

FSG (Nov 2005)

KVB KUNLUN PTY LTD

FINANCIAL SERVICES GUIDE

FOREWORD

This Financial Services Guide ("FSG") contains important information. If there is any aspect of this document that you don't understand, then please ask your KVB AU representative for an explanation or seek professional advice.

KVB Kunlun Pty Ltd ("KVB AU") holds an **Australian Financial Services Licence** from the Australian Securities and Investments Commission ("ASIC"). This entitles KVB AU to carry on the business of arranging to deal and advise in foreign exchange and derivatives contracts.

If you are a client wishing to trade derivatives or margin FX Contracts, then in addition to reading this FSG, you must also read and sign the KVB Kunlun New Zealand Limited ("KVB") "Client Services Agreement" ("KVB01") and "Product Disclosure Statement (PDS)" ("KVB02").

The ASIC's role in authorising Australian Financial Services Licensee's is limited and does not imply approval or endorsement of the business, trading, or solvency of KVB AU, and the ASIC has not approved this FSG document or any other disclosure documents of KVB AU.

Contact Persons

Clients who wish to contact or correspond with KVB AU may use the following details:

KVB Kunlun Pty Limited
Level 18, Citigroup Centre
2 Park Street
Sydney N.S.W.2000
Australia

Tel: 61-2-8263-0188
Fax: 61-2-8263-0189
Email: info@kvbkunlun.com

1. PROCEDURES FOR DEALING WITH MONEY & PROPERTY

1.1. Receiving money and property

In transferring money to KVB AU, the client must adhere to the following:

Currency type: Australian Dollars, US Dollars, New Zealand Dollars and other major international currencies are accepted by KVB AU. If there is any uncertainty, please contact KVB AU for advice.

Wiring Instructions:

Account details will vary depending on the deposit currency. Please contact KVB AU for currency specific wiring instructions. The client must provide KVB AU with the transfer advice from the remitting bank.

If the transfer involves property other than money such as bonds etc., the client must first seek approval from KVB AU.

1.2. Money and property held on trust

Client money or property received by KVB AU will be held in segregated client bank account(s) for the client, and will be so held until it is disbursed or distributed in accordance with the client's instructions. The client money and property may be used by KVB AU in accordance with the provisions of the Client Agreement documents or as permitted by Law. Money received by KVB AU for client transactions may also be deposited with other banking institutions to facilitate the execution of client trades.

The client consents to KVB AU and any Authorised Representative of KVB AU, earning interest, fees or commissions in connection with any of the client's cash deposits in the ordinary course of its business. Money provided to KVB AU may also be deposited with KVB as margin for trading in derivatives or foreign exchange contracts.

1.3. Records

The following records that relate to client money and property are kept by KVB AU:

- Books of accounts;
- Client statements;
- Records of activities;
- Instructions received from clients;
- Trades executed;
- Brokerage or other fees charged.

Accounting and dealing records are kept for a period of at least seven (7) years. The record of telephone conversations may be kept for a period of one (1) year.

Subject to the terms of access below, clients will have full access to these records.

A request for a copy of any or all of the above records must be made to KVB AU by way of a medium acceptable to KVB AU such as fax, mail, email or telephone. Clients will receive a copy of the records by fax, mail, or through an electronic medium.

1.4. Use of money or property

Money held on behalf of clients will be used to facilitate trading activities as per the relevant Client Agreement entered into by the client or as per the client's instruction. ***Trading activity may be conducted through KVB, KVB HK, KVB AU and other trading partners.***

Also, it is to be noted that:

1. KVB AU may deal on its own account;
2. KVB AU's directors or employees, persons, companies and entities associated with KVB AU may deal on their own account.

1.5. Pecuniary Interests

The advisory services of KVB AU may be provided by Authorised Representatives for clients of KVB AU. KVB AU advisors do not benefit by providing advice and advice is only provided for added service and client information.

Advisors are not authorised to advise on the contracts where he or she may hold personal investments or interests, without disclosing the fact to the client before providing such service.

