



編號

MO/DT/063/15

Ref. No.:

日期

Date: 5 May 2015

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

Hong Kong Futures Exchange Limited*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

通告 CIRCULAR

事項 Trading and Clearing Operational Arrangements Relating to the Capital Adjustment
Subject: of CK Hutchison Holdings Limited and Hutchison Whampoa Limited Stock
Futures Contracts

查詢 HKATS Hotline 2211-6360
Enquiry: DCASS Hotline 2979-7222

Reference is made to the announcements made by CK Hutchison Holdings Limited (“CKH Holdings”) and Hutchison Whampoa Limited (“Hutchison”) on 30 March 2015 in relation to the Hutchison Scheme and the Spin-off Proposal.

Section I below covers the operational arrangements for Hutchison stock futures in relation to the Hutchison Scheme. Section II covers the operational arrangements for CKH Holdings stock futures in relation to the Spin-off Proposal.

I. The Hutchison Scheme

CKH Holdings will make a conditional share exchange offer to the Hutchison Scheme Shareholders for the cancellation of all the Hutchison Scheme shares by way of the Hutchison Scheme. Participants are requested to note that subject to the fulfilment of the conditions precedent to the Hutchison Scheme, adjustment to the Hutchison stock futures contracts below will be made on the effective date based on the corporate action announced:

Underlying Stock Name of the Stock Futures Contracts (Stock Code)	Hutchison Whampoa Limited (0013)
HKATS Code	HWL (Contract multiplier: 1,000 shares)
Corporate Action	1 Hutchison Share in exchange for 0.684 CKH Holdings Share
Last Day for Dealing of Hutchison Shares	26 May 2015
Effective Date of Corporate Action	3 June 2015

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For details of the announcement made by Hutchison on 30 March 2015, please refer to the hyperlink below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0330/LTN201503301526.pdf>

Trading Arrangements

The trading arrangements for the existing Hutchison stock futures under trading symbol HWL will be as follows:

1. Suspension of Trading

In view of the closure of the register of member of Hutchison for determining the entitlements to CKH Holdings shares from 29 May 2015 onwards and the commencement of dealings in CKH Holdings shares newly issued to Hutchison Scheme Shareholders, trading of Hutchison stock futures under trading symbol HWL will be suspended from 27 May 2015 to 2 June 2015, both days inclusive.

2. Adjustment and Transfer of Outstanding Positions

Outstanding positions of Hutchison stock futures contracts under trading symbol HWL which exist after the market close on 2 June 2015, i.e. the business day immediately before the effective date will be adjusted and transferred to the adjusted CKH Holdings stock futures contracts under trading symbol CKF. Details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	$1 / 0.684 = 1.4620$	Rounded to the nearest 4 decimal places
Adjusted Contracted Price (ACP)	Contracted price of outstanding stock futures series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Multiplier (ACM)	Contracted price of outstanding stock futures series x (1,000 shares / ACP)	Rounded to the nearest 4 decimal places

Hutchison stock futures contracts will not be available for trading from effective date onwards. The adjusted CKH Holdings stock futures contracts under trading symbol CKF shall follow the Spin-off arrangement stated in Section II below.

Clearing, Settlement and Risk Management Arrangements

1. Final Settlement of Spot-Month Stock Futures Contracts

On 28 May 2015, the spot month HWL stock futures contracts will be cash-settled based on the final settlement price as determined by the Exchange, which shall be the average of readings of (i) the midpoints of the best bid and best ask prices for the underlying common share taken at five-minute intervals from five minutes after the start of, and up to five minutes before the end of, the Continuous Trading Session of SEHK and (ii) the closing price of the underlying common share as quoted by SEHK on 26 May 2015 (i.e. the last day for dealing of Hutchison shares).

2. Risk Management Arrangement

HKCC may temporarily increase the clearing house and client margin levels for the HWL stock futures contracts after the close of business on 26 May 2015. Details of the temporary margin levels will be announced via a separate circular.

