHK Securities.

(4) A Special Participant shall make appropriate arrangements to require its China Connect Market Participants that trade through it to comply with, and to require those China Connect Market Participants to remind its clients to comply with, all applicable laws and requirements in connection with the use of its order-routing services and the trading of and investment in SEHK Securities. A Special Participant shall also require China Connect Market Participants to alert their clients of the risks associated with investing in SEHK Securities.

(5) A Special Participant shall report to the Exchange promptly if any major incident or event has occurred which may materially affect its order-routing services or business. Such report should describe the incident or event, explain the reason for its occurrence, the current status, impact on the Special Participant's order-routing services and the actions or measures that need to be taken to address the incident or event.

(6) Where the Exchange has provided market data on SEHK Securities to a Special Participant and China Connect Market Participants, the Special Participant shall not, and shall ensure that China Connect Market Participants shall not, disseminate such market data to third parties other than to their clients or other authorized persons, or allow any third parties other than their clients or other authorized persons to use such market data. The Special Participant shall also require China Connect Market Participants to monitor the use of the market data by their clients and other authorized persons, and to report any breach of usage to the Special Participant, who shall promptly inform the Exchange upon receipt of such report. Further, the Special Participants and China Connect Market Participant shall not develop any indices or other products based on such market data.

(7) Where a Special Participant is aware of any acts of or potential market misconduct as referred to in Rule 545, it shall notify the Exchange promptly.

(8) Upon request by the Exchange and subject to applicable laws, a Special Participant shall cooperate with and assist the Exchange in any enquiry or investigation regarding suspected breaches of Rule 545 and other provisions

in this Chapter 15.

(9) Except permitted under Rule 4206(3) of the HKSCC Rules or where the CSRC otherwise provides or allows, Special Participants and their China Connect Market Participants shall not trade or provide services to facilitate trading of any SEHK Securities held within the relevant China Connect Clearing House through any venue other than through the System, and a Special Participant shall not, and shall ensure that its China Connect Market Participants shall not, match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of China Connect Market Participants or their clients in respect of any SEHK Securities in any manner otherwise than through the System.

(10) A Special Participant shall, in accordance with the requirements of the Exchange, provide reports on its business operation in respect of the order-routing services referred to in Rule 1502.

1516. For the purpose of assuming the obligation to settle all Exchange Trades of a Special Participant, the China Connect Clearing House under the clearing agreement referred to in Rule 1507(6) shall become a party to the Exchange Trades as principal in substitution for, and with exactly the same rights and obligations under such Exchange Trades, as the Special Participant. A Special Participant shall give at least seven days' prior notice in writing to the Exchange of the termination of such clearing agreement before the effective date of the termination, unless the China Connect Clearing House has already given notice to terminate such clearing agreement to HKSCC in accordance with the HKSCC Rules.

1517. A Special Participant shall notify the Exchange in writing promptly of any change in any information supplied to the Exchange for its Special Participantship, whether at the time of application or any time thereafter.

1518. It is the duty of a Special Participant and its Authorized Person to keep confidential any passwords and any other credentials or access means to the Special Participant Central Gateway session and Backup Special Participant Central Gateway session.

Nominated Representative and Management of a Special Participant

1519. A Special Participant must nominate at least one senior executive to act as a nominated representative of the Special Participant. A Special Participant must provide such particulars of the nominated representative as the Exchange may require and promptly notify the Exchange where there is any change in the particulars of the nominated representative.

1520. The responsibilities of a nominated representative are as follows:

(1) at all times act as the liaison officer and principal channel of communication between the Exchange and the Special Participant, and to provide the Exchange with his updated contact details; and

(2) ensure that whenever he is outside Hong Kong, a suitable person acceptable to the Exchange is appointed as his alternate, whose contact details have

been provided to the Exchange.

1521. If the Exchange is not satisfied that a nominated representative is fulfilling his responsibilities, it may require the Special Participant to nominate another senior executive acceptable to the Exchange as replacement.

1522. A Special Participant shall be responsible for all the acts done, and all the contracts entered into, by its nominated representative and employees and any other persons acting on its behalf in relation to its order-routing business.

1523. (1) In the event that a Special Participant passes a resolution for winding up, or a court order is issued for the appointment of a provisional liquidator or for the winding up of a Special Participant, all the rights and benefits of and in the Special Participant shall immediately be suspended.

(2) Where an event under Rule 1523(1) occurs, the receiver or liquidator (as the case may be) who has been given full charge and power over the assets of a Special Participant shall abide by these Rules and any decision of the Exchange as if he were the Special Participant concerned, except that the receiver or liquidator shall not be entitled to be registered as a Special Participant.

1524. A Special Participant shall notify the Exchange in writing of any business which it intends to engage in other than the order-routing business referred to in Rule 1502. Without prejudice to the foregoing, a Special Participant shall give reasonable advance notice to the Exchange of the commencement, suspension, cessation and recommencement of any business in which it engages or intends to engage other than the order-routing business.

1525. Unless otherwise determined by the Exchange, where any sum of money is deposited with the Exchange by a Special Participant under these Rules or otherwise, for general or specific purposes, no interest shall be payable in respect of such deposit.

Trading

1526. All orders in SEHK Securities submitted to or executed on the System through the order-routing services provided by a Special Participant shall be subject to these Rules, the procedures specified by the Exchange and the applicable laws of Hong Kong from time to time in force.

1527. Unless the Exchange otherwise determines, all orders input or transmitted into the System through a Special Participant Central Gateway session or a Backup Special Participant Central Gateway session shall be deemed to be orders placed by a Special Participant and shall be valid and binding on the Special Participant.

1528. (1) Unless otherwise determined by the Exchange, the following Rules in Chapter 5 apply to a Special Participant, orders placed by it and trades executed by it:

501 (Trading Hours)
501G, 501H and 501I (Pre-opening Session)

501L and 501M (Closing Auction Session)
502A (Cancellation of orders)
502D (Trading of automatch stocks during the Pre-opening Session and the Closing Auction Session)
503 and 504 (Opening Quotations)
505, 505A, 506A, 507A, 508, 511 and 512 (Quotations) and Second Schedule (Spread Table)
513A, 513B and 513C (Volatility Control Mechanism)
514, 516 and 516A (Odd Lot and Special Lot Quotations)
517(1), 517(4), 517(6), 518, 519, 522 (Transactions)
528 (Day-end Review of Sales/Purchases)
544(1), 544(3), 544(4) (Transactions not Recognized)
545 (Market Misconduct, etc.)
551 (Equipment Failure)
564, 566 and 567 (Disputes)
569 (Power of the Board to Investigate and Demand Documents)
569A, 569B (Disclosure of Information)
572 and 573 (Emergency)
574 (Settlement under CCASS)

(2) For the avoidance of doubt, a Special Participant shall not engage in securities borrowing and lending, and short selling of SEHK Securities.

1529. All transactions in SEHK Securities shall be settled via CCASS as Exchange Trades, and delivery and settlement in relation to such transactions shall be effected in accordance with the HKSCC Rules.

Securities Account Number (SAN)

1529A. (1) A Special Participant shall have in place an arrangement with the Exchange such that the China Connect Clearing House will submit the SAN-YMT Mapping File to the Exchange on each trading day on which the order-routing services referred to in Rule 1502(1) are available.

(2) When inputting an order into the System, a Special Participant shall include the corresponding SAN of the China Connect Market Participant (for its principal or proprietary trading) or the client of the China Connect Market Participant in such manner as the Exchange may from time to time prescribe.

(3) In addition to any other powers that the Exchange may have under these Rules, the Exchange may at any time require a Special Participant to provide the Exchange with such information as it may request to assess whether there is, or the extent of, any non-compliance with the requirements set out in this Rule 1529A.

Quotas on the Trading of SEHK Securities

1530. Relevant governmental or regulatory bodies may impose quotas on the trading of SEHK Securities by China Connect Market Participants or the order-routing services of a Special Participant from time to time depending on market conditions and readiness, the level of cross-boundary fund flows, stability of the markets and

other factors and considerations. Where quotas are imposed, the Special Participant shall comply with the relevant quota limits and all applicable laws, and shall ensure that appropriate arrangements are made to:

(1) monitor the level of quota utilisation and the balance of available quota;

(2) require China Connect Market Participants to comply at all times with all applicable laws and quota restrictions and arrangements, including restrictions and arrangements which the Exchange may from time to time consider appropriate.

1531. Where quotas are imposed by any relevant governmental or regulatory bodies referred to in Rule 1530:

(1) the Special Participant shall publish the quota balance during a trading day in the event that the balance falls below a specified level as announced by the Exchange from time to time; and

(2) the Special Participant shall not submit orders on, and shall be restricted from trading in, SEHK Securities once the quota limits are reached, provided that sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to continue to process and accept sell orders.

1532. Where quotas are imposed by any relevant governmental or regulatory bodies referred to in Rule 1530, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to facilitate compliance with the relevant quota requirements and restrictions. A Special Participant shall comply with all such actions, steps or measures as are taken or required by the Exchange.

Breach of Rules

1533. In addition and without prejudice to the Exchange's powers under these Rules, where a Special Participant is or may be in breach of these Rules or any requirements set out in this Chapter 15, the Exchange may:

(1) issue warnings (verbal or in writing) to the Special Participant;

(2) direct the Special Participant to rectify or remedy the breach;

(3) conduct enquiries or investigations in respect of the suspected breach;

(4) issue a private or public censure or criticism against the Special Participant; and/or

(5) impose any other regulatory or disciplinary measures as the Exchange considers appropriate, including but not limited to reporting the matter to the Commission or any relevant governmental or regulatory bodies.

