



SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED

**TERMS AND CONDITIONS
for Stock Options Account**

Shenwan Hongyuan Securities (H.K.) Limited

Exchange Participant of The Stock Exchange of Hong Kong Limited and
A licensed corporation to carry on Type 1 (dealing in securities)
regulated activity by the Securities and Futures Commission
CE Number AAC927

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**PLEASE READ THIS DOCUMENT CAREFULLY,
ITS TERMS ARE IMPORTANT!**

Terms and Conditions for Stock Options Account

These terms and conditions set out the rights and obligations of you as the Client and us as the Broker, in connection with the operation of your account(s) opened or to be opened with us for conducting stock options trading. All terms and conditions below are legally binding, please read them carefully before you agree to be bound by them.

The Terms and Conditions for Cash Account as set out in Schedule 1 hereto and the Terms and Conditions for Margin Account as set out in Schedule 2 hereto shall form part of these terms and conditions. These terms and conditions shall be treated as additional to the Terms and Conditions for Cash Account or the Terms and Conditions for Margin Account in order to form the integral Terms and Conditions for Stock Options Account. Where applicable (such applicability shall be determined by the Broker at its absolute discretion), the Terms and Conditions for Cash Account or the Terms and Conditions for Margin Account shall also apply to Clients of Stock Options Account. Where any conflict arises between the Terms and Conditions for Cash Account or the Terms and Conditions for Margin Account (where applicable) and these terms and conditions, the provisions of the latter shall prevail.

1. Interpretation

1.1 In these terms and conditions, the following expressions shall have the following meanings unless the context requires otherwise:-

“Account Opening Form” means the account opening form entered into by the Client with the Broker for opening of one or more trading account(s) which include(s) a cash account, a margin account, a futures account and a stock options account, together with any declaration, information, notes and statements thereto (including risk disclosure statements) to be completed and signed by the Client and, as the context requires, any amendments made thereto from time to time;

“Authorised Person” means, if the Client consists of one or more individuals, each such individual and any other person(s) as may from time to time be appointed by the Client and notify to the Broker in writing or, if the Client is a body corporate, any director or other person specified as an Authorised Person in the Account Opening Form or in any document of authorisation of that body corporate, and in either case such other person(s) as appointed in substitution therefor or in addition thereto and notified in writing to the Broker by an Authorised Person from time to time provided that any such appointment of other Authorised Person(s) shall be effective from the time of actual receipt of notification by the Broker;

“Broker” means Shenwan Hongyuan Securities (H.K.) Limited;

“Broker’s Group Company” means the holding companies of the Broker and each and every subsidiary of such holding companies;

“Client” means the person or persons who have signed an Account Opening Form to open a Stock Options Account with the Broker, and where the Stock Options Account is opened by more than one person, “Client” means all of such persons collectively and any personal representative or successor in title thereof and permitted assign thereof;

“Client Agreement”	means these terms and conditions, the PDPO Circular and the Account Opening Form duly signed by the Client which shall be read together as one document;
“Client Contract”	has the meaning as defined in the Options Trading Rules and 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;
“Client Securities Rules”	means the Securities and Futures (Client Securities) Rules (Cap. 571H of the Laws of Hong Kong) made by the SFC under section 148 of the SFO as amended from time to time;
“Collateral”	means cash and/or securities and/or other assets as may be agreed from time to time as security for the Client’s obligations to the Broker under the Client Agreement;
“HKEx”	means the Hong Kong Exchanges and Clearing Limited;
“HKSCC”	means the Hong Kong Securities Clearing Company Limited;
“Instructions”	means any instructions given by the Client or any Authorised Person, which in any way relate to, arise out of and/or are in connection with these Terms of Business, the Stock Options Account or (without limitation to the sense of the foregoing) any services to be provided by the Broker, whether such instructions are given orally, in writing, by facsimile and/or by electronic means. Any such instructions given by an Authorised Person shall be subject to any specific limitations as from time to time specified by the Broker, or by the Client as approved by the Broker;
“Options Clearing Rules”	means the Options Clearing Rules of SEOCH;
“Options System”	has the meaning as defined in the Options Trading Rules;
“Options Trading”	means the purchase, closing, exercise, settlement and discharge of long options transactions and includes writing of options through the Stock Options Account or otherwise creating any short open position;
“Options Trading Rules”	means the Options Trading Rules of SEHK as amended from time to time;
“PDPO Circular”	means the Circular to Client relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) issued by the Broker, as amended and updated from time to time;
“Rules”	means all laws, rules and regulatory directions applicable to the Broker (as an Options Exchange Participant), which include the Options Trading Rules, the Options Clearing Rules and the rules of the HKSCC, as amended from time to time;
“SEHK”	means the Stock Exchange of Hong Kong Limited;

