CRUDE OIL FUTURES

Contents

Company introduction

Corporate vision:

To create a trust-worthy and creative modern financial service corporation and to establish the core competition advantages of it. With a background of strong shareholders, Galaxy Future combines internationalized service concept, excellent manager teams, advanced technology platform and good risk control ability together to provide the most professional, meticulous and personalized future trading service to our customers. The future developing target of Galaxy Future is to devote ourselves to build a top-ranking internationalized financial investment service platform of China.

Shareholders Background:

Galaxy future is the first Chinese-foreign joint future corporation and the only future corporation with both well-known domestic investment bank and international commercial bank as its shareholders in China. Galaxy Security Co. as Galaxy Future's Chinese shareholder, who provided strong business operation and network support. So as The Royal Bank of Scotland, Galaxy Future's main foreign shareholder, provided Galaxy Future the unparalleled international resources.

Business service of Crude oil futures:

Galaxy Future's crude oil business service is tightly connecting with the entire business chain. Also, Galaxy Future owns plenty operating experience of the corporations within petrochemical industry chain, solid foundation of mathematics and computer programing, large base of systematized applicable strategies of industry chains, exact and precise industry analysis reports. Galaxy Future uses customers' requirements as the lead direction to provide diversified and personalized services of the financial products of crude oil. On the other side, Galaxy Future is good at coordinating all the resources it has, to provide the best service to our client and linked all these businesses with delivery services. We are focusing on providing a full business cycle covered, comprehensive financial service, core with the concept of a efficiency, high-quality and diversification valued fortune management.

Our advantages on crude oil futures business:

Advantages on delivery, analysis, service and technology.

Advantage on delivery: Galaxy Future has a large storage of deliverable products and the storage is always accessible to work with our delivery team to provide personalized delivery service to our clients. Our delivery department is familiar with the one-stop service that covers all the way from making delivery plans and also has already accumulated 9-years' operating experience. The business of our delivery department covers three Commodity Futures Exchanges, 41 trading categories, for 2016s and 2017s, the volume of our delivery making takes 10% of the entire market's volume.

Analysis advantage: day-to-day analysis reports (daily, weekly, monthly, yearly), professional reports (reports on specific subjects, domestic-foreigner information of crude oil market and market valuation). Meanwhile, we focus on the actual situation and real requirements of our corporation clients, combine with field research, to customize a full-process covered hedging plan.

Service advantage: WeChat Official Account (which covers the services of information and data providing, industry data accumulating, data and information analyzing, notification of essential news, information and knowledge of arbitrage); high-ending service also covers professional reports on market analysis to help our corporation clients to have the full knowledge of the newest market trend for all the time; also we are precious the opportunities to encourage business doing between our enterprises clients; to create the opportunities for our customers to discuss and communicate with each other, we are glad to organize regular Summit Forum with most industry elites and lots of domestic and foreign experts are invited. Galaxy Future has tight relationships and closely work with more than 10 cross-border enterprises of Crude oil industry, services providers of Energy Industry and foreign investment banks.

Technology advantage: professional training has been deeply bedding into Galaxy Future. For our enterprise clients, we are able to provide professional foundation trainings of crude oil futures along with the strong assistance of the construction of futures analysis team and all other high-ending training services. Also, we offer to our clients with professional courses, which include the topics, such as hedging models, hedging trades, delivery and financial transactions etc.

1. Crude Oil futures Contract text

Product	Medium Sour Crude Oil
Contract Size	1000 barrels per lot
Price Quotation	(RMB) Yuan per barrel (no tax or duty included in the quotation)
Minimum Price Fluctuation	0.1 Yuan / barrel
Daily Price Limits	±4% from the settlement price of the previous trading day
Listed Contracts	Monthly contracts of recent twelve (12) consecutive months followed by eight (8) quarterly contracts.
Trading Hours	9:00-11:30 a.m., 1:30-3:00 p.m. (the Beijing Time), and other trading hours as prescribed by the Exchange
Last Trading Day	The last trading day of the month prior to the delivery month; The Shanghai International Energy Exchange is entitled to adjust the last trading day in accordance with the national holidays.
Delivery Period	Five (5) consecutive trading days after the last trading day.

