Risk Disclosure Statement for Futures Trading

To assist your understanding of the risks associated with Derivatives, SNB Finance Holdings Limited (Trading name: Snowball-X, Snowball Securities, or 雪盈证券, "SNB", *us*, or *we*) prepared this Risk Disclosure Statement for Futures Trading (the *Risk Disclosure Statement*). Derivatives are types of contracts, such as futures, options, warrants and callable bull/bear contracts (*CBBCs*), that have their value determined by what is called *Underlying Assets* - stocks, exchange or interest rates, indexes, or commodities.

Trading in Derivatives is not suitable to all investors. You should trade in Derivatives only if you understand the nature of these financial products, the extent to which these trades will expose you to risk, and if they are appropriate to you considering your experience, objectives, financial resources, risk tolerance, and other relevant factors.

This Risk Disclosure Statement gives an introductory explanation of the risks that you face when trading in Derivatives, and does not offer an exclusive list of all such risks. If in any doubt, you should seek professional advice.

General Risks of Trading in Derivatives

You should be aware that the risk of investment losses when trading in Derivatives can be substantial and higher when compared to trading in stocks. Derivatives might feature gearing, time delays, co-movement, and are subject to high volatility, as it is common to experience significant price increases or decreases within a short period. You may suffer substantial losses from trading in Derivatives, which may even exceed the total amount of equity you invested.

You should carefully read and understand the applicable terms and conditions, contracts, rules and relevant responsibilities before you decide to invest in Derivatives. The relevant exchange may revise such terms and conditions of a Derivative not executed to reflect the change in relevant rights and interests.

You should be particularly aware of the following:

Loss of Investment

You may incur losses beyond the equity that you invested with us to establish or maintain your margin requirements, and are obliged to settle any eventual shortfalls by making subsequent deposits or payments to us.

Leverage or Gearing Risks

When trading in Derivatives the price of a contract might cost a fraction of the price of the Underlying Assets, which is called trading *on margin, leveraged* or *geared*. Leverage may serve to multiply the loss suffered in percentage terms. Please refer to the SNB Finance Holdinigs Limited Customer Agreement and the Disclosure of Risks of Margin Trading.

The high level of leverage obtainable when trading Derivatives, due to the low level of initial capital outlay, can work against you as well as in your favour since leverage effectively magnifies exposures and losses. A relatively small market movement in the price of a Derivative's underlying security might have a proportionately larger impact on the funds you have deposited or will have to deposit to maintain your margin requirements. You may suffer higher losses in percentage terms if you expect the price of the underlying asset to move one way, but it moves in the opposite direction. This is especially relevant if you are the writer or seller of any exchange -traded derivative which may require you to deliver cash, stocks or other underlying assets if the Derivative is exercised by the buyer.

Payment of Additional Margin

If the price of a Derivative or its underlying assets moves against you or your Margin Requirement levels are increased, you may be required, at short notice, to deposit with SNB additional assets in order to maintain your position, as required by SNB Finance Holdinigs Limited Customer Agreement. The amount of additional assets required to maintain your Margin Requirements may be substantial. If you fail to provide the required assets within the time specified by us, as per the SNB Finance Holdinigs Limited Customer Agreement, your position may be liquidated by us, and you will be liable for any deficits in your account.

Automatic Liquidation

You should understand that we may liquidate your Derivative positions or any assets held in your Margin Account in accordance with our internal risk control policy and the laws, rules, and regulatory directions effected in relation to Derivatives as amended or supplemented from time to time. We will generally close positions automatically if you fail to comply with SNB's Margin Requirement, and might do as soon as your account is in deficit. Whilst we may notify you if a deficit arises, we are not obliged to give you any opportunity to deposit further assets to rectify such Margin Requirement deficit.

Underlying Market Movements

As the value of Derivatives is dependent partly on the value of the Underlying Assets, market movements that impact the Underlying Asset's value may impact your position in Derivatives. Changes in the market may make it difficult to maintain the hedge or maintain your exposure under an open Derivative position. In addition to that, market movements might cause the price of a Derivative you purchased to in price or become worthless at or before expiry.

