

Stock Options Trading Agreement

The Stock Options Trading Agreement (the “**Agreement**”) is additional and supplemental to the Cash Client’ s Agreement between CMB International Securities Limited (the “**Company**” or “**CMBIS**”) and the Client. All transactions effected, conducted, carried on and entered into by the Client with and through the Company or its agent for or on the Stock Options Account and the Exchange Traded Options Business (as defined below) to be provided by the Company to the Client shall be subject to the Agreement. **By entering into any Stock Options Trading or related transactions, the Client agrees (or shall be deemed to have agreed) to the Agreement.** Where any conflict or inconsistency arises between any provision of the Stock Options Trading Agreement and any provision of Cash Client’ s Agreement, the Company has absolute discretion to determine which terms and conditions shall prevail.

1. Definition

1.1. In this Stock Options Trading Agreement, unless redefined herein or the context requires otherwise, words and expressions not otherwise defined herein shall have the same meanings as are given to them in the SEHK Rules (including the Options Trading Rules, the Operational Trading Procedures and the Operational Clearing Procedures) and Cash Client’ s Agreement. In addition, the following expressions shall have the following meanings:

“**Client Offset Claim Account**” means the client offset claim account established and maintained by HKFE Clearing Corporation Limited upon the request of its participant. The Client Offset Claim Account is for recording positions of individual clients of the participant which are of an offset nature;

“**DCASS**” means the Derivatives Clearing and Settlement System operated by SEOCH and HKFE Clearing Corporation Limited;

“**Exchange Traded Option Business**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Client Contract**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Commodity**” means (a) a property as defined in the Securities and Futures Ordinance, and/or (b) a commodity as defined in HKFE Rules, and/or (c) any items, interests, rights and properties, agricultural products, assets, goods, things, commodities, oil, lands, securities, metals, currencies, shares, interest rates, indices (whether stock market or otherwise), products, ratings, references, derivatives, or other financial contracts, energy, physical assets, right or authority, and/or (d) any other items or descriptions as announced by the Company as commodity for the purpose of the Agreement from time to time, and shall where the case requires include a F/O Contract in respect of any of the above and in each case whether or not any of the above is capable of being delivered, and “**Commodities**” shall be construed accordingly;

“**Contract**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Exchange Contract**” means, as the case may be, (a) an Exchange Contract as defined in HKFE Rules, and/or (b) a contract for a Commodity approved by the relevant foreign futures exchange for trading on a Market and which may result in a F/O Contract;

“**F/O Contract**” means, as the case may be, (a) a Futures/Options Contract or F/O Contract as defined in HKFE Rules, and/or (b) a Futures Contract and/or an Option Contract;

“**Foreign Futures Laws**” means the relevant laws, legislations, rules and regulations of the relevant Foreign Jurisdiction relating to the futures transactions;

“**Foreign FE Rules**” means the rules, regulations, bylaws and procedures of or made by the foreign futures exchange, and any amendments, supplements, variations or modifications thereto from time to time in force;

“**Futures Contract**” means (a) a futures contract as defined in SFO, and/or (b) a Futures Contract or future as defined in HKFE Rules, and/or (c) a futures contract as defined in or deemed or ascribed as such in the relevant Foreign Futures Laws and/or the relevant Foreign FE Rules and/or relevant Clearing Rules, and/or (d) a contract executed on any Exchange, the effect of which is that: (i) one party agrees to deliver to the other party at an agreed future time an agreed Commodity or quantity of a Commodity at an agreed price; or (ii) the parties will make an adjustment between them at an agreed future time according to whether the agreed Commodity is worth more or less or, as the case may be, stands higher or lower at that time than a level agreed at the time of making of the contract, the difference being determined in accordance with the rules of the Exchange in which the contract is made;

“**HKFE**” means Hong Kong Futures Exchange Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;

“**HKFE Rules**” means the rules, regulations and procedures of or made by HKFE, and any amendments, supplements, variations or modifications thereto from time to time in force;

“**Operational Clearing Procedures**” means the Operational Clearing Procedures for Options Trading Exchange Participants of SEOCH as from time to time in force and as amended and supplemented from time to time;

“**Option Contract**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Options Exchange Participant**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Options System**” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“**Operational Trading Procedures**” means the Operational Trading Procedures for Options Trading Exchange Participants of SEHK as from time to time in force and as amended and supplemented from time to time;

