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**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**

事項 Trading and Clearing Arrangements Relating to the Capital Adjustment to  
Subject: Swire Pacific Limited "A" Options Contract – Conditional Dividend

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Participants are requested to note that capital adjustment to the options contract below will be made on the ex-date based on the corporate action announced:

<b>Underlying Stock Name of the Stock Options Contract (Stock Code)</b>	Swire Pacific Limited "A" (Swire A) (SEHK Code: 19)
<b>HKATS Code</b>	SWA
<b>Corporate Action</b>	Conditional special interim dividend (Conditional Dividend) in specie of 1 share of Swire Properties Limited (SPL) for every 10 Swire A shares (Entitlement)
<b>Ex-date</b>	22 April 2010

For details of the announcements made by Swire Pacific Limited on 18 April 2010, please refer to the hyperlink below:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100418/LTN20100418015.pdf>

*Trading Arrangements*

The trading arrangements for Swire A options will be as follows:

1. Transfer of Outstanding Positions

Outstanding positions of Swire A options which exist after the market close on the business day immediately before the ex-date will be transferred to a temporary trading symbol SWB. Since the value of the Entitlement is not available until the IPO price of SPL is fixed, trading of outstanding positions under temporary trading symbol SWB will be suspended from the ex-date to the business day after the IPO price is fixed (i.e. up to IPO price fixing date + 1 day).

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2. Introduction of New Series for Trading

On the ex-date, new series of Swire A Options (deliverable is 500 Swire A shares per contract on an ex-entitlement basis) will be introduced for trading under the standard trading symbol SWA.

3. Capital Adjustment to Outstanding Position under Trading Symbol SWB

When the value of the Entitlement is determined upon the announcement of the IPO price of SPL, capital adjustment will be made to outstanding positions under trading symbol SWB and the adjusted positions will be transferred to trading symbol SWC. Positions under trading symbol SWC will commence trading from the second business day after the IPO price fixing date (IPO price fixing date + 2 day). Series under trading symbol SWB will remain suspended.

Adjustment will be made after the close of trading on the business day prior to the trading commencement date of positions under trading symbol SWC. Details of the adjustment procedures are as follows:

<b>Adjustment Term</b>	<b>Formula</b>	<b>Remark</b>
<b>Adjustment Ratio (AR)</b>	(underlying stock closing price before the ex-date – 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 option series × AR	Rounded to the nearest 2 decimal places
<b>Adjusted Contract Size (ACS)</b>	(Exercise price of outstanding option series x 500 shares) / AEP	Rounded to the nearest 4 decimal places

Remark: Entitlement is SPL's IPO Price times the Entitlement ratio of 10% for each Swire A share

The adjusted and standard 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 TP011 after the DCASS batch processing on the business day immediately before the introduction dates below. The parallel trading arrangements from the ex-date onwards are illustrated below:

<b>Contract</b>	<b>Trading Symbol</b>	<b>Underlying Stock</b>	<b>Contract Size (Shares)</b>	<b>Introduction Date</b>	<b>Availability For Trading</b>	<b>Addition of New Series</b>
Standard	SWA	Swire A (ex-entitlement)	500	Ex-date	From the ex-date onwards	Yes
Adjusted	SWB	Swire A & Entitlement	500	Ex-date	Nil	No
Adjusted	SWC	Swire A (ex-entitlement)	ACS	IPO price fixing date + 2 day	From introduction date to 30 Dec 2010	No

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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 strike prices and 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*

For clearing, settlement and risk management arrangements of the options contracts for such corporate action, 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, clearing and settlement. 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.

P C Wong  
Vice President  
Derivatives Market Department

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 SWA options 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 SWA options 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 Swire A shares to cover the standard SWA options contracts introduced on ex-date.

**During the period from ex-date to IPO pricing fixing date + 1 day**

During the period from ex-date to IPO pricing fixing date + 1 day, Participants would **not** be allowed to cover the SWB options contracts using the ex-entitlement Swire A shares.

Participants can exercise the SWA and SWB options contracts. While all exercise and assignment arrangements of the standard SWA options contracts are as normal, participants should note the following arrangements relating to the exercise and assignment of the SWB options contracts:

1. SEOCH will suspend the auto-exercise function for those spot month SWB options contracts on the expiry day(s) (e.g. 29 April 2010), but participants can still manually exercise those expiring SWB contracts.
2. Exercise and assignment of the SWB options contracts would be settled in the following manner:
  - (a) Settlement Amount: payment/receipt of the full settlement amount (according to the SWB options contracts exercise price) via CCASS.
  - (b) Swire A shares portion: delivery/receipt of ex-entitlement Swire A shares via CCASS. Results of exercise and assignment of SWB options contracts and the resulted settlement obligation of the full settlement amount and Swire A shares portion would be shown in the DCASS Report Exercise and Assign Summary (TP009).
  - (c) Entitlement portion (SPL shares): settlement in cash according to the entitlement ratio (1 share of SPL for every 10 Swire A shares) and IPO price. The cash settlement would be pending until IPO price is fixed and would be settled on IPO pricing fixing date + 1 day. Written notification of the pending cash settlement relating to SPL shares would be provided separately to Participants upon exercise and assignment.

The closing price difference<sup>1</sup> of Swire A 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 SPL Entitlement for the purpose of daily settlement price determination and margin calculation of the SWB options contracts. Participants should also note that the positions of SWB and SWA options contracts would be margined independently since they would no longer be sharing the same underlying<sup>3</sup>.

For participants with pending delivery obligations of SPL shares to be settled in cash (i.e. exercised put or assigned call) after exercise/assignment of the SWB options positions, SEOCH would collect special margin on such pending delivery obligations based on the above-mentioned closing price difference of Swire A from the date of exercise/assignment + 1 day to the date of Entitlement settlement (i.e. IPO pricing fixing date + 1 day). 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 IPO pricing fixing date + 2 day (adjustment effective date) onwards

Exercise and assignment of the options contracts under the trading symbol SWC in adjusted Swire A 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 SWA and adjusted SWC options contracts would be margined on a portfolio basis according to normal procedures as they would be sharing the same underlying (i.e. Swire A) after the capital adjustment made on IPO price fixing date + 1 day.

### 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 underlyings of the SWB option contracts would be Swire A and the Entitlement (i.e. SPL) while that of the SWA option contracts would be Swire A only