Price Sensitive Announcements

As mentioned above, price movements in the Derivative's Underlying Assets can significantly affect the value of your Derivatives. The value of the Underlying Assets are affected by, amongst other things, *Public Announcements* of related information announced to local or international exchanges, credit ratings and issuer announcements, or information that is made available by a relevant body which issues a particular nation's currency or publishes the exchange rates referenced by a particular series of Derivatives. You should regularly review Public Announcements in relation to markets and relevant Underlying Assets of your Derivatives.

Liquidity Risk

Under certain market conditions, it might be difficult or impossible for you to hedge or maintain your exposure, to close out a Derivatives' position, or the relationship between the prices of the Derivative and the underlying market may be distorted or affected. Examples include (i) if there is a significant change in the price of the Underlying Asset over a short period of time; (ii) if there are insufficient buyers or sellers in either the Derivative or the underlying market; or (iii) if the market is suspended or disrupted for any reason.

Limited Life Span

Derivatives have limited life spans, and some Derivatives might be executed before their expiry date. Their value might erode as a Derivative approaches its expiry date, and some might become worthless if not executed before that date. You may be effectively required to hold a Derivative to expiry if you cannot for any reason close out your position. When selecting Derivatives, ensure that these meet your investment objectives and investment horizons.

Placing Orders in a Moving Market

Placing of *Contingent Orders* (for example a 'stop-loss' or 'stop-limit' orders), which are intended to limit losses, may not always limit losses to the amount you expect. Market conditions may make it impossible to execute such orders. For example, if the price an Underlying Asset moves suddenly, your Contingent Order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.

Electronic Trading and System Outages

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. Trading on an electronic trading system may differ from trading on other electronic trading systems. You are required to take reasonable and effective protective measures when using these systems, as such electronic platforms and systems may be subject to failure or temporary disruption. If a system fails or is interrupted for any reason, we might have difficulties in executing all or part of an order from you. Your ability to recover certain losses in these circumstances might be restricted by the system provider, exchange, market, clearing house, participant firms, or other relevant stakeholders.

Common examples of disruption include fire, technology interruption, or other exchange emergency. The exchange could, for example, declare that an undesirable situation has developed concerning a particular Derivative and suspend trading. Exchanges or participants may also be allowed to cancel transactions under their operating rules.

Time Zone Difference for Clients Dealing in Foreign Markets

You should be aware that there may be significant differences between your time zone and that of other financial market centres. If you are dealing in foreign markets, your orders may be executed outside normal business hours or during the night in your location. In addition, events that impact the market, specific stocks or currencies that in turn may influence the values of Derivatives in your account may also take place well outside of business hours in your local time zone.

Exchange Rate and Foreign Currency Risks

If you trade in Derivatives on international exchanges or Derivatives with Underlying Assets that are related to foreign markets, your positions might be denominated in a currency other than the base currency of your account. Holding positions and trading on products denominated in a foreign currencies, or linked to Underlying Assets or foreign currencies, expose you to exchange rate fluctuations. You must ensure that you understand the risks associated with it.

Where SNB performs a spot foreign currency conversion to settle a dealing entered into on your behalf, the exchange rate risk (loss or gain) will be materialised. These losses or gains may be in addition to any accrued from trading on the Derivative itself.

You must pay special attention to the specifications of any currency Derivative you intend to trade, especially if you intend to hold such Derivative until expiry. SNB offers access to Derivatives on a limited number of exchanges and on a limited number of currencies. Where you instruct SNB to arrange a dealing in exchange-traded Derivatives on international exchanges, you may be required to pay amounts in a currency other than New Zealand Dollars (for instance premium and margin payments) and you may receive amounts in a foreign currency. For example, for Derivatives traded in the United States, the trading and settlement currency of such Derivative is commonly U.S. Dollars, which means that you pay premium and settle transactions in U.S. Dollars. However, a Derivative may be traded and settled in another currency, for instance cross-rate derivative traded on a US exchange may settle in currencies other than U.S. Dollars.

Market Emergencies

You may incur losses during market emergencies. These emergencies are caused by matters outside SNB’s control, as for example, a regulatory authority exercising its powers during a market emergency. A regulatory authority can, under certain situations, suspend trading or alter the price at which a position is settled. SNB is unlikely to accept any responsibility for losses caused by such market emergencies.

