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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 Arrangements Relating to Potential Capital Adjustment to
Subject:	Li & Fung Limited Stock Futures Contracts – Conditional Distribution

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Reference is made to the circular issued on 27 May 2014 (Ref. No.: EFIC/DT/098/14). The board of directors (the Board) of Li & Fung Limited (Li & Fung) announced that a Board meeting will be held on Tuesday, 1 July 2014 for the purpose of, among other matters, considering the declaration of a conditional distribution in specie of the entire issued share capital of Global Brands Group Holding Limited (the Conditional Distribution). Participants are requested to note that capital adjustment to the futures contracts below will be made on the ex-date if the Conditional Distribution is declared by the Board:

Underlying Stock Name of the Stock Futures Contracts	Li & Fung Limited (494)
(Stock Code)	
HKATS Code	LIF
Corporate Action	Spin off and separate listing of the Global Brands Group
	Holding Limited (GBG) on the SEHK by way of a 100%
	distribution in specie (Entitlement)
Entitlement Ratio	1* (one GBG Share for every one Li & Fung Share)
Ex-date	3 July 2014
Listing Day of GBG	9 July 2014

*According to the Listing Document of GBG on 26 June 2014: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0626/LTN20140626049.pdf

For details of the announcements made by Li & Fung on 20 March, 15 May, 21 May and 19 June 2014, please refer to the hyperlinks below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0320/LTN20140320320.pdf http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0515/LTN20140515208.pdf http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0521/LTN20140521516.pdf http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0619/LTN20140619561.pdf

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Trading Arrangements

1. Transfer of Outstanding Positions

Outstanding positions of Li & Fung stock futures which exist after the market close on the business day immediately before the ex-date will be <u>transferred</u> to a temporary trading symbol LIA. Since the value of the Entitlement is not available until the value of GBG is determined, trading of outstanding positions under temporary trading symbol LIA will be suspended from the ex-date to the listing day of GBG (both dates inclusive).

2. Introduction of New Series for Trading

On the ex-date, new Li & Fung stock futures (2,000 Li & Fung shares per contract on an ex-entitlement basis) will be introduced for trading under the standard trading symbol LIF.

3. Capital Adjustment to Outstanding Positions under Trading Symbol LIA upon the Determination of GBG's Value

The value of GBG will be determined by the volume weighted average price (VWAP) of those auto-matched trades of GBG on its listing day on the SEHK. When the value of the Entitlement has been determined, capital adjustment will be made to outstanding positions under trading symbol LIA. The adjusted positions will be transferred to trading symbol LIB. Positions under trading symbol LIB will commence trading from the business day immediately after the listing day of GBG.

The adjusted and standard stock futures contracts are distinct contracts and 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 introduction dates below.

Adjustment Term	Formula	Remarks	
Adjustment Ratio (AR)	(Underlying stock closing price before the ex- date minus Entitlement) / (Underlying stock closing price before the ex-date)		
Adjusted Contracted	Contracted price of outstanding stock futures	Rounded to the nearest	
Price (ACP)	contracts x AR	2 decimal places	
Adjusted Contract	(Contracted price of outstanding stock futures	Rounded to the nearest	
Multiplier (ACM)	contracts x 2,000 shares) / ACP	4 decimal places	

Details of the adjustment procedures are as follows:

Remark: Entitlement is GBG's value times the Entitlement Ratio for each Li & Fung share

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Contract	Trading Symbol	Underlying Stock	Contract Multiplier (Shares)	Introduction Date	Availability For Trading	Addition of New Contract Months on and after Ex- date
Standard	LIF	Li & Fung (ex-entitlement)	2,000	Ex-date	From the ex- date onwards	Yes
Adjusted	LIA	Li & Fung & Entitlement	2,000	Ex-date	Nil	No
Adjusted	LIB	Li & Fung (ex-entitlement)	ACM	The 1 st business day after the Listing day of GBG	From introduction date to 30 Mar 2015	No

Risk Management Arrangements

For risk management arrangements of the stock futures 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 futures contracts of the details of the arrangements for trading and clearing. In particular, Participants should fully communicate with your clients on the transfer of outstanding position to the temporary trading symbol LIA and its suspension from the ex-date until the listing day of GBG (inclusive). 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 futures contracts and when advising your clients.

P C Wong Senior Vice President Derivatives Trading Global Markets Division

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.

Attachment

Risk Management Arrangements

The closing price difference¹ of Li & Fung on the ex-date and the trading day prior to the ex-date would be used as an estimate² of the value of Entitlement for the purpose of daily settlement price determination and variation adjustment calculation of the LIA stock futures contracts.

Participants should note that LIA stock futures contracts would be margined separately from the standard LIF stock futures contracts from the ex-date to the date of capital adjustment made (i.e. The 1st business day after the Listing Day of GBG) since they would no longer be sharing the same underlying³. After the capital adjustment made on the 1st business day after the Listing Day of GBG, the positions of standard LIF and adjusted LIB stock futures contracts would be margined together according to normal procedures as they would be sharing the same underlying (i.e. Li & Fung).

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.

HKCC may, in its discretion, adjust the value of such estimation. 2.

The underlying of the LIA stock futures contracts would be Li & Fung and the Entitlement (i.e. GBG), while that of the 3. LIF stock futures contracts would be Li & Fung only.