

ADVISER BUSINESS STATEMENT

This Advisor Business Statement is for

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Trading name: KVB Kunlun New Zealand Limited (“**KVB**”)

License name: Derivatives Issuer

Regulator: Financial Markets Authority (“**FMA**”)

This document is updated on:

16 November 2018

Role

KVB forms part of the KVB Kunlun Holdings Limited Group of Companies and provides margin trading services and securities dealing to private investors, institutions and corporations. Clients can trade currencies, indices and commodities through an online trading system.

KVB holds a Derivatives Issuer license issued by the FMA and has about 22 employees in Auckland, NZ.

I am an Authorised Financial Advisor (“**AF**A”) working for KVB in the role of Director- Global Margin Business. My main responsibilities include managing KVB’s trading activities with our counterparties (mainly major banks) in the dealing room and also include research and development of potential new products and services.

In this capability, I only occasionally communicate directly with individual clients. If I do give advice, it is typically dispensed by KVB social media including the company’s website and/or at seminars. I may state my opinion on a particular currency or security but this is not or part of an investment planning service. I do not currently provide discretionary investment management services. I provide financial advice only for financial products provided by KVB.

Remuneration and reward

My remuneration consists of a fixed salary and a performance related bonus. I do not receive commissions or payment from any counterparties or business relationships. My bonus may take into consideration a number of factors including our company’s profit or trading volume, however, this does not generate a conflict of interest to clients in terms of the way that I am paid by the company.

Business relationships

The margin trading business of KVB has counterparty relationships with Citibank, Deutsche Bank, SAXO Bank and other banks or financial institutions to offset hedge positions. KVB also has business relationships with other entities in the KVB Group.

KVB's securities trading for clients is conducted through Interactive Brokers (for international security trading), and KVB Kunlun Securities (HK) Ltd (for HK security trading). KVB receives commission for trades conducted through Interactive Brokers.

Any conflict of interest which may arise is managed in accordance with KVB's internal policies and procedures and as disclosed in the standard Client Services Agreement available on KVB's website.

Products and services

KVB offers financial products in Category 1 as described in the Part 1, Section 5 of the Financial Advisors Act 2008 ("the Act") – margin trading and securities trading. As shown above, through my research and analysis, I may provide my opinion on currencies/securities.

KVB does not offer Category 2 products as described in the Act.

Clients

The majority of KVB clients are retail clients. We do have some clients who are not natural persons, e.g. companies or trusts. KVB clients are mainly overseas Chinese. Clients enter into a business relationship with KVB by signing the Client Services Agreement, thereby accepting KVB's terms and conditions.

KVB attracts new clients through advertisements in local newspapers, marketing and promotion activities, referrals and seminars. I assist KVB's marketing department as appropriate.

Ethical behaviour

As an AFA, I comply with the Code of Professional Conduct for Authorized Financial Advisors. I also have other obligations under the Act and under the general law. I adhere to KVB's Group Code of Conduct, Compliance Policy and other KVB internal policy and procedures. Furthermore, I am subject to the Code of Ethics & Standards of Professional Conduct of the CFA Institute.

I declare that I have not been:

- convicted of an offence under the Financial Markets Conduct Act 2013, or any act of a crime involving dishonesty;
- a principal officer of a body corporate at the time when that body corporate committed one of these offences;
- adjudicated bankrupt;
- prohibited by a law or a court from taking part in the management of a company of a business;
- the subject of an adverse finding by a court in any civil or criminal court action; and
- expelled from, or been prohibited from being a member of a professional body.

Marketing and branding

Marketing and branding activities are conducted by KVB's marketing team, which is responsible for the design and publication of the advertisement or other promotion activities. All advertisements and are reviewed by KVB's compliance department and recorded in a Sales and Marketing Log.

Disclosure

I comply with the disclosure obligations under the Financial Advisors Act 2008 and its associated regulations. I review my disclosure statement periodically as appropriate and provide a new disclosure statement, or provide a supplementary disclosure statement; by posting the update on KVB's website.

Advice or service

I obtain financial market information from the internet, industry newsletters or subscribed sources such as Bloomberg or Reuters. I analyse this information to assist me in the process of forming my own opinions.

Complaints

KVB handles complaints according to our Complaints Procedure as per the Company policy "Disputes Resolution Policy and Procedure".

Any written complaints received are forwarded upon receipt to the Compliance Officer. KVB Sales Staff or Compliance as required to acknowledge receipt within 3 working days.

The Compliance Officer makes all necessary efforts to respond to the complaint within 20 working days. A written reply is sent by KVB to the complainant stating the outcome of the review and resolutions.

KVB Compliance Officers maintain the Complaint Register and send it to the Head of Legal, Risk & Compliance on a monthly basis. Any complaints of a serious nature are also reported to the CEO when received.

Pursuant to the Financial Service Providers (Registration and Dispute Resolution) Act 2008, KVB is a member of Financial Dispute Resolution Service (FDRS). If the client is not satisfied with KVB's response to their complaint, he/she is advised to refer the matter to the FDRS:

Financial Dispute Resolution Service
Freephone: 0508 337 337
Freepost: 231075 PO Box 2272, Wellington 6140, New Zealand
International Call: +64 4 910 9952
Email: enquiries@fdr.org.nz
Web: www.fdr.org.nz

Client money, property and information

KVB handles client's funds as set out in the Client Services Agreement and as permitted by the Financial Markets Conduct Regulations 2014. Client's funds are held in segregated client bank accounts with BNZ and ICBC NZ. KVB does not operate a separate client trust account. The

records of client money and property received, held and disbursed or distributed, are audited by the Compliance Reporter as required by the FMA. KVB has appointed PricewaterhouseCoopers (PwC) to act as its Compliance Reporter.

While KVB handles client funds as a broker, I am not involved in this process. All aspects of client funds are handled by the Operations/Accounting Department.

Record keeping

Clients can access, via an online system or receive via email, a copy of their statement showing their trading record on a daily basis. Copies/scanned copies of our client statements/transaction records are kept offsite in storage or a data centre for a minimum of seven years.

KVB's accounting records contain entries of all client money received by or in the possession or control of KVB. Records of all payments and disbursements of client money and property are also maintained for a minimum of seven years.

Client identification records/client's files are retained for at least seven years from the date at which the relationship with the client ended, or the last transaction was entered into on his/her behalf.

The KVB IT Team has a Back Up and Disaster Recovery Plan and this is tested periodically. Every few weeks KVB client's documents will be off-sited to the storage room and they are also scanned electronically and stored in the data centre.

Competence, knowledge and skills and continuing professional training

I have degrees in Accounting, an MBA and I am also a registered CFA and AFA. I am bound by the Financial Advisers Act 2008, Financial Markets Conduct Act 2013, AFA Code of Conduct and company policies and procedures which include standards in relation to character, qualifications, experience, conduct, disclosures to clients, duty of care, handling of conflicts of interest and good practice.

I keep my business knowledge up-to-date through daily involvement in and observation of the financial markets, meeting the mandatory number of continuing professional development hours as per the continuing professional guidelines issued by the institute of Financial Advisers, reading widely, and attending industry conferences and courses. I also work in a team with a group of professionals who are highly skilled and qualified.