“SEOCH”	means the SEHK Options Clearing House Limited;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong);
“Standard Contract”	has the meaning as defined in the Options Trading Rules;
“Stock Options Account”	means any trading account opened or to be opened by the Client with the Broker for conducting stock options trading on the SEHK via the Broker, such account to be opened together with either a Cash Account or a Margin Account;
“Terms and Conditions for Cash Account”	means the terms and conditions issued by the Broker in relation to Client’s opening of a cash account with the Broker, as amended and updated from time to time;
“Terms and Conditions for Margin Account”	means the terms and conditions issued by the Broker in relation to Client’s opening of a margin account with the Broker, as amended and updated from time to time; and
“Terms of Business”	means these terms and conditions and any other terms and conditions as contained in the Client Agreement which shall be read together as one document.

1.2 Words and phrases not defined herein shall have the meanings given to them in the Rules, unless the context otherwise requires.

1.3 The headings to the clauses are inserted for convenience only and do not affect their interpretation and construction.

2. Confidentiality

The Broker will keep information relating to the Stock Options Account confidential, but may provide any such information to the SFC, SEHK, HKEx and/or other relevant regulators as and when required.

3. Client’s Representations and Warranties

3.1 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(s);
- (b) the Client has fully disclosed to the Broker in writing the name of the person(s) for whose benefit the Stock Options Account is being operated; or
- (c) the Client has requested the Broker to operate the Stock Options Account as an Omnibus Account, and will immediately notify the Broker, on request, of the identity of any person(s) ultimately beneficially interested in the Stock Options Account or the Client Contracts.

4. Applicable Rules

4.1 All Exchange Traded Options Business shall be effected by the Broker in

accordance with the Rules; and in particular, SEOCH has authority under the Rules to make adjustments to the terms of Contracts, the Broker should notify the Client of any such adjustments which affect Client Contracts to which the Client is a party, and all actions taken by the Broker, by SEHK, by SEOCH, by HKSCC in accordance with such Rules which shall be binding on the Client.

- 4.2 The Client agrees that the terms of the Standard Contract for the relevant option series shall apply to each Client Contract with the Broker, and that all Client Contracts shall be created, exercised, settled and discharged in accordance with the Rules.

5. Collateral

- 5.1 The Client agrees to provide the Broker with Collateral as may be agreed between the Client and the Broker from time to time, as security for the Client's obligations to the Broker under the Client Agreement and to maintain Collateral. Such Collateral should be paid or delivered as demanded by the Broker from time to time, and the amounts required by way of Collateral should 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. The Broker may change any Collateral in its sole discretion and at any time without prior notice to the Client. If the Broker determines that additional Collateral is required, the Client agrees to deposit with the Broker such additional Collateral forthwith upon demand. No previous Collateral shall establish any precedent.
- 5.2 If the Broker accepts securities by way of Collateral, the Client will on request provide the Broker with such authority as the Broker may require under the Rules to authorise the Broker to deliver such securities, directly or through an Options Exchange Participant, to SEOCH as SEOCH's Collateral in respect of Exchange Traded Options Business resulting from the Client's instructions to the Broker; and the Broker does not have any further authority from the Client to borrow or lend the Client's securities or otherwise part with the possession (except to the Client or on the Client's instructions) of any of the Client's securities for any other purposes.
- 5.3 The Broker will collect Collateral and Premium in accordance with the Rules.
- 5.4 Without prejudice to Clauses 5.1 to 5.2, calls or demands for Collateral must be met or satisfied by the Client forthwith upon demand by the Broker. The Client shall on demand put the Broker in funds or moneys or arrange for the Broker to be put in funds or moneys in time to enable the Broker to discharge any obligation and/or liability incurred or to be incurred in connection with Options Trading transaction effected in relation to the Stock Options Account. The Client shall on demand reimburse the Broker for all costs and expenses incurred by it in connection with Options Trading transaction effected in relation to the Stock Options Account and/or pay or settle any outstanding amount under the Stock Options Account.
- 5.5 The Broker is not liable to pay interest on the moneys or funds paid to or received by the Broker in respect of the Stock Options Account whether on deposit or howsoever described. The Broker is entitled to retain for its own benefit any interest or other realized income or increase in value earned or received in respect of such moneys or funds. The Broker is entitled to charge and the Client agrees to pay interest to the Broker in respect of any deficit or any moneys or funds otherwise due and owing to the Broker at any time at such rates and on such terms as determined by the Broker and as the Broker may from time to time notify the Client. Interest shall be payable on the last day of each calendar month or forthwith upon demand by the Broker.
- 5.6 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

Collateral requirements. The Broker may modify such Collateral for the Client at any time in the Broker's absolute and sole discretion. The Broker may reject any Instructions or order of the Client if the Client does not have a sufficient account balance to meet the Collateral and may delay the processing of any Instructions or order while determining the correct Collateral status of the Stock Options Account. The Client shall maintain, without notice or demand from the Broker, a sufficient account balance at all times so as to continuously meet the Collateral. The Client must at all times satisfy whatever Collateral calculated by the Broker.