Market Disruption

A market disruption may mean that you are unable to deal in Derivatives when desired, and you may suffer a loss as a result. Common examples of disruption include the crash of an exchange's electronic trading system, fire, or other exchange or clearing house emergency. SNB is unlikely to accept any responsibility for losses caused by such market disruptions.

Exchange and Clearing House Powers

Exchanges, clearing houses, regulatory authorities or other competent bodies (in this section referred collectively as *Exchanges*) commonly have broad discretionary powers in relation to the market and the operation of clearing facilities. Exchanges have powers to suspend the operation of the market (or lift that suspension) in Derivatives while the Underlying Assets are in a trading halt, if the circumstances are appropriate. They may also restrict the exercise, terminate a Derivative position, substitute Underlying Assets, impose position limits, exercise limits, or terminate contracts. Whilst such powers ostensibly exist to ensure fair and orderly markets are maintained as far as practicable, the consequence of an Exchange exercising such powers may not be economically beneficial to you and might result in losses.

Local Regulators May Not Have Jurisdiction

The execution and clearing of Derivatives on exchanges outside of your country of residence are subject to the rules of that international exchange and clearing houses, and to the laws of their jurisdiction, which may differ from the rules in and laws of your country of residence. Trading in these overseas exchanges are subject to the supervision and regulation by overseas regulators, whose functions and powers may differ from those of your country's regulators. The regulatory authority of your country of residence might not be able to enforce local rules or laws in the jurisdiction in which you have intend to execute a transaction.

Trading in markets in other jurisdictions may involve additional risks. According to the regulations of these markets, you as an investor might be offered a different or reduced degree of protection. Before proceeding with a transaction on an overseas exchange, you should familiarise yourself with the rules that apply the transaction you intend to conduct.

Default Risk

If you fail to meet your obligations arising from the SNB Finance Holdinigs Limited Customer Agreement, including but not limited to complying with SNB's Margin Requirements at any time or refraining from performing any action or inaction which constitutes a default, SNB may, in addition to any other rights SNB holds against you, take any action which it might deem appropriate. That may include entering into risk-reducing positions by closing out some or all of your open positions and exercise open positions, or refrain from taking actions, whatever SNB considers reasonable in the circumstances. SNB may resort to such actions that directly alter your account position with SNB and you are compelled to account for these changes as if they were taken on your instructions. You are liable for any deficiency and entitled to any surplus which may result from these actions.

Additional Risks in Trading Options

Option trading is complicated. You should fully understand the rules of options trading, the correlation between the option price and the movement of the underlying asset's price and consider whether you can tolerate the risk of options investments before you make the decision to participate in option trading. You should only trade options if you understand the nature of the financial products and have a clear understanding of and tolerance for the losses that such trading may incur.

The risks attached to investing in options will vary in degree depending on the option traded. The risks associated with sell option trading are generally higher than the risks of buy option trading. Although the seller in the first type is paid a premium, they may also suffer from a loss exceeding that premium due to the fluctuation in the price of contracted subject the seller is obliged to exercise. Refer to *Loss of Premium for Option Buyers* and *Potentially Unlimited Loss for Option Sellers* parts below for further details on these possible losses.

The options market may experience less liquidity than the equity market, and in instances of very low market liquidity, it is possible that enforced liquidation or execution at a very low or very high price, results in losses that exceed the initial deposit.

You should always check the terms and conditions of the options contract and related obligations (for example, under what circumstances you may be responsible for the expiration date of the option and the exercise limit of the option). You should also pay attention to the ex-dividend and ex-right in case of dividend allocation, dividend pay-out, capitalizing of common reserves, stocks allocation and stocks splitting or combination with respect to the contract subject.

In some cases, the exchange or clearing participants may modify the details of the outstanding contracts (including the option exercise price) to reflect the changes in the relevant assets of the contract. They may also adjust the contracting parties and exercise the price of the option contract within the period of validity, and the trading and settlement of the contract will be carried out as the terms and conditions of the contract after the adjustment.