Record Keeping, Disclosure of Information and Publication of Trade Information

1534. A Special Participant shall keep proper books and records of all orders submitted by it, the Exchange Trades executed by it and the related instructions from China Connect Market Participants, and shall take appropriate measures to require its China Connect Market Participants to keep information and documents relating to their clients' instructions, orders or account, including the related SAN, for a period of not less than 20 years.

1535. (1) Upon the request of the Exchange, a Special Participant shall promptly provide the Exchange with information as it may from time to time require for the purposes of these Rules or for the performance of its functions under applicable laws.

(2) A Special Participant shall, upon the request of the Board or any designated HKEX staff, disclose or cause the relevant China Connect Market Operator to disclose to the Board or such designated HKEX staff within such period as is specified by the Board, information regarding a China Connect Market Participant whose instruction the Special Participant has acted on in the placing of an order. Such information includes the identity, address and contact details of:

(a) the China Connect Market Participant;

(b) the person or entity ultimately responsible for providing the instruction to the China Connect Market Participant;

(c) the dealing control procedures of the Special Participant; and

(d) such other information as the Board or any designated HKEX staff may request.

1536. (1) The Exchange may provide information regarding a Special Participant (including the SAN-YMT Mapping File and any order submitted by it with the related SAN) to the Commission, any recognized exchange company under the Ordinance, any clearing house, any recognized exchange controller and any company of which a recognized exchange controller is a controller, and the provision of such information shall not be treated as publication under the law of defamation, and the Exchange and a recognized exchange controller which is the controller of the Exchange shall not incur any liability as a consequence of providing any such information.

(2) The Commission may demand from the Exchange such information, including information relating to the affairs of any Special Participant, as the Commission may reasonably require for the performance of its statutory functions, and the provision of such information by the Exchange shall not be treated as publication under the law of defamation, and the Exchange and a recognized exchange controller which is the controller of the Exchange shall not incur any liability as a consequence of providing any such information.

(3) In addition to other powers which the Exchange may have in these Rules, the Exchange may require a Special Participant to require China Connect Market Participants to provide it with information on their clients' profiles, the types and value of orders and the Exchange Trades executed for them at such intervals and in such form as the Exchange may specify from time to time.

(4) Without prejudice to any other rights which it may have to disclose information in its possession, the Exchange may, in such manner and form and at such intervals as it considers appropriate, publish, disseminate or publicly distribute aggregated information in respect of Exchange Trades concerning SEHK Securities, trading volumes, investor profiles and other related data, provided that the identities of investors and China Connect Market Participants cannot reasonably be determined from the information published, disseminated or publicly distributed by the Exchange.

Exchange's Power to Carry Out Inspection

1537. Where appropriate and as required by the Exchange, the Exchange may conduct audits or inspections on the affairs of Special Participants and the internal controls and systems (including risk management measures, system maintenance and security arrangements and operational procedures and rules) which Special Participants have put in place to comply with these Rules and applicable laws.

Suspension of Access to the System or Special Participantship

1538. (1) The Exchange may suspend or restrict a Special Participant's participantship in the Exchange or its access to the System in its sole and absolute discretion when in the Exchange's opinion, suspension or restriction is necessary to ensure the existence of a fair, informed and orderly market or for the purpose of complying with applicable laws. Suspension or restriction may be in respect of a Special Participant's ability to the access the System or to place buy or sell orders in all or any SEHK Securities and for such duration and frequency as the Exchange may consider appropriate.

(2) Where the Exchange has serious concerns regarding whether a Special Participant should continue to be allowed to provide its order-routing services for China Connect Market Participants to trade in SEHK Securities, the Exchange may, subject to applicable laws and the approvals of the relevant governmental and regulatory bodies and after consulting the relevant China Connect Market Operator, terminate its Special Participantship. In such circumstance, the Exchange and the relevant China Connect Market Operator will cooperate to implement any winding-down arrangements as may be required.

(3) The circumstances under which the powers under Rules 1538(1) and (2) may be exercised include, without limitation, the following:

(a) in the judgment of the Exchange, any applicable quota referred to in Rule 1530 may be breached or exceeded;

(b) in the judgement of the Exchange, a fair, informed and orderly market for the trading of the relevant SEHK Securities may not exist or be maintained (including where investors are unable to access relevant market information), or there is unusual trading of the relevant SEHK Securities;

(c) in the judgement of the Exchange, the normal operation of any Trading Link is affected or there are operational or technical issues which must be resolved before access to the System should continue to be made available to a Special Participant or not be restricted;

(d) where the Commission, a relevant governmental or regulatory body, competent authority or a China Connect Market Operator has requested that access to the System be suspended or restricted;

(e) where the Exchange is notified by HKSCC in writing confirming that there are operational or technical issues in respect of the China Connect Clearing House referred to in Rule 1507(6) which must be resolved before access to the System should continue be made available to a Special Participant;

(f) where there is failure, inability or delay of the Special Participant in providing order routing or related services as referred to in Rule 1502, or suspension of operation or business of the Special Participant; and

(g) where an error, mistake or delay has occurred in relation to the compilation or publication of the List of SEHK Securities or any other lists concerning SEHK Securities, or the acceptance or designation of Special SEHK Securities which, in the judgement of the Exchange, has affected or may affect the normal or continued operation of the relevant Trading Link.

(4) The Exchange shall not be responsible or held liable for any loss or damage suffered directly or indirectly by a Special Participant, a China Connect Market Participant or its client, or any third parties arising from or in connection with the Exchange making, amending or enforcing these Rules, or any action taken by it in the discharge of its supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.

Resignation of a Special Participant

1539. No person may resign as a Special Participant except with the prior written approval of the Exchange which may be given subject to any conditions that the Exchange thinks fit. Pending such approval, these Rules shall continue to bind a Special Participant which has given notice of resignation as if such notice had not been given, and the jurisdiction of the Exchange over the Special Participant, its business, affairs and employees shall in no way be affected by such notice. Where a Special Participant resigns pursuant to this Rule 1539, the Exchange and the relevant China Connect Market Operator will cooperate to implement any winding-down arrangements as may be required.

Interpretation

1540. Chapter 1 of these Rules applies to the interpretation of this Chapter 15.

Application of the Other Chapters and Schedules to Special Participants

1541. For clarity and for ease of reference, the following shall apply to Special Participants to the extent as set out below:

(1) Chapters 1 (Interpretation), 2 (Administration), 6 (Professional Conduct), 7 (Disciplinary), Chapters 8 (Payment of Fees and Charges), 10 (Special Levy), 11 (Transaction and Investor Compensation Levies), 13 (Stamp Duty Collection) apply to Special Participants as set out therein;

(2) Chapters 3 (Exchange Participants), 3A (Stock Exchange Trading Rights), 4 (Financial Resources Rules and Accounting Requirements), 9 (Exchange Participants' Compensation), 12 (Investors' Compensation (Unified Exchange Compensation Fund)) do not apply to Special Participants;

(3) Except as set out in this Chapter 15, Chapter 5 (Trading) does not apply to Special Participants;

(4) the Second Schedule (Spread Table) and Third Schedule (Currencies Table) apply to Special Participants; and

(5) the Sixth Schedule (Securities Borrowing and Lending Regulations), Eleventh Schedule (Short Selling Regulations), Fourteenth Schedule (Securities Market Maker Obligations), Fifteenth Schedule (Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling and Options Hedging Short Selling Regulations), Eighteenth Schedule (Structured Product Liquidity Provider Regulations) and Nineteenth Schedule (Dual Counter Market Maker Regulations) do not apply to Special Participants.

No Participation in Unified Exchange Compensation Fund

1542. Special Participants have no right to participate in the Compensation Fund (as defined in Rule 1201). China Connect Market Participants or investors trading through a Special Participant have no entitlement to make any claim for any compensation under the Unified Exchange Compensation Fund.

No Application of the Legislative Council Ordinance

1543. Pursuant to Section 20U of the Legislative Council Ordinance, Special Participants shall not be regarded as "exchange participants" for the purposes of the Legislative Council Ordinance.

FIRST SCHEDULE

[Repealed]

SECOND SCHEDULE

Spread Table

(applicable to all types of currencies)

Part A

All securities, other than those securities covered under Part B, Part C, Part D and/or Part E, shall be traded in accordance with the following scale of spreads:

Currency unit

From	0.01 to	0.25	_____	0.001
Over	0.25 to	10.00	_____	0.005
Over	10.00 to	20.00	_____	0.010
Over	20.00 to	50.00	_____	0.020
Over	50.00 to	100.00	_____	0.050
Over	100.00 to	200.00	_____	0.100
Over	200.00 to	500.00	_____	0.200
Over	500.00 to	1,000.00	_____	0.500
Over	1,000.00 to	2,000.00	_____	1.000
Over	2,000.00 to	5,000.00	_____	2.000
Over	5,000.00 to	9,995.00	_____	5.000

Part B

Securities which are authorised by the Exchange to be traded in accordance with the scale of spreads in this Part B and all debt securities shall be traded in accordance with the following scale of spreads:

Currency unit

From 0.50 to 9,999.95	—	0.050

Part C

Exchange Traded Options shall be traded in accordance with the scale of spreads as set out in the Operational Trading Procedures.

