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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 Operational Arrangements Relating to the Capital Adjustment
 Subject: of Henderson Land Development Company Limited Futures – Bonus Warrants

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

Underlying Stock Name of the Stock Futures Contract (Stock Code)	Henderson Land Development Company Limited (12)
HKATS Code	HLD
Corporate Action	one bonus warrant for every five shares
Subscription Price	HK\$ 58.00
Ex-date	16 April 2010

For details of the announcements made by Henderson Land Development Company Limited (HLD) on 30 March 2010, please refer to the hyperlinks below:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100330/LTN20100330429.pdf>

Adjustment Procedures

Adjustments will be made to the open positions of captioned stock futures contracts which exist after the market close on the business day immediately before the ex-date. The details of the adjustment procedures are as follows:

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Adjustment Term	Formula	Remark
Adjustment Ratio (AR)	$(S - OD - W) / (S - OD)$	Rounded to the nearest 4 decimal places
Adjusted Contracted Price (ACP)	Contracted price of outstanding futures contract \times AR	Rounded to the nearest 2 decimal places
Adjusted Contract Multiplier (ACM)	Contracted price of outstanding futures contract \times (1,000 shares / ACP)	Rounded to the nearest 4 decimal places

Notes:

1. S is the closing price of HLD on the day prior to the ex-date
2. OD is the ordinary dividend (i.e. HK\$ 0.70) with ex-date on 16 April 2010
3. W is the theoretical value of the bonus warrant per share (procedures for determining the W are set forth in the Attachment for reference)

Capital adjustments, once being made, are conclusive and binding on all relevant 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 the shareholders' meeting, regulatory authorities and the court.

Parallel Trading

After the market close on the business day immediately before the ex-date, the open positions will be transferred to the adjusted stock futures contracts. In addition, new contracts based on the standard contract multiplier will be introduced for trading on the ex-date. 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 contracts will be shown in DCASS report TP011 after the DCASS batch processing on the business day immediately before the ex-date. Details of the parallel trading on and after the ex-date are illustrated below:

Contract	Trading Symbol	Contract Multiplier (Shares)	Availability For Trading	Addition of New Futures Contracts on and after the Ex-date
Adjusted	HLA	ACM	From ex-date to 30 December 2010	No
Standard	HLD	1,000	From ex-date onwards	Yes

Participants should pay particular attention that the cash settlement amount of adjusted and standard stock futures contracts on the last trading 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.

Inform Your Staff and Clients

Participants should notify all clients holding positions in the captioned stock futures contracts of the details of the adjustment procedures and operational arrangements for trading and clearing. Please ensure that your back office systems are ready for a smooth operation. In addition, all your staff should be fully aware of the adjustment procedures and 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
Vice President
Derivatives Market Department

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.

Procedures for Determining the Theoretical Price of the Bonus Warrant

1. The theoretical price of the bonus warrant will be determined by the Chief Executive of the HKFE considered the following relevant information:
 - a) Warrant pricing parameters, include implied volatility, dividend estimate and interest rate, collected from market makers of Henderson Land (HLD) options on the trading day immediately before the ex-date (outliners may be excluded to avoid biased estimates);
 - b) Relevant market data from the HLD options market;
 - c) Relevant market data from the HLD warrant market; and
 - d) Third party pricing reference such as information vendors.
2. If the date of first issue of the bonus warrant has yet to be determined by the company before the ex-date, 23 June 2011 (i.e. 1 year after the last day of certificates of the warrant expected to be despatched) will be used as the expiry date for the purpose to determine the theoretical price of the bonus warrant.
3. Binominal option pricing model for American style options will be used for determining the theoretical price of the bonus warrant.
4. As the entitlement is 1 bonus warrant per 5 shares, the bonus warrant per share will be 20% of the theoretical value of the bonus warrant.
5. The theoretical warrant value per share, once determined, will be conclusive and binding on all relevant contracts.
6. The warrant pricing parameters, the calculated theoretical price of the bonus warrant and the adjustment ratio will be announced via the Clearing Messages window of DCASS and circulars after market close on the trading day immediately before the ex-date.

Illustration of the Estimation of Bonus Warrant Theoretical Price

Assumptions:

Implied Volatility	28.25%
Dividend Estimate (HKD)	\$0.3 (25 Nov 10)
	\$0.7 (15 Apr 11)
Interest Rate	0.54%
Ordinary Dividend (ex-date on 16 April 2010)	\$0.70
HLD Closing Price before ex-date on ex-ordinary dividend basis (\$0.70)	\$56.3
Strike Price	\$58.00
Warrant for shares	1:5

Projections:

Warrant Theoretical Price	\$6.01
Warrant Value per share (Rounded to the nearest 2 decimal places)	\$1.20
Adjustment Ratio	0.9787

Illustration of the Adjustments to the Contracted Prices and Contract Multiplier of HLD Futures

Contract Month	Before Capital Adjustments		After Capital Adjustments	
	Contracted Price (A)	Contract multiplier (B)	Adjusted Contracted Price (C)=A x AR	Adjusted Contract Multiplier A x (B ÷ C)
Apr-10	56.33	1,000	55.13	1,021.7667
May-10	56.34	1,000	55.14	1,021.7628
Jun-10	55.73	1,000	54.54	1,021.8188
Sep-10	56.64	1,000	55.43	1,021.8293
Dec-10	56.15	1,000	54.95	1,021.8380

the above examples of comparative table of the contract adjustments are for illustration only, the actual adjustment ratio and adjusted contracted price and contract multiplier will depend on the underlying stock price on the day prior to the ex-date and theoretical price of the bonus warrant.