

## **BEST EXECUTION POLICY**

### **1. Introduction**

This document provides information on how China International Capital Corporation Hong Kong Securities Limited and affiliates<sup>1</sup> (“CICC”) seek to obtain best execution for its clients. The information contained in this document is a summary of our best execution policy and is designed to provide you, as a client of CICC, with a general understanding of how such policy applies to your orders.

### **2. Scope of the policy**

The Best Execution policy applies when CICC is executing orders on behalf of its client.

### **3. Execution Factors**

For transactions where we determine best execution applies, we will take into consideration a variety of factors and determine their relative importance depending on prevailing market conditions at the time of execution. These factors include but not limited to the following:-

- Nature of the clients’ orders
- Time of reception of orders compared to other orders
- Price
- Speed of execution
- Likelihood of execution and settlement
- Size of the order
- Market liquidity and impact of the order on the market
- Any other relevant factors

Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, we may decide that other factors may be more important in determining the best possible executed result in accordance with our policy.

### **4. Applicability of best execution**

#### 4.1 Equities and Equities Derivatives Transactions

We consider that we owe best execution to clients when executing orders on a client’s behalf in respect of “careful discretion order” as we consider that you are legitimately relying on us to look after your interest. For example, where we accept an instruction to work an order and we make decisions on how it will be executed as we will be exercising discretion on agency or riskless principle basis, in executing the order on behalf of the client.

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<sup>1</sup> Including but not limited to China International Capital Corporation Hong Kong Futures Limited and CICC US Securities (Hong Kong) Limited.

#### 4.2 Fixed income, Currencies and Commodities Transactions

We regularly trade as principal in Fixed Income, Currencies and Commodities products (“FICC”) market in connection with our dealing and market making activities for you. As a market maker, we may enter into transactions in the relevant or related instruments through internal sources of liquidity or in the market at different times and prices, including pre-hedging in advance of executing your FICC transactions, in order to offset the risk incurred and ultimately provide with you an overall fill that takes into account these executions. Unless we agree otherwise, the price of any transaction we execute with you will depend on a number of factors including those set out under Execution Factors above and may include what we believe to be a reasonable spread. We will exercise discretion as to how we may satisfy your FICC transaction request and our handling of your requests will be dependent on our ability to access liquidity at the relevant or better price.

#### 4.3 Specific Instruction

When we follow specific instructions received from the client, we are deemed to satisfy our best execution obligations when in places or transmits the client’s order in accordance with those instructions. However, where the instructions relate to only part of an order, we will continue to apply this policy to those aspects of the order not covered by specific instructions.

#### 4.4 Quote Driven Activity

We consider that best execution does not typically apply in the context of quote driven activity (i.e. RFQ”) in circumstances where we will commit capital and provide the best price on the basis that we do not consider that you are legitimately relying on us to provide best execution.

#### 4.5 Electronic Trading

We consider that best execution does not generally apply to direct technical connection that enables clients to access an exchange directly under our trading ID; or Direct Market Access through which we permit you to transmit orders electronically to us for onward transmission to an exchange.

#### 4.6 Best execution is usually not applicable under the following scenario:-

(i) Order with specific instruction such as request to execute at a specific price limit or request for execution on a particular exchange where we shall be deemed to have satisfied our best execution obligation to the extent that we execute an order, or a specific part of an order, according to the client’s instruction;

(ii) Quote driven order from a client who is a professional investor as defined under paragraph (a) to (i) of the definition of “professional investor” in section 1 of part 1 of Schedule 1 to the Securities and Futures Ordinance of Hong Kong where the client do not place legitimate reliance on us to provide best execution as it is the client who ultimately decides whether to proceed with a

transaction on the basis of a firm price provided by us which the client can accept or reject in (i) OTC structured investment products issued by our affiliates and (ii) debt securities where we enter into principal transactions with the client;

(iii) Order in collective investment schemes where we will trade exclusively with fund managers or its appointed administrators;

(iv) Order in OTC structured investment products such as participation notes or funding related note from products which are largely customized to meet the client's specific requirements and its pricing is generally derived as a result of bilateral negotiations between the client and us

## **5. Execution Venues and Brokers**

CICC may use a range of execution venues to achieve best execution for its clients where applicable. Outside of any specific instructions provided by client, we have identified execution venues, brokers and counterparties for the execution of trades in order to ensure the best possible result for the client. Where there is more than one competing execution venue, when assessing and comparing the results of the execution on each venue, our own commissions and the costs for executing the order on each of the eligible execution venues will be taken into account in that assessment. You should note that the best execution arrangement might apply through the exclusive use of affiliates, connected parties and third parties.

## **6. Monitoring and Review**

CICC will monitor and review the effectiveness of its order transmission arrangements to ensure that whether applicable it continues to provide clients with best execution.

If you have questions reading this document or concerning our dealings with you, we encourage you to contact your Investment Consultant.

By continuing transacting with us, you are deemed to have taken notice of and agree to be bound by the best execution arrangement as mentioned above.

This document does not constitute legal or any other form of advice and must not be relied on as such. It is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentation and any other information provided to you. You may wish to appoint your own professional adviser(s) to assist you with this.