Part D

Exchange Traded Funds, other than those securities covered under Part B, shall be traded in accordance with the following scale of spreads:

Currency unit

From	0.01 to	1.00	_____	0.001
Over	1.00 to	5.00	_____	0.002
Over	5.00 to	10.00	_____	0.005
Over	10.00 to	20.00	_____	0.010
Over	20.00 to	100.00	_____	0.020
Over	100.00 to	200.00	_____	0.050
Over	200.00 to	500.00	_____	0.100
Over	500.00 to	1,000.00	_____	0.200
Over	1,000.00 to	2,000.00	_____	0.500
Over	2,000.00 to	9,999.00	_____	1.000

Part E

Structured products shall be traded in accordance with the following scale of spreads:

Currency unit

From	0.01 to	0.25	_____	0.001
Over	0.25 to	0.50	_____	0.005
Over	0.50 to	10.00	_____	0.010
Over	10.00 to	20.00	_____	0.020
Over	20.00 to	100.00	_____	0.050
Over	100.00 to	200.00	_____	0.100
Over	200.00 to	500.00	_____	0.200

Over	500.00 to	1,000.00	_____	0.500
Over	1,000.00 to	2,000.00	_____	1.000
Over	2,000.00 to	5,000.00	_____	2.000
Over	5,000.00 to	9,995.00	_____	5.000

THIRD SCHEDULE
Currencies Table

Code	Description	Currency Short Name	Unit
00	Hong Kong Dollars	HKD	1
01	Australian Dollars	AUD	1
02	Austrian Schillings	ATS	1
03	Bangladesh Takas	BDT	1
04	Bahraini Dinars	BHD	1
05	Belgian Francs “Commercial”	BEC	1
06	Belgian Francs “Financial”	BEL	1
07	Brunei Dollars	BND	1
08	Burmese Kyats	BUK	1
09	Canadian Dollars	CAD	1
10	Sri Lanka Rupees	LKR	1
11	Chinese Renminbi	CNY	1
12	Cypriot Pounds	CYP	1
13	Danish Kroners	DKK	1
14	Deutsche Marks	DEM	1
15	Dutch Guilders	NLG	1
16	Fiji Dollars	FJD	1
17	Finnish Markkas	FIM	1
18	French Francs	FRF	1
19	Indian Rupees	INR	1
20	Indonesian Rupiahs	IDR	1
21	Italian Lire	ITL	1,000
22	Japanese Yen	JPY	1,000
23	Kuwaiti Dinars	KWD	1
24	Kenyan Shillings	KES	1
25	Lebanese Pounds	LBP	1
26	Mauritius Rupees	MUR	1
27	Malaysian Dollars	MYR	1
28	New Zealand Dollars	NZD	1
29	Nigerian Naira	NGN	1
30	Norwegian Kroners	NOK	1
31	Omani Rials	OMR	1
32	Pakistan Rupees	PKR	1
33	Philippine Pesos	PHP	1
34	Portuguese Escudos	PTE	1
35	Qatar Riyals	QAR	1
36	Saudi Arabian Riyals	SAR	1
37	Seychelles Rupees	SCR	1
38	Singapore Dollars	SGD	1
39	Sierra Leone Leones	SLL	1
40	South African Rands	ZAR	1
41	South Korean Won	KRW	1
42	Spanish Pesetas	ESP	1
43	Sterling Pounds	GBP	1
44	Swedish Kroners	SEK	1
45	Swiss Francs	CHF	1

46	Thailand Bahts	THB	1
47	U.A.E.Dirhams	AED	1
48	US Dollars	USD	1
49	Irish Punt	IEP	1
50	Special Drawing Rights	SDR	1
51	Macau Patacas	MOP	1
52	Brazil Cruzeiros	BRC	1
53	European Currency Unit	ECU	1
54	Euro	EUR	1
55	Mexican Pesos	MXN	1

FOURTH SCHEDULE

[Repealed]

FIFTH SCHEDULE

[Repealed]

SIXTH SCHEDULE

SECURITIES BORROWING AND LENDING REGULATIONS ("REGULATIONS")

(1) In these Regulations, unless the context otherwise requires:-

"Collector" has the same meaning as in section 2(1) of the Stamp Duty Ordinance;

"Hong Kong stock" has the same meaning as in section 2(1) of the Stamp Duty Ordinance; and

"mark to market" means for the purposes hereof, the adjustment of the value of collateral deposited by a borrower to be maintained by an Exchange Participant in respect of a securities borrowing.

(2) An Exchange Participant of the Exchange shall be permitted to borrow or lend securities only in accordance with these Regulations or the HKSCC Rules (as the case may be) and, where the securities borrowing relates to Hong Kong stock, with applicable law and in particular the Stamp Duty Ordinance and the relevant Stamp Duty Interpretation and Practice Notes.

(3) Unless the terms and conditions of these Regulations or the HKSCC Rules (as the case may be) are complied with, the borrowing and the lending of securities by an Exchange Participant may be treated as a disposal by the lender and an acquisition by the borrower and the return of borrowed securities as an acquisition by the lender and a disposal by the borrower so that the Transaction Levies, the Investor Compensation Levy and any other prescribed levy, fees and charges (including but not limited to the Trading Fee) may be payable in accordance with these Rules, and, if appropriate, the matter will be referred to the Collector. In addition, if the relevant circumstances involve a breach of the Stamp Duty Ordinance, stamp duty may be payable.

(4) [Repealed]

(5) [Repealed]

(6) [Repealed]

(7) The Chief Executive may restrict or prohibit an Exchange Participant from borrowing and lending securities provided he has first obtained the approval of the Chairman of the Board which may be given either orally or in writing.

(8) A borrower shall provide collateral for its borrowing. The collateral shall be in a readily realisable form and acceptable to the lender.

(9) (a) The amount of collateral provided shall at all times be not less than 100% of the current market value of the borrowed securities. Where the securities borrowing is for the purposes of a short sale (as defined in the Eleventh Schedule to the Rules), the amount of collateral deposited by the borrower shall at all times be not less than 105% of the current market value of the relevant uncovered securities borrowing position.

(b) Where an Exchange Participant maintains uncovered securities borrowing positions on its own account or for its clients, it shall mark to market (at least daily) such uncovered securities borrowing positions and shall further maintain the level of the collateral stipulated in Regulation (9)(a) above.

In marking to market, an Exchange Participant shall when:-

(i) marking to market only once daily, mark against the closing price of the relevant security on the previous trading day as published by the Exchange; or

(ii) marking to market two or more times daily, mark on at least the first occasion, against the closing price of the relevant security on the previous trading day as published by the Exchange.

(10) In the event that at all times the value of the collateral becomes less than 100% or 105% where the securities borrowing is in relation to a short sale (or such higher percentage as agreed between the borrower and the lender) of the current market value of the borrowed securities, the lender shall at least daily require the borrower to increase the amount of collateral to 100% or 105% where the securities borrowing is in relation to a short sale (or such higher percentage as may have been agreed upon).

(11) In the event the collateral becomes greater in value than 100% or 105% where the securities borrowing is in relation to a short sale (or such higher percentage as agreed between the borrower and the lender) of the current market value of the borrowed securities, the borrower may require the lender to release collateral which is in excess of 100%, or 105% where the securities borrowing is in relation to a short sale or such percentage which has been agreed upon.

(12) [Repealed]

(13) [Repealed]

(14) An Exchange Participant which conducts securities borrowing or securities lending shall be deemed to have provided to the Exchange an indemnity indemnifying the Exchange (and its authorized officers) against all claims, liabilities and costs related to resisting such claims incurred in the exercise of its powers, or in the execution and discharge of its functions in relation to or in connection with any securities borrowing.

(15) Except where forbidden by law, the Exchange may, at the request of the Collector, the Commission or any other person exercising regulatory functions, supply information or documents in response to such request concerning the securities borrowing activities of a borrower or the securities lending activities of a lender, and any transaction related to such activities.

(16) Regulations (8) to (11) above shall not apply to the compulsory stock borrowing transaction effected pursuant to the HKSCC Rules.

SEVENTH SCHEDULE

[Repealed]

EIGHTH SCHEDULE

[Repealed]

NINTH SCHEDULE

[Repealed]

TENTH SCHEDULE

[Repealed]

ELEVENTH SCHEDULE

SHORT SELLING REGULATIONS ("REGULATIONS")

(1) These Regulations apply to short selling of securities other than Securities Market Maker Short Selling, Dual Counter Market Maker Short Selling, Structured Product Liquidity Provider Short Selling, Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling and Options Hedging Short Selling.

In these regulations, "short selling" or "short sale":-

(a) subject to paragraph (b), means the sale of a security in respect of which the seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the security in the purchaser by virtue of having:-

(i) under a securities borrowing and lending agreement:-

(A) borrowed the securities; or

(B) obtained a confirmation from the counterparty to the agreement that the counterparty has the security available to lend to him;

(ii) a title to other security which is convertible into or exchangeable for the security to which the sale relates;

(iii) an option to acquire the security to which the sale relates;

(iv) rights or warrants to subscribe to and to receive the security to which the sale relates; or

(v) entered into with any other person an agreement or arrangement of a description prescribed by rules made under section 397 of the Ordinance, for the purposes of this sub-paragraph;

(b) in relation to a(ii), (iii), (iv) or (v) above, does not include a sale where the seller, or the person for whose benefit or on whose behalf the sale is made, has, at the time of the sale, issued unconditional instructions to obtain the security to which the sale relates.

(2) An Exchange Participant shall not short sell securities whether acting for its own account or for the account of its clients other than in accordance with the provisions of these Regulations.

(3) A short selling transaction shall only be concluded in a Designated Security automatically struck through the System.

(4) An Exchange Participant may short sell Designated Securities:-

(a) for its own account; or

(b) for the account of its clients.

(5) A short selling order may be input into the System during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. An Exchange Participant which knows or is informed that an order to sell is a short sale shall:-

(a) when passing the order to another Exchange Participant or any other person having access to the System (including but not limited to an employee of an Exchange Participant) with a view that he or it shall input the order into the System, inform him or it that the order is a short selling order;

(b) when inputting the order into the System, indicate such matters and in such manner as the Exchange shall from time to time determine, that the order is a short selling order.

(6) [Repealed]

(7) [Repealed]

(8) [Repealed]

(9) [Repealed]

(10) [Repealed]

(11) [Repealed]

(12) [Repealed]

(13) [Repealed]

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

(15) A short sale of a Designated Security shall not be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session) except where the Designated Security is a Market Making Security approved by the Commission to be excluded from the application of this Regulation.

