



編號 MO/DT/143/15
Ref. No.:
日期 2015年10月12日
Date: 12 October 2015

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

事項 Trading and Clearing Arrangements Relating to the Capital Adjustment to
Subject: China Overseas Land & Investment Ltd. Stock Option Contracts – Conditional
Distribution

查詢 HKATS Hotline 2211-6360
Enquiry: DCASS Hotline 2979-7222

Reference is made to the circular issued on 7 July 2015 (Ref. No.: MO/DT/103/15). The board of directors of China Overseas Land & Investment Ltd. (“China Overseas”) announced on 9 October 2015, a conditional distribution in specie of all of the issued share capital of China Overseas Property Holdings Limited (“COPL”) to Qualifying China Overseas Shareholders. Participants are requested to note that capital adjustment to the stock option contracts below will be made on the ex-date based on the corporate action announced:

Underlying Stock Name of the Stock Option Contracts (Stock Code)	China Overseas Land & Investment Ltd. (688)
HKATS Code	COL
Corporate Action	Spin-off and separate listing of the China Overseas Property Holdings Limited on the SEHK by way of a distribution in specie (“Entitlement”)
Entitlement Ratio	0.3333 (1 COPL Share for every 3 China Overseas Shares)
Ex-date	16 October 2015
Listing Day of COPL	23 October 2015

For details of the announcements made by China Overseas on 6 July and 9 October 2015, please refer to the hyperlink below:

<http://www.hkexnews.hk/listedco/listconews/sehk/2015/0706/LTN201507061354.pdf>
<http://www.hkexnews.hk/listedco/listconews/sehk/2015/1009/LTN20151009307.pdf>

香港交易及結算所有限公司
Hong Kong Exchanges and Clearing Limited

香港中環港景街一號國際金融中心一期12樓
12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

電話 Tel: +852 2522 1122 傳真 Fax: +852 2295 3106 網址 Website: www.hkex.com.hk 電郵 E-mail: info@hkex.com.hk

Trading Arrangements

1. Transfer of Outstanding Positions

Outstanding positions of China Overseas stock option class under trading symbol COL which exist after the market close on the business day immediately before the ex-date will be **transferred** on a **one-to-one** basis to temporary trading symbol COA.

2. Suspension of Trading

Since the value of the Entitlement is not available until the value of COPL is determined, trading of outstanding positions under temporary trading symbol COA will be suspended from the ex-date (i.e. 16 October 2015) to the listing day of COPL (i.e. 23 October 2015) (both dates inclusive).

3. Introduction of New Stock Option Series for Trading

On the ex-date, new China Overseas stock option series based on the standard contract size will be introduced for trading under the standard trading symbol COL.

4. Adjustment to Outstanding Positions upon the Determination of COPL's Value

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

Details of the adjustment procedures are as follows:

Adjustment Term	Formula	Remarks
Adjustment Ratio (AR)	(Underlying stock closing price before ex-date minus Entitlement value) / Underlying stock closing price before ex-date	Rounded to the nearest 4 decimal places
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 (2,000 shares / AEP)	Rounded to the nearest 4 decimal places

Remark: Entitlement is COPL's value times the Entitlement Ratio for each China Overseas share

Below is a summary of the trading arrangement for all China Overseas stock option contracts:

Contract	Trading Symbol	Underlying Stock	Contract Size (Shares)	Introduction Date	Availability For Trading	Addition of New Stock Option Series on and after ex-date
Standard	COL	China Overseas (Ex-Entitlement)	2,000	Ex-date	From ex-date onwards	Yes
Adjusted	COA	China Overseas & Entitlement	2,000	Ex-date	Nil	No
	COB	China Overseas (Ex-Entitlement)	ACS	The 1 st business day after the listing day of COPL	From introduction date to 29 September 2016	

For stock options of China Overseas under trading symbols COL and COB, both trading fee level shall be Tier 1 and the position limit shall be 50,000 contracts combined.

The adjusted and standard stock option contracts 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 “Capital Adjustment Series” (TP011) after the DCASS batch processing on the business day immediately before the ex-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 after the transfer of positions.

