

Margin Control Policies

1. Initial Margin and Maintenance Margin

All contracts must be opened with sufficient Initial Margin and be backed up with sufficient cash balance maintained at a minimum level of the Maintenance Margin, i.e. 80%. For details of the margin requirements please refer to the following link:

http://www.sctrade.com/html/en/info/overseas_futures/overseas_futures.asp?tab=1

2. Margin Call

2.1 A margin call notice will be issued to client via email, SMS notification and/or telephone (whatever is applicable), requesting the client to fulfill margin call payment when necessary.

2.2 Fall below Maintenance Margin level

South China Commodities Limited ("SCCL") will initiate a margin call to the respective client via email, SMS notification and/or telephone (whatever is applicable) when the net balance of the Online Trading Account falls below the maintenance margin.

2.3 Whenever a margin call is received, the client should either:-

- (a) deposit the required margin call amount;
- (b) transfer fund from other account(s) among South China Group within the margin call period; or
- (c) close out position.

Otherwise his/her position would be compulsorily closed out by SCCL as per paragraph 3.1 or 3.2 below.

3. Closing Out Position by SCCL

3.1 Margin Call for ONE HOUR

If a client could not meet the margin call within ONE HOUR, the open position(s) may be closed out at the discretion of SCCL. It is understood and agreed that SCCL reserves the right to close out open positions you have in your account without prior notice when the margin on deposit with SCCL are exhausted or are inadequate in its judgment to protect itself against price fluctuation.

OR

3.2 Margin Call for Position Value which falls below 30% of the Initial Margin

If market fluctuates during the ONE HOUR margin call period and client's open position(s) with value falls below 30% of the Initial Margin, his/her open position(s) will be automatically closed out by SCCL system subject to SCCL's discretion without prior notice. SCCL will send email and/or SMS notification and/or telephone (whatever is applicable) to client for acknowledging the closed out position(s).

4. No physical delivery services

4.1 SCCL does not provide physical delivery services.

4.2 Having considered the current market practice and to avoid inconvenience of physical delivery of some futures contracts, it is suggested that clients should close or carry forward the position of such contracts one business day before (1) the date of termination of trading or (2) first notice day (whichever is earlier). The date of termination of trading of each contract is varied from different products subject to the related exchange(s).

4.3 SCCL reserves the right to liquidate all outstanding position(s) one business day before (1) the date of termination of trading or (2) first notice day (whichever is earlier) for the client at its absolute discretion without further notice.