

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: Amendments to the Operational Trading Procedures for Options Trading Exchange Participants (the “Procedures”) of The Stock Exchange of Hong Kong Limited (“SEHK”)

Enquiry: HKATS Hotline¹ (Tel: 2211-6360 E-mail: hkatssupport@hkex.com.hk)

Holders of Stock Exchange Trading Rights and Exchange Participants of SEHK are requested to note that the Securities and Futures Commission has approved amendments to the Procedures of SEHK for the purpose of revising the adjustment method for stock options in relation to spin-offs.

The amendments, as set out in the Appendix, will come into effect on Friday, 8 April 2022.

The marked-up version of the amendments can be downloaded from the [“Rule Update - Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange”](#) sections of the HKEX website.

Florence Leung
Head of Legal

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

Operational Trading Procedures for Options Trading Exchange Participants

Chapter 8: Special Events

8.3 Standard Adjustment Methodology

For each capital adjustment, there will be an adjustment ratio. In each case, the old exercise price of the option contract will be **multiplied** by this adjustment ratio to obtain the **adjusted exercise price**. The corresponding **adjusted contract size** is obtained by **dividing** the old contract value by the adjusted exercise price, unless otherwise specified. The old contract value is simply the product of the old exercise price and the old contract size.

The following table describes the rules for all the standard capital adjustment events.

Figure 1: Standard Terms of Capital Adjustments		
Event	Adjusted Exercise Price (AEP) =	Adjusted Contract Size (ACS) =
Spin-off³ (with Entitlement) E is the value of the entitlement of the spin-off calculated using VWAP ⁴ on its first trading day. S is the value of the share calculated using VWAP ⁴ on E's first trading day.	Old Exercise Price (OEP) times: $\frac{S}{S + E}$	If S/S+E is equal to or above the Exchange's prescribed limit ⁵ $\frac{OEP * \text{Old Contract Size}}{AEP}$ If S/S+E is below the Exchange's prescribed limit ⁵ $\frac{\text{Old Contract Size}}{\text{the Exchange's prescribed limit}^5}$
The shaded area is the "adjustment ratio"		

³ No capital adjustment will be made in respect of any preferential offering arising from a spin-off as entitlement will not be extended to all shareholders. Capital adjustments in respect of spin-offs which do not involve the listing of the relevant company's shares will be considered on a case-by-case basis.

⁴ The Volume Weighted Average Price (VWAP) is determined by calculating the summation of the value of each transaction (i.e. price multiplied by number of shares traded) and then dividing it by the total shares traded for the day.

⁵ The Exchange's prescribed limit shall be such adjustment ratio floor value as may be prescribed by the Exchange from time to time.