

## APPENDIX FOR STOCK OPTIONS TRADING

This Appendix applies if the Client opens or maintains an Account with ICBCIS in respect of Stock Options Trading.

In the event that there is any inconsistency between this Appendix and the General Terms and Conditions, the provisions in this Appendix shall prevail in respect of Stock Option Trading.

Unless otherwise defined in this Appendix, terms defined in the “Definitions and Interpretation” section of the Standard Terms and Conditions shall have the same meaning when used in this Appendix.

### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Appendix, the following terms shall have the following meanings:

References to **"Account"** in other parts of the Agreement is deemed to include the Options Account as established pursuant to this Appendix;

**"Collateral"** has the meaning ascribed to it in Clause 3.1 of this Appendix;

**"Rules"** has the meaning ascribed to it in Clause 2.1 of this Appendix; and

**"SEOCH"** means The SEHK Options Clearing House Limited.

For the purposes of this Appendix, where the context requires, the defined terms and expressions set out in this Appendix have the meanings assigned to them under the rules (including the Options Trading Rules of The Stock Exchange of Hong Kong Limited (**"Options Trading Rules"**) and Operational Trading Procedures for Options Trading Exchange Participants of The Stock Exchange of Hong Kong Limited (**"Operational Trading Procedures"**) for Options Trading Exchange Participants) of SEHK.

### 2. LAWS AND RULES

2.1 All Exchange Traded Stock Options Business shall be effected in accordance with all laws, rules and regulatory directions (the **"Rules"**) applying to ICBCIS. This includes the Options Trading Rules of SEHK, the Clearing Rules of SEOCH and the HKSCC Rules. All actions taken by ICBCIS, by the SEHK, by SEOCH or by 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 ICBCIS 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 ICBCIS 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 ICBCIS under this Appendix. Such Collateral shall be paid or delivered as demanded by ICBCIS 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 If ICBCIS accepts securities by way of Collateral, the Client will on request provide ICBCIS with such authority as ICBCIS may require under the Rules to authorize ICBCIS 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 to ICBCIS. ICBCIS 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. 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 Appendix, including failure to provide Collateral, this will be treated as an Event of Default under Clause 20 of the General Terms and Conditions, and apart from taking actions pursuant to the said Clause 20, ICBCIS is further authorized to:
- (a) decline to accept further Instructions from the Client in respect of Exchange Traded Options Business;
  - (b) close out some or all of the Client's Client Contracts with ICBCIS;
  - (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 ICBCIS 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 ICBCIS.

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

- 4.2 The Client agrees to pay interest on all overdue balances in its Options Account, including interest arising after a judgment debt is obtained against the Client, at such rates and on such other terms as ICBCIS has notified the Client from time to time.

## **5. CONTRACTS**

- 5.1 In respect of all Contracts effected on the Instructions, the Client shall pay ICBCIS, within the time period notified by ICBCIS, Premium, ICBCIS's commission and any other charges, and applicable levies imposed by SEHK, as have been notified to the Client. ICBCIS may deduct such Premium, commissions, charges and levies from the Options Account or any other account of the Client with ICBCIS or any ICBC International Group Member.

- 5.2 ICBCIS may place limits on the open positions or delivery obligations that the Client may have which will be notified to the Client from time to time.

- 5.3 The Client acknowledges that:

- (a) ICBCIS may be required to close out Client Contract(s) to comply with position limits imposed by SEHK; and
- (b) if ICBCIS goes into default, the default procedures of SEHK may result in Client Contracts being closed out, or replaced by Client Contract(s) between the Client and another Options Exchange Participant(s).

- 5.4 The Client acknowledges that, although all Options Contracts are to be executed on SEHK, the Client and ICBCIS shall contract as principals under Client Contracts.

## **6. REPRESENTATION AND WARRANTIES**

- 6.1 The Client confirms that:

- (a) the Options Account is operated solely for the Client's account and benefit, and not for the benefit of any other person unless otherwise disclosed to ICBCIS according to Clause 6.1(b) below of this Appendix;
- (b) the Client has disclosed to ICBCIS in writing the name of the person(s) for whose benefit the Options Account is being operated; or
- (c) the Client has requested ICBCIS to and ICBCIS shall operate the Options Account as an Omnibus Account, and will immediately notify ICBCIS, on

request, of the identity of any person(s) ultimately beneficially interested in Client Contracts.