- 5.7 The Broker has no obligation to notify the Client of any failure to meet the Collateral in the Stock Options Account prior to the Broker exercising its rights, powers, discretion and remedies under these Terms of Business. The Client understands and accepts that the Broker generally will not issue call or demand on the Collateral, that the Broker generally will not credit the Stock Options Account to meet any deficiency on the Collateral, and that the Broker is authorised to exercise any of its rights under (a) section headed "Default" in the Terms and Conditions for Margin Account; (b) section headed "Event of Default" in the Terms and Conditions for Cash Account; and/or (c) Clause 6.8 in order to satisfy the Collateral without prior notice to the Client.
- 5.8 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 Collateral requirements, the Broker shall have the right, in its sole discretion, but not the obligation, to exercise any of its rights under (a) section headed "Default" in the Terms and Conditions for Margin Account; (b) section headed "Event of Default" in the Terms and Conditions for Cash Account; and/or (c) Clause 6.8 at any time and in such manner and in any market as the Broker deems necessary, without prior notice, demand or call to the Client. The Client agrees to be responsible for, and promptly pay to the Broker, any deficiency in the Stock Options Account that arises from such exercise of rights or remains after such exercise of rights. The Broker shall not have any liability to the Client for any loss or damage sustained by the Client in connection with such exercise of rights (or if the Broker experiences a delay in exercising, or does not exercise such rights).
- 5.9 The Client expressly waives and relinquishes any rights to receive prior notice or demand from the Broker and agrees that any prior demand, notice, announcement or advertisement shall not be deemed a waiver of the Broker's right to exercise any of its rights under (a) section headed "Default" in the Terms and Conditions for Margin Account; (b) section headed "Event of Default" in the Terms and Conditions for Cash Account; and/or (c) Clause 6.8. The Client understands that, in the event that the Broker exercises such rights, the Client shall have no right or opportunity to determine the manner of exercising such rights by the Broker. The Broker may, in its absolute and sole discretion, exercise such rights on any Exchange or market, and the Broker or any of the Broker's Group Company may take the other side of any closing out, liquidating or settlement transaction. In the event that the Broker exercises such rights, such exercise of rights shall establish the amount of the Client's gain or loss and indebtedness to the Broker, if any. The Client shall reimburse and hold the Broker harmless for all actions, inaction, costs, expenses, fees (including, but not limited to, legal costs), penalties, losses, claims or liabilities associated with any exercise of such rights by the Broker. The Client shall be liable to and responsible for all resulting losses, notwithstanding the Broker's delay in or failure to exercise such rights. If the Broker executes an order for which the Client did not have sufficient funds, the Broker has the right, without notice to the Client, to liquidate the Options Trading transaction and the Client shall be responsible for any loss or liability incurred as a result of such liquidation, including any costs.

- 5.10 The Client irrevocably and unconditionally authorises the Broker and/or the Broker's Group Company to transfer, debit or deduct any money in the Stock Options Account and/or any other account opened, maintained and operated by the Client with the Broker from time to time for use in connection with the purchase, sales, holdings or other dealings in Securities and other financial products effected through the Broker on behalf of the Client so as to pay, discharge, satisfy the Client's indebtedness, obligations and liabilities to the Broker arising from, incurred under and relating to these Terms of Business, including but not limited to the outstanding purchase moneys, fees (including but not limited to market data fees), charges, expenses, commissions and interests payable by the Client under and pursuant to these Terms of Business. The Client acknowledges and agrees that such deductions may affect the amount of money in the Stock Options Account to be applied against the Collateral. The Broker may exercise any of its rights under (a) section headed "Default" in the Terms and Conditions for Margin Account; (b) section headed "Event of Default" in the Terms and Conditions for Cash Account; and/or (c) Clause 6.8, if deduction of commissions, fees or other charges causes the Stock Options Account to have an insufficient account balance to satisfy the Collateral.
- 5.11 If the Broker issues a call or demand for Collateral to the Client, the Client must satisfy such call or demand immediately. The Client agrees to satisfy any call or demand for Collateral issued by the Broker by immediately depositing cleared funds in the Stock Options Account to pay, in full, the under-margined open position.
- 5.12 If any one of the following events occurs,
- (a) if any dispute arises concerning any trading or Options Trading transaction of the Client;
 - (b) upon the Client's failure to timely discharge its obligations to the Broker;
 - (c) upon the Client's insolvency, filing of a petition for bankruptcy/winding-up or commencement of any other analogous proceedings for administration of assets or protection of creditors;
 - (d) upon the appointment of a receiver;
 - (e) upon the occurrence of any Event of Default as defined in the Terms and Conditions for Cash Account and/or the Terms and Conditions for Margin Account; or
 - (f) whenever the Broker, in its absolute and sole discretion, deems necessary or advisable for the protection of the Broker and/or any of the Broker's Group Company,