Grades and Quality Specifications	Medium sour crude oil with the quality specifications of API 32.0 degrees and sulfur content 1.5% by weight The deliverable grades and the price differentials will be stipulated separately by the Shanghai International Energy Exchange.
Delivery Venues	Delivery Storage Facilities designated by the Shanghai International Energy Exchange
Minimum Trading Margin	5% of contract value
Settlement Type	Physical delivery
Product Symbol	SC
Listing Exchange	Shanghai International Energy Exchange

2. Basic principles of crude oil futures trading

1、clearing currency

The clearing currency of the Exchange is Renminbi (hereinafter referred to as the RMB). Once approved by the Exchange, foreign exchange and assets with both stable value and high liquidity, including standard warrants and treasury bonds (hereinafter collectively referred to as "margin collateral assets"), may be used as margin collateral.

2、Daily mark-to-market

The Exchange shall implement daily mark-to-market. After the close of each trading day, the Exchange shall settle the profit and loss, trading margin, taxes, transaction fees, delivery payments and other payments for each Member. Members may obtain relevant clearing data through the member service system.

3、Authorized Clearing

Clearing refers to the clearing and transfer of funds between parties under the trading results based on the settlement price published by the Exchange.

The Exchange shall conduct clearing with Members. Each Member shall conduct clearing with its own Clients, OSPs and Overseas Intermediaries. OSPs and Overseas Intermediaries shall conduct clearing with their Clients.

Members and OSPs shall pay the prescribed transaction fees, filing fees, canceling fees, delivery fees and other fees to the Exchange for engaging in futures trading on the Exchange. The fee schedules shall be prescribed by the Exchange.

Members shall collect taxes and charges that shall be levied on Clients and OSNBPs in accordance with the relevant PRC laws and regulations.

3. Trader's Eligibility Management Standard

When an Account Opening Institution applies to the Exchange for a trading code on behalf of an institutional Client, such institutional Client shall meet the following criteria:

1. Having related personnel with basic knowledge of futures trading and understanding of the relevant business rules of the Exchange, and having passed relevant tests;

2. having records of no less than ten (10) executed orders and of more than ten (10) days of simulated futures trading in domestic market, or records of more than ten (10) executed orders within the past three (3) years on any of the domestic futures exchanges, or records of more than ten (10) executed orders within the past three (3) years on any of those overseas futures exchanges regulated by its competent futures regulatory authority that has a memorandum of understanding on regulatory cooperation with the China Securities Regulatory Commission (hereinafter referred to as the "CSRC");

3. having a balance of no less than RMB one million (￥1,000,000.00) or its equivalent in foreign currency in each of its margin accounts five (5) business days before applying for the trading code;

4. having sound futures trading management rules including futures trading decision-making, order placement, funds transfer, physical delivery and other business management rules, as well as appropriate risk control rules for futures trading;

5. having a sound information communication mechanism, including providing and timely updating its head of futures trading and related business personnel to the Account Opening Institutions;

6. Having no material adverse credit record or have never been subjected to a ban from the futures market by any competent regulatory authority; and

7. Having never been prohibited or banned from engaging in futures trading pursuant to any laws, rules and regulations, or the business rules of the Exchange.

Unless otherwise prescribed by the PRC laws, administrative regulations, rules and provisions of the CSRC, the first three items of this Article may not apply to the Account Opening Institution that applies for a trading code on behalf of a special institutional Client.

Article 6 When an Account Opening Institution applies to the Exchange for a trading code on behalf of an individual Client, such individual Client shall meet the following criteria:

1. Having full capacity for civil conduct;

2. Having basic knowledge of futures trading and understanding of the relevant business rules of the Exchange, and having passed relevant tests;

3. having records of more than ten (10) executed orders of simulated futures trading in China's domestic futures exchanges in no less than ten (10) trading days; or having accounts on any China's domestic futures exchanges or any overseas futures exchange regulated by its futures regulatory authority that has a memorandum of understanding on regulatory cooperation with the CSRC, with records of more than ten (10) executed futures trading orders within the past three (3) years;

4. having a balance of no less than RMB five hundred thousand (￥500,000.00) or its equivalent in foreign currency in each of its margin account five (5) business days before applying for the trading code;

5. Having no material adverse credit record or having never been subject to a ban from the futures market by any competent regulatory authority; and

6. Having never been prohibited or banned from engaging in futures trading, pursuant to any laws, rules and regulations, or the business rules of the Exchange.

