

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG 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 Option 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/147/17). 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 stock option contracts below will be made on the ex-date if the Distribution is declared by the Board:

Underlying Stock Name of the Stock Options 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 option 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 options based on the standard contract size 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 Exercise Price (AEP)	Exercise price of outstanding stock option series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Size (ACS)	Exercise price of outstanding stock option series x (1,000 shares / AEP)	Rounded to the nearest 4 decimal places

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

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

Contract	Trading Symbol	Underlying Stock	Contract Size (Shares)	Introduction Date	Availability For Trading	Addition of New Option 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
	WHB	Wharf Holdings (Ex-entitlement)	ACS	The 1 st business day after the Listing day of Wharf REIC Group	From introduction date to 27 September 2018	

For stock options of Wharf Holdings under trading symbols WHL and WHB, the trading fee level shall be Tier 1 and the position limit shall be 50,000 contracts combined.

The adjusted and standard stock option series are distinct contracts and are represented by different trading symbols in HKATS/DCASS. Particulars of all existing and adjusted stock option 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 option 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 option series on the expiry day will be calculated using their respective contract sizes. There will not be any changes to the number of open positions and other contract terms after the transfer of positions.

Clearing, Settlement and Risk Management Arrangements

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

For clearing, settlement and risk management arrangements relating to shares collateral and exercise / assignment of adjusted stock option class, please refer to the Attachment for details.

Inform Your Staff and Clients

Participants should notify all clients holding positions in the captioned stock options class of the details of the arrangements for trading and clearing and the associated risk. **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 (both dates 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

Clearing, Settlement and Risk Management Arrangements

Before ex-date

Pending stock positions resulting from exercise and assignment of WHL stock option series effected on or before the business day immediately before ex-date will be cum entitlement and settled via CCASS as usual.

All covered call positions of WHL stock option series will be decoupled automatically after the day-end margin calculation on the business day immediately before the ex-date. Participants can use the ex-entitlement Wharf Holdings shares to cover the standard WHL stock option series introduced on the ex-date.

During the period from ex-date to the listing day of Wharf REIC Group

Participants would **NOT** be allowed to cover the WHA stock option contracts using the ex-entitlement Wharf Holdings shares.

Participants can submit the exercise requests via the DCASS in respect of the WHL and WHA stock option series from the ex-date (i.e. 16 November 2017) to the listing day of Wharf REIC Group. However, on any expiry days before the listing day of Wharf REIC Group, **the automatic exercise arrangement will NOT be applied for spot month WHA spot option series**. While all exercise and assignment arrangements of the standard WHL stock option contracts are as normal, participants should note the following arrangements relating to the exercise and assignment of the WHA stock option series:

- (a) Settlement Amount: payment/receipt of the full settlement amount (according to the exercise price of the WHA stock option series) via CCASS;
- (b) Wharf Holdings shares portion: delivery/receipt of ex-entitlement Wharf Holdings shares via CCASS. Results of exercise and assignment of the WHA stock option series and the resulted settlement obligation of the full settlement amount and Wharf Holdings shares portion would be shown in the DCASS report "Exercise and Assign Summary" (TP009); and
- (c) Entitlement portion (Wharf REIC Group shares): settlement in cash according to the Entitlement Ratio and Wharf REIC Group value. The cash settlement would be pending until Wharf REIC Group's value is determined and would be settled on the first business day after the listing day of Wharf REIC Group. Written notification of the pending cash settlement relating to Wharf REIC Group shares would be provided separately to Participants upon exercise and assignment.

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

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

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

value of Entitlement for the purpose of daily settlement price determination and margin calculation of the WHA stock option series. Participants should also note that the positions of WHA stock option contracts would be **margined separately from the standard WHL stock option series** since they would no longer be sharing the same underlying³.

For Participants with pending delivery obligations of Wharf REIC Group shares to be settled in cash (i.e. exercised put or assigned call) after exercise/assignment of the WHA stock option positions, SEOCH would collect special margin on such pending delivery obligations based on the above-mentioned closing price difference of Wharf Holdings shares from the date of exercise/assignment + 1 business day to the date of Entitlement settlement (i.e. the first business day after the listing day of Wharf REIC Group). Such special margin would be recorded under a CCMS special collateral account and concerned Participants would be notified by SEOCH individually for the collection/release of such special margin.

From the first business day after the listing day of Wharf REIC Group onwards

Exercise and assignment of the stock option series under the trading symbol WHB in adjusted Wharf Holdings stock option contracts will result in odd lots and fractional shares. The integral number of shares (including the odd lots) will be settled via CCASS under normal procedures. The fractional shares of each contract exercised will be settled in cash via CCMS on the day of exercise. The actual cash settlement amount of the fractional shares is the difference between the exercise price of the stock option contracts and the market closing price of the underlying stock on the day of exercise times the fractional shares quantity for each contract exercised/assigned.

The settlement of fractional shares in cash is not liable to stamp duty provided that the contract notes so executed by the party for the sale and purchase of shares arising from the exercise of an stock option contract only include the whole number of shares.

Exercise and assignment of standard WHL stock option series will result in stock settlement obligation of a standard board lot of 1,000 shares per contract and settled in CCASS under normal procedures.

Participants can use the Wharf Holdings shares to cover the adjusted WHB stock option series (which carry odd lots and fractional shares) using the exact odd quantity of stock.

The positions of standard WHL and adjusted WHB stock option series would be margined on a portfolio basis according to normal procedures as they would be sharing the same underlying (i.e. Wharf Holdings).

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