2017 Execution Summary

The contents of this report are published to meet the requirements prescribed by Article 3(3) of Regulatory Technical Standard 28 (“RTS 28”) of MiFID/MiFIR.

Relative importance of the execution factors we used when assessing quality of execution

KAB has processes in place and runs reports to monitor and measure the quality of execution it delivers to clients, in real time and on a daily/monthly basis, assessing factors relevant to the achievement of best execution, including:

1. Price
2. Cost
3. Speed
4. Likelihood of execution

Price
Our pricing, dealing and support teams continuously monitor data feeds and internal pricing mechanisms to ensure the quality of the price generation process. Data feeds, pricing and connectivity are assessed real time. Controls, alerts and statistics are monitored for errors and signals, such as irregular pricing, interruptions or stock suspension. Where necessary in 2017, action was taken, including exclusion of a feed from price calculations and suspension of trading in an affected instrument.

Surveillance teams monitor pricing on a retrospective basis, carrying out daily and monthly reviews to ensure consistency of pricing and execution in line with the underlying market.

Cost
We understand the importance of low trading costs and the impact of costs on trade execution. We publish clear and transparent information on spread, commission and other costs a client could incur when trading our products. To keep costs low, we source the best available prices from our liquidity providers. In 2017, we reviewed our CFD brokers and made changes to arrangements where we believed this would benefit our clients.

Speed
If the client undertakes transactions on an electronic system, he/she will be exposed to risks associated with the system including the failure of hardware and software (Internet / Servers). The result of any system failure may be that your order is either not executed according to your instructions or it is executed at all. KAB does not accept any liability in the case of such a failure. The use of wireless connection or dial-up connection or any other form of unstable connection at the client’s end, may result in poor or interrupted connectivity or lack of signal strength causing delays in the transmission of data between the client and KAB when using the KAB’s Electronic Trading Platform. This delay may result in sending to KAB out of date “market orders”. In this case, KAB will update the price and execute the order at the market price available.

**Likelihood of Execution**

KAB strives to provide the best possible price to its clients, and makes every effort and necessary arrangements to do so; however, it may be impossible to guarantee the execution of any or all of the pending orders at the declared price.

**Execution venues: links, payment arrangements and changes**

We use several execution venues and liquidity providers and with these we do not have any close links, common ownerships except KAB BULLION HONG KONG LIMITED and CHINA FINANCE KAB LIMITED. In order to avoid potential conflicts of interest, KAB uses alternative Price Providers and utilizes the lowest price of all prices identified. Our selection of execution venues is based on the execution factors mentioned above as well as other considerations. These include but are not limited to the following:

- quality of execution – we review the quality of execution available or obtained from counterparties, looking at published information (where available) and reviewing KAB’ previous trades with the counterparty
- costs – we review commissions, financing and stock borrowing costs to obtain the best commercial terms to ensure we can pass low costs down to our clients
- margin rates and overall impact on liquidity
- trading limits – we review how much we are able to trade with our counterparties
- breadth of coverage – execution and clearing
- flexibility of product offering
- connectivity with KAB’ systems
- commitment to the product offering
KAB does not have any specific arrangements in place with any execution venues regarding payments, rebates, discounts or other non-monetary benefits and does not engage in any payment for order flow.

KAB introduced two new liquidity providers in 2017 to improve prices and access to liquidity for CFD in particular.

**Client categorization**

KAB provides best execution to two categories of clients: retail and professional. However, there weren’t any clients classified as professional clients in 2017. Retail and professional clients are treated equally.

**Instances where other criteria were given precedence over immediate price and cost**

In 2017, when we received specific instructions from our clients then these instructions took priority over other execution factors, namely price and cost. Specific instructions included:

- working an order in the market
- requesting a particular venue for us to execute and hedge a trade
- specifying a price with us or specifying a price to close if the market should move against the client.

In such scenarios, we achieved best execution on factors not influenced by the specific instruction. There were no other instances identified where other factors took priority over price and cost.

**Use of data and tools relating to the quality of execution**

Monitoring is performed pre trade, as well as on a real-time, daily and monthly basis.

**Pre trade/real-time**

As mentioned above, our pricing, dealing and support teams continuously monitor data feeds and internal pricing mechanisms to ensure the quality of the price generation process. They are alerted to any issues that occur and take action as required.
Daily monitoring
On a daily basis, our surveillance team monitor execution prices against the price at the time of trade placement. They also compare execution prices to the underlying market at the time of the trade for consistency. Any manual execution is monitored for errors and corrections are made where necessary.

Use of output of a consolidated tape provider
Report on Execution Venues

The information presented below refers to the top five execution venues in terms of trading volumes used by the Company for executing the orders of retail clients. KAB did not have any professional client in 2017. The information refers to the asset classes of Hong Kong Stock, Exchange traded futures and Contracts for Difference (CFDs) for the year 2017.

<table>
<thead>
<tr>
<th>Information on the top five execution venues during the year 2017 (Retail Clients)</th>
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<tbody>
<tr>
<td>Class of Instrument</td>
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<td>Top five execution venues ranked in terms of trading volumes (descending order)</td>
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<tr>
<td>China Finance KAB Limited</td>
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<tr>
<td>Future Land Resources Securities Limited</td>
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<tr>
<td>Phillip Securities (Hong Kong) Limited</td>
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<tr>
<td>Essence International Securities (Hong Kong) Limited</td>
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<tr>
<td>CMB International Securities Limited</td>
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### Information on the top five execution venues during the year 2017 (Retail Clients)

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<th>Class of Instrument</th>
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<tr>
<td>Notification if &lt; 1 average trade per business day in the previous year</td>
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<tr>
<th>Top five execution venues ranked in terms of trading volumes (descending order)</th>
<th>Proportion of volume traded as a percentage of total in that class</th>
<th>Proportion of orders executed as a percentage of total in that class</th>
<th>Percentage of passive orders</th>
<th>Percentage of aggressive orders</th>
<th>Percentage of directed orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinda DP Limited</td>
<td>79.08%</td>
<td>77.53%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>KAB BULLION HONG KONG LIMITED</td>
<td>17.68%</td>
<td>21.64%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>SUCDEN FINANCIAL LTD</td>
<td>2.90%</td>
<td>0.71%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>AXICORP LIMITED</td>
<td>0.14%</td>
<td>0.06%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>LMAX Limited</td>
<td>0.10%</td>
<td>0.03%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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