

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Trading and Clearing Operational Arrangements Relating to Potential Capital Adjustment to The Wharf (Holdings) Ltd. Stock Futures Contracts - Conditional Distribution

Enquiry: HKATS Hotline¹ Tel: 2211-6360
DCASS Hotline Tel: 2979-7222

Reference is made to the circular dated 13 Sep 2017 (Ref. No.: MO/DT/146/17). The Wharf (Holdings) Ltd. ("Wharf Holdings") announced that resolutions are expected to be presented to the Board on or around Tuesday, 14 November 2017 for the purpose of, inter alia, its approval of the Proposed Spin-off of the Wharf Real Estate Investment Company Limited ("Wharf REIC Group") and declaration of a conditional special interim dividend to be satisfied by way of the Distribution. Participants are requested to note that capital adjustment to the futures contracts below will be made on the ex-date if the Distribution is declared by the Board:

Underlying Stock Name of the Stock Futures Contracts (Stock Code)	The Wharf (Holdings) Ltd. (00004)
HKATS Code	WHL
Corporate Action	Spin-off and separate listing of Wharf REIC Group on the SEHK by way of the Distribution by Wharf Holdings of the Wharf REIC Shares to the Qualifying Wharf Holdings Shareholders ("Entitlement")
Entitlement Ratio	1 (one Wharf REIC Group Share for every one Wharf Holdings Share)
Ex-date	16 November 2017
Listing Day of Wharf REIC Group	To be announced

For details of the announcement made by Wharf Holdings on 4 September 2017 and 2 November 2017, please refer to the hyperlinks below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0904/LTN201709041758.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1102/LTN201711021463.pdf>

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

Trading Arrangements

1. Transfer of Outstanding Positions

Outstanding positions of Wharf Holdings stock futures class which exist after the market close on the business day immediately before the ex-date will be **transferred** on a **one-to-one** basis to a temporary trading symbol WHA.

2. Suspension of Trading

Since the value of the Entitlement is not available until the value of Wharf REIC Group is determined, trading of outstanding positions under temporary trading symbol WHA will be suspended from the ex-date (i.e. 16 November 2017) to the listing day of Wharf REIC Group (both dates inclusive).

3. Introduction of New Series for Trading

On the ex-date, new series of Wharf Holdings stock futures series based on the standard contract multiplier will be introduced for trading under the standard trading symbol WHL.

4. Adjustment to Outstanding Positions upon the Determination of Wharf REIC Group's Value

The value of Wharf REIC Group will be determined by the volume weighted average price (VWAP) of those auto-matched trades of Wharf REIC Group on its listing day on the SEHK. When the value of the Entitlement has been determined, adjustment will be made to outstanding positions under trading symbol WHA. The adjusted positions will be transferred to trading symbol WHB. Positions under trading symbol WHB will commence trading from the business day immediately after the listing day of Wharf REIC Group.

Details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	(Underlying stock closing price before the ex-date minus Entitlement) / Underlying stock closing price before the ex-date	Rounded to the nearest 4 decimal places
Adjusted Contracted Price (ACP)	Contracted price of outstanding stock futures series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Multiplier (ACM)	Contracted price of outstanding stock futures series x (1,000 shares / ACP)	Rounded to the nearest 4 decimal places

Remark: Entitlement is Wharf REIC Group's value times the Entitlement Ratio for each Wharf share

Below is a summary of the trading arrangement for all Wharf Holdings stock futures contracts:

Contract	Trading Symbol	Underlying Stock	Contract Size (Shares)	Introduction Date	Availability For Trading	Addition of New Stock Futures Series on and after Ex-date
Standard	WHL	Wharf Holdings (ex-entitlement)	1,000	Ex-date	From the ex-date onwards	Yes
Adjusted	WHA	Wharf Holdings & Entitlement	1,000	Ex-date	Nil	No
Adjusted	WHB	Wharf Holdings (ex-entitlement)	ACM	The 1 st business day after the listing day of Wharf REIC Group	From introduction date to 28 June 2018	

The adjusted and standard stock futures series are distinct contracts and are represented by different trading symbols in HKATS/DCASS. Particulars of all existing and adjusted stock futures series will be shown in DCASS report “Capital Adjustment Series” TP011 after the DCASS batch processing on the business day immediately before the ex-date.

Capital adjustments, once being made, are conclusive and binding on all relevant stock futures contracts. The capital adjustments made will not be reversed even if the proposed corporate action is subsequently disapproved by relevant authorities, including but not limited to regulatory authorities and the court.

Participants should pay particular attention that the settlement amount of adjusted and standard stock futures series on the expiry day will be calculated using their respective contract multipliers. There will not be any changes to the number of open positions and other contract terms after the transfer of positions.

Clearing and Risk Management Arrangements

Position offset among the standard WHL, the adjusted WHA and WHB stock futures series is **NOT allowed**.

For risk management arrangements of the stock futures contracts for such corporate action, please refer to the Attachment for details.

Inform Your Staff and Clients

Participants should notify all clients holding positions in the captioned stock futures class of the details of the arrangements for trading and clearing. **In particular, Participants should fully communicate with your clients on the transfer of outstanding position to the temporary trading symbol WHA and its suspension from the ex-date until the listing day of Wharf REIC Group (inclusive).** Please ensure that your back office systems are ready for a smooth operation in handling this capital adjustment. In addition, all your staff should be fully aware of the trading and clearing arrangements and should exercise caution when dealing with the adjusted and standard option series and when advising your clients.

Jason Wan
Vice President
Derivatives Trading
Markets Division

This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Attachment

Risk Management Arrangements

The closing price difference¹ of Wharf Holdings shares on the ex-date (i.e. 16 November 2017) and the trading day prior to the ex-date (i.e. 15 November 2017) would be used as an estimate² of the value of Entitlement for the purpose of daily settlement price determination, margin and variation adjustment calculation of the WHA stock futures contracts.

Participants should note that WHA stock futures contracts would be margined **separately from the standard WHL stock futures contracts** from the ex-date to the date of capital adjustment made (i.e. The 1st business day after the Listing Day of Wharf REIC Group) since they would no longer be sharing the same underlying³. After the capital adjustment made on the 1st business day after the listing day of Wharf REIC Group, the positions of standard WHL and adjusted WHB stock futures contracts would be margined together according to normal procedures as they would be sharing the same underlying (i.e. Wharf Holdings).

¹ Would be set to zero should the closing price on the ex-date is higher than that on the trading day prior to the ex-date.

² HKCC may, in its discretion, adjust the value of such estimation.

³ The underlying of the WHA stock futures contracts would be Wharf Holdings and the Entitlement (i.e. Wharf REIC Group), while that of the WHL stock futures contracts would be Wharf Holdings only.