(16) [Repealed]

(17) The Exchange may from time to time exempt any orders, trades and Exchange Participants from all or any of the provisions of these Regulations.

(18) An automatch stock may be designated by the Exchange as Designated Security from time to time if it falls within or is otherwise included in any one or more of the following categories:-

(a) all constituent stocks of indices which are the underlying indices of equity index products traded on the Exchange;

(b) all constituent stocks of indices which are the underlying indices of equity index products traded on HKFE;

(c) all underlying stocks of stock options traded on the Exchange;

(d) all underlying stocks of Stock Futures Contracts (as defined in the rules, regulations and procedures of HKFE) traded on HKFE;

(e) stocks eligible for structured product issuance pursuant to Chapter 15A of the Main Board Listing Rules or underlying stocks of structured product traded on the Exchange;

(f) stocks with market capitalisation of not less than HK$3 billion and an aggregate turnover during the preceding 12 months to market capitalisation ratio of not less than 60%;

(g) Exchange Traded Funds approved by the Board in consultation with the Commission;

(h) all securities traded under the Pilot Program;

(i) stocks that have been listed on the Exchange for not more than 60 trading days, with a public float capitalisation of not less than HK$20 billion for a period of 20 consecutive trading days commencing from the second day of their listing on the Exchange and an aggregate turnover of not less than HK$500 million during such period;

(j) [Repealed]

(k) applicable Market Making Securities (other than the securities described in categories (g) and (h) above) approved by the Board in consultation with the Commission; and

(l) applicable Dual Counter Securities approved by the Board in consultation with the Commission.

For the purposes of this Regulation (18), where the stocks of an issuer have been accepted for trading on the Exchange in more than one currency under different designated stock codes, the Exchange may regard the stocks traded under all stock

codes as a single automatch stock and calculate the public float capitalization, market capitalization and aggregate turnover referred to above on a combined basis so long as the stocks traded under different stock codes constitute securities of the same class of the issuer and the transfer of stocks between different stock codes is allowed.

(19) The Exchange may from time to time review the list of Designated Securities and remove a Designated Security from the list of Designated Securities if the Designated Security no longer falls within and is no longer included in any of the categories under Regulation (18) at the time of review.

TWELFTH SCHEDULE

[Repealed]

THIRTEENTH SCHEDULE

[Repealed]

FOURTEENTH SCHEDULE

SECURITIES MARKET MAKER REGULATIONS ("REGULATIONS")

INTRODUCTION

(1) In these Regulations:-

"affiliate" means (i) a company that is a subsidiary of a Securities Market Maker or (ii) a company of which a Securities Market Maker is a subsidiary or (iii) a company which shares a parent company with a Securities Market Maker and that parent company owns at least 40 percent of both companies, which satisfies such conditions and/or requirements as may be prescribed by the Exchange from time to time and is approved by the Exchange as an affiliate of the Securities Market Maker for whose account the Securities Market Maker may enter into the System market making orders for Market Making Securities for which that Securities Market Maker holds a current Securities Market Maker permit;

"fast market" means a period of time, as determined by the Exchange, during which Securities Market Maker Obligations may be suspended;

"market making order" means an order to sell or buy a Market Making Security arising from the discharge of Securities Market Maker Obligations as prescribed in or under the Appendix to this Schedule;

"maximum spread" means, in relation to two-sided market making orders, the maximum difference allowed between the bid price and the ask price input by a Securities Market Maker as may from time to time be specified by the Exchange;

"minimum participation rate" means the percentage of a period of time within a trading day as may from time to time be specified by the Exchange, during which (i) in the Continuous Trading Session, a Securities Market Maker is required to input and maintain two-sided market making orders that are within the maximum spread and in no less than the minimum quote size; (ii) in the Pre-opening Session, a Securities Market Maker is required to input and maintain two-sided market making orders, which shall be at-auction limit orders, that are in no less than the minimum quote size until the end of the random matching period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in the Appendix to this Schedule; and (iii) in the Closing Auction Session, a Securities Market Maker is required to input and maintain two-sided market making orders, which shall be at-auction limit orders, that are in no less than the minimum quote size until the end of the random closing period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in the Appendix to this Schedule;

"minimum quote size" means, in relation to two-sided market making orders, the aggregate quote value per side of the market making orders that are within the maximum spread input by a Securities Market Maker as may from time to time be specified by the Exchange.

APPLICATION FOR SECURITIES MARKET MAKER PERMIT

(2) An Exchange Participant may apply to the Exchange for permission to make a market in a

particular Market Making Security, by completing the prescribed application form and returning it to the Exchange, in accordance with the instructions contained in the application form.

(3) Before granting a Securities Market Maker permit, the Exchange shall require the applying Exchange Participant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the Market Making Security 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 and risk management policy and procedures of the applying Exchange Participant).

(4) The decision of the Exchange in respect of the admission or rejection in relation to an application to become a Securities Market Maker shall be final and conclusive.

(5) The Exchange Participant which is applying for a Securities Market Maker permit, will be notified in writing by the Exchange of the grant of each Securities Market Maker permit for each Market Making Security.

APPLICATION FOR REGISTRATION OF DESIGNATED SPECIALIST

(5A) (a) A Securities Market Maker may apply to and register with the Exchange one or more of its corporate clients as its Designated Specialists. The application must be made in writing in the form prescribed by the Exchange from time to time. If the application is approved, the name of the Designated Specialist, each Market Making Security for which the Designated Specialist is registered and the name of the applying Securities Market Maker shall be entered into the Register of Designated Specialists kept by the Exchange.

(b) No Securities Market Maker shall apply to register a corporate client to be its Designated Specialist for a Market Making Security if such corporate client is already registered as a Designated Specialist of another Securities Market Maker for the same Market Making Security.

(c) A Securities Market Maker may apply to register one or more of its Designated Specialists for any Market Making Security specified in its current Securities Market Maker permit.

(5B) (a) Before approving the application to register a Designated Specialist, the Exchange may give regard to such matters as the Exchange may, in its absolute discretion, consider to be appropriate and shall require the applying Securities Market Maker to demonstrate to the satisfaction of the Exchange that its corporate client which it is applying for registration as a Designated Specialist has satisfied at least one of the following conditions:

(i) it is an entity licensed by or registered with the Commission for Type 1 or Type 2 regulated activity under the Ordinance, or licensed or registered for similar activity by an overseas authority having a memorandum of understanding with the Commission for the sharing of market surveillance information;

(ii) it is an entity which is a licensed bank regulated by an authority acceptable to the

Exchange;

(iii) it is an entity which has maintained a current long-term credit rating of A- or above (Standard & Poor's) or A3 or above (Moody's); or

(iv) it has maintained a paid-up capital of at least HK$50,000,000 and shareholders' funds of at least HK$100,000,000;

(v) [Repealed]

and the Designated Specialist shall also comply with such other conditions and/or other requirements as may be prescribed by the Exchange from time to time.

(b) At the time of making an application under Regulation (5A)(a), a Securities Market Maker shall submit a declaration to the Exchange in a form prescribed by the Exchange from time to time stating that it has entered into a legally binding agreement with the corporate client which it is applying to be its Designated Specialist in which the corporate client has agreed with the Securities Market Maker to comply with, through the Securities Market Maker, the obligations set out in Regulations (9), (10) and (12) of this Schedule and the Securities Market Maker Obligations in or prescribed under the Appendix to this Schedule as approved by the Exchange from time to time as if it were the Securities Market Maker upon the corporate client being registered as a Designated Specialist. The Securities Market Maker shall immediately notify the Exchange in writing when the agreement referred to in this Regulation ceases to have any effect or the Securities Market Maker has reasons to believe that such an agreement shall become so. In these circumstances, the Exchange may revoke the registration of the Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(c) A Securities Market Maker shall ensure that each of its Designated Specialists comply with the conditions set out in or prescribed under Regulation (5B)(a) at all times. A Securities Market Maker shall immediately notify the Exchange in writing when any of its Designated Specialists ceases to comply with the conditions prescribed in or under Regulation (5B)(a) and the Exchange shall revoke the registration of such Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(d) A Securities Market Maker shall immediately notify the Exchange in writing upon becoming aware of any of the following matters:-

(i) any change in information relating to any of its Designated Specialists supplied to the Exchange at the time of application or from time to time;

(ii) any of its Designated Specialists being in breach of any rules or regulatory requirements of the regulatory authority it is subject to;

(iii) any disciplinary action taken by the regulatory authority against any of its Designated Specialists which it is subject to; or

(iv) any restrictive action being imposed on any of its Designated Specialists by the regulatory authority or any other bodies or authorities which it is subject to.

(e) A Securities Market Maker shall give not less than three months' (or such shorter period of time as the Exchange may allow) prior written notice to the Exchange if the Securities Market Maker wishes to have the name of any of its Designated Specialists removed from the Register of Designated Specialists. The Exchange shall, upon expiration of the said notice, revoke the registration of the said Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(f) The Exchange may approve an application on such conditions as it thinks fit, and if it considers necessary, amend or cancel any condition to which the approval is then subject.

(g) The Exchange shall have absolute discretion to withhold or withdraw approval or revoke or suspend the registration of a Designated Specialist at any time and shall not be required to give any reason for its action. The decision of the Exchange shall be final and conclusive.

(h) A Securities Market Maker shall procure each of its Designated Specialists to provide information to the Securities Market Maker or, at the Exchange's request, to the Exchange directly in relation to any investigation or inquiries which involve market making activities, including but not limited to the provision of accounts and reports or any other documents which the Exchange may request from time to time.

(i) Upon expiration or revocation of the Securities Market Maker permit, the registration of each Designated Specialist of a Securities Market Maker shall be revoked and the name and address of the Designated Specialist and of the Securities Market Maker removed from the Register of Designated Specialists.

