KVB Kunlun
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CONTRACTS FOR DIFFERENCE

PRODUCT DISCLOSURE STATEMENT

ISSUED 30th JANUARY 2008

IMPORTANT INFORMATION

Derivatives such as CFDs and futures contracts are speculative investments. When entering into these investments it is important to ascertain the suitability of such investments for you. They often have significant consequences. We urge you to read all documents carefully, ask questions and seek independent investment and legal advice before committing yourself.

Choosing a product

This PDS does not constitute a recommendation or opinion that KVB products are appropriate for you.

The information contained in this PDS does not take into account your objectives, financial situation and needs. You should read this PDS carefully and consider whether trading in CFDs is suitable in light of your objectives, financial situation and needs. You should obtain independent professional advice before trading in these products.

When deciding whether to enter into a derivative or futures contr act, consider carefully the information under the following headings that can be found on the pages noted Table of Contents.

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1. FORWARD

This Product Disclosure Statement **(PDS)** is issued by KVB Kunlun New Zealand Limited **(KVB)**. It is important and should be read in its entirety. Before deciding whether to deal in KVB products, you should consider whether dealing in speculative investments are suitable investments for you. The risk factors associated with the dealing in Contracts for Difference (**CFD**) products are set out in a later section.

*This document should be read in conjunction with KVB's Client Services Agreement **(CSA)** that lists the Terms and Conditions under which you will deal in, and with, KVB products.*

*KVB also provides services to Australian clients through its associated company, KVB Kunlun Pty Ltd (**KVB AU**). KVB AU holds an Australian Financial Services License from the Australian Securities and Investments Commission (**ASIC**) (Licence no. 226602). This entitles KVB AU to carry on the business of arranging to deal and advise in foreign exchange and derivatives contracts.*

*The Securities Commission in New Zealand (**Securities Commission**) has authorised KVB to deal in CFDs, however, the Securities Commission and ASIC's role do not imply the approval or endorsement of the business, trading or solvency of KVB / KVB AU. The Securities Commission has not approved any agreements or any disclosure documents of KVB.*

Contact Details

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

KVB Kunlun New Zealand Limited
Business Development Manager Level 10, The National Bank Tower 205 Queen Street, Auckland New Zealand PO Box 105438, Auckland City
Tel: +64 9 3598988 Fax: +64 9 3598989 Email: fx@kvbkunlun.com

KVB Kunlun Pty Ltd	
Business Development Manager Level 18, Citigroup Centre 2 Park Street, Sydney NSW 2000 Australia	Business Development Manager Level 38, 120 Collins Street, Melbourne VIC 3000 Australia
Tel: +61 2 82630188 Fax: +61 2 8263 0189 Email: info@kvbkunlun.com	Tel: +61 3 96601888 Fax: +61 3 96601889 Email: info@kvbkunlun.com

Additional information on, and services that KVB /KVB AU provide, can be obtained by visiting our website at http://www.kvbkunlun.com/web/. Latest financial statements can be obtained from the New Zealand Companies Office website at http://www.companies.govt.nz/cms

Complaints Process

KVB is regulated by the Securities Commission. The Securities Commission is the government agency charged with the overall regulation of financial markets in New Zealand. If a complaint cannot be internally resolved by KVB, clients should lodge their complaints directly with the Securities Commission.

The Securities Commission can be contacted at the following address:

Securities Commission
8th Floor, Unisys House,
56 The Terrace,
Wellington, PO Box 1179
New Zealand

Tel: +64 4 4729830
Fax: +64 4 4728076
Email: seccom@sec-com.govt.nz

Australian clients should refer to the Financial Services Guide (FSG) for more information on KVB's AU complaint resolution process.

2. INVESTMENT ADVISERS DISCLOSURE

Pursuant to the New Zealand Investment Advisers (Disclosure) Act 1996, ("IADA"), KVB declares that during the 5 years preceding the date of giving investment advice or receiving investment money or investment property neither KVB, its directors, nor investment advisers have been:

i. convicted of an offence against the "IADA" or a crime involving dishonesty (as defined in Section 2(1) of the New Zealand Crimes Act 1961); or
ii. a director or principal officer of a body corporate at the time the body corporate committed such an offence; or
iii. adjudged bankrupt; or
iv. prohibited by an Act or by a court from taking part in the management of a company or business; or
v. the subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity; or
vi. expelled from or prohibited from becoming a member of any professional body.

At no time has KVB ever been placed in statutory management or receivership.

In addition you should also receive a disclosure statement from your investment adviser, before any investment advice is given, stating their relevant qualification, experience as an investment adviser, absence of any criminal convictions and pecuniary interest in giving advice.

3. DEFINITIONS

CFD – as defined in Section 5;

Closing Date - the date you accept the Closing Price of the Contract Index/Contract Security, or when a Closing Date is deemed to have occurred in accordance with the KVB Agreement;

Closing Notice - the notice given by one party to the other to close a CFD;

Closing Price- the Contract Index/Contract Security Price as determined by KVB at the time KVB receives or issues the Closing Notice;

Closing Value - equals the Closing Price multiplied by the Contract Quantity;

Contract Index – the underlying stock index that forms the subject of the CFD;

Contract Quantity - the number of Contract Indices/Contract Securities to which a CFD relates;

Contract Security - the underlying instrument or security that forms the subject of a CFD;

Contract Index/Contract Security Price - the current price of the Contract Index/Contract Security quoted on the Relevant Exchange or as determined by KVB;

Contract Value - equals the Contract Index/Contract Security Price multiplied by the Contract Quantity;

Hedge Position - when KVB enters into a CFD transaction or other instrument with a third party to hedge its exposure under a CFD entered into with you;

Local Business Day - a day on which the Relevant Exchange is open for business in the city in which is located the Relevant Exchange on which the Contract Index/Contract Security is quoted;

Relevant Currency - the currency that the Contract Index/Contract Security is denominated in and in which the Contract Value of each CFD, and all debits and credits in respect of a CFD and the Closing Value of a CFD are denominated in;

Relevant Exchange – is the stock exchange on which the Contract Index/Contract Security is based;

Trading Account - account established in your name for the purpose of trading CFDs and other products with KVB.