“**Options Trading Rules**” means the Options Trading Rules of SEHK as from time to time in force and as amended and supplemented from time to time;



“Premium” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“SEOCH” means The SEHK Options Clearing House Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;

“SEHK Rules” means the rules, regulations and procedures of or made by SEHK, and any amendments, supplements, variations or modifications thereto from time to time in force;

“Standard Contract” has the meanings ascribed thereto under the Rules and Regulations of the Exchange and the Options Trading Rules;

“Stock Options Account” means any stock options account opened and maintained in the name of the Client with the Company for conducting transactions in accordance with the Agreement, and/or all other account(s) of whatsoever nature now or in future opened and maintained in the name of the Client with the Company in accordance with the Agreement or other agreement or document; and

“Stock Options Trading” means the purchase, trading, dealing, closing, exercise, settlement and discharge of long stock options transactions, and the writing of stock options through the Stock Options Account or otherwise creating any short open position.

- 1.2. Where it is necessary for the true construction or interpretation of any provision of the Agreement, all references to (i) **Account(s)** in Section I shall be construed to include Stock Options Account; (ii) **Securities** in Section I shall be construed as references to include Contracts; and (iii) **Clearing Rules** in Section I shall be construed as references to include the clearing rules of SEOCH as from time to time in force.

2. Law and Rules

- 2.1. All Exchange Traded Options Business shall be effected in accordance with all applicable laws and regulations applying to the Company, including the SEHK Rules, the Options Trading Rules, the Operational Trading Procedures, the Operational Clearing Procedures, the Clearing Rules and the rules of HKSCC, and Clearing House Procedures for Futures/Options Contracts Traded on the Automated Trading System of the Exchange. In particular, SEOCH has authority under such applicable laws and regulations to make adjustments to the terms of contracts, and the Company shall notify the Client of any such adjustments which affect Client Contracts to which the Client is a party. The Client agrees that all actions taken by the Company, by SEHK, by SEOCH or by HKSCC in accordance with the applicable laws and regulations 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 the Company and the Client, and that all Client's client contracts shall be created, exercised, settled and discharged in accordance with the applicable laws and regulations.

3. Instructions and Dealing Practice

- 3.1. The Company is hereby authorised to act upon the instructions to create, exercise, settle and/or discharge Options Contracts for the Stock Options Account and otherwise deal with any margin, collateral, securities, Premium, Options Contracts, receivables or monies held in or for the Stock Options Account subject to the Client Money Rules and Client Securities Rules.
- 3.2. The Client acknowledges and consents that the Company shall, at its absolute discretion, be entitled to claim margin offset for the Client's positions through the Client Offset Claim Account in DCASS.

4. Options Contracts

- 4.1. The Client hereby confirms that the Stock Options Account is operated solely for the Client's account and benefit, and not for the benefit of any other person. In respect of all Options Contracts effected on the instructions, the Client shall pay the Company, within the time period notified by the Company, Premium, the Company's commission and any other charges, and applicable levies imposed by SEHK, as have been notified to the Client. If no time period is specified by the Company, then the Client is required to comply with such demand before expiry of two hours from the time of making the demand (or more quickly if the Company requires the Client to do so). The Company may require the Client to make arrangements for payment of Premium, the Company's commission and any other charges, and/or applicable levies imposed by SEHK in advance of accepting instructions or may impose other requirements from time to time for the payment of the above items as the Company in its absolute discretion thinks fit. The Company may deduct such Premium, commissions, charges and levies from the Stock Options Account or any Account.
- 4.2. The Company will provide product specifications for Options Contracts to the Client upon request. However, the Company may from time to time place limits on the open positions or delivery obligations that the Client may have without notice to the Client.
- 4.3. The Client acknowledges that:
- (a) the Company may be required to close out or give-up Client's Options Contracts to comply with position limits imposed by SEHK;
 - (b) if the Company goes into default, the default procedures of SEHK may result in Client Contracts being closed out or given-up, or replaced by Client's Option Contracts between the Client and other Options Exchange Participant(s); and
 - (c) where there is a change in the capital structure or composition of the issuer of the underlying securities of an option class or in any other exceptional circumstances, SEOCH may make adjustments to the terms and conditions of that option class as are, in its opinion, necessary and desirable to ensure that all parties to Contracts comprised in open positions in that option class are treated fairly. The Client hereby acknowledges and agrees that all such adjustments shall be binding on the Client.
- 4.4. 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 the Company. The Client may on or before 4:15 p.m. on the date of maturity of the Client Contract (or such earlier time(s) as required by the Company or the terms of the Contract), notify the Company to

exercise his rights under the Client Contract. Because the maturity date for different products is different, the Client should decide on his own when and whether he should exercise the Client Contract or not, the Company has no responsibility to inform the Client what to do on or before the maturity date, and the Client should bear his own loss and consequences.