FORM AND DURATION OF SECURITIES MARKET MAKER PERMITS

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

(7) Each Securities Market Maker permit shall state a trading day on which it is to come into effect and the period and the Market Making Security for which it is granted. Unless otherwise stipulated by the Exchange, the minimum period for which each permit will be granted will be 1 year and may be renewed at the Exchange's discretion.

RIGHTS AND OBLIGATIONS OF SECURITIES MARKET MAKERS

(8) Each Securities Market Maker shall enter market making orders for Market Making Securities, for which it holds a current Securities Market Maker permit into the System, for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists. Market making orders shall only be input into the System during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session.

(9) Subject to Regulation (10), each Securities Market Maker (as the case may be) shall be obliged, in respect of a Market Making Security for which it holds a current Securities Market Maker permit, to:-

(i) enter two-sided market making orders into the System in no less than the minimum quote size and each within the maximum spread during the Continuous Trading Session;

(ii) [Repealed]

(iia) enter two-sided market making orders, which shall be at-auction limit orders, into the System in no less than the minimum quote size during the Pre-opening Session and the Closing Auction Session; and

(iii) maintain such orders for a minimum period of time as specified by the Exchange from time to time.

(10) A Securities Market Maker shall input and maintain market making orders for a Market Making Security, in accordance with Regulation (9) above, and meet the minimum participation rate over such time period as may from time to time be stipulated by the Exchange.

(11) In assessing the participation rate of a Securities Market Maker for the purpose of Regulation (10) above, the Exchange may, in its absolute discretion, take into account all the relevant circumstances including but not limited to the general conditions of the market, either as a whole or of a specific security.

(12) Each Securities Market Maker (as the case may be) must be available to input and maintain market making orders on all trading days during the period for which its permit is granted unless specifically exempted by the Exchange.

(13) Each Securities Market Maker (as the case may be) may enter market making orders and conclude trades in the System for its own account, or for the account of any of its affiliates, or for the account of any of its Designated Specialists to improve the liquidity and spread in a Market Making Security for which it holds a current Securities Market Maker permit.

(13A) All market making orders entered by a Securities Market Maker into the System shall be for its own account, or for the account of any of its affiliates, or for the account of any of its Designated Specialists and shall not be for the account of or for the benefit of any third party. A Securities Market Maker shall be fully responsible and liable for all market making orders entered into the System irrespective of whether it is for its own account, or for the account of any of its affiliates, or for the account of any of its Designated Specialists.

(14) Some of the Securities Market Maker Obligations are set out in the Appendix to this Schedule.

RIGHTS AND OBLIGATIONS OF SECURITIES MARKET MAKERS WITH DESIGNATED SPECIALISTS

(14A) A Securities Market Maker which intends to register any Designated Specialist for a specified Market Making Security shall indicate to the Exchange in such manner as the Exchange may from time to time determine if it will also perform market making activities for that specified security by itself together with the Designated Specialist, in which case the Securities Market Maker shall, notwithstanding the registration of any Designated Specialist, be obliged to comply with the obligations set out in Regulations (9), (10) and (12) and the Securities Market Maker Obligations in or prescribed under the Appendix as approved by the Exchange from time to time.

(14B) A Securities Market Maker which has registered one or more Designated Specialist for a specified Market Making Security shall enter market making orders for the account of itself, where applicable, and each such Designated Specialist in respect of that specified security and shall maintain separate accounts for itself and each such Designated Specialist.

(14C) A Securities Market Maker must have in place the necessary systems and procedures to maintain sufficient risk management control on itself and its Designated Specialists.

(14D) A Securities Market Maker shall be fully responsible and liable for all acts or omissions of each of its Designated Specialists and for breach, infringement or non-compliance of these Rules and the Regulations.

(14E) A Securities Market Maker shall enter market making orders into the System and conclude trades and perform market making activities by itself and/or with its Designated Specialists in such manner as prescribed by the Exchange from time to time.

(14F) A Securities Market Maker shall ensure that each of its Designated Specialists shall at all times comply with the obligations set out in Regulations (9), (10) and (12) and the Securities Market Maker Obligations in or prescribed under the Appendix as approved by the Exchange from time to time.

(14G) Without prejudice to the general power of the Exchange to revoke or suspend the registration of a Designated Specialist under Regulation (5B)(g), the registration of the Designated Specialist may be revoked and its name and other related details removed from the Register of Designated Specialists (i) if the Securities Market Maker fails to comply with Regulation (14F) or (ii) if the Designated Specialist has, in the opinion of the Exchange, manipulated or distorted the market for one or more Market Making Securities or attempted to do so or abused its capacity as a Designated Specialist of the Securities Market Maker.

MARKET MAKING CENTRAL GATEWAY SESSION

(15) (a) [Repealed]

(b) A Securities Market Maker upon payment of a fee to be determined by the Board from time to time shall be entitled to have its BSS connected to a Market Making Central Gateway session for access to the System. The number of Market Making Central Gateway sessions that a Securities Market Maker may be designated at any one time shall be determined by the Board from time to time. Unless otherwise determined by the Board, the Market Making Central Gateway session shall be subject to the Rules relating to "Central Gateway session" referred to in Rule 365(1) insofar as they are applicable.

(15A) [Repealed]

(16) [Repealed]

(16A) A Securities Market Maker shall be responsible and liable for the granting, monitoring and supervision of access to any Market Making Central Gateway sessions and/or Central Gateway sessions designated to it.

(17) [Repealed]

(17A) A Market Making Central Gateway session shall be assigned with a standard Central Gateway throttle or multiples of a standard Central Gateway throttle (as the case may be) as determined by the Board from time to time for use by the Securities Market Maker for entering market making orders and/or other orders as the Board may from time to time

determine into the System.

(17B) Unless otherwise determined by the Board, a Securities Market Maker may use a Market Making Central Gateway session and/or a Central Gateway session for entering market making orders into the System in such manner as the Board may from time to time determine. Notwithstanding the foregoing, a Market Making Central Gateway session shall only be used for entering market making orders into the System and the Board may from time to time determine orders or activities a Securities Market Maker may enter or carry out using a Market Making Central Gateway session subject to such conditions and in such manner as the Board may from time to time determine.

SUSPENSION, REVOCATION AND SURRENDER

(18) Any market making obligations may be suspended by the Exchange for such period, as it shall think fit: -

(i) if the market for any Market Making Security in respect of which the Securities Market Maker permits have been granted is not, in the Exchange's opinion, orderly;

(ii) if the trading of any Market Making Security and/or its underlying securities in respect of which Securities Market Maker permits have been granted is not, in the Exchange's opinion, orderly;

(iii) [Repealed]

(iv) if the Market Making Security in respect of which the Securities Market Maker permits have been granted are suspended from trading;

(v) [Repealed]

(vi) when a fast market is determined by the Exchange; or

(vii) in any circumstances as may be determined by the Exchange.

(19) Any Securities Market Maker permit (where applicable) may be revoked by the Exchange in its absolute discretion at any time without giving any reason or notice. Without prejudice to this general power of revocation, a Securities Market Maker permit will be revoked:-

(i) if the Securities Market Maker fails to comply with Regulations (9) to (14G) (inclusive) after having received a warning from the Exchange; or

(ii) if the Securities Market Maker has, in the opinion of the Exchange, manipulated or distorted the market for one or more Market Making Securities or attempted to do so or abused his or its rights as a Securities Market Maker; or

(iii) if the Securities Market Maker is suspended, expelled or, for any other reason, ceases to be an Exchange Participant,

and the Securities Market Maker (as the case may be) shall still be subject to these Regulations in respect of any events which occurred prior to and after the revocation.

(19A) Upon suspension, withdrawal, revocation or surrender of the Securities Market Maker

permit of a Securities Market Maker, the Exchange shall terminate the access of any Market Making Central Gateway sessions designated to it to the System.

(19B) The Exchange has absolute discretion at any time to suspend, withdraw or revoke a Securities Market Maker's access to the System on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive. Without prejudice to the aforesaid general power, the Exchange shall have the right to suspend, withdraw or revoke a Securities Market Maker's access in such capacity to the System on such terms and for such period as the Board shall think fit if it fails to comply with these Regulations or if it has been suspended, expelled or for any reason ceases to be an Exchange Participant. The decision of the Board shall be final and conclusive. For the avoidance of doubt, the Exchange Participant shall remain liable for its failure to comply with these Regulations and for any monies due and payable under these Regulations as if its access in the capacity as a Securities Market Maker has not been suspended, withdrawn or revoked.

(20) An Exchange Participant may surrender at any time its Securities Market Maker permit for any Market Making Security by giving not less than three months' (or such shorter period of time as the Exchange may allow) written notice to that effect to the Exchange.

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

SECURITIES MARKET MAKER SHORT SELLING

(22) Notwithstanding anything to the contrary contained in these Rules, Securities Market Maker Short Selling by a Securities Market Maker or a Securities Market Maker for its Designated Specialists shall be conducted in accordance with these Regulations and in compliance at all times with the Ordinance.

(23) A Securities Market Maker Short Selling transaction shall only be concluded in a Market Making Security which is automatically struck through the System.

(24) A Securities Market Maker Short Selling order may be input into the System for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session. In respect of a Securities Market Maker Short Selling order, a Securities Market Maker shall when inputting the order into the System, indicate in such manner as the Exchange shall from time to time determine, that the order is a Securities Market Maker Short Selling order.

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

(26) A Securities Market Maker Short Selling order could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the

Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).

(27) The Exchange may from time to time exempt any orders, trades and Securities Market Maker from all or any of the provisions of these Regulations.

APPENDIX TO FOURTEENTH SCHEDULE

SECURITIES MARKET MAKER OBLIGATIONS ("Obligations")

1. Without prejudice to the other powers of the Exchange in relation to the Obligations, the Obligations as specified below 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 the Obligations will be notified to Exchange Participants.