II. The Spin-off Proposal

CKH Holdings announced a conditional distribution in specie of Cheung Kong Property Holdings Limited (“CK Property”) under the Spin-off Proposal. Participants are requested to note that subject to the fulfilment of the conditions precedents to the Spin-off Proposal, adjustment to the stock futures contracts below will be made on the ex-date.

Underlying Stock Name of the Stock Futures Contracts (Stock Code)	CK Hutchison Holdings Limited (0001)
HKATS Code	CKH (Contract multiplier: 500 shares)
Corporate Action	Spin-off and separate listing of the CK Property on the SEHK by way of a 100% distribution in specie (Entitlement)
Entitlement Ratio	1 (1 CK Property Share for every 1 CKH Holdings Share)
Ex-date	27 May 2015
Listing Day of CK Property	3 June 2015

For details of the announcement made by CKH Holdings on 30 March 2015, please refer to the hyperlink below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0330/LTN201503301560.pdf>

Trading Arrangements

1. Transfer of Outstanding Positions

Outstanding positions of CKH Holdings stock futures under trading symbols CKH and CKB which exist after the market close on 26 May 2015, i.e. the business day immediately before the ex-date, will be transferred on a **one-to-one** basis to temporary trading symbols CKD and CKE respectively.

2. Suspension of Trading

Since the value of the Entitlement is not available until the value of CK Property is determined, trading of outstanding positions under temporary trading symbols CKD and CKE will be suspended from the ex-date (i.e. 27 May 2015) to the listing day of CK Property (i.e. 3 June 2015) (both dates inclusive).

For the adjusted CKH Holdings stock futures contracts under trading symbol of CKF resulted from the adjustment in relation to the Hutchison Scheme, trading will be suspended on 3 June 2015.

3. Introduction of New Stock Futures Contracts for Trading

On the ex-date, new CKH Holdings stock futures contracts based on the standard contract multiplier will be introduced for trading under the standard trading symbol CKH.

4. Adjustment to Outstanding Positions upon the Determination of CK Property's Value

The value of CK Property will be determined by the volume weighted average price (VWAP) of those auto-matched trades of CK Property on its listing day on the SEHK. When the value of the Entitlement has been determined, adjustment will be made to outstanding positions under trading symbols CKD, CKE and CKF. The adjusted positions will be transferred to trading symbols CKG, CKJ and CKK respectively. Positions under trading symbols CKG, CKJ and CKK will commence trading from the business day immediately after the listing day of CK Property. Details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	(Underlying stock closing price before ex-date minus Entitlement) / Underlying stock closing price before ex-date	Rounded to the nearest 4 decimal places
Adjusted Contracted Price (ACP)	Contracted price of outstanding stock futures series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Multiplier (ACM)	Contracted price of outstanding stock futures series x (No. of shares / ACP)	Rounded to the nearest 4 decimal places

Remark: Entitlement is CK Property's value times the Entitlement Ratio for each CKH Holdings share

Below is a summary of the trading arrangement for all CKH Holdings stock futures contracts:

Contract	Trading Symbol	Underlying Stock	Contract Multiplier (Shares)	Introduction Date	Availability For Trading	Addition of New Stock Futures Series on and after ex-date
Standard	CKH	CKH Holdings (ex-Entitlement)	500	Ex-date	From ex-date onwards	Yes
Adjusted	CKD	CKH Holdings & Entitlement	500	Ex-date	Nil	No
	CKE		1,000			
	CKF		ACM ^{Note 1}	Effective day of the Hutchison Scheme		
	CKG	CKH Holdings (ex-Entitlement)	ACM ^{Note 2}	The 1 st business day after the listing day of CK Property	From introduction date to 30 December 2015	
	CKJ				From introduction date to 29 September 2015	
	CKK				From introduction date to 30 December 2015	

Note 1: ACM is determined under the Hutchison Scheme.