1.6. What are the KVB AU charges?

KVB AU does not charge any commission or fees relating to its financial services to the client. It may, however, receive fees, rebates or other direct or indirect benefits from KVB with respect to the financial services it provides. Also, as with any financial market transaction, Clients may incur spread costs (see Other Costs below), which is the difference between the bid and ask price of the trade.

External institutions that KVB AU may deal with may also charge their own fees which can include spread costs, bank charges, brokerage clearing charges and fees relating to execution of the trading contracts.

1.7. What are the KVB charges?

There are no charges levied on the client for opening an account with KVB, however, the charges and other transaction fees for remitting money into the account are borne by the client. Client transactions may also incur spread costs (see Other Costs below), which is the difference between the bid and ask price of the trade.

No charges are levied for closing the client's account with KVB except for any expenses incurred by KVB in transferring the amount in the client's account to the client or on the client's instructions.

A brokerage fee is charged by KVB for executing trades for or on behalf of the client. The brokerage fee payable varies according to the Contract traded. Details of the brokerage fees payable are contained in the Charges Schedule in document KVB01 and apply by agreement between the client and KVB prior to the commencement of trading. KVB reserves the right to alter these charges and shall advise the client accordingly. The brokerage fee is charged to the account of the client following the completion of a trade.

1.8. Other Costs

As with any financial market, client transactions incur costs relating to the spread between the price buyers are bidding and the price sellers are asking (or offering). This price difference is called the 'spread' and is borne by the client. That is, a buyer buying at the seller's 'asking price' will only be able to sell at a profit when the buyers are willing to bid (for an equivalent or greater quantity) at a price greater than the price 'asked' when the trade was initiated. The price difference of this spread may vary and can be substantial.

For example, consider a steady market where the last trade was at 74.75, the buyers are bidding 74.70 and the seller's asking 74.80. Typically a buyer would need to 'cross the spread' and pay 74.80 to buy, at which point his account will be showing a 5 point loss (as the last trade was 74.75), however, the full cost would be 10 points should the buyer wish to sell the position back

immediately at the current bid price of 74.70. This spread cost is in addition to any subsequent loss resulting from market movements against the client position.

In the instance of transactions carried out on client's account, KVB makes both the bids and the offers, and looks to profit from the spread it makes in the market.

2. WHO IS INVOLVED IN PROVIDING FINANCIAL SERVICES TO ME?

KVB Kunlun Pty Ltd (KVB AU) is a company incorporated in and subject to the laws of Australia. The directors and senior management of KVB AU consist of investment, financial and business professionals with entrepreneurial skills and expertise in most international markets. KVB AU is wholly owned by KVB Kunlun New Zealand Limited (KVB), and executes client orders through its network of affiliates and introducing brokers around the world. KVB AU also has an office in Hong Kong (KVB HK).

KVB is based in New Zealand and is authorised by the Securities Commission of New Zealand to deal in both exchange traded and off exchange traded derivatives contracts (Contracts). KVB AU acts as agent for KVB and **trading activity may be conducted through KVB, KVB HK, KVB AU and other trading partners (eg Banking Institutions)** in accordance with the KVB "Client Services Agreement" and "Product Disclosure Statement" documents.

3. HOW MUCH DO I PAY?

Clients are required to open an account with KVB by completing the Client Services Agreement (KVB01) and accompanying documents as is required and having received the requisite approvals from KVB for the same.

To trade through a client account with KVB, clients are required to remit money into a KVB margin account and this sum should cover the requisite margins. More information regarding trading and margin requirements appears in the KVB "Client Services Agreement" and "Risk Disclosure" documents.

3.1. What returns will I get?

Neither KVB AU nor KVB offer or promise any returns on transactions. No advice given by KVB AU or KVB, is to be construed as a promise to the client of any particular return on any Contract.