the Broker shall have the right to exercise any of its rights under (a) section headed "Default" in the Terms and Conditions for Margin Account; (b) section headed "Event of Default" in the Terms and Conditions for Cash Account; and/or (c) Clause 6.8, without prior notice to the Client in the same manner as provided above.

- 5.13 Any failure or default of the Client to comply with this Clause 5 shall constitute an Event of Default under section headed "Event of Default" in the Terms and Conditions for Cash Account and section headed "Default" in the Terms and Conditions for Margin Account.

6. Contracts

- 6.1 In respect of all options contracts effected on the Client's instructions, the Client will pay the Broker, within the time period notified by the Broker, Premium, the Broker's commission and any other fees and charges, and applicable levies imposed by SEHK, as have been notified to the Client; and the Broker may deduct such Premium, commissions, fees and charges and levies from the Stock Options Account or any other account of the Client with the Broker or Broker's Group Company.

- 6.2 The Broker may place limits on the open positions or delivery obligations that the Client may at any time have in relation to the Stock Options Account.
- 6.3 The Client acknowledges that:-
- (a) the Broker may be required to close out Client Contracts to comply with position limits imposed by SEHK; and
 - (b) if the Broker goes into default, the default procedures of SEHK may result in Client Contracts being closed out, or replaced by Client Contracts between the Client and another Options Exchange Participant(s) of the SEHK.
- 6.4 On the exercise of a Client Contract by or against the Client, the Client will perform his/her delivery obligations under the relevant contract, in accordance with the Standard Contract and as the Client has been notified by the Broker.
- 6.5 At the request of the Client, the Broker may agree to the Client Contracts between itself and the Client being replaced, in accordance with the Rules, by Client Contracts between such client and another Options Exchange Participant(s) of SEHK.
- 6.6 The Client acknowledges that although all Options Contracts are to be executed on SEHK, the Client and the Broker or the relevant Options Exchange Participant shall contract as principals under Client Contracts.
- 6.7 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 Broker to override such an “automatically generated exercise instruction” before closure of the system on the expiry day in accordance with the Operational Clearing Procedures of SEOCH.
- 6.8 Without prejudice to the Broker’s rights under these Terms of Business, the Broker may, without the Client’s consent, close all or any of the Client’s positions if the Broker 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 Broker 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 conditions or operations of the Client.

7. Reportable Positions

The Client shall be responsible for notifying the SEHK or other relevant regulators if the Client holds a reportable positions (as defined in the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap.571Y of the Laws of Hong Kong) or other applicable rules or regulations).

8. Disclosure of interests

The Client acknowledges that, subject to the provisions of the SFO and other laws, the Broker may take the opposite position to the Client’s order in relation to any exchange traded options contract(s), whether on the Broker’s own account or for the account of any member of the Broker’s Group Company or their respective officers, employees or representatives or other clients of the Broker or any member of the Broker’s Group Company, provided that the

trading is executed competitively on or through the facilities of the SEHK in accordance with the Rules and the rules, regulations and procedures of the SEHK or the facilities of any other commodity, futures or options exchanges in accordance with the rules and regulations of such other exchanges.