7. The Exchange may adjust the criteria of trader's eligibility in accordance with market conditions.

4.Requirements of deposit and withdraw

All the deposits and withdraws of foreigner exchange funds shall process through bank-futures fund transfer system of Designated Depository Banks.

Foreign exchange conversions:
After received the order from Members (following the clients' instructions of foreign exchange conversions or swap the profits part based on the authorization made by clients when they opened their accounts) or the instruction of settlement of exchange issued by Shanghai International Energy Exchange (forced foreign exchange conversions), depository banks should process the Foreign exchange conversions with the latest exchange rate in that moment also banks shall report the feedback to the members and The Exchange when the adjustments have been made on the balances of both members' or Shanghai International Energy Exchange's RMB account and USD account.
P.S.: If the requests were made at the same bank and same time point,
member's requests of Foreign exchange conversions shall share the same exchange rate.

1. Bank-futures fund transfer
   Accept multi-currency Bank-futures fund transfer.
   The transfer limits of funds, banks and day-to-day, based on different currencies, can be set separately. Same investor's fund with different currency-forms is allow to adopt different transfer limitations. The dollars and RMB fund which are currently trading in the market, shall be treat separately according to the calculation of available-withdrawing funds and the limitations of transfer amount to identify whether or not the funds are allow to deposit or withdraw, similar to the current in effect regulation of bank-futures fund transfer, besides the separation of different currencies. The RMB funds that pledged by dollars are not allow to withdraw.

2. Bank-futures currency exchange (separate from bank-futures fund transfer)
   Currency exchange is a kind of trading that, by applying to the banks, exchange with the latest exchange rate and transferring the fund of one currency form in investor's account to another currency form in the same investor's another account. Differences with currency pledge: currency pledge is a temporary lending, investors have to repay it in the future, there is not actually fund transfer. However, currency exchange is an actual fund transfer, which takes the

place of exchange limits and can only exchange at after-hour trading time, also not allow to do the exchange while the trading hour.

5. Clearing and Settlement

1、Settlement process

The budget and settlement is made after receiving the data from a member of the Futures Company. Then, according to the actual result of the customer's transaction, the profit currency, etc., determine the amount of foreign exchange settlement for each customers. Then send this data to the depository bank by the “the foreign exchange conversion system “(bank-futures fund transfer module). The depository bank completes the foreign exchange conversion and adjusts the dollar dedicated fund account and the RMB dedicated fund account。 After receiving the feedback from the depository bank, the member will settle the final settlement on the day for clients.

After the settlement, the Futures Companies, INE and the depository bank, should send the data to CFMMC. The foreign exchange data can be submitted on the following day.

