

BEST EXECUTION POLICY

1. Introduction

GF SECURITIES (HONG KONG) BROKERAGE LIMITED ("the Company") is licensed by the Securities and Futures Commission of Hong Kong ("SFC").

Paragraph 3.2 of the Code of Conduct for Person Licensed by or Registered with the Securities and Futures Commission ("Code of Conduct") requires that a licensed or registered person when acting for or with clients should execute client orders on the best available terms to deliver best execution. In 2018, the SFC issued a circular to licensed corporations ("LCs") on best execution to set the standards of conduct and internal controls the SFC expects of LC in delivering best execution. The Company, as a LC, is expected to have a policy and procedures in place to obtain the best outcome for clients.

This document is the excerpt version of the Company's best execution policy ("BEP") which is available on the Company website <<https://www.gfgroup.com.hk>>.

2. Best Execution

Best-execution obligation requires the Company to take all reasonable measures to obtain the best possible results for its customers when executing orders. The Company shall take reasonable steps to achieve best execution of client's orders in accordance with relevant local trading rules and market regulations.

2.1. Governance and Management Supervision

Sufficient management oversight should be established to ensure that trade exceptions and other matters related to best execution are brought to management's attention in a timely manner.

The Company should have procedures regarding the established best execution to cover different types of financial instruments with regular reviews and updates. The procedures should take into consideration and/or include the following elements:

- factors to be considered in delivering best execution;

- applicability of best execution and carve outs;
- monitoring and control mechanisms to review execution quality of trades, the use of various benchmarks such as Volume Weighted Average Price (“VWAP”) to assess the execution; and
- the respective roles of the operational and control functions to ensure best execution.

2.2. Best Execution Factors

When the Company handles and executes orders on clients’ behalf, it has a duty of best execution for the clients. The Company is required to take all sufficient steps to achieve the best execution when executing client orders, the following factors are the relevant factors which should be taken into consideration where applicable (i.e. **Best Execution Factors**):

- price;
- costs;
- likelihood of execution;
- likelihood of settlement;
- speed of execution;
- nature of the order;
- order size;
- market impact; and
- any other consideration relevant to the efficient execution of the client order.

In the absence of specific instructions, the Company shall act in the best interest of the clients to determine the relatively important factors and uses all reasonable efforts to achieve best execution.

2.3. Ranking of Execution Factors

The weight of each best execution factors may vary from case by case and best execution of certain instruction types should be assessed against multiple factors. In general, *price* must always be the primary execution factor. The Company will take into account the characteristics of:

- The client (retail or professional client)
- Nature of the order (including any specific instructions received)

- The financial instruments that are subject of the order
- The execution venue

2.4. Specific Instruction

Where a client places order with a specific instruction as to the manner of execution, and the Company will then execute the order in accordance with the specific instruction. In this circumstance, the Company will be deemed to have provided the client with best execution even if such instructions may deviate from the Company's established mechanism or the steps which are designed to attain the best possible results for execution of that order. Therefore, the client must clearly state the desired method of execution once placing order and the specific instruction must be comprehensive.

2.5. Execution Venues

Subject to any specific clients' instructions and local regulations, the Company shall direct client orders to the venue that the Company believes it will provide the best possible result. This may be any one of the following:

- regulated Exchange;
- third counterparties or affiliates acting as a market maker;
- liquidity providers; or
- the Company's crossing network – subject to client's consent.

2.6. Arrangements with Affiliates, Connected Parties and Third Parties

The Company should act with the due diligence, care and diligence in selecting and appointing the exchange member or counterparties that will execute the orders for clients. Where applicable, the business unit which engages third parties or affiliates for execution should carry out due diligence on affiliates or third parties and a systematic process should be in place to continuously monitor execution outcome, past execution performance, services and system stability to ensure they are capable to comply with its best execution obligation and the regulations on best execution.

2.7. Conflicts and Responsibilities of Execution Staff

Execution staff and their supervisors form an important first line of defence in the trade execution process. Reasonable diligence should be demonstrated in handling client

instructions, monitoring execution outcomes and, where applicable, taking steps to obtain multiple quotes. In the absence of multiple quotes, execution staff should obtain sufficient pricing information on a best-effort basis to validate quotes provided to clients. Controls should be established in the first line of defence to monitor execution outcomes.

Its commitment to provide best execution does not mean that it owes any of its clients any fiduciary responsibilities over and above any specific regulatory obligations placed upon it or as may be otherwise contracted between the Company and any clients. Each client remains responsible for their own investment decisions and the Company will not be responsible for any market or trading loss that the clients might suffer as a result of those decisions.

2.8. Controls and Monitoring

The Company will monitor the effectiveness of its order execution arrangements on regular and consistent basis in order to identify any issues that may affect its ability to continue to obtain the best outcome for the execution of client orders using the venues as stated in the BEP. Dealing Department, Compliance Department and Internal Audit will become first, second and third lines of defence respectively to review the quality of best execution and to detect anomalies.

2.9. Training

The Company should provide periodic training to the relevant staff such as introduction training to new joined staff, on best execution procedures for a refreshing training as well as an update on regulatory development, if any.