We are not responsible for any loss during trading as a result of your lack of awareness of the related rules.

Loss of Premium for Option Buyers

The maximum loss in buying an option is the amount of premium paid to acquire the option in addition to the transaction costs you pay us for providing you with this trading service. If the option expires worthless, you will lose the total value paid for the option plus the transaction costs (such as commission and other associated fees) you have paid.

Potentially Unlimited Loss for Option Sellers

Whilst sellers (writers) of options earn a premium, they may also incur unlimited losses if the market moves against their option position and they do not hold sufficient Underlying Securities. The premium received by the writer is a fixed amount, however the writer may incur in losses greater than that amount.

For example, the seller of a call option is exposed to increased risk if the market price rises and the seller does not own the necessary Underlying Shares. If the option is exercised and assigned to the seller of the option, the seller will be forced to buy sufficient Underlying Securities at the current and higher market price in order to deliver them to the buyer at the exercise price. Similarly, where the market price falls, the sale of a put option is exercised and assigned to the seller, the writer is forced to buy the underlying shares from the buyer at a price above the current market price. In either case, as a seller of an option, you may be required to deliver or take delivery of an asset at a value which is disadvantageous in view of its updated price.

In the case of sellers of index and currency options, you will be effectively required to pay the difference between the strike price and settlement value multiplied by the contract multiplier in cash if the option is exercised and assigned to the seller. This may mean that you will not be refunded for any money you paid as initial or variation margin and you may be required to pay additional amounts.

Loss of Stock for Writers of Covered Call Options

Sellers of covered calls (where the writer holds shares) will, if the contract is exercised, be forced to deliver the underlying stock at the exercise price below the current market price.

Close Out Difficulties

Under certain conditions, it may become difficult or impossible to close out an open option position and the relationship between the price of options contracts and the Underlying Asset may become distorted. Examples include if there is a significant change in the price of the Underlying Asset over a short period of time, if there is an absence or reduction in the number of buyers and sellers in either the option or the underlying market, or if the option market is suspended or disrupted for any reason.

Additional Risks in Trading Warrants

Issuer Risk

Derivative warrant holders are unsecured creditors of an issuer and have no preferential claim to any assets an issuer may hold. Therefore, investors are exposed to credit risk in respect of the issuer.

Market Forces

In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by all other prevailing market forces including the demand for and supply of the derivative warrants. Supply and demand forces may be most prominent when a derivative warrant issue is almost sold out and when issuers make further issues of an existing derivative warrant issue. The turnover of warrants should not be considered as the basis of its value increase, and the value of warrants is also affected by other factors, such as the price of relevant assets and volatility, remaining time, interest rates and expected dividend.

Additional Risks in Trading Callable Bull/Bear Contracts

Mandatory Call

CBBCs will be called by the issuer when the price of the underlying asset hits the Call Price and trading in that CBBC will expire early. Depending on where the exercise price and the call price are placed, CBBCs can be classified as "Category R" and "Category N". Category R refers to CBBCs that have a "residual value" after the mandatory call event whereas Category N refers to CBBCs that have "no residual value" after the mandatory call event. Payoff for Category N CBBCs will be zero when they expire early. When Category R CBBCs expire early, the holder may receive a small amount of Residual Value payment, but there may be no Residual Value payment in adverse situations. We may charge you a service fee for the collection of the Residual Value payment from the respective issuers.

In general, the larger the buffer between the Call Price and the Spot Price of the underlying asset, the lower the probability of the CBBC being called since the underlying asset of that CBBC would have to experience a larger movement in the price before the CBBC will be called. However, at the same time, the larger the buffer, the lower the leverage effect will be.

Once the CBBC is called, even though the underlying asset may bounce back in the right direction, the CBBC which has been called will not be revived and investors will not be able to profit from the bounce-back.

Besides, the Mandatory Call Event (MCE) of a CBBC with overseas assets as underlying may be triggered outside the exchange's trading hours.

