

Group Delivery Management Rules of the Shanghai International Energy Exchange

(Implemented since December 14, 2020)

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Chapter 1 General Provisions

Article 1 These *Group Delivery Management Rules* are formulated in accordance with the *General Exchange Rules of the Shanghai International Energy Exchange*, *Delivery Rules of the Shanghai International Energy Exchange*, and other applicable business rules to regulate group delivery at the Shanghai International Energy Exchange (the “Exchange”), and facilitate the futures delivery by market participants and related activities.

Article 2 Upon approval of the Exchange, one or more Designated Delivery Storage Facilities and their associated parties may provide group delivery business such as standard warrants and inter-city take-delivery for a futures commodity through group management, operation, and cooperation.

The organization performing management functions for the group (the “Group Delivery Center”) shall supervise and manage all group members and ensure they comply with the rules of the Exchange. Where a group member fails to deliver commodities that meet the requirements of relevant futures contract to a holder of standard warrants, the Group Delivery Center shall be fully liable.

Article 3 By their qualifications and business scope, group members are classified into Designated Delivery Storage Facilities such as Warehouses and Factories as well as Designated Commodity Storage Facilities (“Commodity Storage Facilities”).

A Warehouse or Factory may issue standard warrants and carry out futures delivery business for Clients, while a Commodity Storage Facility cannot issue standard warrants but may conduct commodity delivery business and deliver physicals.

Chapter 2 Qualifications

Article 4 A Group Delivery Center shall meet the following requirements:

- (1) being an independent legal person;
- (2) having operated for two (2) years;
- (3) having sound financial conditions, strong risk resistance capacity, and a registered capital and net assets each of no less than RMB one hundred million (¥100,000,000) or equivalent foreign currency;
- (4) having a good business reputation and no record of severe violations in the most recent three (3) years (or from the date of establishment if it has been established for less than three (3) years, the same below);
- (5) undertaking to abide by the *General Exchange Rules of the Shanghai International Energy Exchange*, *Delivery Rules of the Shanghai International Energy Exchange*, these *Group Delivery Management Rules*, and other applicable business rules formulated by the Exchange

(“Business Rules of the Exchange”); and

(6) meeting other requirements prescribed by the Exchange.

Article 5 The establishment of a Warehouse or Factory shall comply with Chapter 7 of the *Delivery Rules of the Shanghai International Energy Exchange*.

Article 6 A Commodity Storage Facility shall meet the following requirements:

(1) complying with local laws and regulations and having the qualifications to carry out relevant businesses;

(2) having a relatively sound financial condition and comparatively strong risk resistance capacity, as well as a registered capital and net assets each of no less than RMB five million (¥5,000,000) or equivalent foreign currency;

(3) offering convenient transportation;

(4) undertaking to abide by the Business Rules of the Exchange; and

(5) meeting other requirements prescribed by the Exchange.

Article 7 The Exchange may adjust the registered capital and net assets that a Group Delivery Center or Commodity Storage Facility must meet according to the industry conditions of a listed product, and may exempt an applicant from one or more requirements under this chapter based on the applicant’s credit standing and industry influence.

Chapter 3 Application Materials

Article 8 A Group Delivery Center shall submit the following application materials:

(1) an application letter with valid signatures;

(2) certificates proving its incorporation such as the Business License;

(3) audit reports for the most recent two (2) years issued by a certified public accounting firm;

(4) a document issued by its Board of Directors or immediate superior authority approving its application to be a Group Delivery Center;

(5) the following management documents and materials: specific cooperation agreements or management rules on the group delivery business; a list of the management departments, persons-in-charge, and handling persons; and a letter of authorization issued by the Group Delivery Center permitting group delivery business and group commodity business (including collecting storage fees and issuing corresponding tax invoices); and

(6) other documents required by the Exchange.

Article 9 Application materials for a Warehouse or Factory shall meet the requirements in Chapter 7 of the *Delivery Rules of the Shanghai International Energy Exchange*.