4. HOW TO USE THIS PRODUCT DISCLOSURE STATEMENT

Jurisdiction

The distribution of this PDS may be restricted in certain jurisdictions outside of New Zealand. Persons who obtain this PDS must observe such restrictions. This PDS does not constitute an offer or solicitation to anyone in any jurisdiction where such an offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Applying to deal with KVB

Before you begin dealing in KVB products you must complete and sign the CSA and be approved by KVB. If you are already dealing with KVB, there is no need for you to sign a new CSA to deal in KVB products with us.

This PDS and other documents

You should keep this PDS, CSA, and any other supplementary, and replacement documents along with any updated information issued by KVB to you for future reference.

These documents individually and together, as the case requires are referred to as the "**KVB Agreement"** in this PDS. These documents are all available at www.kvbkunlun.com.

Use of examples in this PDS

Examples shown in this PDS are provided for illustrative purposes only. The examples use figures which attempt to illustrate how the KVB product and requirements work. The figures do not essentially reflect KVB's or your personal circumstances and do not, in any manner, restrict the way in which KVB may exercise its powers or discretion.

The examples do not constitute general or personal financial product advice.

Listed entities mentioned in this PDS

Company names are referred in this PDS solely for the purpose of identifying which companies' shares KVB CFDs can be traded on. The identification of company names does not create or solicit an offer to clients; and the companies referred to are not involved in the issuing and preparing of this PDS offered by KVB. Therefore, such companies do not accept any responsibility for the statements constructed in this PDS, nor do they take any responsibilities with respect to products offered by KVB.

KVB has not established any type of relationship with the companies that we refer to in this PDS, nor do we have rights to access information regarding those companies in general. KVB does not accept any liability nor responsibility for the accuracy and completeness of information regarding those companies included in this PDS. Clients are urged to conduct their own enquiries with respect to the financial situation and status of those companies.

Taxation

KVB does not provide taxation advice nor do we take responsibility for personal taxation implications in respect of this or any other product. It is recommended that you seek independent taxation advice before investing in this product. Resident Withholding Tax and Non Resident Withholding Tax may be applicable to this product.

Acknowledgments

By signing and returning to KVB, or submitting electronically, the KVB Agreement, or continuing to deal with KVB after you received this PDS, you acknowledge to KVB that you:

- are aware that investing in derivatives carries a high level of risk to your capital due to the potential volatility and fluctuations in value that may occur in the underlying investment and that, you may not get back the full amount of your original investment. In certain circumstances you may also be liable to pay a greater sum, with losses being higher than the moneys you have deposited with KVB;

- have given thought to your financial objectives and situation, your needs and the significant risks of loss which accompany the prospects of profit associated with dealing in CFDs and have formed the opinion that dealing in CFD products is suitable for your purposes;

- were advised by KVB to obtain appropriate and sufficient independent advice concerning the terms of this PDS, and any other documents comprising the KVB Agreement;

- received or downloaded this PDS and the other documents comprising the KVB Agreement, and have read and understood them and/or have had them explained to you by a KVB representative;

- agree that KVB will provide its services to you on the terms and conditions of this PDS, and other documents that comprise the KVB Agreement;

- understand that unless required by regulations and laws of the jurisdictions in which KVB or its related entities operates, KVB will not be liable for any damages, losses and/or injuries suffered or incurred by clients due to any types of misrepresentation of information or general financial information by, or on behalf of, KVB.

Procedures for Dealing with Money and Property

In transferring money to KVB the client must adhere to the following:
Currency type:
NZ Dollars, AU Dollars, US Dollars and other currencies acceptable to KVB. If there is any uncertainty, please contact KVB for advice.

(a) Wiring Instructions

Please contact KVB for currency transfer instructions. The client must provide KVB 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 written approval from KVB.

(b) Money and property held by KVB

Client money or property received by KVB will be held in segregated client bank account(s) in terms of the New Zealand Futures Industry (Client Funds) Regulations 1990, and will be so held until it is disbursed or distributed in accordance with the client instructions. The client money and property may be used by KVB in accordance with the provisions of the CSA or as permitted by the Regulations.

(c) Use of money or property

The client consents to KVB and any associate of KVB, earning interest, fees or commissions in connection with any of the client's cash deposits in the ordinary course of its business.

Money held on behalf of clients may be used as margin for trading activities as per the relevant client agreement entered into by the client or as per the client instruction.

(d) KVB Principal and Staff Dealing

KVB may deal as principal on its own account and take the opposite position to any order or transaction of the Client and pursuant to the staff dealing policies of KVB, KVB's directors, employees, persons and associated entities may be allowed to trade on their own account.

When KVB enters into a transaction for the client, KVB and its associated entities or other persons connected with KVB, may have a material interest in the transaction, contracts or services provided to the client that is in conflict with the interests of the client and the client agrees that KVB and its associated entities or other persons connected to KVB, shall not be obliged to account to the client for any resulting profit made. However, KVB's employees are required to comply with a policy of independence and ignore any such interest or conflict of interest when entering into a transaction for the client.

(e) Records

The following records that relate to client money, property and trading activities are kept by KVB:

- Books of accounts
- Client statements
- Client Details
- Records of activities
- Instructions received from clients
- Trades executed
- Brokerage fees charged

Accounting and dealing records are kept for at least seven (7) years. The records of telephone and internet conversations are kept for at least one (1) year. A request for a copy of any or all of the above records must be made to KVB (refer to "Contact Details") by way of a medium acceptable to KVB such as fax, mail, email or telephone. Clients will receive a copy of the requested records by fax, mail, or through an electronic medium. The charges for such services / requests are available from KVB on request.