2. The Exchange has absolute discretion to prescribe from time to time different Obligations with respect to different Market Making Securities. Such different Obligations will be notified to the Exchange Participants. Unless otherwise notified to the Exchange Participants, the Obligations with respect to each of the Market Making Securities may be prescribed by the Exchange within the following ranges:

	Ranges within which the Obligations may be prescribed
The maximum spread of two-sided market making orders entered by a Securities Market Maker into the System during the Continuous Trading Session	0.25 to 2.00 percent or where the nominal price of the security is under such price as the Exchange may from time to time specify, 1 spread
The minimum quote size of market making orders that a Securities Market Maker submits during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session in accordance with Regulation (9)	HKD50,000 to 1,000,000
	RMB50,000 to 1,000,000
	USD5,000 to 200,000
The minimum period of time for which a Securities Market Maker shall maintain a pair of two-sided market making orders after initially entering it into the System during (1) the Continuous Trading Session, (2) the Pre-opening Session until the end of the random matching period and (3) the Closing Auction Session until the end of the random closing period	0 to 120 seconds
The minimum participation rate of a Securities Market Maker during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session in one trading day	50 to 90 percent
The length of time for counting the minimum participation rate for two-sided market making orders that are in no less than the minimum quote size and are	0 to 900 seconds

maintained in no less than the minimum period of time until the end of the random matching period of the Pre-opening Session	
The length of time for counting the minimum participation rate for two-sided market making orders that are in no less than the minimum quote size and are maintained in no less than the minimum period of time until the end of the random closing period of the Closing Auction Session	0 to 360 seconds

3. [Repealed]

4. [Repealed]

5. [Repealed]

6. [Repealed]

7. In the event that a Securities Market Maker fails to meet the minimum participation rate in a Market Making Security in a trading day in accordance with the Fourteenth Schedule for five or more days in a month for two consecutive months, its Securities Market Maker permit for that Market Making Security may be revoked at the Exchange's discretion.

7A. In the event that a Designated Specialist of a Securities Market Maker fails to meet the minimum participation rate in a Market Making Security in a trading day in accordance with the Fourteenth Schedule for five or more days in a month for two consecutive months, the registration of the Designated Specialist may be revoked at the Exchange's discretion and its name and other details removed from the Register of Designated Specialists.

8. The Exchange may, in its absolute discretion, determine at any time that there is a fast market or there is no longer a fast market. A fast market may be determined by the Exchange in circumstances including, but not limited to, where the nominal price of the security is highly volatile over a short period of time.

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

INTRODUCTION

(1) [Repealed]

DESIGNATED INDEX ARBITRAGE SHORT SELLING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STOCK FUTURES HEDGING SHORT SELLING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STRUCTURED PRODUCT HEDGING SHORT SELLING

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

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

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

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

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

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

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

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

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

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

OPTIONS HEDGING SHORT SELLING

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

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

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

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

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

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

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

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

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

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

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

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

SIXTEENTH SCHEDULE

[Repealed]

SEVENTEENTH SCHEDULE

[Repealed]

EIGHTEENTH SCHEDULE

STRUCTURED PRODUCT LIQUIDITY PROVIDER REGULATIONS ("REGULATIONS")

INTRODUCTION

(1) In these Regulations:-

"structured product liquidity order" means a quote or an order in respect of an issue of structured product validly input into the System during the Continuous Trading Session by an Exchange Participant acting in the capacity as a Structured Product Liquidity Provider for the issuer of the structured product; and

"listing document" has the same meaning as in Chapter 1 of the Main Board Listing Rules.

STRUCTURED PRODUCT LIQUIDITY ORDERS AND TRANSACTIONS

(2) Each Structured Product Liquidity Provider shall enter structured product liquidity orders and conclude transactions for structured products of which it is acting as an agent for the issuer, for the account of that issuer or the account of any associates of that issuer**.** Structured product liquidity orders shall only be input into the System during the Continuous Trading Session.

(3) A Structured Product Liquidity Provider when inputting a structured product liquidity order into the System shall indicate in such manner as the Board shall from time to time determine that the order is a structured product liquidity order.

(4) A structured product liquidity order shall not be made at a price that deviates 9 times or more from the nominal price, if available.

TRADING DEVICES FOR STRUCTURED PRODUCT LIQUIDITY PROVIDER

(5) (a) [Repealed]

(b) A Structured Product Liquidity Provider upon payment of a fee to be determined by the Board from time to time shall be entitled to have its BSS connected to a Market Making Central Gateway session for access to the System. The number of Market Making Central Gateway sessions that a Structured Product Liquidity Provider may be designated at any one time shall be determined by the Board from time to time. Unless otherwise determined by the Board, every Market Making Central Gateway session shall be subject to the Rules relating to "Central Gateway session" referred to in Rule 365(1) insofar as they are applicable.

(6) A Structured Product Liquidity Provider shall use a Market Making Central Gateway session to input structured product liquidity orders in accordance with the issuer's listing document relating to the relevant structured product and to report all transactions other than those concluded by automatic order matching with respect to the structured product concluded in its capacity as a Structured Product Liquidity

Provider for the account of the issuer or its associates in such manner as the Board may from time to time determine. The Board may from time to time determine orders and/or activities a Structured Product Liquidity Provider may enter and/or carry out using a Market Making Central Gateway session subject to such conditions and in such manner as the Board may from time to time determine.

(7) [Repealed]

(8) A Structured Product Liquidity Provider shall be responsible and liable for the granting, monitoring and supervision of access to any Market Making Central Gateway sessions designated to it.

(9) A Market Making Central Gateway session shall be assigned with a standard Central Gateway throttle or multiples of a standard Central Gateway throttle (as the case may be) as determined by the Board from time to time for use by the Structured Product Liquidity Provider for inputting structured product liquidity orders and reporting transactions in accordance with Regulation (6) of this Schedule, and/or for inputting other orders into the System and carrying out other activities as the Board may from time to time determine.

(10) [Repealed]

(11) [Repealed]

SUSPENSION AND TERMINATION

(12) The Exchange has absolute discretion at any time to prohibit any Exchange Participant from being appointed or acting as a Structured Product Liquidity Provider and/or to suspend, withdraw or revoke a Structured Product Liquidity Provider's access to the System through any Market Making Central Gateway session, on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive. Without prejudice to the aforesaid general power, the Exchange shall have the right to prohibit any Exchange Participant from being appointed and/or acting as a Structured Product Liquidity Provider and shall have the right to suspend, withdraw or revoke its access in the capacity as a Structured Product Liquidity Provider of any Market Making Central Gateway session, to the System on such terms and for such period as the Board shall think fit if it fails to comply with these Regulations or if it has been suspended, expelled or for any reason ceases to be an Exchange Participant. The decision of the Board shall be final and conclusive. For the avoidance of doubt, the Exchange Participant shall remain liable for its failure to comply with these Regulations and for any monies due and payable under these Regulations as if its access in the capacity as a Structured Product Liquidity Provider has not been suspended, withdrawn or revoked.

(13) Upon termination of the appointment of a Structured Product Liquidity Provider, the Exchange shall terminate the access to the System of all Market Making Central Gateway sessions provided or designated to it in that capacity.

STRUCTURED PRODUCT LIQUIDITY PROVIDER SHORT SELLING

(14) Notwithstanding anything to the contrary contained in these Rules, Structured Product Liquidity Provider Short Selling by a Structured Product Liquidity Provider shall be conducted in accordance with these Regulations.

(15) A Structured Product Liquidity Provider Short Selling transaction shall only be concluded in a structured product automatically struck through the System.

(16) A Structured Product Liquidity Provider Short Selling order shall only be input into the System during the Continuous Trading Session. In respect of a Structured Product Liquidity Provider Short Selling order, a Structured Product Liquidity Provider shall when inputting the order into the System, indicate in such manner as the Exchange shall from time to time determine, that the order is a Structured Product Liquidity Provider Short Selling order.

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

(18) A Structured Product Liquidity Provider Short Selling could be made on the Exchange below the best current ask price.

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

NINETEENTH SCHEDULE

DUAL COUNTER MARKET MAKER REGULATIONS ("REGULATIONS")

INTRODUCTION

(1) In these Regulations:-

"affiliate" means (i) a company that is a subsidiary of a Dual Counter Market Maker or (ii) a company of which a Dual Counter Market Maker is a subsidiary or (iii) a company which shares a parent company with a Dual Counter Market Maker and that parent company owns at least 40 percent of both companies, which satisfies such conditions and/or requirements as may be prescribed by the Exchange from time to time and is approved by the Exchange as an affiliate of the Dual Counter Market Maker for whose account the Dual Counter Market Maker may enter into the System DCMM orders for Dual Counter Securities for which that Dual Counter Market Maker holds a current Dual Counter Market Maker permit;

"arbitrage order" means an order to sell (or buy) a Dual Counter Security in one counter in conjunction with another order to buy (or sell) the same Dual Counter Security in the other counter for arbitrage purpose;

"DCMM order" means an order validly entered into the System by an Exchange Participant acting in its capacity as a Dual Counter Market Maker, which shall be a market making order, a hedging order or an arbitrage order;

"fast market" means a period of time, as determined by the Exchange, during which Dual Counter Market Maker Obligations may be suspended;

"hedging order" means an order to sell (or buy) a Dual Counter Security in the primary counter for the purpose of hedging against the risk of long (or short) positions in a transaction arising from a market making order in that Dual Counter Security;

"market making order" means an order to sell or buy a Dual Counter Security in the secondary counter arising from the discharge of Dual Counter Market Maker Obligations as prescribed in or under the Appendix to this Schedule;

"maximum spread" means, in relation to two-sided market making orders, the maximum difference allowed between the bid price and the ask price input by a Dual Counter Market Maker as may from time to time be specified by the Exchange;

"minimum participation rate" means the percentage of a period of time within a trading day as may from time to time be specified by the Exchange, during which (i) in the Continuous Trading Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are within the maximum spread and in no less than the minimum quote size; (ii) in the Pre-opening Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are in no less than the minimum quote size until the end of the random matching period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in

the Appendix to this Schedule; and (iii) in the Closing Auction Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are in no less than the minimum quote size until the end of the random closing period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in the Appendix to this Schedule;

"minimum quote size" means, in relation to two-sided market making orders, the aggregate quote value per side of the market making orders that are validly input by a Dual Counter Market Maker as may from time to time be specified by the Exchange.