If the storage area for a certain product of a Factory has been approved as a Designated Delivery Storage Facility for the product, the Delivery Factory does not need to provide certificates certifying its right to use the storage land and the terminal, or relevant supporting documents about the port conditions and equipment. If a Factory rents a warehouse to carry out business, it shall provide relevant rental agreement.

A Factory shall also provide a description of its businesses for relevant products in the most recent three (3) years.

Article 10 A Commodity Storage Facility shall submit the following application materials:

- (1) certificates proving its incorporation such as the Business License;
- (2) the audit report for the most recent year issued by a Certified Public Accountant firm;
- (3) a description of its businesses for relevant products in the most recent three (3) years; and
- (4) other documents required by the Exchange.

Chapter 4 Establishment Procedures

Article 11 When applying for group delivery business, an applicant shall, through its prospective Group Delivery Center, submit to the Exchange all application materials including materials of the Group Delivery Center, Warehouses, Factories, and Commodity Storage Facilities, and shall ensure that all such materials are true, accurate, complete, and free of any misrepresentation, misleading statement, and material omission.

Article 12 The Exchange shall conduct a preliminary review after receiving a complete set of materials.

If an applicant passes the preliminary review, the Exchange may conduct an on-site investigation and evaluation on the applicant and its group members. Based on the results of on-site investigations and evaluations as well as the business rules, the Exchange will select the best performers and send written notices to them.

Article 13 Upon receiving a written notice from the Exchange, a Group Delivery Center shall:

- (1) formally authorize relevant group members to conduct group delivery business or group commodity business;
- (2) together with the Warehouses, Factories, and other relevant parties, sign a group delivery

agreement with the Exchange;

(3) file with the Exchange the list of persons in charge of the department (or organization) designated to conduct standard warrant business, the handling persons, the handling persons' letters of authorization, relevant specimen seals, signatures, and designated contact information; and

(4) handle other matters prescribed by the Exchange.

Article 14 A Group Delivery Center may apply to the Exchange for the addition or removal of group members responsible for group delivery business, based on market conditions and its business development needs. The Exchange will process such change according to the above principles.

Article 15 The Exchange will announce the organizations that have been approved for group delivery business.

Chapter 5 Business Management

Article 16 A Group Delivery Center has the right to:

(1) manage the group members in accordance with the rules of the Exchange and the agreements with the Exchange, and apply to the addition or removal of group members;

(2) authorize group members to conduct group delivery business, issue standard warrants as required, and require Warehouses and Factories to collect relevant fees according to the fee items, standards, and methods prescribed by the Exchange;

(3) set the benchmark premiums and discounts for taking delivery at a Commodity Storage Facility, and provide inter-city take-delivery services;

(4) advise the Exchange on rules regarding physical delivery; and

(5) exercise other rights provided in the Business Rules of the Exchange and the group delivery agreement.

Article 17 A Group Delivery Center shall have the obligation to:

(1) manage the group delivery business properly and effectively as required by the Exchange, authorize relevant group members to conduct corresponding business through agreements and other methods, and supervise and manage the business of group members;

(2) be fully liable for the losses suffered by a holder of standard warrants as a result of taking delivery of commodities not meeting the requirements of relevant futures contract, when the group member that issued the standard warrant is unable to make compensations;

(3) promptly announce the benchmark premiums and discounts for taking delivery at a

Commodity Storage Facility and offer inter-city take-delivery services;

(4) take part in the annual audit organized by the Exchange, accept supervision and administration of the Exchange and timely inform the Exchange of relevant matters; and

(5) maintain the secrecy of all confidential business information regarding the group delivery business and abide by the Business Rules of the Exchange and provisions in the group delivery agreement.

Article 18 A Warehouse or Factory that has been authorized by the Group Delivery Center to conduct group delivery business shall have the rights and obligations provided in the group delivery agreement and shall accept supervision and management by the Group Delivery Center.

