

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

Subject: Trading and Clearing Operational Arrangements Relating to Potential Capital Adjustment of Country Garden Holdings Company Limited Stock Futures Contracts - Conditional Distribution

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

Reference is made to the circular dated 20 March 2018 (Ref. No.: MO/DT/048/18). Country Garden Holdings Company Limited ("Country Garden") announced on 29 May 2018 that the Proposed Spin-off of Country Garden Services Holdings Company Limited ("CG Services") has been approved by the Board and that the Board declared a conditional special dividend by way of a distribution in specie of all the ordinary shares in CG Services indirectly held by the Company to the Registered Shareholders. Participants are requested to note that capital adjustment to the stock futures contracts below will be made if the Conditional Distribution becomes unconditional:

Underlying Stock Name of the Stock Futures Contracts (Stock Code)	Country Garden Holdings Company Limited (02007)
HKATS Code	COG
Corporate Action	Spin-off and separate listing of CG Services on the SEHK by way of a distribution in specie ("Entitlement")
Entitlement Ratio	0.1149 (1 CG Services Share for every 8.7 Country Garden Shares)
Ex-date	11 June 2018
Listing Day of CG Services	19 June 2018

For details of the announcements made by Country Garden on 19 March 2018 and 29 May 2018, please refer to the hyperlinks below:

<http://www.hkexnews.hk/listedco/listconews/sehk/2018/0319/LTN20180319301.pdf>

<http://www.hkexnews.hk/listedco/listconews/sehk/2018/0529/LTN20180529808.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/Global/Exchange/Privacy-Policy?sc_lang=en

Trading Arrangements

1. Transfer of Outstanding Positions

Outstanding positions of Country Garden stock futures class 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 a temporary trading symbol COC.

2. Suspension of Trading

Since the value of the Entitlement is not available until the value of CG Services is determined, trading of outstanding positions under temporary trading symbol COC will be suspended from the ex-date (i.e. 11 June 2018) to the listing day of CG Services (i.e. 19 June 2018) (both dates inclusive).

3. Introduction of New Series for Trading

On the ex-date, new series of Country Garden stock futures series based on the standard contract multiplier will be introduced for trading under the standard trading symbol COG.

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

The value of CG Services will be determined by the volume weighted average price (VWAP) of those auto-matched trades of CG Services 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 COC after market close on the first trading day of CG Services (i.e. 19 June 2018). The adjusted positions will be transferred to trading symbol COD. Positions under trading symbol COD will commence trading from the business day immediately after the listing day of CG Services (i.e. 20 June 2018).

Details of the adjustment procedures are as follows:

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	Rounded to the nearest 4 decimal places
Adjusted Contracted Price (ACP)	Contracted price of outstanding stock futures series x AR	Rounded to the nearest 2 decimal places
Adjusted Contract Multiplier (ACM)	Contracted price of outstanding stock futures series x (5,000 shares / ACP)	Rounded to the nearest 4 decimal places

Remark: Entitlement is CG Services's value times the Entitlement Ratio for each Country Garden share

Below is a summary of the trading arrangement for all Country Garden stock futures contracts:

Contract	Trading Symbol	Underlying Stock	Contract Size (Shares)	Introduction Date	Availability For Trading	Addition of New Stock Futures Series on and after Ex-date
Standard	COG	Country Garden (Ex-entitlement)	5,000	Ex-date	From the ex-date onwards	Yes
Adjusted	COC	Country Garden & Entitlement	5,000	Ex-date	Nil	No
Adjusted	COD	Country Garden (Ex-entitlement)	ACM	The 1 st business day after the Listing day of CG Services	From introduction date to 28 December 2018	

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

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

Participants should pay particular attention that the settlement amount of adjusted and standard stock futures series on the expiry 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.

Clearing and Risk Management Arrangements

Position offset among the standard COG, the adjusted COC and COD stock futures series is **NOT allowed**.

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 class 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 COC and its suspension from the ex-date until the listing day of CG Services (both days 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 series and when advising your clients.

Sanly Ho
Head
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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.

Attachment

Risk Management Arrangements

The difference¹ of the opening price of Country Garden shares on the ex-date (i.e. 11 June 2018) and the closing price on the trading day prior to the ex-date (i.e. 8 June 2018) would be used as an estimate² of the value of Entitlement for the purpose of daily settlement price determination, margin and variation adjustment calculation of the COC stock futures contracts.

Participants should note that COC stock futures contracts would be margined **separately from the standard COG 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 CG Services) 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 CG Services, the positions of standard COG and adjusted COG stock futures contracts would be margined together according to normal procedures as they would be sharing the same underlying (i.e. Country Garden).

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

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

³ The underlying of the COC stock futures series would be Country Garden and the Entitlement (i.e. CG Services), while that of the COG stock futures series would be Country Garden only.