

## Stock Options Trading Agreement

This Stock Options Trading Agreement is supplemental to the client's agreement ("Client Agreement") entered into by Emperor Securities Limited ("ESL") and the person set out in the account opening form annexed to this Stock Options Trading Agreement ("the Client") whereby the Client is allowed to conduct Stock Options Trading on the Stock Exchange of Hong Kong Limited ("Stock Options Account") and ESL agrees to provide Exchange Traded Options Business to the Client. Where any conflict arises between the Client's Agreement and the provisions of this Stock Options Trading Agreement, the provisions of the latter shall prevail.

### 1. DEFINITIONS

- 1.1 Terms defined in this Stock Options Trading Agreement have the same meanings as in the Client's Agreement or the Options Trading Rules of the Stock Exchange of Hong Kong Limited ("SEHK") unless stated otherwise.
- 1.2 References to "Accounts" in the Client's Agreement is deemed to include the Stock Options Account as established pursuant to this Stock Options Account Agreement.
- 1.3 "Options Trading" means the purchase, closing, exercise, settlement and discharge of long options transactions and include writing of options through the Stock Options Account or otherwise creating any short open position.
- 1.4 "Client Contract" has the meaning as defined in the Options Trading Rules of the SEHK which means a contract validly made at the time when an order in respect of an option series is matched by the Options System with another order in respect of that option series and incorporates the terms and conditions of the Standard Contract for a particular option series.
- 1.5 "Options System" means the Options Trading System and the Options Clearing System and any other facility provided by the Exchange or SEOCH for the transaction of Exchange Traded Options Business.
- 1.6 "Standard Contract" means the standard terms and conditions applicable to an Options Contract as specified by the Exchange from time to time as set out in the Options Trading Rules.
- 1.7 "Exchange Traded Options Business" means business related to Options Contracts and all matters incidental to Options Contracts, including Contracts arising from Options Contracts pursuant to these Options Trading Rules and the Clearing Rules, exercise of Contracts, delivery obligations, Premium settlement and delivery of SEOCH Collateral.
- 1.8 "Options Exchange Participant" means a person registered by the Exchange as either an Options Trading Exchange Participant or an Options Broker Exchange Participant, as the context may require and "Options Exchange Participantship" shall be construed accordingly.

### 2. LAWS AND RULES

- 2.1 All Exchange Traded Options Business shall be effected in accordance with all laws, rules and regulatory directions ("Rules") applying to ESL. These Rules include the Options Trading Rules of SEHK, the Clearing Rules of the SEHK Option Clearing House Limited ("SEOCH") and the rules of the HKSCC. In particular, SEOCH has authority under the Rules to make adjustments to the terms of Contracts, and ESL shall notify the Client of any such adjustments which affect Client Contracts to which the Client is a party. All actions taken by ESL, by the SEHK, by SEOCH or by the HKSCC in accordance with such Rules shall be binding on the Client.
- 2.2 The Client agrees that the terms of the Standard Contract for the relevant options series shall apply to each Client Contract between ESL and the Client, and that all Client Contracts shall be created, exercised, settled and discharged in accordance with the Rules.

### 3. COLLATERAL

- 3.1 The Client agrees to provide ESL with cash and/or securities and/or other assets ("Collateral") as may be agreed from time to time, as security for the Client's obligations to ESL under this Stock Options Trading Agreement. Such Collateral shall be paid or delivered as demanded by ESL from time to time. The amounts required by way of Collateral shall not be less than, but may exceed, the amounts as may be required by the Rules in respect of the Client's open positions and delivery obligations, and further Collateral may be required to reflect changes in market value.
- 3.2 The Client shall on request provide ESL with such authority as ESL may require under the Rules to authorize ESL to deliver such securities, directly or through an Options Exchange Participant, to SEOCH as SEOCH Collateral in respect of Exchange Traded Options Business resulting from the Client's instructions to ESL; and ESL does not have any further authority from the Client to borrow or lend the Client's securities or otherwise part with possession (except to the Client or on the Client's instructions) of any of the Client's securities for any other purpose.