- 4.5. 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 the Company to override such an “**automatically generated exercise instruction**” before the System Closure on the expiry day in accordance with the Operational Clearing Procedures.
- 4.6. The Client acknowledges that the Company may, at the Client’s request, agree to the Client Contracts between the Company and the Client being replaced, in accordance with the applicable laws and regulations, by Client Contracts between the Client and other Options Exchange Participant(s).
- 4.7. The Client acknowledges that, although all Options Contracts are to be executed on SEHK, the Client and the Company shall contract as principals under Client Contracts.
- 4.8. In respect of the Client’s short positions, in cases where the Client Contract is validly exercised (including cases pursuant to Clause [4.9] below) the Client shall fulfill his obligations under the relevant Client Contract by 3:15 p.m. on the Business Day following the day of exercise (or as amended and notified by the Company from time to time). In default thereof, without prejudice to other rights or remedies that the Company may have against the Client, the Company may without demand or notice cover any liability of the Client under any short positions or deal with the same in the manner deemed most appropriate by the Company. The Client agrees that the Client will be responsible for all the expenses of the Company in connection with the above and that the Company will not be liable for any loss that may thereby be incurred.
- 4.9. The Client understands and agrees that in accordance with the Options Trading Rules and Clearing Rules, SEOCH may randomly select any Options Trading Exchange Participant to exercise a Client Contract in a short open position in which case, that Options Trading Exchange Participant shall randomly select a Client Contract from among all Client Contracts comprised in short open positions of clients in the same option series as that Client Contract. The Client Contract so selected shall, by operation of the Agreement and the Options Trading Rules and Clearing Rules, for all purposes be treated as having been validly exercised at the time of such selection. The Company shall notify the Client of the details of such exercise as soon as possible.
- 4.10. Delivery obligation shall arise when a Client Contract is validly exercised. On exercise of a Client Contract by or against the Client, the Client will perform its delivery obligations under the relevant Contract in accordance with the Standard Contract and as the Client has been notified by the Company.
- 4.11. The Client hereby acknowledges that the Client shall be responsible to the Company for any losses, costs, fees and expenses (including legal costs) incurred by the Company (on an indemnity basis) in connection with the Client’s failure to meet his obligations by the due date as described in this Clause [4]. The Client agrees to indemnify the Company, its employees and agents, against all losses and expenses resulting from breach of the Client’s obligations under this Agreement, including costs reasonably incurred in collecting debts from the clients, and in closing the Stock Options Account.

5. Margin

- 5.1. The Client agrees to provide and maintain such margin in the Stock Options Account (the “**Margin**”) in cash, securities and/or other assets in such form and amount and on such terms as the Company may in its absolute discretion require from time to time as security for the Client’s obligations under the Agreement. The amounts required by way of Margin should not be less than, but may exceed the amounts as may be required by the applicable laws and regulations in respect of the Client’s open positions and delivery obligations. The Company may change any Margin in its sole discretion and at any time without prior notice to the Client. If the Company determines that additional Margin is required, the Client agrees to make payment to and/or deposit with the Company such additional Margin forthwith upon demand. All funds provided by the Client as Margin shall be cleared funds and all securities provided by the Client as Margin shall be securities to which the Client has valid and unencumbered title. No previous Margin shall establish any precedent. Change on Margin shall apply to existing positions as well as to new positions after the date of such change.
- 5.2. If the Company accepts securities by way of Margin, the Client shall on request provide the Company with such authority as the Company may require under the applicable laws and regulations to authorise the Company 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 instructions; and the Company 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 instructions) of any of the Client’s securities for any other purpose.
- 5.3. Without prejudice to Clauses [5.5] to [5.12] hereto, calls or demands for Margin must be met or satisfied by the Client forthwith upon demand by the Company. The Client shall on demand put the Company in funds or moneys or arrange for the Company to be put in funds or moneys in time to enable the Company to discharge any liability incurred or to be incurred in connection with transactions effected in relation to the Stock Options Account. The Client shall on demand reimburse the Company for all costs and expenses incurred by it in connection with the transactions effected in relation to the Stock Options Account and/or pay or settle any outstanding amount under the Stock Options Account.
- 5.4. The Company is not liable to pay interest on the moneys or funds paid to or received by the Company in respect of the Stock Options Account whether on deposit or however described. The Company is entitled to retain for its own benefit any interest or other realised income or increase in value earned or received in respect of such moneys or funds. The Company is entitled to charge and the Client agrees to pay interest to the Company in respect of any deficit in the Stock Options Account or any moneys or funds otherwise owing to the Company at any time at such rates and on such other terms as the Company announced in the CMBI Website and/or notifies the Client from time to time. Interest shall be payable on the last day of each calendar month or forthwith upon demand by the Company.