3.2. What are my risks?

A detailed explanation of the risks involved is contained in the KVB Clients Services Agreement and Product Disclosure Statement. In addition to this, you must read and understand the following Risk Disclosure Statement with respect to margin trading:

Derivatives and Margin FX Risk Disclosure Statement

For those wishing to trade derivatives or margin contracts, the following information must be read and understood. The risk of loss in trading in derivatives and/or margin

foreign exchange (margin FX) contracts can be substantial. You should therefore carefully consider whether that kind of trading is appropriate for you in the light of your financial circumstances. In deciding whether or not you will become involved in that kind of trading, you should be aware of the following matters:

You could sustain a total loss of the initial margin funds that you deposit with KVB AU and/or KVB to establish or maintain a position in derivatives or margin FX. Money deposited as margin funds are normally held by KVB AU and/or KVB in United States Dollars, therefore even holding money in a margin account without conducting any trading can cause losses when that money is converted back to Australian Dollars or any other currency.

If the derivatives or margin FX market moves against your trading position, you may be required, at short notice, to deposit with KVB AU additional market funds in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be liquidated at a loss and in that event you will be liable for any shortfall in your accounts resulting from that failure.

Under certain circumstances, it could become difficult or impossible for you to liquidate a position (this can, for example, happen when there is a significant change in prices over a short period).

The placing of contingent orders (such as a "stop-loss" order) may not limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders.

A "spread" position is not necessarily less risky than a simple "long" or "short" position.

The high degree of leverage that is obtainable in derivatives and margin FX trading, because of small margin requirements, can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

If you propose to trade in option derivatives or option margin FX contracts, the maximum loss in buying an option is the amount of the premium, but the risks in selling an option can be the same or more than as in other derivatives or margin FX trading.

This statement does not disclose all of the risks and other significant aspects involved in trading on a derivatives or margin FX market. You should therefore study derivatives and margin FX trading carefully before becoming involved in it and if you are still unsure about the risks, seek professional advice.

3.3. Who do I contact with enquiries about my Contracts?

Clients should first direct their enquiries to the Representative named at the beginning of this document or to the client services division of KVB AU. Instructions to transact in Contracts can be given by internet, email, telephone or fax depending on the nature of the

transaction. Please speak with your Representative for further details.

The client can also contact the KVB AU Representative managing the client's account with any queries or any other requirements that relate to the client's account with KVB AU.

3.4. Is there anyone to whom I can complain if I have problems with the Contracts?

The information below will describe the complaints resolution procedures of KVB AU.

KVB AU is regulated by the ASIC and has established a complaints handling system for any client who is not satisfied with the level of service provided.

The first step in resolving a complaint is to call or otherwise contact your KVB AU Representative and discuss the issue. This may provide a quick resolution, or at the very least, will automatically initiate the KVB AU internal complaints handling system. If the nature of the complaint relates to services provided by KVB AU, then your complaint will be forwarded to KVB AU.

If this initial contact does not satisfy your complaint, or if you simply do not wish to talk to your Representative, then you should detail your complaint in writing and send it to:

Compliance Officer
KVB Kunlun Pty Ltd
Level 18, 2 Park Street
Sydney NSW 2000

The letter should contain all details relating to the nature of the complaint, the name of your KVB AU Representative and any other details which you think may be relevant to the complaint. Within 5 days of KVB AU receiving your complaint, you will be contacted by KVB AU Management staff acknowledging receipt and an attempt will be made to rectify the problem.

If the matter is still not resolved at this point, you will receive a letter from KVB AU within 6 weeks of the complaint first being reported outlining your rights and explaining how to take your matter to an external complaints resolution scheme. KVB AU is a member of the Financial Industry Complaints Service (FICS) and in the event that your complaint relates to the KVB AU service provided and that it has not been resolved within 6 weeks of it first being reported to KVB AU, you have the right to contact and complain to:

FICS
PO Box 579
Collins Street
West Melbourne Vic 8007
Tel: 1300 78 08 08
Email: fics@fics.asn.au
Web: www.fics.asn.au