



## Trading Arrangements

### 1. Transfer of Outstanding Positions

Outstanding positions of Li & Fung stock option class which exist after the market close on the business day immediately before the ex-date will be **transferred** to a temporary trading symbol LIA. Since the value of the Entitlement is not available until the value of GBG is determined, trading of outstanding positions under temporary trading symbol LIA will be suspended from the ex-date to the listing day of GBG (both dates inclusive).

### 2. Introduction of New Series for Trading

On the ex-date, new series of Li & Fung stock options (deliverable is 2,000 Li & Fung shares per contract on an ex-entitlement basis) will be introduced for trading under the standard trading symbol LIF.

### 3. Capital Adjustment to Outstanding Positions under Trading Symbol LIA upon the Determination of GBG's Value

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

The adjusted and standard stock option contracts are distinct contracts and 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 introduction dates below.

Details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
<b>Adjustment Ratio (AR)</b>	(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
<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 (2,000 shares / AEP)	Rounded to the nearest 4 decimal places

Remark: Entitlement is GBG's value times the Entitlement Ratio for each Li & Fung share

Contract	Trading Symbol	Underlying Stock	Contract Size (Shares)	Introduction Date	Availability For Trading	Addition of New Option Series on and after Ex-date
Standard	LIF	Li & Fung (ex-entitlement)	2,000	Ex-date	From the ex-date onwards	Yes
Adjusted	LIA	Li & Fung & Entitlement	2,000	Ex-date	Nil	No
Adjusted	LIB	Li & Fung (ex-entitlement)	ACS	The 1 <sup>st</sup> business day after the Listing day of GBG	From introduction date to 29 Jun 2015	No

*Clearing, Settlement and Risk Management Arrangements*

For clearing settlement and risk management arrangements relating to shares collateral, exercise / assignment, daily settlement price determination and margin calculation of the adjusted option classes, 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 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 LIA and its suspension from the ex-date until the listing day of GBG (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.

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Encl.

*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, Settlement and Risk Management Arrangements**Before ex-date

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

All covered call positions of LIF stock option contracts 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 Li & Fung shares to cover the standard LIF stock option contracts introduced on ex-date.

During the period from ex-date to the listing day of GBG

During the period from ex-date to the listing day of GBG, Participants would **not** be allowed to cover the LIA stock option contracts using the ex-entitlement Li & Fung shares.

Participants can exercise the LIF and LIA stock option contracts. While all exercise and assignment arrangements of the standard LIF stock option contracts are as normal, Participants should note the following arrangements relating to the exercise and assignment of the LIA stock option contracts:

1. Exercise and assignment of the LIA stock option contracts would be settled in the following manner:
  - (a) Settlement Amount: payment/receipt of the full settlement amount (according to the exercise price of the LIA stock option contracts) via CCASS.
  - (b) Li & Fung shares portion: delivery/receipt of ex-entitlement Li & Fung shares via CCASS. Results of exercise and assignment of the LIA stock option contracts and the resulted settlement obligation of the full settlement amount and Li & Fung shares portion would be shown in the DCASS report “Exercise and Assign Summary” (TP009).
  - (c) Entitlement portion (GBG shares): settlement in cash according to the Entitlement Ratio and GBG value. The cash settlement would be pending until GBG’s value is determined and would be settled on the 1<sup>st</sup> business day after the listing day of GBG. Written notification of the pending cash settlement relating to GBG shares would be provided separately to Participants upon exercise and assignment.

The closing price difference<sup>1</sup> of Li & Fung on the ex-date and the trading day prior to the ex-date would be used as an estimate<sup>2</sup> of the value of Entitlement for the purpose of daily settlement price determination and margin calculation of the LIA stock option contracts. Participants should also note that the positions of LIA stock option contracts would be margined **separately from the standard LIF stock option contracts** since they would no longer be sharing the same underlying<sup>3</sup>.

For Participants with pending delivery obligations of GBG shares to be settled in cash (i.e. exercised put or assigned call) after exercise/assignment of the LIA stock option positions, SEOCH would collect special margin on such pending delivery obligations based on the above-mentioned closing price difference of Li & Fung from the date of exercise/assignment + 1 business day to the date of Entitlement settlement (i.e. the 1<sup>st</sup> business day after the listing day of GBG). 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 1<sup>st</sup> business day after the listing day of GBG (adjustment effective date) onwards

Exercise and assignment of the stock option contracts under the trading symbol LIB in adjusted Li & Fung 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 positions of standard LIF and adjusted LIB stock option contracts would be margined on a portfolio basis according to normal procedures as they would be sharing the same underlying (i.e. Li & Fung) after the capital adjustment made on the 1<sup>st</sup> business day after the listing day of GBG.

### Note:

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. SEOCH may, in its discretion, adjust the value of such estimation.
3. The underlying of the LIA stock option contracts would be Li & Fung and the Entitlement (i.e. GBG), while that of the LIF stock option contracts would be Li & Fung only