

Business Guide for Position Conversion from Non-Hedging to Hedging

I. Basic Principles

1. Position Conversion from non-hedging to hedging only applies to futures contracts, where changes occur solely in the types of positions held. There will be no changes in the opening time or opening price of the positions. Positions opened earlier will be converted first, and temporarily, no transaction fees will be charged .
2. The hedge trading quota available for clients is the total of the hedge trading quota applied by the client under all its Member/OSP accounts.
3. Conversion is processed based on the order of application submission; earlier applications are handled before subsequent ones.
4. If the actual non-hedging positions are less than the applied non-hedging positions for conversion, only the actual non-hedging positions (referred to as the "convertible amount") will be converted. If the convertible amount exceeds the

remaining hedge trading quota for the next trading day, only the portion within the remaining hedge trading quota for the next trading day will be converted, while the excess will retain its original position types.

5. If a Limit-locked market occurs in the same direction for at least two consecutive trading days (D1, D2), the position conversion applications of the related contracts will be rejected on D3. Applications can be resumed from 21:00 on the trading day only after the resolution of the same direction Limit-locked market.
6. The results of the process are categorized into three scenarios: complete conversion, partial conversion, and non-conversion.
7. Arbitrage positions cannot be converted into hedging positions.

II. Application Process

1. Submit applications through the Member Service System¹ / Overseas Intermediary (OI) Service System. Applications are accepted from 00:00 to 14:50 and 21:00 to 24:00 everyday. They will be collectively processed during the daily settlement. After the settlement, the conversion results can be viewed through the system.

¹ Note: The business menu in the system is "Position Conversion Application".

2. Applications can be voluntarily revoked before 14:50. For intermediary-submitted applications, if not forwarded by their carrying FF Member or OSPs by 14:50, the application will automatically expire.
3. Under normal circumstances, applications are automatically processed after 15:00 based on predetermined conversion principles. The Exchange can manually reject applications before 15:00.
4. Shanghai Futures Exchange (SHFE) System: Members submit position conversion applications for their clients via the Member Service System's "Hedge Arbitrage" module.
5. Shanghai International Energy Exchange (INE) System:
 - (1) For client applications directly managed by Members, Members submit conversion applications via the Member Service System's "Hedge Arbitrage" module.
 - (2) For applications from OSPs' clients, the special participants submit conversion applications via the Member Service System.
 - (3) For applications from OI clients carried by FF Members, the OI submit conversion applications via the OI Service System, which will be forwarded by the carrying FF Member to the Exchange.
 - (4) For applications from OI clients carried by OSPs, the OIs submit conversion applications via the OI Service System. These

applications are initially forwarded by the OSPs and then forwarded by the carrying FF member of the OSP to the Exchange.