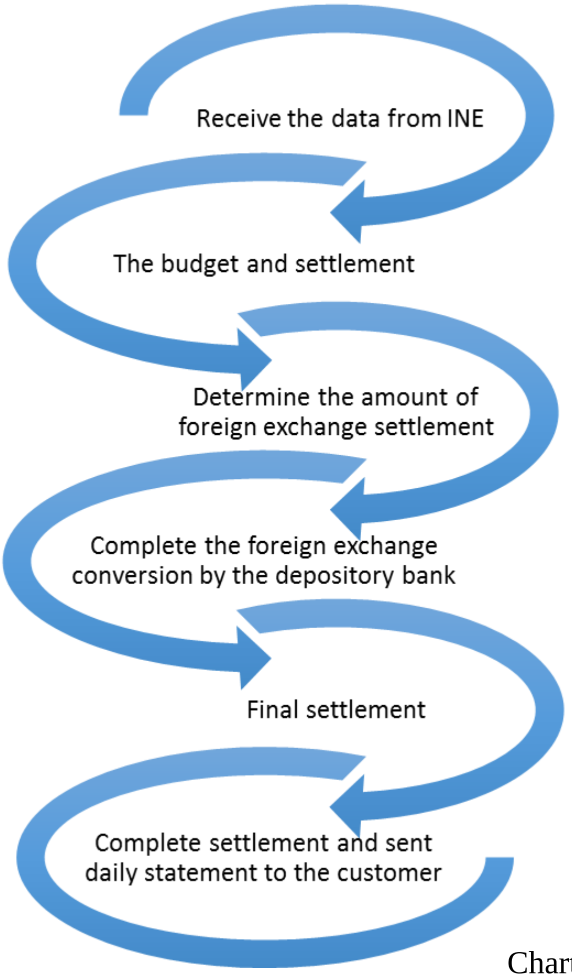

Chart 0- 6 Settlement process

2、Settlement system

Settlement currency：Renminbi (hereinafter referred to as the RMB).

Margin requirement

clearing deposits and trading margins（a minimum clearing deposit requirement）

margin collateral assets：Foreign exchange (dollar) and assets with both stable value and high liquidity, including standard warrants and treasury bonds

Daily mark-to-market.

After the close of each trading day, the Exchange shall settle the profit or loss, trading margin, transaction fees, taxes and other fees for each Member based on the settlement price of each contract, and conduct a transfer of the net balance of the Member's receivables and payables by increasing or decreasing the Member's clearing deposit accordingly.

Authorized Clearing

Each OSP shall, and shall only authorize one Member to conduct clearing（The Authorized Clearing Agreement）.

Overseas Intermediary：Authorizes an FF Member or an OSBP to conduct trading and clearing（carrying-brokerage agreement）

6. Risk management

1. Margin requirement

The term "trading margin" refers to the funds deposited by a Member into the dedicated settlement accounts of the Exchange to ensure the fulfillment of the contract and already used as margin for the position held by the Member. The minimum trading margin for the crude oil futures contract is 5% of the notional contract value.

The Exchange (INE) applies different rates of trading margin for a futures contract based on different periods of trading from its listing to its last trading day.

Table 0-11 Margin Standard

Trading margins for a crude oil futures contract at different periods of trading	
Period of Trading	Trading margin
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the second trading day prior to the last trading day	20%

If the trading margin of a futures contract shall be adjusted, the Exchange shall, at the daily clearing on the trading day prior to the next trading day when the adjustment to the margin requirement is applied, settle all positions the futures contract based on the new trading margin rate. If the margin is insufficient at that time, the position holder must deposit funds to meet the new margin requirement, and the relevant Member shall ensure the new margin requirement is met before the opening of the next trading day.

The holder of a short position may use standard warrants as the performance bond for the futures contracts with the same underlying and equivalent amount of positions he/she holds, in which case, the trading margin requirement for these positions shall be waived.

2. Price limit

The maximum movement the price of a contract may move up or down from the previous daily settlement price during the trading day. Quoting prices beyond such limit will be considered invalid and will not be executed.

In the event that a Limit-locked market occurs to a crude oil futures contract on a trading day, the price limit and the trading margin for the futures contract on D2 shall be adjusted as follows, as shown in table 0-12:

Table 0-12

	Contract standard	D1	D2	D3
Price limit	4%	4%	4%+3%=7%	4%+5%=9%

Trading margin requirement at market close	5%	7%+2%=9%	/	9%+2%=11%

If the same direction Limit-locked market continues to exist on D3, which means for three (3) consecutive trading days, the market has been lock at limit price, the Exchange may, at the daily clearing of D3, suspend withdrawal of funds by a part of or all of its Members and take corresponding measures on D4 as follows:

1) if D3 is the last trading day of the futures contract, the contract shall move into its settlement and delivery phase on the next trading day;
2) if D4 is the last trading day, the futures contract shall continue to trade on D4, the price limit and the trading margin for D3 shall be extended to D4, and the contract shall move into its settlement and delivery phase on the next trading day; or
3) if neither D3 nor D4 is the last trading day, the Exchange may, after the market close on D3, execute either of the two measures prescribed in Article 19 or 20 of these Risk Management Rules subject to market conditions.

