

Adjustment Procedures

Adjustments will be made to the open positions of captioned stock option class which exist after the market close on the business day immediately before the Effective Date. The details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	1 Share / 5 Subdivided Shares = 0.2000	Rounded to the nearest 4 decimal places
Adjusted Exercise Price (AEP)	Exercise price of outstanding option series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Size (ACS)	Exercise price of outstanding option series x (100 shares / AEP)	Rounded to the nearest 4 decimal places

The adjustments, once being made, are conclusive and binding on all relevant option contracts. The 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.

Parallel Trading

After the market close on the business day immediately before the Effective Date, the open positions will be transferred to the adjusted option series. In addition, new option series based on the standard contract size will be introduced for trading on the Effective Date. The adjusted and standard option series are distinct contracts and are represented by different trading symbols in HKATS/DCASS. Particulars of all existing and adjusted option series will be shown in DCASS report TP011 after the DCASS batch processing on the business day immediately before the Effective Date. Details of the parallel trading on and after the Effective Date are illustrated below:

Contract	Trading Symbol	Contract Size (Shares)	Availability For Trading	Addition of New Option Series on and after the Effective Date
Adjusted	TCA	500	From Effective Date to 30 March 2015	No
Standard	TCH	100	From Effective Date onwards	Yes

Participants should pay particular attention that the cash settlement amount of adjusted and standard 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

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 class of the details of the operational arrangements for trading and clearing. Please ensure that your back office systems are ready for a smooth operation. 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.

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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.

Clearing and Settlement Arrangements Relating to Shares Collateral and Exercise / Assignment of Adjusted Stock Option Class

Shares Used as Cover Collateral

All covered call positions will be decoupled automatically after the day-end margin calculation on the business day immediately before the Effective Date. Participants are requested to cover, if possible, those naked short call positions of the adjusted option contracts before market open of the Effective Date. Otherwise, these naked short call positions will become marginable in the subsequent intra-day or day-end margin calculation. Participants who wish to cover any adjusted or standard option contracts must use the exact quantity of stock as appropriate.

Date of cover request via DCASS	On or before 14 May 2014	15 & 16 May 2014	19 May to 30 May 2014	On or after 3 June 2014
Stock used as cover collateral	700 (Old)	700 (Old)	2988 (Temporary)	700 (New)
DCASS:CCMS stock ratio	1:1 (e.g. cover of 100 shares via DCASS would result in 100 shares of 700 on-hand in CCMS)	5:1 (e.g. cover of 500 shares via DCASS would result in 100 shares of 700* on-hand in CCMS)	1:1	1:1

* Each share of 700 (Old) would be converted to 5 shares of 2988 (Temporary) at day-end of 16 May 2014 during the CCASS Share Subdivision process

- 700 (Old) : Existing shares of HK\$0.0001 each trading in board lot of 100 shares
- 2988 (Temporary) : Temporary counter for trading in board lot of 500 Subdivided Shares
- 700 (New) : Subdivided Shares of HK\$0.00002 each trading in board lot of 100 shares

Pending Stock Positions

Pending stock positions resulting from exercise / assignment of TCH option contracts effected on or before the business day immediately before the Effective Date will be settled via CCASS under the old shares (stock code 700) according to the old contract terms of 100 shares per contract.

Settlement of Exercised Options Trades

As stock settlement is transacted via CCASS, settlement of pending stock positions resulting from exercise and assignment of TCA and TCH option contracts during the Share Subdivision process will be in synchronization with the CCASS share conversion schedule. Please note that the exercise and assignment of TCA and TCH option contracts will result in stock settlement obligations of 500 shares and 100 shares respectively. Participants should ensure that there are sufficient stock balances in the appropriate stock counter in their corresponding CCASS stock accounts to complete settlement obligations arising from exercise/assignment.

The arrangement for settlement of exercised option trades is summarized as follows:

Transaction date of exercised option trades	On or before 14 May 2014	15 May to 28 May 2014 (Trading in temporary counter starts)	On or after 29 May 2014 (Parallel trading of new counter of 700 starts)
Stock counter for settlement of exercised option trades via CCASS	700 (Old)	2988 (Temporary)	700 (New)