APPLICATION FOR DUAL COUNTER MARKET MAKER PERMIT

(2) An Exchange Participant may apply to the Exchange for permission to make a market in the secondary counter of a particular Dual Counter Security, by completing the prescribed application form and returning it to the Exchange, in accordance with the instructions contained in the application form.

(3) Before granting a Dual Counter Market Maker permit, the Exchange shall require the applying Exchange Participant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the secondary market of a Dual Counter Security 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 and risk management policy and procedures of the applying Exchange Participant).

(4) The decision of the Exchange in respect of the admission or rejection in relation to an application to become a Dual Counter Market Maker shall be final and conclusive.

(5) The Exchange Participant which is applying for a Dual Counter Market Maker permit will be notified in writing by the Exchange of the grant of each Dual Counter Market Maker permit for each Dual Counter Security.

APPLICATION FOR REGISTRATION OF DESIGNATED SPECIALIST

(5A) (a) A Dual Counter Market Maker may apply to and register with the Exchange one or more of its corporate clients as its Designated Specialists. The application must be made in writing in the form prescribed by the Exchange from time to time. If the application is approved, the name of the Designated Specialist, each Dual Counter Security for which the Designated Specialist is registered and the name of the applying Dual Counter Market Maker shall be entered into the Register of Designated Specialists kept by the Exchange.

(b) No Dual Counter Market Maker shall apply to register a corporate client to be its Designated Specialist for a Dual Counter Security if such corporate client is already registered as a Designated Specialist of another Dual Counter Market Maker for the same Dual Counter Security.

(c) A Dual Counter Market Maker may apply to register one or more of its Designated Specialists for any Dual Counter Security specified in its current Dual Counter Market Maker permit.

(5B) (a) Before approving the application to register a Designated Specialist, the Exchange may give regard to such matters as the Exchange may, in its absolute discretion, consider to be appropriate and shall require the applying Dual Counter Market Maker to demonstrate to the satisfaction of the Exchange that its corporate client which it is applying for registration as a Designated Specialist has satisfied at least one of the following conditions:

(i) it is an entity licensed by or registered with the Commission for Type 1 or Type 2 regulated activity under the Ordinance, or licensed or registered for similar activity by an overseas authority having a memorandum of understanding with the Commission for the sharing of market surveillance information;

(ii) it is an entity which is a licensed bank regulated by an authority acceptable to the Exchange;

(iii) it is an entity which has maintained a current long-term credit rating of A- or above (Standard & Poor's) or A3 or above (Moody's); or

(iv) it has maintained a paid-up capital of at least HK$50,000,000 and shareholders' funds of at least HK$100,000,000.

and the Designated Specialist shall also comply with such other conditions and/or other requirements as may be prescribed by the Exchange from time to time.

(b) At the time of making an application under Regulation (5A)(a), a Dual Counter Market Maker shall submit a declaration to the Exchange in a form prescribed by the Exchange from time to time stating that it has entered into a legally binding agreement with the corporate client which it is applying to be its Designated Specialist in which the corporate client has agreed with the Dual Counter Market Maker to comply with, through the Dual Counter Market Maker, the obligations set out in Regulations (9), (10) and (12) of this Schedule and the Dual Counter Market Maker Obligations in or prescribed under the Appendix to this Schedule as approved by the Exchange from time to time as if it were the Dual Counter Market Maker upon the corporate client being registered as a Designated Specialist. The Dual Counter Market Maker shall immediately notify the Exchange in writing when the agreement referred to in this Regulation ceases to have any effect or the Dual Counter Market Maker has reasons to believe that such an agreement shall become so. In these circumstances, the Exchange may revoke the registration of the Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(c) A Dual Counter Market Maker shall ensure that each of its Designated Specialists comply with the conditions set out in or prescribed under Regulation (5B)(a) at all times. A Dual Counter Market Maker shall immediately notify the Exchange in writing when any of its Designated Specialists ceases to comply with the conditions prescribed in or under Regulation (5B)(a) and the Exchange shall revoke the registration of such

Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(d) A Dual Counter Market Maker shall immediately notify the Exchange in writing upon becoming aware of any of the following matters:-

(i) any change in information relating to any of its Designated Specialists supplied to the Exchange at the time of application or from time to time;

(ii) any of its Designated Specialists being in breach of any rules or regulatory requirements of the regulatory authority it is subject to;

(iii) any disciplinary action taken by the regulatory authority against any of its Designated Specialists which it is subject to; or

(iv) any restrictive action being imposed on any of its Designated Specialists by the regulatory authority or any other bodies or authorities which it is subject to.

(e) A Dual Counter Market Maker shall give not less than three months' (or such shorter period of time as the Exchange may allow) prior written notice to the Exchange if the Dual Counter Market Maker wishes to have the name of any of its Designated Specialists removed from the Register of Designated Specialists. The Exchange shall, upon expiration of the said notice, revoke the registration of the said Designated Specialist and remove its name and other related details from the Register of Designated Specialists.

(f) The Exchange may approve an application on such conditions as it thinks fit, and if it considers necessary, amend or cancel any condition to which the approval is then subject.

(g) The Exchange shall have absolute discretion to withhold or withdraw approval or revoke or suspend the registration of a Designated Specialist at any time and shall not be required to give any reason for its action. The decision of the Exchange shall be final and conclusive.

(h) A Dual Counter Market Maker shall procure each of its Designated Specialists to provide information to the Dual Counter Market Maker or, at the Exchange's request, to the Exchange directly in relation to any investigation or inquiries which involve market making or liquidity providing activities, including but not limited to the provision of accounts and reports or any other documents which the Exchange may request from time to time.

(i) Upon expiration or revocation of the Dual Counter Market Maker permit, the registration of each Designated Specialist of a Dual Counter Market Maker shall be revoked and the name and address of the Designated Specialist and of the Dual Counter Market Maker shall be removed from the Register of Designated Specialists.

FORM AND DURATION OF DUAL COUNTER MARKET MAKER PERMITS

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

(7) Each Dual Counter Market Maker permit shall state a trading day on which it is to come into effect and the period and the Dual Counter Security for which it is granted. Unless otherwise stipulated by the Exchange, the minimum period for which each permit will be granted will be 1 year and may be renewed at the Exchange's discretion.

RIGHTS AND OBLIGATIONS OF DUAL COUNTER MARKET MAKERS

(8) Each Dual Counter Market Maker shall enter market making orders of Dual Counter Securities for which it holds current Dual Counter Market Maker permits in respect of such Dual Counter Securities into the System, for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists. Market making orders entered by a Dual Counter Market Maker shall be input into the System during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session.

(9) Subject to Regulation (10), each Dual Counter Market Maker shall be obliged, in respect of a Dual Counter Security for which it holds a current Dual Counter Market Maker permit, to:-

(i) enter two-sided market making orders into the System in no less than the minimum quote size and each within the maximum spread during the Continuous Trading Session;

(ii) enter two-sided market making orders, which shall be at-auction limit orders, into the System in no less than the minimum quote size during the Pre-opening Session and the Closing Auction Session; and

(iii) maintain such orders for a minimum period of time as specified by the Exchange from time to time.

(10) A Dual Counter Market Maker shall input and maintain market making orders of a Dual Counter Security in accordance with Regulation (9) above, and meet the minimum participation rate over such time period as may from time to time be stipulated by the Exchange.

(11) In assessing the participation rate of a Dual Counter Market Maker for the purpose of Regulation (10) above, the Exchange may, in its absolute discretion, take into account all the relevant circumstances including but not limited to the general conditions of the market, either as a whole or of a specific security.

(12) Each Dual Counter Market Maker must be available to input and maintain market making orders on all trading days during the period for which its permits are granted unless specifically exempted by the Exchange.

(13) (a) Each Dual Counter Market Maker may enter market making orders and conclude trades in the System for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists to improve the liquidity and spread in the secondary counter of the Dual Counter Security for which it holds a current Dual Counter Market Maker permit.

(b) The Dual Counter Market Maker may, for the purpose of hedging against the risk of short or long market making positions arising from trades in Regulation (13)(a) above, enter hedging orders in the primary counter of the same Dual Counter Security and conclude trades in the System for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists. Hedging orders entered by a Dual Counter Market Maker may be input into the System during the Continuous Trading Session or the Closing Auction Session.

(c) The Dual Counter Market Maker may, for arbitrage purpose, enter arbitrage orders and conclude trades in the System for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists. Arbitrage orders entered by a Dual Counter Market Maker may be input into the System during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session.

(14) All DCMM orders entered by a Dual Counter Market Maker into the System shall be for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists and shall not be for the account of or for the benefit of any third party. A Dual Counter Market Maker shall be fully responsible and liable for all DCMM orders entered into the System irrespective of whether it is for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists.

(15) Some of the Dual Counter Market Maker Obligations are set out in the Appendix to this Schedule.

RIGHTS AND OBLIGATIONS OF DUAL COUNTER MARKET MAKERS WITH DESIGNATED SPECIALISTS

(15A) A Dual Counter Market Maker which intends to register any Designated Specialist for a specified Dual Counter Security shall indicate to the Exchange in such manner as the Exchange may from time to time determine if it will also perform market making or liquidity providing activities for that specified security by itself together with the Designated Specialist, in which case the Dual Counter Market Maker shall, notwithstanding the registration of any Designated Specialist, be obliged to comply with the obligations set out in Regulations (9), (10) and (12) and the Dual Counter Market Maker Obligations in or prescribed under the Appendix as approved by the Exchange from time to time.

