

編號 Ref. No.:	CD/OEC/SEOCH/118/2024
日期 Date:	26/04/2024

香港聯合交易所期權結算所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE SEHK OPTIONS CLEARING HOUSE LIMITED

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

通告 CIRCULAR

**Subject: Clearing and Settlement Arrangements for Exercised Option
Contracts with respect to Country Garden Holdings Company Limited**

Enquiry: DCASS Hotline: 2979 7222 / Email: clearingpsd@hkex.com.hk

Trading in shares of Country Garden Holdings Company Limited (stock code: 2007) (“COG”) was suspended on 2 April 2024.

The SEHK Options Clearing House Limited (“SEOCH”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) would like to remind SEOCH Participants and HKSCC Participants of the arrangements with regard to the exercise and assignment of COG stock option contracts and the clearing and settlement of the resulting stock transactions until trading resumption.

1. Exercise and Assignment of COG stock options

Delivery obligations shall arise after exercise and assignment of COG stock options, notwithstanding the trading suspension in COG’s shares. Failure by a SEOCH / HKSCC Participant to duly perform or comply with any of its delivery obligations when due will constitute an event of default under [Rule 701\(5\)](#) of the Options Clearing Rules of SEOCH (“SEOCH Rules”) and [Rule 3701](#) of the General Rules of HKSCC (“HKSCC Rules”). **For those SEOCH Participants which do not have / do not anticipate they will have the necessary COG shares to fulfill their delivery obligations when due, they (i) shall not input any exercise instruction for their put option positions, and (ii) shall input deny instructions for the automatic exercise put option requests generated on the expiry day of the relevant COG stock option contracts (“Expiry Day”) before the System Input Cutoff Time at 18:45.**

SEOCH Participants and HKSCC Participants are reminded that The Stock Exchange of Hong Kong Limited ("Exchange") has revised Rule 539 of the Rules of the Exchange ("SEHK Rules") earlier this year to introduce an additional exemption to the restriction in dealing in suspended securities. [Rule 539](#) of the SEHK Rules states that Exchange Participants are prohibited from dealing in suspended securities. With the amended SEHK Rules, borrowing or lending activity in a suspended security to facilitate the settlement of the delivery obligations which may arise from the exercise and assignment of stock options contracts on the suspended security under the Options Trading Rules and SEOCH Rules will not be considered by the Exchange to constitute a breach of Rule 539 of the SEHK Rules. Please refer to the relevant circular issued by the Exchange on 20 February 2024 ([EQD/01/24](#)) for details.

2. Automatic Exercise Requests generated on Expiry Day

On Expiry Day, pursuant to [Rule 503A](#) of the SEOCH Rules, SEOCH will automatically generate exercise requests for all open long positions in spot month contracts as usual if they meet the exercise criteria prescribed by the relevant SEOCH Participant or SEOCH's exercise criteria¹ if no exercise criteria have been prescribed by the SEOCH Participant. The closing price on the trading day immediately prior to suspension of trading in COG's shares (i.e. 28 March 2024) ("Last Closing Price") will be used as the fixing price for the purpose of automatic exercise on the Expiry Day.

3. Clearing and Settlement of Stock Transactions arising from Exercised / Assigned Options

In accordance with [Rule 508](#) of the SEOCH Rules and [Chapter 6](#) of the Operational Clearing Procedures for Options Trading Exchange Participants of SEOCH, stock transactions arising from the exercise / assignment of COG stock option contracts in SEOCH will be settled through CCASS under the Continuous Net Settlement System ("CNS")² on the second settlement day (T+2) immediately following the day on which the COG stock option contracts are exercised / assigned.

To the extent COG shares are not delivered by HKSCC Participants with outstanding short COG stock positions to CNS for settlement by the final batch settlement run (BSR) at 3:45pm

¹ The in-the-money percentage for stock options is the difference between the strike and fixing price as a percentage of the strike.

² Unless SEOCH specifies otherwise.

on T+2, rendering it not possible or reasonably practicable for HKSCC to deliver COG shares to the recipient HKSCC Participants with long COG stock positions in view of the trading suspension in COG shares, HKSCC will cash settle the outstanding long COG stock positions with the HKSCC Participants concerned in substitution for the delivery of COG shares³ and will also cash settle the outstanding short COG stock positions with the HKSCC Participants concerned in lieu of their obligations to deliver⁴ should trading in COG shares remain suspended on T+2. Having taken into account all relevant circumstances as HKSCC and SEOCH consider appropriate, HKSCC and SEOCH determine that, cash settlement at the price of \$0.485, being the Last Closing Price prior to suspension of trading in COG shares, would be fair and reasonable to the HKSCC Participants concerned. In other words, the outstanding COG positions will be settled as follows:

	Purchase / Selling Price in CNS (CNS Price ⁵)	Cash Settlement Amount
CPs with outstanding long COG Stock positions after the final BSR on T+2	< \$0.485	Receive (\$0.485- CNS Price) x number of shares
	≥ \$0.485	Pay (CNS Price - \$0.485) x number of shares
CPs with outstanding short COG Stock positions after the final BSR on T+2	< \$0.485	Pay (\$0.485- CNS Price) x number of shares
	≥ \$0.485	Receive (CNS Price - \$0.485) x number of shares

The above arrangements will apply to clearing and settlement of stock transactions arising from exercised / assigned COG stock option contracts only. Outstanding positions will be cash-

³ Pursuant to HKSCC Rules [3307](#) and [3606](#) and SEOCH Rule [508B](#), HKSCC and SEOCH are entitled to make money compensation to the HKSCC and SEOCH Participants concerned in substitution for the delivery of COG's shares in whole or in part in such amount as HKSCC and SEOCH may in their absolute discretion determine by reference to the market value of the COG's shares at the time of payment of compensation by HKSCC or SEOCH (or the value at such other time as HKSCC or SEOCH shall consider fair and reasonable in the circumstances).

⁴ Under SEOCH [Rule 508](#), the SEOCH Board may determine that delivery obligations under OCH Contracts are to be performed in some other way (including determining that obligations be settled in cash in lieu of delivery).

⁵ CNS Price = Outstanding Position Trade Amount / Outstanding Position Quantity

settled, regardless if they result from put or call exercise or assignment, and there will be no buy-in exemptions granted. Participants who exercise calls may receive shares and/or cash, and should consider this when making their exercise decisions. HKSCC and SEOCH may or may not apply the same arrangements to other suspended stock option classes depending on the circumstances in a particular case.

For any enquiries, please contact DCASS hotline at 2979 7222 or email to clearingpsd@hkex.com.hk.

Hector Lau
Head of Clearing & Depository
Operations 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.