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#51988

**Date:** February 22, 2023

**Subject:** China Southern Airlines Company Limited – ADR  
Termination/Anticipated Cash Settlement  
Option Symbol: ZNHYY  
Date: ???

On February 3, 2023, the Bank of New York Mellon (the "Depository") announced it will terminate the Amended and Restated Deposit Agreement among China Southern Airlines Company Limited (ZNHYY), the Depository, and holders of American Depositary Shares ("ADSs"). The termination will become effective on March 6, 2023.

ZNHYY ADS holders will be able to surrender their ADSs for cancellation and take delivery of the underlying H shares until at least July 7, 2023. ZNHYY ADS holders who surrender their ADSs for delivery of the underlying shares will be required to pay a cable fee of \$17.50, a cancellation fee of up to \$0.05 per ADS surrendered, and any applicable U.S. or local taxes or governmental charges.

Subsequent to July 7, 2023, the Depository may sell the H shares that underlie any remaining ADSs not surrendered. If the Depository sells such shares, ADS holders must surrender their ADSs to obtain payment of the sale proceeds, net of the expenses of sale, withholdings, and a cancellation fee of up to \$0.05 per ADS.

**Exercise Consideration** - At the time of the contract adjustment, the deliverable for adjusted ZNHYY options will be 100 x the net cash proceeds received per ZNHYY ADS, less applicable fees and withholdings, if any. ZNHYY call option holders who wish to receive the corresponding ADSs, and who do not wish to receive the cash proceeds from the sale of ADSs, should exercise their options in sufficient time to exchange the ADSs for the underlying shares. In all cases, it is the sole responsibility of persons holding call options seeking to receive the underlying securities to determine when to exercise their options.

**The option symbol ZNHYY will not change.**

**Date:** ???

**New Deliverable**  
**Per Contract:** 100 x the cash proceeds received per ZNHYY ADS, less applicable fees and withholdings, if any

Settlement in ZNHYY options will take place through OCC's cash settlement system. Settlement will be accomplished by payment of the difference between the extended strike amount and the cash deliverable.

## **Acceleration of Expirations**

Pursuant to OCC Rule 807, equity stock option contracts whose deliverables are adjusted to call for cash-only delivery will be subject to **an acceleration of the expiration dates for outstanding option series** (See OCC Information Memo 23988).

## **Expiration Processing**

If an OTC trading market is not sustained for ZNHYY ADSs, OCC may elect to remove automatic exercise thresholds for ZNHYY options in OCC's expiration processing. If this occurs, holders of expiring ZNHYY options will be required to independently ascertain the value of the ZNHYY securities and issue positive instructions to exercise any expiring options.

## **Special Risks**

If an OTC trading market is not sustained, it is uncertain if the National Securities Clearing Corporation (NSCC) will continue to accept for settlement ZNHYY options exercise and assignment activity. If these circumstances cause impairments in the ability of OCC to settle ZNHYY options exercise and assignment activity, OCC may take the following actions: 1) if ZNHYY ADSs are only transferrable to the Depository, OCC **may** delay settlement of ZNHYY options exercise and assignment activity until the final net cash liquidation amount is available (which is not expected to occur before July 7, 2023), or 2) if ZNHYY ADSs remain transferrable, OCC **may** direct that the ZNHYY options exercise and assignment activity be settled on a broker to broker basis through OCC's system; however, OCC may delay the settlement obligations of both the delivering and receiving parties if the delivering party is not able to effect broker to broker settlement on the original exercise settlement date. **Such a delay in settlement may extend until the final ZNHYY cash proceeds amount is determined, after which time the unsettled obligations would settle for cash.**

The possible absence of an OTC trading market for the ZNHYY ADSs and the possibility that ZNHYY options exercise and assignment activity may be delayed until the final cash proceeds amount is determined poses possible risks for ZNHYY options exercisers and assignees: If subject to delayed settlement, an exerciser or assignee may be impaired in ability to protect himself from a decrease or increase in the value of the ZNHYY deliverable which occurs from the original exercise date to the date the final cash proceeds amount is determined. Under normal circumstances, an offsetting sale or purchase could be effected in the marketplace to protect against the increase or decrease in value of the deliverable security. But if a market for the ZNHYY ADSs does not exist, price protection may require a purchase or sale of China Southern Airlines Company Limited shares on the home market.

## **Disclaimer**

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

**ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.**

For questions regarding this memo, please email the Investor Education team at [options@theoocc.com](mailto:options@theoocc.com). Clearing Member Firms of OCC may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email [memberservices@theoocc.com](mailto:memberservices@theoocc.com).