CHINA COTTON ASSOCIATION
COTTON IMPORT CONTRACT

(Effective from 1st September, 2013)

Contract No: **Date:**

Buyer: **Seller:**

Address: **Address:**

Tel: **Tel:**

Fax: **Fax:**

E-mail: **E-mail:**

Agent (Buyer): **Agent (Seller):**

Address: **Address:**

Tel: **Tel:**

Fax: **Fax:**

E-mail: **E-mail:**

This contract is made and entered into by and between the Buyer and the Seller. In accordance with the terms and conditions of the contract, the Buyer agrees to buy and the Seller agrees to sell the following commodity:

1 Commodity

Origin: _____

Crop Year: _____

Category: ☐ upland cotton ☐ extra long staple cotton

Ginning: ☐ saw ginned ☐ roller ginned

2 Quality/Specifications

Grade: ☐ USDA Universal Cotton Standard: _____

☐ By Type: _____

☐ Other: _____

Staple Length: _____ (inch/mm)

Micronaire: _____ NCL

Strength: _____ GPT Minimum (grams/tex)

3 Weight

(1) Net Weight: _____ (☐ ton, ☐ pound), 1 ton = 2204.6 pounds

(2) Moisture Regain: _____ (Maximum 8.5%)

(3) Weight Tolerance Ratio : _____ (3% unless otherwise agreed)

4 Price

Unit Price: _____ (US cents/pound), Total Value: _____ (USD)

Price Terms: _____

5 Payment Terms

☐ Letter of Credit ☐ D/P ☐ Others

_____

6 Shipment / Delivery

_____

7 Quality and Weight Inspection

The goods shall be inspected by CIQ upon arrival at the destination. Quality Inspection Certificate and Weight Inspection Certificate issued by CIQ shall be the basis for settlement and claims between the two parties.

8 Arbitration

Any disputes arising from or in connection with the contract shall be referred to

☐ China International Economic and Trade Arbitration Commission (CIETAC);

☐ International Cotton Association (ICA);

☐ Other Arbitration Institutions; _____

for arbitration in accordance with its arbitration rules effective at the time of application.

9 Terms and Conditions Applied

China Cotton Association - General Terms for Cotton Import shall be applied to this contract.

10 Other Agreements

Signature of the Buyer: Signature of the Seller:

CHINA COTTON ASSOCIATION
General Terms for Cotton Import

(Effective from 1st September, 2013)

1 Definition

The following terms used in the China Cotton Association - General Terms for Cotton Import shall be defined as following:

◎ CIQ: China Entry-Exit Inspection and Quarantine

◎ USDA: United States Department of Agriculture

◎ NCL: No control limit is allowed.

◎ Notification: to notify the other party by fax, e-mail, or other methods.

◎ P grade: according to USDA universal standards, P grade stands for the 1/2 grade between two adjacent grades. For example, SMP is between GM and SM, MP is between SM and M, and so forth.

◎ Problematic bales: bales containing moldy cotton, water damaged cotton, oil stained cotton or burned cotton; bales mixed with non-cotton substance, cotton linters, cotton waste or dangerous foreign matters; or bales mixed with cotton in different grades, staple lengths or colors.

◎ Landed weight: the weight of goods certified by CIQ upon arrival.

◎ Weight tolerance ratio: the difference in percentage between invoice weight and contract weight against total contract weight.

◎ Moisture regain: the weight of water contained in the cotton fiber in percentage against the weight of fiber in completely dry condition.

◎ Universal standard bale: according to ISO 8115 of International Standard Organization, the cotton bale should be 1060-1400mm in length, 540mm in width and 700-950mm in height.

◎ Invoice back: this is a mechanism of settling the price difference between the market price of the cotton specified in the contract, or equal quality on the date of closure, and the original contract price, when a contract or part of contract has not been or will not be performed.

◎ Date of closure: this is the date when both parties knew, or should have known, that the contract would not be performed.

2. Packing & Marks

The cotton shall be supplied in the form of universal standard bales, compressed export packaging suitable for voyage.

Each bale should have an identification card with at least the lot number or bale number.

3 Shipping Advice

The Seller shall notify the Buyer of the vessel's name, voyage number, Bill of Lading date, loading port, destination port, contract number, Bill of Lading number, total value, gross weight, and net weight within 3 days after the issuance of Bill of Lading.