(f) Auditor

The records of client money and property received, held and disbursed or distributed, are audited at least once per year by the Compliance Reporter as required by the Securities Commission.

KVB has appointed the following person to act as its Compliance Reporter: **PriceWaterhouseCoopers**

(g) Financial Statements

Additional information on services that KVB Kunlun provides can be obtained by visiting our website at www.kvbkunlun.com. Latest financial statements can be obtained from the New Zealand Companies Office website at www.companies.govt.nz

Other Disclosures

(a) Specified Futures Contracts and other Securities covered by KVB's services

KVB provides trading in Margined Foreign Exchange Contracts, Margined Contracts for Difference and Futures and Options Contracts (collectively referred to as "Contracts").

(b) Institutional Relationships

KVB has execution, clearing and custody services in place for Contracts traded through KVB by its clients with various financial institutions. Clients may refer to www.kvbkunlun.com for information on these institutions from time to time.

KVB maintains segregated client bank accounts for all client funds deposited with KVB (as per Futures Industry (Clients Funds) Regulations 1990 of New Zealand). Clients may request an updated list at any time.

(c) Pecuniary Interests

The advisory services of KVB are provided by authorised personnel and are provided only for clients of KVB. Before any investment advice is given you should receive a disclosure statement from our adviser stating their relevant qualification, experience as an investment adviser, absence of any criminal convictions and pecuniary interest in giving advice. KVB advisers may benefit by providing client advice where such advice leads to the Client giving KVB orders for execution for which KVB charges the Client fees. Advisers are not authorised to give advice on any securities where he or she may hold personal investments or interests, without disclosing this fact to the client(s) before providing such service.

(d) Remuneration

In addition to execution charges, clearing charges, fees and/or share or rebates in execution charges from the executing institutions for business introduced, there are no charges for the advice given to clients although KVB may indirectly benefit from the advice given to clients where such advice leads clients to give KVB orders for execution which attract the charges and fees referred to previously.

5. INTRODUCTION

A Contract for Difference (CFD) is a derivatives contract in which an investor can receive the economic benefits of holding an underlying commodity or instrument without having equitable or legal title to that commodity or instrument. The price of the CFD may be derived by reference to the price of the underlying commodity or instrument and the counterparties to the CFD agree to settle the difference between the acquisition and disposal price in cash. There is no delivery, physical or otherwise, of the underlying commodity or instrument.

CFDs can be made available in foreign currencies, stock indices, shares or other securities, gold and silver. This PDS relates to CFDs in respect of selected underlying stock indices (referred to as "**Contract Indices"**) and underlying instruments or securities (referred to as "**Contract Securities"**) which are quoted on a recognised Stock Exchange or such other exchange ("**Relevant Exchange**") as approved by KVB. More details are provided in the following sections.

Index CFDs are over the counter products where the price is established by KVB. Index CFDs aim to reflect the fair value of the underlying index but the actual bid and ask price may differ slightly from the actual index level.

Where a cash dividend is declared in respect of an underlying security, which constitutes part of an index over which KVB is offering Index CFDs, the index may reflect the cash dividend declared.

As with the underlying securities, Share CFDs allow you to benefit from normal market movements. Your open positions are revalued real time during the trading hours of the Contract Securities and profits or losses are credited / debited to your account immediately. Any subsequent adjustments relating to business actions, such as dividends, bonus issues or reconstructions in respect of the Contract Security are applied to your account should and when they occur. Any profit or loss will be affected by other payments applied to the CFD such as fees, commissions, and interest charges.

Although a Share CFD works similarly to a traditional equity instrument, clients who invest in a Share CFD do not have the right or obligation to acquire or deliver the physical Contract Securities, or other rights that shareholders of the Contract Securities are entitled to, such as voting rights and rights to purchase additional share allotments (except cash dividend rights). Clients are, however, able to place limit orders (buy/sell), instant market orders, stop orders (buy/sell) and stop loss orders, as described in later chapters.

The CFD product works on the basis of the mark-to-market payment, which means payment will be credited to or debited from the account real time based on the price movement of the Contract Index/Contract Security. As this product works in a margin mode (as described in section 6.3), 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 positions being closed out on an involuntary basis.

6. KEY FEATURES OF CFDs OFFERED BY KVB

6.1 Underlying Instruments/Securities

Indices, shares, or any other financial instruments or securities quoted on the Relevant Exchanges approved for CFD trading by KVB, are the underlying instruments/securities. Contract Indices/Contract Securities available to be traded on our platform are listed on the KVB website and are updated by KVB from time to time. As at any Local Business Day, the Contract Value is equal to the Contract Index/Contract Security Price

multiplied by the Contract Quantity and denominated in the currency of the Contract Index/Contract Security.

6.2 Minimum Account Opening Balance and Currency

There is usually no minimum account opening deposit required however this may be determined by KVB from time to time. You shall deposit USD, or any other foreign currency as agreed to by KVB, into your account for trading. Before trading the CFD instrument with KVB, new clients need to enter into an agreement with KVB and open a Trading Account. Clients are required to deposit cleared funds as collateral, and will only be able to commence trading after all necessary procedures have been completed. Existing clients need to ensure that they have read, understand and agree to the terms and conditions as set out in this PDS.

Note: If the denominated currency of the Contract Index/Contract Security is different to the denominated currency of the client's Trading Account, all initial margin, profits and losses, debits and credits in respect of a CFD will be converted at the prevailing market price to the denominated currency of the account.

