Supplementary Product Disclosure Statement for Commodity Contracts for Difference

This is a Supplementary Product Disclosure Statement (SPDS) and supplements the KVB Kunlun New Zealand Limited (KVB) Contracts for Difference Product Disclosure Statement of January 2008. This SPDS should be read together with all prior mentioned documents. The purpose of the Supplementary Product Statement is to describe the Commodity Contracts for Difference offered by KVB.

10. KEY FEATURES OF COMMODITY CFDs OFFERED BY KVB

Commodity CFDs are contracts over the price performance of commodities such as crude oil, soy bean, wheat etc. You do not take delivery of the commodity so any difference in the price between when you buy the CFD and when you sell it is settled in cash. The difference may be either a profit or loss.

You buy and sell Commodity CFDs in the same way that you buy and sell Index and Share CFDs, nominating the number of contracts that you wish to deal in.

Commodity CFDs allows you to benefit from market movements in the commodity markets. Your open positions are valued on the mark-to-market basis, which means the profits and losses will be calculated in your account real time based on the price movement of the Contract Commodity. As this product works in a margin mode, clients who invest in this product need to make sure that their Trading Account(s) have sufficient capital as free margin in order to meet the required mark-to-market payments at all times. Failure to do so may result in the position being closed out on an involuntary basis.

10.1 Commission

Current fees and charges are shown in the CFD section on KVB's website at www.kvbkunlun.com.

Please note that KVB may change its commission and fee structure from time to time. Details of any changes will be updated on our website.

10.2 Commodity CFD Prices

KVB's prices for Commodity CFDs are derived from the price of the underlying futures contract with the application of a minimum KVB spread applied at KVB's discretion.

10.3 Rolling over Commodity CFDs at Expiry Time

Upon expiry of the Commodity CFD your position will be closed out by KVB at the mid market price on the expiry date of the Commodity CFD if you do not close out your position beforehand. Note the expiry dates of the Commodity CFD may differ to that of the underlying instrument over which the CFD is based and details can be found on our website www.kvbkunlun.com under the CFD section.

10.4 How to Deal in Commodity CFDs

Example 1: *Long position and making a profit*

Client A wants to buy 1 USCRUDE CFD contract with a view crude oil will increase in value. USCRUDE CFD is trading at (bid/offer) 67.94/68.00

Buy 1 lot USCRUDE CFD at 68.00 on day 1.

Client A decides to close the CFD position on the next trading day when crude oil goes up and USCRUDE CFD is trading at (bid/ask) 70.00/70.06

Sell 1 lot USCRUDE CFD at 70.00 on day 2.

Profit/Loss calculation is as below:

Net Profit/Loss = Contract Quantity x Contract Size x (Sell Price – Purchase Price)
= 1 lot x 1,000 barrels x (70.00 – 68.00)
= USD 2,000 (Profit)

Example 2: *Long position and making a loss*

Client B wants to buy 1 USCRUDE CFD contract with a view crude oil will increase in value. USCRUDE CFD is trading at (bid/offer) 72.54/72.60

Buy 1 lot USCRUDE CFD at 72.60 on day 1.

Client B decides to close the CFD position on the next trading day when crude oil drops and USCRUDE CFD is trading at (bid/ask) 71.30/71.36

Sell 1 lot USCRUDE CFD at 71.30 on day 2.

Profit/Loss calculation is as below:

Net Profit/Loss = Contract Quantity x Contract Size x (Sell Price – Purchase Price)
= 1 lot x 1,000 barrels x (71.30 – 72.60)
= - USD 1,300 (Loss)

Example 3: *Short position and making a profit*

Client A wants to sell 1 USCRUDE CFD contract with a view crude oil will decrease in value. USCRUDE CFD is trading at (bid/offer) 88.83/88.89

Sell 1 lot USCRUDE CFD at 88.83 on day 1.

Client A decides to close the CFD position on the next trading day when crude oil drops and USCRUDE CFD is trading at (bid/ask) 87.62/87.68

Buy 1 lot USCRUDE CFD at 87.68 on day 2.

Profit/Loss calculation is as below:

Net Profit/Loss = Contract Quantity x Contract Size x (Sell Price – Purchase Price)
= 1 lot x 1,000 barrels x (88.83 – 87.68)
= USD 1,150 (Profit)

Example 4: *Short position and making a loss*

Client B wants to sell 1 USCRUDE CFD contract with a view crude oil will decrease in value. USCRUDE CFD is trading at (bid/offer) 86.40/86.46

Sell 1 lot USCRUDE CFD at 86.40 on day 1.

Client B decides to close the CFD position on the next trading day when crude oil drops and USCRUDE CFD is trading at (bid/ask) 87.20/87.26

Buy 1 lot USCRUDE CFD at 87.26 on day 2.

Profit/Loss calculation is as below:

Net Profit/Loss = Contract Quantity x Contract Size x (Sell Price – Purchase Price)
= 1 lot x 1,000 barrels x (86.40 – 87.26)
= - USD 860 (Loss)