3. Volatility risk management

For a futures contract:

1) when the price variation in aggregate (denoted as N) reaches twelve percent (12%) or more for three (3) consecutive trading days (denoted as D1-D3);
2) when the price variation in aggregate (denoted as N) reaches fourteen percent (14%) or more for four (4) consecutive trading days (denoted as D1-D4); or
3) when the price variation in aggregate (denoted as N) reaches sixteen percent (16%) or more for five (5) consecutive trading days (denoted as D1-D5),

The Exchange may, in its sole discretion, exercise the following one or more measures and inform the CSRC prior to the implementation:

1) require additional trading margin from a part of or all of the Members and/or OSPs on either or both of the long or short position, at the same or different rates of trading margin;
2) limit the withdrawal of funds by a part of or all the Members;
3) suspend the opening of new positions for a part of or all of the Members and/or the OSPs;
4) adjust the limit price, but not to be over twenty percent (20%) up or down;
5) order the liquidation of positions by a prescribed deadline;
6) exercise forced position liquidation; and/or
7) other measures the Exchange deems necessary.

4. Position limit

Position limit means the maximum size of position of one contract that can be held by a Member, an OSP, an Overseas Intermediary or a Client as prescribed by the Exchange.

Table 0-13 Position Limit

	From the Day of Listing to the First Trading Day of the Month Prior to the Delivery Month		From the Day of Listing to the Last Trading Day of the Third Month Prior to the Delivery Month		From the First to the Last Trading Day of the Second Month Prior to the Delivery Month		From the First to the Last Trading Day of the Month Prior to the Delivery Month	
	Total Open Interests (lots) Position	limit Proportion (%)	limit Proportion (lots)		limit Proportion (lots)		limit Proportion (lots)	
		FF Member, OSBP, Overseas Intermediary	Non-FF Member, OSNBP Client	Client	Non-FF Member, OSNBP	Client	Non-FF Member, OSNBP	Client
Crude Oil Futures	≥75,000	25	3,000	3,000	1,500	1,500	500	500

Note: The total open interest of a futures contract, the position limits of FF Members, OSNBPs or Clients are all on a net basis.

1) The positions held by a **FF Member or an OSBP** shall not exceed the position limits provided by the Exchange. Once such position limits are reached or exceeded, opening new position in the same direction shall not be allowed.
2) **Overseas Intermediary** at one or more FF Members or OSBPs reach or exceed the position limits provided by the Exchange, opening new position on the next trading day shall not be allowed.
3) The positions held by **a Non-FF Member or an OSNBP** shall not exceed the position limits provided by the Exchange; otherwise, the Exchange shall exercise forced position liquidation.

5. Large Trader Position Reporting

A Member, an OSP or a Client whose general position in a futures contract reaches the general position limit set by the Exchange, or an Overseas Intermediary whose general position in a futures contract reaches or exceeds sixty percent (60%) of its general position limit, shall take the initiative to report to the Exchange by 15:00 of the following trading day.

The Exchange, in its sole discretion, may appoint specific Members, OSPs, Overseas Intermediaries or Clients to submit large trader position reports or other supporting materials, and may examine the above-mentioned documents submitted from time to time.

6. Forced Position Liquidation

The Exchange shall impose forced position liquidation, if:

1) The clearing deposit balance of a Member recorded on any of the internal ledgers at the Exchange, which are whether to serve its own Clients or its authorized clearing entities, falls below zero (0), and the Member fails to meet the margin requirement within the specified time limit;
2) The open interest of a Non-FF Member, an OSNBP or a Client exceeds the applicable position limit;
3) A Non-FF Member, an OSNBP or a Client fails to round the positions held in a futures contract to multiples as required within the specified time limit, or is not qualified to conduct delivery for matured contracts in its possession;
4) A violation of the Exchange’s rules occurs that warrants a forced position liquidation;
5) Any emergency happens that warrants a forced position liquidation; or
6) Any other conditions exist that makes the forced position liquidation necessary.