KVB offers clients the opportunity to trade CFDs through: 1) online dealing platform, and 2) telephone dealing *(when dealing by telephone you also agree and specifically consent to KVB Kunlun electronically recording and monitoring telephone conversations with or without automatic tone warning devices)*. All other channels like chats, email and facsimile will not be accepted for dealing or placing orders.

6.3 Initial Margin

One benefit about the CFD instrument trading is that it provides clients the flexibility to trade the Contract Index/Contract Security with only the minimum margin requirement. The initial margin rate is generally set at 10% to 20% of the Contract Value of the CFD; however the rate may vary depending on the liquidity and volatility of the market and may go up to 100% of the CFD Contract Value. KVB may adjust the margin rate requirement at its sole discretion.

6.4 Cash flows and Collateral

Clients are required to deposit the minimum margin requirement as collateral and, since the required collateral for the CFD trades will fluctuate depending on the market movements, it is the clients responsibility to monitor, at all times, the free margin and margin required for the Trading Account(s), and deposit additional margin when necessary.

Leveraged trading requires only a relatively low amount of margin to be deposited, and an extremely high degree of leverage is used so that the deposit may secure a Contract Index/Contract Security with a much greater value. Therefore, a small price movement in a CFD product and/or any other product(s) traded under the client's Trading Account may result in a substantial loss in the margin amount. If at any time there are insufficient funds in the Trading Account(s) to meet the minimum required collateral obligations (i.e. the margin level reaches the stop out level) based on the mark-to-market payment, the client's current open positions, which includes CFD and/or other products, may be closed out on an involuntarily basis by KVB. In addition, the margin requirement may be amended within a very short notice when the liquidity and volatility of the Contract Index/Contract Security moves to an extreme level such that additional collateral needs to be required in order to preserve both the parties' interests.

Clients will not be allowed to open new positions, except to reduce their existing positions, when their free margin falls below zero.

6.5 Establishing a CFD Position

The client can take both long and short positions. However it might occur that under some circumstances (e.g. the lack of market liquidity) clients will not be allowed to have a short position before a long position is established for the same CFD on the Contract Index/Contract Security. All long positions are to be closed by market available traded prices or pre-set orders.

Going Long means clients take a position to buy the Contract Indices/Contract Securities, while Going Short

means that clients are borrowing the Contract Indices/Contract Securities from KVB and selling them on the market. In both cases, clients need to deposit an amount of cash as collateral.

Clients who are holding a long position on the underlying stock will also receive any dividends declared by the company issuing the Contract Security, but are charged interest and applicable fees on the CFD value of their long position holding.

6.6 Contract Expiry

CFDs have no set expiry date and remain open until they are closed in accordance with the terms of the KVB Agreement or as otherwise agreed between you and KVB.

6.7 Closing a CFD Position

CFDs can generally be closed on a Local Business Day at any time during the trading hours of the market on which the Contract Index/Contract Security is quoted, subject to KVB giving you a quote for the Closing Price of the CFD and you agree to accept that Closing Price.

As the CFDs are issued by KVB "over the counter" and not through a stock exchange, the CFD is a contract between you and KVB and can only be closed in accordance with the terms and conditions of the KVB Agreement or as otherwise agreed between the client and KVB.

The total Closing Value is determined by multiplying the number of Contract Indices/Contract Securities to which the CFD applies by the price of the Contract Index/Contract Security.

Note: The client may not be able to close out a CFD if there is a suspension of trading or a trading halt in respect of the Contract Index/Contract Security to which a CFD applies. In such circumstances, KVB may decide in its absolute discretion not to allow the client to close a CFD.

6.8 Prices Quoted by KVB

The Contract Index price will take into account the "fair value", being the difference between the cash index price and the index futures price due to the interest premium in relation to expiry of the index futures price less any dividends expected from the underlying securities that comprise the index that are expected to be paid on, or before the, expiry of the index futures.

The Contract Security price will be based on normal trading prices (not trading prices for odd-lot transactions) of the Contract Security listed on the Relevant Exchange. The bid and ask prices indicated on the platform are derived from the Relevant Exchange, but are only for reference purposes and may not be the applicable price when an order is received / booked.

As KVB is a market maker, not a broker, and acting as a principal instead of an agent, when conducting CFD transactions with clients, the price of the CFD is based on the underlying mid-market price of the instruments in the underlying market, and the minimum spread that is to be applied on both bid and ask prices is at KVB's sole discretion. As a consequence, the price may not be the same as that trading in the Relevant Exchange in which the product is actually based on.

Clients may experience a "gapping" of equity prices. Gapping is when the price makes a sharp move up or down with no trading occurring in between. It may happen in the course of ordinary trading, after a market announcement or between the yesterday closing and today opening prices. A market gap may result in clients not being able to close out positions or open new positions at the price level they desire. Since gapping usually occurs when the underlying stock market lacks liquidity or the aggregate orders are higher than the normal level, in this circumstance KVB may need to re-quote the price based on those market circumstances for clients. Therefore, clients are reminded that the actual price filled for take profit and stop loss orders may not be the same as the actual price set by the client.

In other circumstances KVB also reserves the right to re-quote the price of the Contract Index/Contract Security:

- When the volume of the CFD product clients wish to deal in cannot be executed in the underlying market, in

which case KVB needs to re-quote the price based on the clients volume in order to reflect the illiquidity premium in the market.

- If KVB receives requests on the price of the particular underlying, in which the volume to be dealt with exceeds that available in the underlying market, KVB reserves the right to re-quote the price of the underlying.

KVB has no pre-determined spread percentage to be charged on the mid-market price of the underlying for the CFDs, and different clients may receive different quotes based on the volume and the liquidity of the products.