Article 19 Storage fees and loss compensation incurred in the process of group delivery shall be paid by the owner to the Warehouse or Factory that has issued the standard warrants, which shall also issue corresponding tax invoices. Other fees prescribed by the Exchange such as load-in and load-out fees and operating fees shall be settled directly between the owner and the collector of the fees, which collector shall issue corresponding tax invoices. Storage fees, loss compensation, load-in and load-out fees, and operating fees incurred from overseas take-delivery shall be paid in accordance with applicable provisions in the corresponding overseas purchase contract.

Article 20 Under the authorization of the Group Delivery Center, a Commodity Storage Facility conducts group commodity business and provides inter-city take-delivery services for owners.

Article 21 A Commodity Storage Facility shall accept the cooperation arrangement or management of the Group Delivery Center over its group commodity business, and provide commodities in accordance with applicable agreement.

Article 22 Futures Firm Members, Overseas Special Brokerage Participants, Overseas Intermediaries, and other related parties shall process the standard warrant-related businesses for their Clients according to the procedures as prescribed in the *Delivery Rules of the Shanghai International Energy Exchange*.

Chapter 6 Overseas Take-Delivery

Article 23 Overseas take-delivery is completed when a holder of standard warrants, having the intention and qualifications, takes the commodities overseas as agreed via the group commodity business provided by the group to which the Warehouse or Factory that issues the standard warrants is a member.

Article 24 A holder of standard warrants that applies for overseas take-delivery shall abide by applicable State regulations on such matters as foreign exchange management and customs management.

Article 25 A Group Delivery Center shall release the benchmark premiums and discounts for overseas take-delivery on the Exchange's website in accordance with applicable rules.

An overseas Commodity Storage Facility shall designate a contact person to determine the premium or discount for each overseas delivery taking and other related matters by negotiating with the holder of standard warrants. The designated contact person and his/her contact information shall be published on the Exchange's website.

Article 26 If a holder of standard warrants intends to take delivery overseas, he/she may negotiate with the designated contact person about the premium or discount based on his/her needs.

Article 27 If the holder of standard warrants and the designated contact person reach an agreement through negotiation, the holder may apply via the Standard Warrant Management System for overseas take-delivery, i.e., for transferring his/her standard warrant to the issuing Warehouse or Factory and taking the underlying commodities overseas.

The holder shall pay a performance guarantee to the overseas Commodity Storage Facility as agreed. When the Warehouse or Factory approves the application in the Standard Warrant Management System, it will be deemed that the Warehouse or Factory agrees to accept the standard warrant and the overseas Commodity Storage Facility agrees to an overseas take-delivery.

When the transfer of the standard warrant is settled with payment made in accordance with the *Delivery Rules of the Shanghai International Energy Exchange*, the Warehouse or Factory will become the new owner.

Article 28 If the holder of standard warrant and the designated contact person fail to reach an agreement or the holder fails to pay the performance security as agreed, the application will be rejected. In this case, no standard warrant will be transferred and the owner will stay unchanged.

Article 29 When an application for overseas take-delivery is approved, the original holder of the standard warrant and the overseas Commodity Storage Facility shall enter into an overseas purchase contract. The benchmark contract price shall be the settlement price of the nearest month contract for the relevant product listed on the Exchange plus the premium or discount for overseas take-delivery.

Article 30 The parties to the overseas purchase contract shall perform the contract in good faith and assume the responsibilities agreed therein according to the law.

Chapter 7 Miscellaneous

Article 31 Any violation in conducting group delivery business will be handled in accordance with applicable provisions of the *Enforcement Rules of the Shanghai International Energy Exchange* and relevant agreements.

Article 32 Any matters not covered in these *Group Delivery Management Rules* shall be governed by the *Delivery Rules of the Shanghai International Energy Exchange*. The Exchange reserves the right to interpret these *Group Delivery Management Rules*.

Article 33 These *Group Delivery Management Rules* shall take effect from the day of December 14, 2020.