7. Risk Warning

The Exchange applies risk warning. The Exchange may, as it deems necessary, resort to the following measures, alone or in combination, to warn against and resolve risks:

1) Requesting an explanation from market participants with respect to a specific situation;
2) Conducting an interview to give a verbal alert;
3) Issuing a risk warning letter;
4) Giving a reprimand;
5) Issuing a risk warning notice to the public; and/or
6) Other measures deemed necessary by the Exchange.

7. Delivery

1. Price for delivery:

The arithmetic average price of the settlement price of final 5 trading days as the benchmark price for delivery. Final price is premium or discount of product quality and this benchmark price

The bonded final settlement price is the calculation and assessment basis of the duty-paid price after customs declaration by the holders of crude oil bonded standard warrant. The formula for the bonded final settlement price of the matured contract is:

Bonded Final Settlement Price = Final Settlement Price

When the bonded standard warrant is used for EFPs, the formula for the EFP bonded final settlement price is:

EFP Bonded Final Settlement Price = Settlement price of the previous trading day immediately before the EFP application day of the delivery month contract

INE take physical delivery; bonded delivery and warehouses delivery.

2. Products for Delivery

Crude oil futures

The underlying of crude oil futures is medium sour crude oil, of which the gravity is 32.0 degrees API and sulfur content is 1.5% by weight.

Pursuant to the *Contract Specifications of Crude Oil Futures and the Delivery Rules of the Shanghai International Energy Exchange*, INE has set the deliverable crude streams, deliverable grades, and final settlement price differentials for INE crude oil futures as follows:

The deliverable crude streams, deliverable grades and final settlement price differentials for INE crude oil futures

Nation	Deliverable Crudes	Minimum API Gravity	Maximum Sulfur (%)	Price Differential (Yuan / Barrel)
United Arab Emirates	Dubai	30	2.8	0
United Arab Emirates	Upper Zakum	33	2.0	0
Sultanate of Oman	Oman	30	1.6	0

State of Qatar	Qatar Marine	31	2.2	0
Republic of Yemen	Masila	31	0.8	5
Republic of Iraq	Basra Light	28	3.5	-5
People's Republic of China	Shengli	24	1.0	-5

1. API gravity = (141.5 / S.G.60/ 60 °F) – 131.5; S.G.: as per ASTM D1298
2. Sulfur content: as per ASTM D4294.

3. FIVE DAYS DELIVERY

The First Delivery Day (Application)

(1) Buyers submit notice of intentions. Buyers submit a notice of intention to accept the required commodities to the Exchange via the Standard Warrant Management System, including information such as the products, quantities, the names of the Designated Delivery Storage Facilities, etc.

(2) Sellers submit standard warrants. Sellers submit the valid standard warrants for which storage fees have been paid in full to the Exchange via the Standard Warrant Management System. Sellers are responsible for the storage fees before the Fifth Delivery Day (including that day), while the buyers are responsible for the storage fees after the Fifth Delivery Day.

2. The Second Delivery Day (Matching)

The Exchange matches and allocates available standard warrants in accordance with the principles of "time priority, quantity rounding, nearest matching, and overall arrangement". The Exchange allocates the standard warrants that cannot be used for the physical delivery of the futures contract in the next month to the buyers according to the proportion of each buyer's delivery volume in the total delivery volume of the month.

3. The Third Delivery Day (Payment and obtaining the warrant)

(1) Buyers pay and obtain the warrants. Buyers shall make the payment to the Exchange before 14:00 on the Third Delivery Day and obtain the standard warrants.
(2) Sellers receive the payment. The Exchange shall transfer the payment to the sellers before 16:00 on the Third Delivery Day. This time limit may be extended by the Exchange under special circumstances.

4. The Fourth and Fifth Delivery Day (Submitting invoices and returning margin)

Sellers shall submit all the invoices corresponding to the delivery commodities to the Exchange. The format and content of the invoices shall follow the provisions of the Exchange. Other matters regarding the returning of margin and the submission of invoices shall follow the relevant provisions of the Clearing Rules of the Shanghai International Energy Exchange.