6.9 When Security Prices Are Decided at KVB's Discretion

1) Market Disruption Event

"Market Disruption Event" means an occurrence where there is an interruption or disturbance in normal trading activity on one or more of the Relevant Exchanges. This can result in events such as the inability for market participants to perform transactions or to obtain market values for Contract Indices/Contract Securities on the Relevant Exchanges; or where clients desired volumes cannot be traded because the Contract Security is too illiquid. "Market Disruption Event" also includes events such as stock suspension, delisting or material limitation of trading in the Contract Security on the Relevant Exchange, and where the Relevant Exchange closes before its regular scheduled closing time or for an extended period.

An example of the effect of a Market Disruption Event is where the Contract Index/Contract Security is subject to a trading suspension due to accounting fraud. In this case, a possible sharp drop in the stock price will be foreseeable, and KVB will determine if the Contract Index/Contract Security price is to be less than the last closing price when the trade resumes. In that case, KVB has full discretion to determine and quote a reasonable tradable price to clients based on the available liquidity.

Once KVB receives notice from the Relevant Exchange about a particular stock/security that is suspended or halted from trading, KVB will act promptly by suspending trading of the affected stock/security and clients will be liable for any interest costs and losses that may occur during the affected period.

2) Other Disruption Events

Such events shall include but not limited to technical difficulties such as telecommunication failure and disruptions, non-availability of KVB's On-Line Trading Platform due to maintenance, downtime, civil unrest, terrorism, war, natural disasters, strikes, lock-outs, fire or such. KVB shall not be liable to the Client for any failure, hindrance or delay in performing its obligations where such failure, hindrance or delay arises directly or indirectly from circumstances beyond its reasonable control.

During such disruption events where clients cannot perform trades via the on-line trading platform, KVB will perform all trades via telephone if and where possible.

3) Adjustment Event

"Adjustment Events" refer to the occurrence of events with respect to the cancellation, delisting or ceasing of trading, as may be announced by the Relevant Exchange from time to time. These events can also include corporate actions which may have a diluting or concentrative effect on the fair value of the Contract Security, including 1) an ordinary dividend; 2) a special or abnormal dividend; 3) capital reconstruction such as subdivision or reclassification of the listed firms' capital; 4) a right or bonus issue; 5) a takeover or buyback, 6) insolvency events and 7) any events which will result in a possible follow-through as listed above.

If an Adjustment Event occurs, KVB may adjust the terms of any CFDs, orders in association with the Contract Security, or make payment to or debit funds from clients Trading Accounts in order to preserve the economic equivalence of the CFD with the underlying Contract Security.

6.10 KVB's rights to limit or close a Clients position

KVB reserves the right to limit the size of client's open positions, whether in a net or gross basis, when the market is in an abnormal trading state. The term "abnormal trading state" means that the trading condition in the underlying stock market or Contract Security is not performing as usual, and includes such situations as abnormally low liquidity and low bid prices in the underlying stock. KVB may refuse clients requests to place orders and/or perform instant execution when the market condition is so limited such that KVB is unable to obtain a reasonable quote from the market or when the aggregate of all requests for orders on the corresponding stock exceed the actual liquidity for that stock.

KVB also has the right, whether with or without notice to clients, to close out all or part of the client's holding positions as KVB considers appropriate, or to limit the size of the client's open positions, or to refuse to establish new positions if –

- KVB considers that the market is in an abnormal trading state;
- KVB is unable to make the prices of the underlying due to market illiquidity and the unavailability of relevant market information;
- KVB suspects that those affected clients may be dealing/have the intention to deal with insider information;
- KVB considers that clients may be in breach of applicable laws and regulations;
- Clients fail to provide any margin, or are unable to provide additional margin after being stopped-out from previous trading activities;
- Clients are trading/placing orders such that the size of the contact is outside the normal trading size.

6.11 Corporate Events

1) Trading Halts, Suspensions and Delisting

The Relevant Exchange may place a trading halt on a Contract Security for a number of different reasons, including the existence of price sensitive information relating to that security. Additionally, a security may be suspended or delisted in certain circumstances, including a failure by the listed entity to abide by the Relevant Exchange listing requirements. Under those circumstances KVB may, at its sole discretion, cancel the client order in respect of a CFD transaction which has not yet been triggered, or may refuse to open or close a CFD position.

In addition, if the CFD is over a Contract Security which ceased to be quoted on the Relevant Exchange, is suspended from quotation or subject to a trading halt for 3 or more consecutive Local Business Days on the Relevant Exchange, KVB may elect to close the CFD and the client may be required to pay to KVB an amount representing 100% of the Open Contact Value.

2) Dividends/Distributions/Withholding Tax

Clients holding a long position in a CFD on a Contract Security will receive from KVB the value of any cash dividends or distributions (after any applicable taxes or other charges) as paid to holders of the Contract Security, based on the Contract Quantity held by the client at close of business on the Local Business Day preceding the ex-dividend or distribution date. Holders of short positions must pay to KVB cash in the Relevant Currency equal to the value of the dividend or distribution (plus, an amount of any applicable taxes or other charges) paid to holders of the Contract Security based on the Contract Quantity on close of business on the Local Business Day preceding the ex-dividend or distribution date.

The values mentioned above will be credited / debited by KVB to the client's account as soon as reasonably practicable following the relevant ex-dividend date and in any case within 10 Business Days.

In some cases, withholding tax or similar amounts may be payable, even if the client would not be required to pay

such amounts if the client were to hold the underling securities directly, as either KVB or its counterparty to a Hedge Position may be required to pay such amounts, the cost of which will be passed on to the client.

Index CFDs, on the other hand, do not pay out dividends. If a stock is a member of the underlying index and has a dividend payment, the price of the Index CFD may reflect the payment of this dividend.