Funding Costs

The issue price of a CBBC includes funding costs and issuers will specify the formula for calculating the funding costs of their CBBCs at launch in the listing documents. Since the funding costs for each CBBC issue may be different accounting for each issuer's financing /stock borrowing costs after adjustment for expected ordinary dividend of the stock (if the underlying is a Hong Kong stock, the CBBCs will not be adjusted for ordinary dividend) plus the issuer's profit margin, investors are advised to compare the funding costs of different issuers for CBBC with similar underlying assets and terms. The funding costs will gradually be reduced over time along with the CBBC in the secondary market as the CBBC moves towards expiry. In general, the longer the duration of the CBBC, the higher the total funding costs will be, similar to investors borrowing for a longer tenure to trade in the underlying asset. When a CBBC is called, the CBBC holders (investors) will lose the funding cost for the full period since the funding cost is built into the CBBC price upfront at launch even though the actual period of funding for the CBBC may turn out to be shorter due to MCE. In any case, investors should note that the funding costs of a CBBC after launch may vary during its life and the Liquidity Provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.

Trading of CBBCs Close to Call Price

When the underlying asset is traded close to the Call Price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result.

However, the trade inputted by the investor may still be executed and confirmed by the investors after the MCE since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trades executed after the MCE (i.e. Post MCE Trades) will not be recognized and will be canceled. Therefore, investors should be aware of the risk and ought to apply special caution when the CBBC is trading close to the Call Price.

Issuers will announce the exact call time within 1 hour after the trigger of MCE, and HKEX will also send the list of Post MCE Trades to the relevant Exchange Participants who in turn will inform their clients accordingly. For avoidance of doubt on whether their trades have been canceled (i.e. whether they are Post MCE Trades), the investors may check with their service providers.

CBBCs with Overseas Underlying Assets

Investors trading CBBCs with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into its local currency in Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets affected by various factors.

Besides, CBBCs issued on overseas underlying assets may be called outside the exchange's trading hours. In such case, the CBBC will be terminated from trading on the exchange in the next trading session or soon after the issuer has notified the Exchange about the occurrence of the MCE. There will be no automatic suspension of the CBBC by AMS/3. For Category R CBBCs, valuation of the residual value will be determined on the valuation day according to the terms in the listing documents.

Additional Risks in Trading Futures

Risk-reducing orders or strategies

Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. Further, normal pricing relationships between the underlying interest and the futures, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair value".

Cash and property deposited in transaction account

You should familiarize yourself with the protections given to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counter-party to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

General Disclaimer

All investments involve risks and uncertainties. The historical data of any security or financial product cannot guarantee its future performance or return. Although diversified investment can help you spread risks, it does not help you to benefit or prevent you from losing money in a depressed market. There will always be potential losses in investing in securities or financial products. You need to consider your own investment objectives and risk tolerance before investing. When you invest in derivatives, it means that you have read, understood, and accepted all the contents of this disclaimer and that you have fully understood the possible risks and agreed to assume all the risks involved in your investment. SNB does not take any responsibility for the losses and risks of your investment.

SNB and its affiliates will make every effort to ensure the authenticity, sufficiency, reliability, and accuracy of the information provided, but absolute reliability and accuracy cannot be guaranteed. All the information, data, and material provided by SNB will only be used as reference. You must carefully judge the accuracy of market prices, charts, comments, and purchases or other information displayed in this product. SNB will not take any responsibility for any loss caused by inaccuracy or omission of any content or your subjective reasons.

To the maximum extent permitted by applicable laws, SNB shall not be liable for any loss or risk arising from the use or inability to use this product, including but not limited to direct or indirect personal damage, loss of business profits, interruption of trade, loss of business information, or any other economic loss.

Exemption of Liability for User Negligence or Breach of Contract

SNB has the right to modify or change this Disclaimer at any time, and the modified or changed terms will take effect immediately upon publication. If you continue to use SNB’s products after the disclaimer modification or change, you will be deemed to have read, understood, and accepted the modified or changed terms. If you claim damages on the grounds of not reading, understanding, or accepting the modified or changed terms, SNB will not assume any responsibility.

You must confirm that you know the functions of SNB’s products and the necessary operations to realize the functions of these products, and voluntarily choose to use SNB’s products and related services according to your own needs. For any loss caused by your personal negligence or operational mistakes during your use of SNB’s products and related services, SNB will not assume any responsibility.