- 5.5. The Client shall monitor the Stock Options Account so that at all times the Stock Options Account shall contain a sufficient account balance to meet the Margin. The Company may reject any instruction or order of the Client if the Client does not have a sufficient account balance to meet the Margin and may delay the processing of any instruction or order while determining the correct margin status of the Stock Options Account. The Client shall maintain, without notice or demand from the Company, a sufficient account balance at all times so as to continuously meet the Margin. The Client must at all times satisfy whatever Margin calculated by the Company.
- 5.6. The Company has no obligation to notify the Client of any failure to meet the Margin prior to the Company exercising its rights, powers, discretion and remedies under the Agreement. The Client understands and accepts that the Company generally will not issue call or demand on the Margin, that the Company generally will not credit the Stock Options Account to meet any deficiency on the Margin, and that the Company is authorised to exercise any of its rights under (a) Clause [13] of Cash Client' s Agreement and/or (b) Clause [7] of Stock options Trading Agreement in order to satisfy the Margin without prior notice to the Client.
- 5.7. In the event that the balance of the Stock Options Account has zero equity or is in deficit at any time, or the Stock Options Account does not have a sufficient account balance to meet the Margin, the Company shall have the right, in its sole discretion, but not the obligation, to exercise any of its rights under (a) Clause [13] of Cash Client' s Agreement and/or (b) Clause [7] of Stock options Trading Agreement at any time and in such manner and in any Market as the Company deems necessary, without prior notice demand or call to the Client. The Client agrees to be responsible for, and promptly pay to the Company, any deficiency in the Stock Options Account that arises from such exercise of rights or remain after such exercise of rights. The Company shall not have any liability to the Client for any losses or damages sustained by the Client in connection with such exercise of rights (or if the Company experiences a delay in exercising, or does not exercise such rights).
- 5.8. The Client expressly waives and relinquishes any rights to receive prior notice or demand from the Company and agrees that any prior demand, notice, announcement or advertisement shall not be deemed a waiver of the Company' s right to exercise any of its rights under (a) Clause [13] of Cash Client' s Agreement and/or (b) Clause [7] of Stock Options Trading Agreement. The Client understands that, in the event that the Company exercise such rights, the Client shall have no right or opportunity to determine the manner of exercising such rights by the Company. The Company may, in its absolute and sole discretion, exercise such rights on any Exchange or Market, and the Company or its associated company may take the other side of any closing out, liquidating or settlement transaction. In the event that the Company exercise such rights, such exercise of rights shall establish the amount of the Client' s gain or loss and indebtedness to the Company, if any. The Client shall reimburse and hold the Company harmless for all actions, omissions, costs, expenses, fees (including, legal costs), penalties, losses, claims or liabilities associated with any exercise of such rights by the Company. The Client shall be liable to and responsible for all resulting losses, notwithstanding the Company' s delay in or failure to exercise such rights. If the Company executes an order for which the Client did not have sufficient funds, the Company has the right, without notice to the Client, to liquidate the transaction and the Client shall be responsible for any loss as a result of such liquidation, including any costs, and shall not be entitled to any profit that results from such liquidation.
- 5.9. The Client irrevocably and unconditionally authorises the Company to transfer, debit or deduct any money in the Stock Options Account and/or the Account so as to pay, discharge, satisfy the Client' s indebtedness, obligations and Liabilities to the Company arising from, incurred under and relating to the Agreement, including the outstanding purchase moneys, fees (including market data fees), charges, expenses, commissions and interests payable by the Client under and pursuant to the Agreement. The Client acknowledges and agrees that such deductions may affect the amount of money in the Stock Options Account to be applied against the Margin. The Company may exercise any of its rights under (a) Clause [13] of Cash Client' s Agreement and/or (b) Clause [7] of Stock Options Trading Agreement if deduction of commissions, fees or other charges causes the Stock Options Account to have an insufficient balance to satisfy the Margin.
- 5.10. If the Company issues a call or demand for Margin to the Client, the Client must satisfy such call or demand immediately. The Client agrees to satisfy any call or demand for Margin issued by the Company by immediately depositing cleared funds in the Stock Options Account to pay, in full, the under-margined open position.
- 5.11. The Company shall also have the right to exercise any of its rights under (a) Clause [13] of Cash Client' s Agreement and/or (b) Clause [7] of Stock Options Trading Agreement without prior notice to the Client in the same manner as provided above: (a) if any dispute arises concerning any trading or transaction of the Client; (b) upon the Client' s failure to timely discharge the liabilities, whether actual or contingent, present or future, due, owing or incurred from or by the Client to CMBI Group; (c) upon the Client' s insolvency or filing of a petition in bankruptcy or for protection from creditors; (d) upon the appointment of a receiver, or (e) whenever the Company, in its absolute and sole discretion, deems necessary or advisable for the protection of the Company.
- 5.12. Any failure by the Client to comply with this Clause [5] shall constitute an Event of Default under clause [13] of Cash Client' s Agreement.