9. Default

- 9.1 If the Client fails to comply with any of his/her obligations and/or to meet his/her liabilities under any of the provisions of these Terms of Business, including without limitation failure to provide Collateral, the Broker may:-
- (a) decline to accept further instructions from the Client in respect of Exchange Traded Options Business;
 - (b) close out some or all of Client Contracts with the Broker;
 - (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 the Broker is exposed in relation to the Client's failure;
 - (d) dispose of Collateral, and apply the proceeds thereof to discharge the Client's liabilities to the Broker; and any proceeds remaining after discharge of all the Client's liabilities to the Broker should be paid to the Client;
 - (e) dispose of any or all securities held for or on behalf of Client in order to set off any of its obligations and to exercise any rights of set off the Broker may have in relation to the Client; or
 - (f) take any such action as the Broker considers necessary and desirable as provided under (a) section headed "Default" in the Terms and Conditions for Margin Account; and (b) section headed "Event of Default" in the Terms and Conditions for Cash Account.
- 9.2 In the event that there is any deficiency arising after the sale or disposal of the Collateral, the Client agrees to make good and pay on demand to the Broker such deficiency.
- 9.3 The Client agrees to pay interest on all overdue balances (including interest arising after a judgment debt is ordered or awarded against the Client) at such rates and on such other terms as the Broker has notified to the Client from time to time.
- 9.4 The Client agrees that the Broker shall not be in any way responsible for any loss arising out of or in connection with any action taken pursuant to Clause 9.1, howsoever such loss may have been caused or arisen, and whether or not a better price could or might have been obtained on such action, by either deferring or advancing the date of taking such action.

10. Liability and Indemnity

- 10.1 The Client agrees to fully indemnify the Broker, and the Broker's officers, employees and agents, against all losses and expenses resulting from breach of the Client's obligations under any provision of these Terms of Business, including all costs on an indemnity basis and the costs in collecting debts from the Client, and in closing the Stock Options Account.
- 10.2 In relation to the purchase and /or sale of any product, the Broker may solicit the sale of or recommend a product or provide advisory services to you in accordance with clause 10.3(a); and/or the Client may enter into the transaction without or inconsistent with any solicitation or recommendation from the Broker in accordance with clause 10.3(b). Making available to the Client any advertisements, market or promotional materials, market information or other information shall not, by itself, constitute solicitation of the sale or recommendation of any product or service.

10.3 Transaction entered into with the Broker to buy or sell products:

- (a) If the Broker solicit the sale of or recommend any financial product to you, the financial product must be reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. No other provision of these Terms and Conditions or any other document the Broker may ask the Client to sign and no statement the Broker may ask the Client to make derogates this clause
- (b) If the Client enters into a transaction with the Broker to buy and/or sell a product without or inconsistent with any solicitation or recommendation from the Broker, the Broker will not have any obligation or duty to assess whether or ensure that the product is suitable for the Client. The Client acknowledge and agree that it is the Client's sole responsibility to assess and to satisfy that the transition if appropriate for the Client.
- (c) By enter into a transaction with the Broker to buy or sell a product, the Client confirms that any information the Client provides to the Broker is complete, accurate and up-to-date. When the Broker assesses suitability, the Broker will rely on the Client's confirmation.

11. General

- 11.1 If the Broker fails to meet its obligations to the Client pursuant to these Terms of Business, the Client shall have a right to claim under the Investor Compensation Fund established under the SFO, subject to the relevant provisions governing the Investor Compensation Fund as amended from time to time.
- 11.2 The Client understands and acknowledges that the Broker is an Options Exchange Participant.
- 11.3 In compliance with section 5 of the Client Securities Rules, relevant securities collateral from time to time received by the Broker on the Client's behalf will be deposited in safe custody in a segregated account maintained in Hong Kong for the purpose of holding such securities collateral with an authorised financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities, or deposited in an account in the name of the Broker or its associated entity with an authorised financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities, or registered in the Client's name or in the name of the Broker or its associated entity.
- 11.4 Upon request, the Broker agrees to provide the Client with (i) the product specifications for Options Contracts and any prospectus or other offering document covering such Options Contracts and (ii) the HKEx's booklet "Understanding Stock Options (and their Risks)" (or any of its updated version).
- 11.5 The Broker refers the Client to the risk disclosure statements in relation to Options Trading issued with the Account Opening Form.
- 11.6 The Client confirms that he/she has read and agreed to the terms of these Terms of Business. The Client further confirms that he/she has read the risk disclosure statements in relation to the Options Trading issued with the Account Opening Form and fully understands the risks involved in Options Trading.
- 11.7 The Broker and the Client undertake to inform each other of any material changes to the information provided in these Terms of Business.

- 11.8 These Terms of Business and all rights, obligations and liabilities arising therefrom shall be governed by and construed in accordance with the laws of Hong Kong. The parties hereby submit to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with these Terms of Business. Such submission shall not prejudice the Broker's right to commence action against the Client in any other court of competent jurisdiction.
- 11.9 These Terms of Business may be translated into any other languages but, in the event of any conflict, the English version shall apply and prevail.

End of the Terms and Conditions

SCHEDULE 1

Terms and Conditions for Cash Account

SCHEDULE 2

Terms and Conditions for Margin Account