(15B) A Dual Counter Market Maker which has registered one or more Designated Specialist for a specified Dual Counter Security shall enter DCMM orders for the account of itself, where applicable, and each such Designated Specialist in respect of that specified security and shall maintain separate accounts for itself and each such Designated Specialist.

(15C) A Dual Counter Market Maker must have in place the necessary systems and procedures to maintain sufficient risk management control on itself and its Designated Specialists.

(15D) A Dual Counter Market Maker shall be fully responsible and liable for all acts or omissions of each of its Designated Specialists and for breach, infringement or non-compliance of these Rules and the Regulations.

(15E) A Dual Counter Market Maker shall enter market making orders into the System and conclude trades and perform market making or liquidity providing activities by itself and/or with its Designated Specialists in such manner as prescribed by the Exchange from time to time.

(15F) A Dual Counter Market Maker shall ensure that each of its Designated Specialists shall at all times comply with the obligations set out in Regulations (9), (10) and (12) and the Dual Counter Market Maker Obligations in or prescribed under the Appendix as approved by the Exchange from time to time.

(15G) Without prejudice to the general power of the Exchange to revoke or suspend the registration of a Designated Specialist under Regulation (5B)(g), the registration of the Designated Specialist may be revoked and its name and other related details removed from the Register of Designated Specialists (i) if the Dual Counter Market Maker fails to comply with Regulation (15F) or (ii) if the Designated Specialist has, in the opinion of the Exchange, manipulated or distorted the market for one or more Dual Counter Securities or attempted to do so or abused its capacity as a Designated Specialist of the Dual Counter Market Maker.

MARKET MAKING CENTRAL GATEWAY SESSION

(16) A Dual Counter Market Maker upon payment of a fee to be determined by the Board from time to time shall be entitled to have its BSS connected to a Market Making Central Gateway session for access to the System. The number of Market Making Central Gateway sessions that a Dual Counter Market Maker may be designated at any one time shall be determined by the Board from time to time. Unless otherwise determined by the Board, the Market Making Central Gateway session shall be subject to the Rules relating to "Central Gateway session" referred to in Rule 365(1) insofar as they are applicable.

(17) A Dual Counter Market Maker shall be responsible and liable for the granting, monitoring and supervision of access to any Market Making Central Gateway sessions and/or Central Gateway sessions designated to it.

(18) (a) A Market Making Central Gateway session shall be assigned with a standard Central Gateway throttle or multiples of a standard Central Gateway throttle (as the case may be) as determined by the Board from time to time for use by the Dual Counter Market Maker for entering DCMM orders into the System.

(b) Unless otherwise determined by the Board, a Dual Counter Market Maker may use a Market Making Central Gateway session and/or a Central Gateway session for entering DCMM orders into the System in such manner as the Board may from time to time determine. Notwithstanding the foregoing, a Market Making Central Gateway session shall only be used for entering DCMM orders into the System and the Board may from time to time determine orders or activities a Dual Counter Market Maker may enter or carry out using a Market Making Central Gateway session subject to such conditions and in such manner as the Board may from time to time determine.

SUSPENSION, REVOCATION AND SURRENDER

(19) Any market making obligations may be suspended by the Exchange for such period, as it shall think fit: -

(i) if the market for any Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is not, in the Exchange's opinion, orderly;

(ii) if the trading of any Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is not, in the Exchange's opinion, orderly;

(iii) if the Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is suspended from trading;

(iv) when a fast market is determined by the Exchange; or

(v) in any circumstances as may be determined by the Exchange.

(20) Any Dual Counter Market Maker permit (where applicable) may be suspended or revoked by the Exchange in its absolute discretion at any time without giving any reason or notice. Without prejudice to this general power of suspension and revocation, a Dual Counter Market Maker permit will be suspended or revoked:-

(i) if the Dual Counter Market Maker fails to comply with Regulations (9) to (15) (inclusive) after having received a warning from the Exchange; or

(ii) if the Dual Counter Market Maker has, in the opinion of the Exchange, manipulated or distorted the market for one or more Dual Counter Securities or attempted to do so or abused its rights as a Dual Counter Market Maker; or

(iii) if the Dual Counter Market Maker is suspended, expelled or, for any other reason, ceases to be an Exchange Participant,

and the Dual Counter Market Maker shall still be subject to these Regulations in respect of any events which occurred prior to and after the suspension or revocation.

(21) Upon suspension, withdrawal, revocation or surrender of the Dual Counter Market Maker permit of a Dual Counter Market Maker, the Exchange shall terminate the access of any Market Making Central Gateway sessions designated to it to the System.

(22) The Exchange has absolute discretion at any time to suspend, withdraw or revoke a Dual Counter Market Maker's access to the System on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive. Without prejudice to the aforesaid general power, the Exchange shall have the right to suspend, withdraw or revoke a Dual Counter Market Maker's access in such capacity to the System on such terms and for such period as the Board shall think fit if it fails to comply with these Regulations or if it has been suspended, expelled or for any reason ceases to be an Exchange Participant. The decision of the Board shall be final and conclusive. For the avoidance of doubt, the Exchange Participant shall remain liable for its failure to comply with these Regulations and for any monies due and payable under these Regulations as if its access in the capacity as a Dual Counter Market Maker has not been suspended, withdrawn or revoked.

(23) An Exchange Participant may surrender at any time its Dual Counter Market Maker permit for any Dual Counter Security by giving not less than three months' (or such shorter period of time as the Exchange may allow) written notice to that effect to the Exchange.

(24) The Exchange may, at its sole discretion, reject a new application for a Dual Counter Market Maker permit by any Exchange Participant which has previously surrendered, or failed to renew, a Dual Counter Market Maker permit or which has had a Dual Counter Market Maker permit revoked.

DUAL COUNTER MARKET MAKER SHORT SELLING

(25) Notwithstanding anything to the contrary contained in these Rules, Dual Counter Market Maker Short Selling by a Dual Counter Market Maker or a Dual Counter Market Maker for its Designated Specialists shall be conducted in accordance with these Regulations and in compliance at all times with the Ordinance.

(26) A Dual Counter Market Maker Short Selling transaction shall only be concluded in a Dual Counter Security which is automatically struck through the System.

(27) A Dual Counter Market Maker Short Selling order may be input into the System for the Dual Counter Market Maker's account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session. In respect of a Dual Counter Market Maker Short Selling order, a Dual Counter Market Maker shall when inputting the order into the System, indicate in such manner as the Exchange shall from time to time determine, that the order is a Dual Counter Market Maker Short Selling order.

(28) For the avoidance of doubt, Dual Counter Market Maker Short Selling shall be limited to transactions in Dual Counter Securities which are also Designated Securities.

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

(30) A Dual Counter Market Maker Short Selling order could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).

(31) The Exchange may from time to time exempt any orders, trades and Dual Counter Market Maker from all or any of the provisions of these Regulations.

APPENDIX TO NINETEENTH SCHEDULE

DUAL COUNTER MARKET MAKER OBLIGATIONS ("Obligations")

1. Without prejudice to the other powers of the Exchange in relation to the Obligations, the Obligations as specified below 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 the Obligations will be notified to Exchange Participants.

2. The Exchange has absolute discretion to prescribe from time to time different Obligations with respect to different Dual Counter Securities. Such different Obligations will be notified to Exchange Participants. Unless otherwise notified to Exchange Participants, the Obligations with respect to each of the Dual Counter Securities may be prescribed by the Exchange at the following levels or within the following ranges:

	Ranges within which the Obligations may be prescribed
The maximum spread of two-sided market making orders entered by a Dual Counter Market Maker into the System during the Continuous Trading Session	The wider of 0.25 to 3.00 percent and such number of spread(s) as the Exchange may specify from time to time
The minimum quote size of market making orders that a Dual Counter Market Maker submits during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session in accordance with Regulation (9)	RMB50,000 to 1,000,000
The minimum period of time for which a Dual Counter Market Maker shall maintain a pair of two-sided market making orders after initially entering it into the System during (1) the Continuous Trading Session, (2) the Pre-opening Session until the end of the random matching period and (3) the Closing Auction Session until the end of the random closing period	0 to 120 seconds
The minimum participation rate of a Dual Counter Market Maker during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session in one trading day	50 to 90 percent
The length of time for counting the minimum participation rate for two-sided	0 to 900 seconds

market making orders that are in no less than the minimum quote size and are maintained in no less than the minimum period of time until the end of the random matching period of the Pre-opening Session	
The length of time for counting the minimum participation rate for two-sided market making orders that are in no less than the minimum quote size and are maintained in no less than the minimum period of time until the end of the random closing period of the Closing Auction Session	0 to 360 seconds

3. In the event that a Dual Counter Market Maker fails to meet the minimum participation rate in a Dual Counter Security in a trading day in accordance with the Nineteenth Schedule for five or more days in a month for two consecutive months, its Dual Counter Market Maker permit for that Dual Counter Security may be suspended or revoked at the Exchange's discretion.

3A. In the event that a Designated Specialist of a Dual Counter Market Maker fails to meet the minimum participation rate in a Dual Counter Security in a trading day in accordance with the Nineteenth Schedule for five or more days in a month for two consecutive months, the registration of the Designated Specialist may be revoked at the Exchange's discretion and its name and other details removed from the Register of Designated Specialists.

4. The Exchange may, in its absolute discretion, determine at any time that there is a fast market or there is no longer a fast market. A fast market may be determined by the Exchange in circumstances including, but not limited to, where the nominal price of the security is highly volatile over a short period of time.