### 4. CLIENT DEFAULT

- 4.1 If the Client fails to comply with any of the Client's obligations and/or to meet the Client's liabilities under this Stock Options Trading Agreement, including failure to provide Collateral, this will be treated as an Event of Default under Clause 12.1 of Section B of the Client's Agreement, in addition to its rights and powers ESL shall have under Section B of General Terms and Conditions, may at its discretion, without notice to the Client, to:

- (a) decline to accept further instruction from the Client in respect of Exchange Traded Options Business;
  - (b) close out some or all the Client's Client Contracts with ESL;
  - (c) enter into contracts, or into transactions in securities, futures or commodities, in order to settle obligations arising or to hedge the risks to which ESL is exposed in relation to the Client's default; or
  - (d) dispose of Collateral, and apply the proceeds thereof to discharge the Client's liabilities to ESL. Any proceeds remaining after discharge of all the Client's liabilities to ESL shall be paid to the Client.
- 4.2 The Client agrees to pay interest on all overdue balances in its Stock Options Account (including interest arising after a judgment debt is obtained against the Client) at such rates and on such other terms as ESL may be notified the Client from time to time.

## **5. CONTRACTS**

- 5.1 In respect of all options contracts effected on the Client's instructions, the Client will pay ESL, within the time period notified by ESL, premium, ESL's commission and any other charges, and applicable levies imposed by the SEHK, as have been notified to the Client. ESL may deduct such premium, commissions, charges and levies from the Stock Options Account or any other account of the Client with ESL or any subsidiary, affiliated or associated company of ESL.
- 5.2 ESL may place limits on the open positions or delivery obligation that the Client may have which will be notified to the Client from time to time.
- 5.3 The Client acknowledges that:
- (a) ESL may close out Client Contracts to comply with position limits imposed by the SEHK;
  - (b) if ESL goes into default, the default procedures of the SEHK may result in Client Contracts being closed out, or replaced by Client Contracts between the Client and another Options Exchange Participant.
- 5.4 On exercise of a Client Contract by or against the Client, the Client shall perform the Client's delivery obligations under the relevant contract, in accordance with the Standard Contract and as notified by ESL.
- 5.5 The Client acknowledges that on the expiry day but only on the expiry day, the Options System will automatically generate exercise instructions in respect of all open long positions which are in-the-money by or above the percentage prescribed by SEOCH from time to time. The Client may instruct ESL to override such an "automatically generated exercise instruction" before the System Closure on the expiry day in accordance with the Operational Clearing Procedures of SEOCH.
- 5.6 The Client acknowledges that ESL may, at the Client's request, agree to the Client Contracts between ESL and the Client being replaced, in accordance with the Rules by Client Contracts between the Client and another Options Exchange Participant.
- 5.7 The Client acknowledges that, although all Options Contracts are to be executed on the SEHK, the Client and ESL shall contract as principals under Client Contracts.

## **6. RISK DISCLOSURE STATEMENT AND DISCLAIMERS**

ESL refers the Client to the Risk Disclosure Statements and Disclaimers in Section I of Client's Agreement.

## **7. REPRESENTATION AND WARRANTIES**

- 7.1 The Client confirms that:
- (a) the Stock Options Account is operated solely for the Client's Account and benefit, and not for the benefit of any other person; or
  - (b) the Client has disclosed to ESL in writing the name of the person(s) for whose benefit the Stock Options Account is being operated; or
  - (c) the Client has requested ESL to operate the Stock Options Account as an Omnibus Account, and will immediately notify ESL, on request, of the identity of any person(s) ultimately beneficially interested in Client Contracts.

## **8. GENERAL**

- 8.1 ESL shall provide the Client, upon request, with the product specifications for Options Contracts.
- 8.2 If ESL fails to meet its obligation to the Client pursuant to this Stock Options Trading Agreement, the Client shall have a right to claim under the Investor Compensation Fund established under the laws of Hong Kong, subject to the terms of the Investor Compensation Fund from time to time.
- 8.3 ESL is registered as an Options Trading Exchange Participant and the SFC Licensed Representative who will be primarily responsible for the Client's affairs is stated in the Stock Options Account Opening Form.