4. Information of warehouse

Warehouse Name	LOACATION	CAPACITY	INITIAL CAPACITY
SINOPEC	RIZHAO	120.00	40.00
	ZHOUSHAN	80.00	60.00
CNPC	NINGBO	40.00	40.00
	ZHANJIANG	70.00	40.00
CNPC	ZHOUSHAN	100.00	35.00
CNPC	DALIAN	115.00	40.00
SINOPEC	QINGDAO	40.00	40.00
Yangshan	YANGSHAN	30.00	20.00
TOTAL		**595.00**	**315.00**

Alternative warehouse

1	PORT OF DALIAN ,LTD

2	YINGKOU PORT ,LTD
3	CNOOC YANTAI

Code	Designated inspection agency
1	China Certification & Inspection （Group）Co . , Ltd
2	SGS
3	Inetertek ,ltd
4	Shanghai entry-exit inspection and quarantine bureau

5. EEP

The exchange of futures for physicals, or the EFP, is the process where the buyers and the sellers who hold opposite positions of a futures contract expiring in the same month reach an agreement through negotiation to, upon approval of the Exchange, tender a notice of EFP to have their respective positions in such contract closed out by the Exchange at the price prescribed by the Exchange, and exchange, at the price mutually agreed upon, the warrant of the underlying commodity which has a quantity equivalent to and is identical to or similar with the underlying commodity of the futures contract.

The Members, OSPs, Overseas Intermediaries and Clients may tender their EFP intentions via the Exchange's Standard Warrant Management System. The contents of the intentions shall include the Clients' trading codes, the products, the contract months, the directions of the transactions, the delivery methods of the EFPs, quantities, the contact information, etc.

The exchange of futures for physicals, or the EFP, is the process where the buyers and the sellers who hold opposite positions of a futures contract expiring in the same month reach an

agreement through negotiation to, upon approval of the Exchange, tender a notice of EFP to have their respective positions in such contract closed out by the Exchange at the price prescribed by the Exchange, and exchange, at the price mutually agreed upon, the warrant of the underlying commodity which has a quantity equivalent to and is identical to or similar with the underlying commodity of the futures contract.

The EFP application period is from the listing day of a futures contract to the second trading day (including that day) prior to the last trading day of the contract.

The Members, OSPs, Overseas Intermediaries and Clients may tender their EFP intentions via the Exchange's Standard Warrant Management System. The contents of the intentions shall include the Clients' trading codes, the products, the contract months, the directions of the transactions, the delivery methods of the EFPs, quantities, the contact information, etc. The buyers and sellers may reach an agreement on their own initiatives based on the EFP intentions published by the Exchange.

After the buyers and the sellers who hold opposite positions of a futures contract expiring in the same month reach an agreement, either party may submit the EFP application to the Exchange via the Standard Warrant Management System before 14:00 of any trading day (the application day) within the EFP application period, and perform the EFPs upon the approval of the Exchange.

The Members, OSPs, Overseas Intermediaries and Clients shall perform the EFPs according to the procedures prescribed in Article 8 of these Delivery Rules.

If standard warrants are used for the EFPs and the EFPs are settled via the Exchange, the EFP application shall be submitted by the Members to the Exchange.

The operational procedures that the Clearing Delivery Principals use the standard warrants for the EFPs and settle the EFPs via the Exchange are as follows:

1. The Clearing Delivery Principals of Members as sellers authorize the Members as sellers to take the standard warrants for the EFPs.
2. The Members as sellers submit the standard warrants to the Exchange within the prescribed time.
3. The Exchange allocates the standard warrants to the Members as buyers.
4. After the Members as buyers make payment, the Exchange releases the standard warrants that have been allocated to the Members as buyers, and transfer the payment to the Members as sellers.
5. The Members as buyers allocate the standard warrants to their Clearing Delivery Principals.

The Members as buyers shall allocate the standard warrants to their Clearing Delivery Principals within three (3) business days after they receive them. The OSBPs or Overseas

Intermediaries shall decide when to allocate the standard warrants with the Members as buyers, and then allocate the standard warrants to their Clients within three (3) business days after they receive them. The Members as buyers or OSBPs shall promptly report the reasons to the Exchange when they fail to allocate the standard warrants within the prescribed time.

