

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 China Evergrande Group**

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Trading in shares of China Evergrande Group (stock code: 3333) ("EVG") was suspended on 29 January 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 EVG stock option contracts and the clearing and settlement of the resulting stock transactions until trading resumption.

### 1. Exercise and Assignment of EVG stock options

Delivery obligations shall arise after exercise and assignment of EVG stock options, notwithstanding the trading suspension in EVG'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 EVG 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 EVG stock option contract ("Expiry Day") before the System Input Cutoff Time at 18:45.**

## **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 criteria<sup>1</sup> if no exercise criteria have been prescribed by the SEOCH Participant. The last trade price available immediately prior to suspension of trading in EVG's shares on 29 January 2024 ("Last Trade 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 EVG stock option contracts in SEOCH will be settled through CCASS under the Continuous Net Settlement System ("CNS")<sup>2</sup> on the second settlement day (T+2) immediately following the day on which the EVG stock option contracts are exercised / assigned.

To the extent EVG shares are not delivered by HKSCC Participants with outstanding short EVG stock positions to CNS for settlement by the final batch settlement run (BSR) at 3:45pm on T+2, rendering it not possible or reasonably practicable for HKSCC to deliver EVG shares to the recipient HKSCC Participants with long EVG stock positions in view of the trading suspension in EVG shares, HKSCC will cash settle the outstanding long EVG stock positions with the HKSCC Participants concerned in substitution for the delivery of EVG shares<sup>3</sup> and will also cash settle the outstanding short EVG stock positions with the HKSCC Participants

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

<sup>2</sup> Unless SEOCH specifies otherwise.

<sup>3</sup> 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 EVG'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 EVG'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).

concerned in lieu of their obligations to deliver<sup>4</sup> should trading in EVG 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 \$0.163, being the Last Trade Price prior to suspension of trading in EVG shares, would be fair and reasonable to the HKSCC Participants concerned. In other words, the outstanding EVG positions will be settled as follows:

	Purchase / Selling Price in CNS (CNS Price <sup>5</sup> )	Cash Settlement Amount
CPs with outstanding long EVG Stock positions after the final BSR on T+2	< \$0.163	Receive (\$0.163 - CNS Price) x number of shares
	≥ \$0.163	Pay (CNS Price - \$0.163) x number of shares
CPs with outstanding short EVG Stock positions after the final BSR on T+2	< \$0.163	Pay (\$0.163 - CNS Price) x number of shares
	≥ \$0.163	Receive (CNS Price - \$0.163) x number of shares

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

<sup>4</sup> 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).

<sup>5</sup> CNS Price = Outstanding Position Trade Amount / Outstanding Position Quantity

For any enquiries, please contact DCASS hotline at 2979 7222 or email to [clearingpsd@hkex.com.hk](mailto:clearingpsd@hkex.com.hk).

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*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.*