Clearing, Settlement and Risk Management Arrangements

Position offset between the standard COL and the adjusted COB stock option series is not allowed.

For clearing, settlement and risk management 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 classes of the details of trading and clearing operational arrangements and the associated risk. **In particular, Participants should fully communicate with your clients on the transfer of outstanding positions to the temporary trading symbol COA and its suspension from the ex-date until the listing day of COPL (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 captioned stock option contracts when advising your clients.

Sanly Ho
Head
Derivatives Trading
Global Markets 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.

Clearing, Settlement and Risk Management Arrangements

Before ex-date

Pending stock positions resulting from exercise and assignment of COL stock option series effected on or before the business day immediately before ex-date will be cum entitlement and settled via CCASS as usual.

All covered call positions of COL stock option series will be decoupled automatically after the day-end margin calculation on the business day immediately before the ex-date. Participants can use the ex-entitlement China Overseas shares to cover the standard COL stock option series introduced on the ex-date.

During the period from ex-date to the listing day of COPL

During the period from the ex-date to the listing day of COPL, Participants would **not** be allowed to cover the COA stock option contracts using the ex-entitlement China Overseas shares.

Participants can submit the exercise requests via the DCASS in respect of the COL and COA stock option series. While all exercise and assignment arrangements of the standard COL stock option contracts are as normal, Participants should note the following arrangements relating to the exercise and assignment of the COA stock option series:

- (a) Settlement Amount: payment/receipt of the full settlement amount (according to the exercise price of the COA stock option series) via CCASS;
- (b) China Overseas shares portion: delivery/receipt of ex-entitlement China Overseas shares via CCASS. Results of exercise and assignment of the COA stock option series and the resulted settlement obligation of the full settlement amount and China Overseas shares portion would be shown in the DCASS report “Exercise and Assign Summary” (TP009); and
- (c) Entitlement portion (COPL shares): settlement in cash according to the Entitlement Ratio and COPL value. The cash settlement would be pending until COPL’s value is determined and would be settled on the first business day after the listing day of COPL. Written notification of the pending cash settlement relating to COPL shares would be provided separately to Participants upon exercise and assignment.

The closing price difference¹ of China Overseas shares on the ex-date (i.e. 16 October 2015) and the trading day prior to the ex-date (i.e. 15 October 2015) would be used as an estimate² of the value of Entitlement for the purpose of daily settlement price determination and margin calculation of the COA stock option series. Participants should also note that the positions of COA stock option contracts would be margined **separately from the standard COL stock option series** since they would no longer be sharing the same underlying³.

¹ Would be set to zero should the closing price on ex-date is higher than that on the trading day prior to ex-date.

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

³ The underlying of the COA stock option series would be China Overseas and the Entitlement (i.e. COPL), while that of the COL stock option series would be China Overseas only.

For Participants with pending delivery obligations of COPL shares to be settled in cash (i.e. exercised put or assigned call) after exercise/assignment of the COA stock option positions, SEOCH would collect special margin on such pending delivery obligations based on the above-mentioned closing price difference of China Overseas shares from the date of exercise/assignment + 1 business day to the date of Entitlement settlement (i.e. the first business day after the listing day of COPL). Such special margin would be recorded under a CCMS special collateral account and concerned Participants would be notified by SEOCH individually for the collection/release of such special margin.

From 26 October 2015 onwards

From the first business day after the listing day of COPL onwards, exercise and assignment of the stock option series under the trading symbol COB in adjusted China Overseas stock option contracts 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 contracts 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 stock option contract only include the whole number of shares.

Exercise and assignment of standard COL stock option series will result in stock settlement obligation of a standard board lot of 2,000 shares per contract and settled in CCASS under normal procedures.

Participants can use the China Overseas shares to cover the adjusted COB stock option series (which carry odd lots and fractional shares) using the exact odd quantity of stock.

From 26 October 2015 onwards, the positions of standard COL and adjusted COB stock option series would be margined on a portfolio basis according to normal procedures as they would be sharing the same underlying (i.e. China Overseas).