

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 the Capital Adjustment of MTR Corporation Ltd. Stock Option Contracts – Special Dividend

**Enquiry:** HKATS Hotline Tel: 2211-6360

DCASS Hotline Tel: 2979-7222

Participants are requested to note that MTR Corporation Ltd. (“MTR”) has announced a payment of special dividend. Capital adjustment to the stock options contracts below will be made on the ex-date:

<b>Underlying Stock Name of the Stock Option Contracts (Stock Code)</b>	MTR Corporation Ltd. (00066)
<b>HKATS Code</b>	MTR
<b>Corporate Action</b>	Special Dividend of HK\$4.40 in aggregate per Share (will be paid in two equal tranches of HK\$2.20 per Share)
<b>Ex-date</b>	First Special Dividend: 20 May 2016 Second Special Dividend: To be announced by MTR

For details of the announcements made by MTR on 14 March 2016 and 3 May 2016 respectively, please refer to the hyperlink below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0314/LTN20160314045.pdf>

<http://www.hkexnews.hk/listedco/listconews/sehk/2016/0503/LTN201605031293.pdf>

## Trading Arrangements

The trading arrangements for the existing MTR stock options under trading symbol MTR will be as follows:

### 1. Adjustment and Transfer of Outstanding Positions

Open positions of MTR stock option series under trading symbol MTR which exist after the market close on the business day immediately before the ex-date will be adjusted and transferred to stock option series under trading symbol MTA.

### 2. Introduction of New Stock Option Series for Trading

On the ex-date, new MTR stock option series based on the standard contract size will be introduced for trading under the standard trading symbol MTR.

Details of the adjustment procedures for MTR stock options series under trading symbol MTR are as follows:

Adjustment Term	Formula	Remarks
<b>Adjustment Ratio (AR)</b>	$\frac{(\text{underlying stock closing price} - \text{ordinary dividend} - \text{special dividend})}{(\text{underlying stock closing price} - \text{ordinary dividend})}$	Rounded to the nearest 4 decimal places
<b>Adjusted Exercise Price (AEP)</b>	Exercise price of outstanding stock option series x AR	Rounded to the nearest 2 decimal places
<b>Adjusted Contract Size (ACS)</b>	Exercise price of outstanding stock option series x (500 shares / AEP)	Rounded to the nearest 4 decimal places

Contract	Trading Symbol	Contract Size (Shares)	Availability For Trading	Addition of New Stock Option Series on and after the ex-date
Adjusted	MTA	ACS	From ex-date to 30 March 2017	No
Standard	MTR	500	From ex-date onwards	Yes

For stock options of MTR under trading symbols MTR and MTA, the trading fee level shall be Tier 2 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 TP011 after the DCASS batch processing on the business day immediately before the ex-date day.

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 and Settlement Arrangements*

Position offset between the standard MTR and the adjusted MTA stock option series is not allowed.

For clearing and settlement 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 option contracts the details of trading and clearing operational arrangements and the associated risk. 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 standard and adjusted stock option contracts and when advising your clients.

Sanly Ho  
Head  
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 and Settlement Arrangements Relating to Shares Collateral and Exercise / Assignment of Adjusted Stock Option Series**

**Shares Used as Cover Collateral**

All covered call positions will be discovered automatically after the day-end margin calculation on the business day immediately before the ex- date. Participants are requested to cover, if possible, those naked short call positions of the adjusted stock option series before market open of the ex-date. Otherwise, these naked short call positions will become marginable in the subsequent intra-day or day-end margin calculation. Since the contract sizes of the adjusted stock option series will carry odd lots and fractional shares, participants who wish to cover any adjusted stock option series must use the exact odd quantity of stock while standard board lots can only be used to cover the standard stock option series.

**Pending Stock Positions**

Pending stock positions resulting from exercise / assignment effected on or before the business day immediately before the ex-date will be cum entitlement and settled via CCASS.

**Settlement of Exercised Options Trades**

The exercise and assignment of contracts in adjusted stock option series 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 series 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 option contract only include the whole number of shares.

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