3) Corporate Actions/Adjustments

When a Contract Security is affected by a corporate action (such as special dividend, subdivision, consolidation, bonus issues of shares, or any analogous event which dilutes or concentrates the value of the Contract Security), or if any other event occurs in respect of which KVB determines, in its discretion, that an adjustment is appropriate, KVB has a broad discretion to deal with client's orders and CFD positions and may vary the terms of client's orders and CFDs. Any determination KVB makes in relation to corporate actions is binding on the client. If KVB determines that it is not reasonably practicable in the circumstances to make an adjustment to the CFD, KVB may give the client notice of its intention to close the CFD.

6.12 Rights of CFD Holders

Even though a CFD works in a similar way to a traditional stock investment and the value of CFD is basically derived from the related underlying security, CFD holders do not actually hold the underlying stock and may not enjoy the same rights as the holders of traditional stocks nor are they entitled to sell or transfer ownership to another person or entity.

For example, holders of CFDs are not listed in the share register of any company and do not have any voting rights in connection with the underlying security. Further, the entitlement to any share allotment does not apply to holders of CFDs, but only to the holders of traditional stocks.

7. AMOUNTS PAYABLE

The client must pay all transaction fees, commissions, margins, settlements, interest and any amounts due under the KVB Agreement in cleared funds or as otherwise required under the terms of the KVB Agreement. The figures stated below are subject to changes, and clients are advised to ask KVB for the latest updates or view them on KVB's website.

7.1 Commission

The rate of commission will depend on the Relevant Currency of the Contract Index/Contract Security and the size of the transaction involved. A minimum transaction commission may apply per trade and details of this can be found on our website.

Commission is normally calculated as a percentage of the Contract Value being transacted. If you enter into CFD transactions on a frequent basis, a discount may be offered. The commission may also incorporate any market charges incurred by KVB in hedging its position with respect to the CFD on a Relevant Exchange. In some circumstances Commission maybe charged on a per trade basis.

7.2 Electronic Trading Charges

To access live prices on a foreign stock exchange via KVB's trading platform you may be required to enter into an additional agreement with KVB and, depending on the type or number of foreign stock exchanges on which you are able to access prices through the platform, additional fees may be payable.

7.3 Interest on Account Balance

Interest will be paid on the credit balance of the free equity in the client's CFD account, and will be charged on the full amount of the debit balance when there is any money owing by the client under the KVB Agreement, or any other accounts the client holds with KVB that are not paid when due. The rate of interest in respect of each Relevant Currency is the applicable Interbank rate plus or minus a margin. The base interest rate and the actual interest rate margin is determined and advised by KVB from time to

time. The applicable rate at any time is published on the KVB website. Interest is calculated daily and debited or credited to the client's account monthly.

7.4 Overnight Financing Rates

All open positions held at the end of the trading day for that Contract Index/Contract Security will incur financing charges based on the total notional amount of the position. No financing/funding rate will be applied if you open and close a position in the same day.

The rate to be charged or credited to the client will be calculated using the applicable money market rate plus or minus a margin. The applicable rate at any time is published on the KVB website and will be reviewed from time to time.

When a client holds a long CFD position overnight, they will pay interest at the financing rate on the open position contract value, which will be debited from their Trading Account.

The exact amount of the interest paid will vary each day, depending upon such factors as the closing price of the underlying instrument(s) or securities in your CFD portfolio, changes to the holdings within your CFD portfolio, movements in the interest rate and changes by KVB to the margin that is applied.

8. EXAMPLES

Note: This section provides hypothetical examples of how a CFD works. All reference prices, dividends and corporate events are provided only for illustrative purposes, and should not be taken as an indication or as a commitment by KVB as to how these situations would actually apply to a specific CFD or the order for a CFD.

Examples of Index CFDs

Example 1: ***Long position and making a profit***

1. Client A wants to buy 10 Dow Jones index CFD contracts with KVB with a view the index will increase in value. Dow Jones index CFD is trading at (bid/ask) 13,243/13,250.

Buy 10 lots Dow Jones index CFD at 13,250 on day 1.

2. Client A decides to close the CFD position on the next trading day when the Dow Jones index goes up and the index CFD is trading at (bid/ask) 13,600/13,607. The overnight financing charge is applied and debited from client A's Trading Account.

Sell 10 lots Dow Jones index CFD at 13,600 on day 2.

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 6 % p.a.)

= (10 x USD 13,250) x 6% / 360 days

= USD 22.08

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 10 x (13,600 – 13,250)

= USD 3,500 (Profit)

Net Profit/Loss = Gross Profit – Financing Charge

= USD 3,500 – USD 22.08

= USD 3,477.92 (Profit)

Example 2: ***Long position and making a loss***

1. Client B wants to buy 10 Dow Jones index CFD contracts with KVB with a view the index will increase in value. Dow Jones index CFD is trading at (bid/ask) 14,193/14,200.

Buy 10 lot Dow Jones index CFD at 14,200 on day 1.

2. Client B decides to close the CFD position on the next trading day when the Dow Jones index drops and the CFD is trading at (bid/ask) 13,900/13,907. The overnight financing charge is applied and debited from client B's Trading Account.

Sell 10 lot Dow Jones index CFD at 13,900 on day 2

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 6 % p.a)

= (10 x USD 14,200) x 6% / 360 days

= USD 23.67

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 10 x (13,900 – 14,200)

= - USD 3,000 (Loss)

Net Profit/Loss = Gross Loss – Financing Charge

= - USD 3,000 – USD 23.67

= - USD 3,023.67 (Loss)

Example 3: ***Short position and making a profit***

1. Client A wants to sell 10 Dow Jones index CFD contracts with KVB with a view the index will decrease in value. Dow Jones index CFD is trading at (bid/ask) 12,600/12,607.

Sell 10 lot Dow Jones index CFD at 12,600 on day 1 .