Note 2: ACM is determined under the Spin-off Proposal.

Clearing, Settlement and Risk Management Arrangements

1. Final Settlement of Spot Month Stock Futures Contracts

On 28 May 2015, the final settlement of the spot month CKH stock futures contracts will be effected according to normal procedures.

As the value of the Entitlement is not available until the value of CK Property is determined, the CKD and CKE spot month stock futures contracts will first be settled according to the settlement price¹ as determined by HKCC on 28 May 2015. Final settlement of the CKD and CKE spot month stock futures contracts will be made on 4 June 2015 after the CK Property's value is determined². Written notification for final settlement would be provided separately to Participants on 4 June 2015.

¹ The settlement price as determined by HKCC is the sum of (i) the Final Settlement Price of the CKH (i.e. ex-entitlement CKH Holdings) spot month stock futures contracts and (ii) a proxy price of CK Property (i.e. the closing price difference of CKH Holdings on the ex-date and the trading day prior to the ex-date).

² The value of CK Property will be determined by VWAP of those auto-matched trades of CK Property on its listing day on the SEHK. On 4 June 2015, any difference between the 28 May CK Property proxy price and the CK Property's value determined will be debited/credited to Participants via CCMS.

2. Risk Management Arrangements

The closing price difference³ of CKH Holdings shares on the ex-date (i.e. 27 May 2015) and the trading day prior to the ex-date (i.e. 26 May 2015) would be used as an estimate⁴ of the value of Entitlement for the purpose of daily settlement price determination and variation adjustment calculation of the CKD, CKE and CKF futures contracts.

III. Overall (applicable to both Hutchison Scheme and Spin-off Proposal)

The adjusted and standard stock futures contracts are distinct contracts and are represented by different trading symbols in HKATS/DCASS. Particulars of all existing and adjusted stock futures series will be shown in DCASS report “Capital Adjustment Series” (TP011) after the DCASS batch processing on the business day immediately before the respective ex-date/effective date.

Capital adjustments, once being made, are conclusive and binding on all relevant stock futures 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.

For CKH Holdings stock futures under trading symbols CKH, CKD, CKE, CKF, CKG, CKJ and CKK, the position limit shall be 5,000 contracts combined in any one contract month. **In particular, Participants should note that the combined positions limits shall include the CKH Holdings stock futures contracts resulted from the adjustment of the Hutchison Scheme.**

Participants should pay particular attention that the cash settlement amount of adjusted and standard stock futures contracts on the expiry day will be calculated using their respective contract multipliers. There will not be any changes to the number of open positions and other contract terms after the transfer of positions.

Position offset among the standard CKH, the adjusted CKD, CKE, CKF, CKG, CKJ and CKK stock futures contracts is not allowed.

Participants should also note that the CKD, CKE and CKF stock futures contracts would be margined on a portfolio basis **but separately from the standard CKH stock futures contracts** since they would no longer be sharing the same underlying⁵.

From 4 June 2015 onwards, the positions of standard CKH, adjusted CKG, CKJ and CKK stock futures contracts would be margined on a portfolio basis according to the normal procedures as they would be sharing the same underlying (i.e. CKH Holdings).

³ Would be set to zero should the closing price on ex-date is higher than that on the trading day prior to ex-date.

⁴ HKCC may, in its discretion, adjust the value of such estimation.

⁵ The underlying of the CKD, CKE and CKF stock futures contracts would be CKH Holdings and the Entitlement (i.e. CK Property), while that of the CKH stock futures contracts would be CKH Holdings only.

Inform Your Staff and Clients

Participants should notify all clients holding positions in the captioned stock futures contracts the details of trading and clearing operational arrangements and the associated risk. **In particular, Participants should fully communicate with your clients on the potential suspension of trading of outstanding positions.** 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 standard and adjusted stock futures when advising your clients.

PC Wong
Senior Vice President
Derivatives Trading
Global 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.