6. Foreign Currency Transactions

If the Client gives instructions to the Company to enter into any Contract requiring a conversion from one currency to another, then: -

- (a) the costs thereof and any profit or loss arising as a result of fluctuations in the exchange rate of the relevant currency will be entirely for the account and risk of the Client;
- (b) all initial and subsequent deposits for Margin shall be made in such currency and in such amounts as the Company may require in its discretion; and
- (c) when such Options Contract is closed out, the Company shall debit or credit the Stock Options Account in such currency (as the Company may determine in its discretion) at such exchange rate as determined by the Company in its discretion.

7. Default

If the Client fails to comply with any of the Client' s obligations and/or to meet the liabilities under the Agreement, including failure to



provide Margin, or on the occurrence of any Event of Default (in the sole and subjective judgment of the Company), the Company, in addition to its rights and powers under Clause [13] of Cash Client' s Agreement, shall be entitled at their absolute discretions, without further notice or demand and in addition to and without prejudice to any other rights or powers conferred under the Agreement and/or other agreement, to forthwith: -

- (a) decline to accept further instructions in respect of Exchange Traded Options Business;
- (b) close out some or all of the Client Contracts with the Company;
- (c) enter into Contracts, or into any transactions in securities, Commodities, Exchange Contracts, F/O Contracts, in order to settle obligations arising or to hedge the risks to which the Company is exposed in relation to the Client' s failure;
- (d) sell, realise or otherwise dispose of the Margin (whole or any part thereof) in such manner and for such consideration as the Company may in its absolute discretion think fit, and the Company does not have the responsibility to explain to the Client how it exercises its discretion, and apply the proceeds thereof to discharge all or part of the liabilities; or
- (e) if the amount of the Margin is not sufficient, the Client must immediately increase the amount of the Margin at the request of the Company, otherwise, the Company has the right to claim all the loss and damages against the Client.

Any proceeds remaining after discharge of all the Client' s liabilities to the Company shall be paid to the Client.

8. Closure of Positions

Without prejudice to the Company's rights under Clause [7] above, the Company may, without the Client's consent, close all or any of the Client's positions if the Company is of the opinion that there has been a change or development involving a prospective change:

- (a) in the local, national or international monetary, financial, economic or political conditions or foreign exchange controls which has resulted or is in the opinion of the Company likely to result in a material or adverse fluctuation in the stock market or stock options market in Hong Kong and/or overseas; or
- (b) which is or may be of a material adverse nature affecting the condition or operations of the Client.

9. Language

In the event of any discrepancy between the English version and the Chinese version, the English version shall prevail.