2. Client A decides to close the CFD position on the next trading day when the Dow Jones index drops and the CFD is trading at (bid/ask) 11,993/12,000.The overnight financing charge is applied and credited to client A's Trading Account.

Buy 10 lot Dow Jones index CFDs at 12,000 on day 2

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 3% p.a)

= (10 x USD 12,600) x 3% / 360 days

= USD 10.50

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 10 x (12,600 – 12,000)

= USD 6,000 (Profit)

Net Profit/Loss = Gross Profit + Financing Charge

= USD 6,000 + USD 10.50

= USD 6,010.50 (Profit)

Example 4: ***Short position and making a loss***

1. Client B wants to sell 10 Dow Jones index CFD contracts with KVB with a view the index will decrease in value. Dow Jones index CFD is trading at (bid/ask) 13,800/13,807 .

Sell 10 lot Dow Jones index CFD at 13,800 on day 1 .

2. Client B decides to close the CFD position on the next trading day when the Dow Jones index goes up and the CFD is trading at (bid/ask) 14,193/14,200. The overnight financing charge is applied and credited to client B's Trading Account.

Buy 10 lot Dow Jones index CFD at 14,200 on day 2

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 3% p.a)

= (10 x USD 13,800) x 3% / 360 days

= USD 11.50

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 10 x (13,800 – 14,200)

= - USD 4,000 (Loss)

Net Profit/Loss = Gross Loss + Financing Charge

= - USD 4,000 + USD 11.50

= - USD 3988.50 (Loss)

Examples of Share CFDs

Example 1: ***Long position and making a profit***

1. Client A wants to buy 1000 shares of ABC share CFD with a view that the share price will rise. ABC share CFD price is trading at a bid/ask price of USD 30.00/USD 35.00.

Buy 1000 lots of ABC share CFD at USD 35.00 on day 1.

2. Client decides to close the CFD position on the next trading day when ABC share price has gone up to a bid/ask price of USD 45.00/USD 55.00. Overnight financing charge is applied and debited from Client's account.

Sell 1000 lots of ABC share CFD at USD 45.00 on day 2.

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 6%)

= (1000 x USD 35.00) x 6%/360

= USD 5.83

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 1000 X (USD 45.00 – USD 35.00)

= USD 10,000 (Profit)

Commission = Contract Quantity x Purchase Price x Commission Rate *

= 1,000 x USD 35 x 0.50%

= USD 175

Net Profit/Loss = Gross Profit – Financing Charge - Commission

= USD 10,000 – USD 5.83 – USD 175

= USD 9,819.17 (Profit)

* Commission assumed to be 0.50% per round turn

Example 2: ***Long position and making a loss***

1. Client A wants to buy 1000 shares of ABC share CFD with a view that the shar e price will rise. ABC share CFD price is

trading at a bid/ask price of USD 20.00/USD 25.00.

Buy 1000 lots of ABC share CFD at USD 25.00 on day 1.

2. Client decides to close the CFD position on the next trading day when ABC share CFD price has gone down to a bid/ask price of USD 10.00/USD 15.00. Overnight financing charge is applied and debited from Client's account.

Sell 1000 lots of ABC share CFD at USD 10.00 on day 2.

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 6%)

= (1000 x USD 25.00) x 6%/360

= USD 4.17

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 1000 (USD 10.00 – USD 25.00)

= - USD 15,000 (Loss)

Commission = Contract Quantity x Purchase Price x Commission Rate*

= 1,000 x USD 25 x 0.50%

= USD 125

Net Profit/Loss = Gross Loss – Financing Charge - Commission

= - USD 15,000 – USD 4.17 – USD 125

= - USD 15,129.17 (Loss)

* Commission assumed to be 0.50% per round turn

Example 3: ***Short position and making a profit***

1. Client A wants to sell 1000 share of ABC share CFD with view that the share price will fall. ABC share CFD price is trading at a bid/ask price of USD 50.00/USD 55.00.

Sell 1000 lots of ABC share CFD at USD 50.00 on day 1.

2. Client decides to close the CFD position on the next trading day when ABC share CFD price has gone down to a bid/ask price of USD 30.00/USD 35.00. Overnight financing charge is applied and credited to Client's account.

Buy 1000 lots of ABC share CFD at USD 35.00 on day 2.

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 3%)

= (1000 x USD 50.00) x 3%/360

= USD 4.17

3. Profit/Loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 1000 x (USD 50.00 – USD 35.00)

= USD 15,000 (Profit)

Commission = Contract Quantity x Sell Price x Commission Rate *

= 1,000 x USD 50 x 0.50%

= USD 250

Net Profit/Loss = Gross Profit + Financing Charge - Commission

= USD 15,000 + USD 4.17 – USD 250

= USD 14,754.17 (Profit)

* Commission assumed to be 0.50% per round turn

Example 4: ***Short position and making a loss***

1. Client A wants to sell 1000 shares of ABC share CFD with a view that the s hare price will fall. ABC share CFD price is trading at a bid/ask price of USD 60.00/USD 65.00.

Sell 1000 lots of ABC share CFD at USD 60.00 on day 1.

2. Client decides to close the CFD position on the next trading day when ABC share CFD price has gon e up to a bid/ask price of USD 65.00/USD 70.00. Overnight financing charge is applied and credited to Client's account.

Buy 1000 lots of ABC share CFD at USD 70.00 on day 2.

