



中国棉花协会 CHINA COTTON ASSOCIATION

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Trial Measure for the Industry Caution System of China Cotton Association (Shorthand as “Measure for Default List”)

Article 1 The Measure is formulated in order to strengthen the industry self-discipline functions of China Cotton Association (hereinafter referred to as “the Association”), regulate the trade activities of cotton-related enterprises and create an honest, faithful, fair and just market environment in the cotton industry.

Article 2 The Measure is applicable to member enterprises of the Association and domestic and foreign enterprises conducting cotton trade with member enterprises.

Article 3 If a member enterprise finds that the acts of other enterprises are improper and harm its interests, the enterprise may complain to the Association.

Article 4 Improper acts refer to quality violation, weight deficiency and unfulfilled effected award during cotton trade.

- (1) Quality violation means offering cotton with substances foreign to cotton and counterfeits; taking inferior cotton as fine products (In terms of more than 5% of the cotton bales, of which the quality, upon re-inspection, is 2 or more than 2 grades inferior to the grade agreed in the Contract) and type or grade mixing (mixed cotton of 3 or more grades in the same batch of cotton).
- (2) Weight deficiency means actual landed weight is over 3% less than the contract weight (except as otherwise agreed by the two parties in the contract).

Confirmation of the above-mentioned quality violation and weight deficiency: for domestic cotton, supporting materials issued by professional fiber inspection authorities are required; for imported and exported cotton, supporting materials issued by entry-exit inspection and quarantine authorities are required.

- (3) Unfulfilled effective Award means failure to perform the Award with legal effect made by courts, arbitral agencies and other relevant departments.

Article 5 The Association is entitled to list cotton-related enterprises that have been listed as rule-violating enterprises by relevant government departments and related industry organizations, and member enterprises of the Association and domestic and foreign enterprises conducting cotton trade with its member that have been confirmed to conduct one of the following acts, on the Industry Caution Directory (including their names and improper

acts):

- (1) Failure to honor effective Award;
- (2) Accused of offering cotton with unrelated articles and counterfeits;
- (3) Accused of taking inferior cotton as fine products or mixed cotton more than two times (including two times) or accused of weight deficiency more than three times (including three times) during half a year.

Article 6 The complaints of member enterprises about the improper acts will be handled by the Secretariat of the Association. The claimant shall fill in “Complaint Report Form” (see the Schedule) and write down basic information about the complainant and the respondent, the summary of facts related to the complaint, and the statement of the complainant on the truthfulness of the complaint.

Article 7 The Association will decide whether to accept the complaint or not within 10 working days after receiving the complaint, and will give a written notice to the respondent. If the complaint is not accepted, the Association will give a written notice to the complainant within 5 working days after making the decision and explain the reasons for refusing to accept.

Article 8 The respondent shall submit written defense opinions and relevant supporting materials within 15 working days after receiving the notice.

Article 9 The respondent shall take the main burden of proof during the defense process, i.e. prove it has fully and properly performed its obligations in connection with the complaint and has not conducted improper acts. The respondent that fails to practice its right in the defense period is deemed to have waived the right of defense. The respondent shall be responsible for all possible consequences of the waiver of the right of defense.

Article 10 After the expiration of defense period, the Association will investigate the complaint. Within 20 working days after the completion of investigation, the Association will make decision whether to list the Respondent on the Industry Caution Directory or not.

Article 11 The Association is entitled to disclose the Industry Caution Directory on its official website and related media, send a copy to relevant departments, and call on member enterprises to stop conducting cotton trade with the enterprises listed on the Industry Caution Directory.

Article 12 After the improper acts of the enterprises listed on the Industry Caution Directory have been corrected, the Association will remove such enterprises from the Industry Caution Directory.

With respect to the complaints against enterprises about their quality violation and weight deficiency during cotton trade, if both parties in the dispute submit it to the court or arbitration, they should notify the Association of the award in time. If the award is in favor of the respondent and the Association has already listed it in the Industry Caution Directory according to the supporting materials issued by professional fiber inspection authorities or entry-exit inspection and quarantine authorities, the Association will remove it from the Industry Caution Directory as soon as possible. If both parties to the dispute have resolved the dispute through negotiation, they shall provide relevant evidences to the Association. The Association will remove the respondent from the Industry Caution Directory after verification.

Article 13 If the claimant intend to violate the “Statement on the Truthfulness of the Complaint”, the Association will give it a warning in writing. If the violation is serious, the

Association will not accept any complaint submitted by the enterprise any more.

Article 14 If a party does not perform the trade contract that has been signed, it is recommended that the party suffering losses submit the matter to arbitration by an arbitral agency or file a lawsuit at a court to protect its own legal rights and interests.

Article 15 The Association will establish a self-discipline supervision group consisting of the persons in charge of relevant departments and industry organizations and experts of the industry to regularly communicate information, conduct investigations and collect evidences in respect of important and difficult issues, carry out researches and put forward opinions on how to handle the issues. The Association will make penalty decisions pursuant to the regulations of this Association and these Measures on this basis.

Article 16 The Measure shall be construed by the Secretariat of the Association and shall come into force on July 1, 2007.