The Clients of OSBPs or Overseas Intermediaries shall perform the EFPs according to the procedures prescribed in the third paragraph of Article 8 of these Delivery Rules.

The final settlement price of the EFPs is the price agreed by the buyer and the seller, while in case the bonded standard warrant is used and the settlement is conducted through the Exchange, the final settlement price of the EFPs shall be calculated according to the specific provisions regarding the listed futures contract in these Delivery Rules.

If the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, the trading margin shall be calculated based on the settlement price of the trading day before the application day for the corresponding delivery month contract. The exchange of the payment for the underlying commodities and the standard warrants shall be completed through the Exchange within the time agreed upon by the buyer and the seller.

If the standard warrants are used for the EFPs and the settlement is conducted directly between the buyer and the seller, the buyer and the seller shall make payment on their own, and transfer privately settled standard warrants outside the Exchange in accordance with the procedures prescribed in these Delivery Rules, or transfer the standard warrants on their own after they make or take delivery.

If the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, the seller shall submit the invoices to the Exchange within five (5) trading days immediately after exchanging the payment for underlying commodities and the standard warrants. If the seller submits the invoices before 14:00, the Exchange shall return the corresponding margin during the settlement of the day to the seller after verification. If the seller submits the invoices after 14:00, the Exchange shall return the corresponding margin during the settlement on the next trading day to the seller after verification. After receiving the invoices from the seller, the Exchange shall issue the invoices to the buyer on the next trading day. If the seller fails to submit the invoices within the prescribed time, it shall be subject to the relevant provisions of the *Clearing Rules of the Shanghai International Energy Exchange*.

All delivery payments of the EFP settled through the Exchange shall be handled through internal transfer, bank transfer, etc.

f the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, and if the delivery is not completed within the prescribed time, the relevant rules of delivery default shall apply. If there are disputes over the quality of the delivery commodities, the buyer

shall submit a complaint and provide the quality inspection report issued by the Exchange's Designated Inspection Agencies within ten (10) business days after the report is issued.
If the non-standard warrants are used for the EFPs, the buyer and the seller shall abide by the relevant laws and regulations, and provide the relevant agreement for sale and purchase, the non-standard warrants and other materials. The payment for underlying commodities, the non-standard warrants and the invoices shall be transferred directly between the buyer and the seller.
If there are disputes over the quality of the delivery commodities while non-standard warrants are used during the delivery, the relevant Members, OSPs and Overseas Intermediaries shall coordinate and resolve the disputes. The Exchange will be exempt from any responsibilities of guaranty thereof.

6. Delivery main point of crude oil futures.

- Delivery unit for crude oil is 1000 barrels, the total amount should be integer times of delivery unit.

- The minimum load-in are 200,000 barrels and load-out also has the same benchmark.

- Bill of lading, certificate of origin, entry permit, and inspection certificate are essential for load-in.

- Expense: 0.05 CNY/Barrel from each two delivery parties.

- Clients who cannot pay or receive specific invoice are not qualified in delivery.

- Price for delivery: The arithmetic average price of the settlement price of final 5 trading days as the benchmark price for delivery. Final price is premium or discount of product quality and this benchmark price

- Bonded delivery: only general invoices instead of VAT invoice

- Management of Standard Warrants: e Exchange shall establish, maintain and manage the Standard Warrant Management System, and manage the standard warrant related businesses prescribed in these Delivery Rules. The standard warrant business participants such as the Exchange, Members, OSPs, Overseas Intermediaries, Clients and Designated Delivery Storage Facilities shall use the Exchange's Standard Warrant Management

System for all businesses related to standard warrants. A Member, an OSP or an Overseas Intermediary shall appoint designated personnel to conduct delivery, clearing and settlement, and other standard warrant businesses through the Standard Warrant Management System. The standard warrant account follows the trading code system; i.e. each standard warrant business participant shall have one exclusive standard warrant account. Procedures of creating a warehouse standard warrant include load-in application, review and approval of the load-in application, commodity load-in, inspection and acceptance, review and approval of warrant issuance application, warrant issuance by the warehouse, final confirmation,