

Phillip Group Best Execution Principles

1. Aim of this document

This document is designed to set out the principles and methods governing the execution of client orders on the best possible terms.

2. Scope of this document

This document outline the principles that apply to the execution of orders on behalf of clients. The principle shall apply to all client orders of the following companies within Phillip Securities Group (“Phillip”):

- Phillip Securities (Hong Kong) Limited
- Phillip Commodities (HK) Limited
- Phillip Capital Management (HK) Limited

3. Ensuring best execution

Before executing client’s order, Phillip’s dealers must determine whether there was any solicitation or whether any advice has been given, if yes, refer to Suitability clause before following the steps below.

In order to ensure the best possible order execution for Phillip's clients by selecting what we believe is the most suitable means of execution, taking into account the execution factors and criteria set out below.

- A) Orders for equities or derivatives** are generally executed via trading intermediaries (broker-dealers). The orders are executed on regulated markets, exchange-like trading systems or via systematic internalisers. Non-exchange traded derivatives (“OTC derivatives”) are principally traded on a bilateral basis with the respective broker according to a standard contractual agreement.
- B) Orders for bonds** are generally placed on over-the-counter (OTC) markets. The OTC markets, which are characterised by proprietary trading transactions, are decentralised, fragmented and have low pre-trade transparency, because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis with the counterparties. These counterparties often have proprietary holdings in these instruments, for which they quote prices.

Unlike on the equity markets, the choice of counterparties for bonds is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. In volatile non-transparent markets, it may be necessary to accept the first price offered without the opportunity to obtain or request other prices. Moreover, there may be bonds offered exclusively through one counterparty, or for which settlement of an order of a certain size can only be guaranteed by one counterparty, in which cases it is not possible to obtain a comparative offer. The various instruments are traded with the counterparties either electronically or by telephone.

Moreover we can also find a suitable counterparty via electronic trading systems. However, these trading systems are not covering all corporate bonds, telephone calls/ email to counterparties

Wherever we execute orders for equity, derivatives or bonds via trading intermediaries we take into consideration, if these intermediaries have their own appropriate best execution principles in place.

4. Means of execution

Our transactions are principally executed via exchanges or intermediaries. The services offered by our counterparties and intermediaries are monitored on the basis of standardized criteria and execution is assessed in line with these criteria.

We also consider counterparties and intermediaries that are members of the Phillip Securities Group. Counterparties and brokers are selected in line with objective criteria; no distinction is made between internal group traders and external traders.

5. Execution factors/ criteria:

In order to comply with our duty to execute clients' order in accordance with the Order Execution Principles, we mainly apply the following execution factors:

- i. best price
- ii. lowest transaction costs
- iii. fastest speed and type of execution
- iv. likelihood of execution (e.g. whether the order could be executed)
- v. size of the order
- vi. time of the order
- vii. type of financial instrument
- viii. impact to the market (e.g. % of daily order/ % of daily turnover)
- ix. any other consideration that is key to order execution.

Although the price is generally a key factor, the value of a particular transaction can be influenced by the other execution factors. The importance of the factors set out above can vary depending on the following execution criteria:

- i. type of order
- ii. type of financial instrument
- iii. type of place of execution.

6. Prompt execution of client's order

Dealer of Phillip should endeavor to execute client's order in a timely manner, dealer should have no excuse to delay or front run client's order.