

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

Subject: Update on Trading and Clearing Operational Arrangements Relating to the Capital Adjustment of CITIC Securities Company Limited Stock Option Contracts – Rights Issue

Enquiry: HKATS Hotline¹ Tel: 2211-6360
DCASS Hotline Tel: 2979-7222

Participants are requested to note that capital adjustment to the stock option contracts below will be made on the ex-rights date based on the corporate action announced:

Underlying Stock Name of the Stock Option Contracts (Stock Code)	CITIC Securities Company Limited CITIC SEC (06030)
HKATS Code	CTS
Corporate Action	1.5 H Rights Shares for every 10 existing H Shares held
Rights Subscription Price	HK\$17.67
Ex-rights date	26 January 2022

For details of the announcement made by CITIC SEC on 26 February 2021 and 14 January 2022, please refer to the hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0226/2021022601693.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0114/2022011400037.pdf>

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

Trading Arrangements

The trading arrangements for the existing CITIC SEC stock options under trading symbol CTS will be as follows:

1. Adjustment and Transfer of Outstanding Positions

Open positions of CITIC SEC stock option series under trading symbol CTS which exist after the market close on the business day immediately before the ex-rights date will be adjusted and transferred to stock option series under trading symbol CTD.

2. Introduction of New Stock Option Series for Trading

On the ex-rights date, new CITIC SEC stock option series based on the standard contract size will be introduced for trading under the standard trading symbol CTS.

Details of the adjustment procedures for CITIC SEC stock options series under trading symbol CTS are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	$\frac{10 \text{ existing Shares} + (1.5 \text{ New Shares} \times \$17.67 / \$S^{\wedge})}{10 \text{ existing Shares} + 1.5 \text{ New Shares}}$	Rounded to the nearest 4 decimal places. Adjustment will only be made if the AR is smaller than 1.
Adjusted Exercise Price (AEP)	Exercise price of outstanding stock option series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Size (ACS)	Exercise price of outstanding stock option series x (1,000 shares / AEP)	Rounded to the nearest 4 decimal places

Where \$17.67 is the Rights Subscription Price for the New Share and \$S[^] is the underlying stock closing price on 25 January 2022 (the business day immediately before the ex-rights date).

Contract	Trading Symbol	Contract Size (Shares)	Availability For Trading	Addition of New Stock Option Series on and after the ex-rights date
Adjusted	CTD	ACS	From ex-rights date to 29 December 2022	No
Standard	CTS	1,000	From ex-rights date onwards	Yes

For avoidance of doubts, the objective of this adjustment method is to adjust the stock option contracts according to the theoretical value of the rights entitlement if there is a positive value before the ex-rights date. If there is no exercise value with the rights, i.e. the underlying price closes at or below the Rights Subscription Price of HK\$17.67 on 25 January 2022 (the business day immediately before the ex-rights date), in other words, AR is equal to or larger than 1, no capital adjustment will be made.

For stock options of CITIC SEC under trading symbols CTS and CTD, the trading fee level shall be Tier 2. The position limit shall be 150,000 contracts combined.

The adjusted and standard stock option series are distinct contracts and are 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 ex-rights date.

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

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

Position offset between the standard CTS and the adjusted CTD stock option series is not allowed.

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 contracts the details of trading and clearing operational arrangements and the associated risk. 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 standard and adjusted stock option contracts and when advising your clients.

Sanly Ho
Co-Head
Trading Department
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.

Attachment

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

Shares Used as Cover Collateral

All covered call positions will be discovered automatically after the day-end margin calculation on the business day immediately before the ex-rights date. Participants are requested to cover, if possible, those naked short call positions of the adjusted stock option series before market open of the ex-rights date. Otherwise, these naked short call positions will become marginable in the subsequent intra-day or day-end margin calculation. Since the contract sizes of the adjusted stock option series will carry odd lots and fractional shares, participants who wish to cover any adjusted stock option series must use the exact odd quantity of stock while standard board lots can only be used to cover the standard stock option series.

Pending Stock Positions

Pending stock positions resulting from exercise / assignment effected on or before the business day immediately before the ex-rights date will be cum entitlement and settled via CCASS.

Settlement of Exercised Options Trades

The exercise and assignment of contracts in adjusted 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 actual cash settlement amount of the fractional shares is the difference between the exercise price of the stock option series and the market closing price of the underlying stock on the day of exercise times the fractional shares quantity for each contract exercised/assigned.

The settlement of fractional shares in cash is not liable to stamp duty provided that the contract notes so executed by the party for the sale and purchase of shares arising from the exercise of an option contract only include the whole number of shares.

Exercise and assignment of standard stock option series will result in stock settlement obligation of a standard board lot of shares per contract and settled in CCASS under normal procedures.