Financing Charge = Total Notional Amount x Overnight Financing Rate (based on 3%)

= (1000 x USD 60.00) x 3%/360

= USD 5.00

3. Profit/loss calculation is as below:

Gross Profit/Loss = Contract Quantity x (Sell Price – Purchase Price)

= 1000 x (USD 60.00 – USD 70.00)

= - USD 10,000 (Profit)

Commission = Contract Quantity x Sell Price x Commission Rate *

= 1,000 x USD 60 x 0.50%

= USD 300

Net Profit/Loss = Gross Profit + Financing Charge - Commission

= - USD 10,000 + USD 5.00 – USD 300

= - USD 10,295.00

* Commission assumed to be 0.5% per round turn

9. BENEFITS AND RISKS

9.1 Summary of Benefits

1) Potential Magnified Return

Clients who enter into CFD products can potentially receive a higher return than a traditional equity investment, due to the characteristics of leverage trading. In addition, clients need not commit to the whole amount of their investment; only a portion is needed to be paid as collateral. Unlike traditional derivative products on equity, clients who invest in CFDs are entitled to dividends.

2) Hedging and Speculation

Clients can use CFDs to hedge exposure to a position in the underlying security, as well as speculate with a view to profiting from market fluctuations. CFDs allow the client to take an exposure to a particular underlying instrument or security without the need to buy or sell the underlying instrument or security.

3) Portfolio Diversification

KVB is, and will be, offering clients a range of securities to trade CFDs on, which allows clients a wide variety to invest in, and provides the advantage of diversifying their portfolio risks.

4) Short Selling

CFDs allow you to obtain the benefits of short selling assets without being subject to the restriction imposed on short selling the actual asset or the need to borrow the actual asset in order to sell it.

9.2 Summary of Risks

1) Potential Magnified Loss

Since CFD investments require clients to deposit a portion of cash as collateral, it can involve significant levels of gearing and create a potential loss that is higher than trading normally via stock investing. Further, if clients are borrowing the capital from other parties when funding their margin account, the risks associated with a CFD investment will be even higher. With a leverage of 5 times, a 1% loss suffered from the security trading will result in a 5% loss when trading CFD on margin, plus other fees such as interest and commission expenses.

2) Involuntary Close-Out

Due to its leverage nature, the potential losses on a CFD position may be substantial. Clients are required to monitor their margin level in order not to be "stopped out" when the margin falls below the stop out level (i.e. 20% or 50% depending on the agreement between KVB and the client). For example, if client A is entering into a CFD position with a value equivalent to US$100,000; he deposits US$10, 000 into his Trading Account as collateral (assumed the leverage is 10 times). If client A has a stop out level of 20%, his position will be closed by KVB when the equity falls below US$2,000 (20% of US$10,000).

Therefore, clients are advised to keep sufficient collateral in their Trading Accounts to cover their CFD holdings. Otherwise, the positions in the Trading Account will be closed-out by KVB when the margin level falls below the threshold percentage.

3) Risk of Loss Greater than Amount of Margin Deposited

Clients could sustain a loss greater than their initial margin required to establish and maintain their CFD position. They could also be required to pay further funds representing losses and other fees on the open and closed CFD positions. For example, if the initial margin payable at the time a CFD is established in respect of shares in ABC Ltd is USD1,000 and the market moves against the client's position, the client could lose much more than the initial USD1,000 deposited to open the position. Please refer below for a description of some events that may case such losses.

4) System Disruption

The ability to trade CFDs smoothly depends on the continued operation of the online platform, and the internet connection and personal computer(s) that are used to access it. A failed operation of any of the above elements will result in delays or failures to place orders and trade CFDs. KVB makes every endeavour to ensure system stability but can not take any responsibility for financial

losses resulting from any of the above mentioned events. Clients should contact KVB immediately for assistance should they encounter any problems affecting their online trading activities.

5) No Guaranteed Orders

Stop-loss orders and limit orders may not be accepted, or may be executed at a different price to the one specified by the client if the price of the Contract Index/Contract Security moves suddenly. In this case any loss that yields from this investment maybe higher than the clients expectations.

6) Liquidity

Under certain conditions it may become difficult or impossible for clients to close out their position(s). This can occur when there is a significant change in the price of the underlying instrument or security over a short period of time. Some International markets may have a lower trading volume than other more liquid international markets, which may increase the risk that the liquidity of a security is decreased or removed from the market. Additionally, if the client closes a CFD while the underlying security is subject to a business action, there may be a delay before any proceeds are credited to their account.

7) Deregulated Market

While CFDs allow clients to take a position in relation to the Contract Index/Contract Security, this product is not regulated by any stock exchange, and therefore does not provide the holder with any of the protections currently available to transactions made traditionally in those markets.

8) General Market and Interest Rate Risk

Both interest rates and the value of the underlying Contract Index/Contract Security can go up or go down. If the interest rate increases at the time when a client is going long in a CFD position, they will incur a higher financial expense. In addition, other factors such as economic cycles, the profitability of companies and different market sectors, business confidence and government policies can also affect both the stock price performance and interest rate movement.

9) Foreign Exchange Exposure

When you deal in a CFD that is denominated in a currency other than the denominated currency of your Trading Account, all initial margin, profits, losses, credits and debits in relation to that CFD are calculated using the currency in which the account is denominated.

Accordingly, your profits and losses may be affected by fluctuations in the relevant exchange rate between the time the transaction is entered and the time the relevant conversion of currencies occur. The foreign exchange market can change rapidly and the client will be exposed to foreign exchange rate volatility during the term of the CFD.

10) Changes in Government Policies

Changes in law, including changes in taxation and regulatory laws, practices and policies, may adversely affect the performance of CFD investments. Clients are required to seek professional advice with respect to their own tax profile and any laws that may be applicable to them.

DECLARATION

I, the undersigned, have read and understood this PDS including the Forward, Investment Advisers Disclosure required by the Investment Advisers (Disclosure) Act 1996, Amounts Payable and the Benefits and Risks associated with trading in Contracts for Difference, and that the trading terms used in it have been explained to me by the giver of this statement.

……

Signature of Client

(or a person authorised to sign on behalf of the client)

……

Signature of person that gave this statement

……

Name of Client

Date

……..

Name of person that gave this statement

Date