4 Documents

Unless otherwise agreed, the Seller shall provide the Buyer with the following documents:

4.1 Three originals and three copies of the commercial invoice, specifying the contract number, and the number of the Letter of Credit.

4.2 Two copies of weight memo (bale by bale or container by container);

4.3 Full set of clean on board ocean Bills of Lading;

4.4 Two copies of packing list;

4.5 One original and one copy of the certificate of origin, phytosanitary certificate, and non-wooden packing certificate.

4.6 Quality and weight certificates issued by the shipper;

4.7 One original and one copy of the Insurance Policy under CIF terms;

4.8 Other documents

5 Payment

5.1 In the event that the parties hereto agree to make payment by Letter of Credit, the Buyer should issue an operable Letter of Credit in favor of the Seller 10 days prior to shipment month, through an opening bank confirmed by both contractual parties, unless otherwise agreed.

5.2 In the event that the parties hereto agree on documents against payment, the bank designated by the Buyer shall make the payment on the basis of complete set of documents provided in accordance with the document terms.

6 Inspection Upon Arrival

CIQ will conduct inspections upon arrival of the goods at the destination and issue the weight inspection certificate and the quality inspection certificate as well as the assessment report on problematic bales, which shall be the basis for settlement and claims between the Seller and the Buyer.

6.1 Weight inspection

In accordance with the actual delivery circumstances, CIQ will conduct the

weighing by bale or by container with land scale for total gross weight. At the same time, the average tare will be calculated through weighted average of (1-5) % bales sampled randomly from each lot although the choice is subject to cotton weight and packaging type. The net landed weight will be the total gross weight minus the tare; the weight inspection certificate will be issued by CIQ accordingly.

Both parties may assign authorized representatives to the site to observe the weighing and sampling process.

If the difference between landed weight and invoice weight exceeds 2% of invoice weight, the Buyer shall notify the Seller immediately and the Seller shall send authorized representatives to the site for inspection within 9 days of such notice. Otherwise the inspection results shall be deemed as accepted by the Seller.

6.2 Quality inspection

6.2.1 Sampling

Grade and staple: 10% will be sampled randomly for grade and staple inspection from each lot of bales.

Micronaire and strength: half of the samples used for grade and staple inspection shall be chosen randomly for testing for micronaire and strength.

6.2.2 Inspection

The sample shall be inspected by laboratory authorized by CIQ for import cotton inspection in accordance with the required inspection regulations.

6.3 Re-inspection

6.3.1 No re-inspection for weight.

6.3.2 The Buyer shall notify the Seller immediately upon receipt of the CIQ inspection certificate. If either the Buyer or the Seller disagrees with the CIQ

quality inspection result, such party may apply for an appeal for re-inspection to the CIQ conducting the inspection result or the CIQ at a higher level within 15 days after receiving the inspection result. The re-inspection will only be conducted to the reserved samples and the re-inspection result shall be final.

6.4 Inspection fee

The weight inspection fee shall be paid by the Seller, at the rate of 50 US cents per bale. For inspection on the moisture regain, the Seller shall pay the sample fee at 80 US cents per sample and moisture inspection fee at 2 US dollars per sample.

The quality inspection fee shall be paid by the Buyer, at the rate of 10 US dollars per sample. If there are off grades, the Seller shall pay the inspection fee for off grades, i.e. for each sample: 5.0 US dollars for grade and staple length respectively, 75 US cents for micronaire and 2.0 US dollars for strength.

All the fumigation fees incurred by CIQ upon arrival at the port of destination shall be paid by the Seller.

7 Quality Difference

Unless otherwise agreed, the value difference hereinafter shall apply:

7.1 Upland cotton value difference (see table 1)

7.2 ELS cotton value difference (see table 2)

8 Claims

8.1 Nonconformity of packing or marks

Any additional expenses arising from the nonconformity of packing or marks with the contract shall be paid by the Seller.

8.2 Late shipment

The Seller shall compensate the Buyer with 0.05% of invoice value per day, based on actual number of days from the day after the latest contract shipment date to the day of shipment made.

The Buyer shall compensate the Seller with 0.05% of invoice value per day, based on actual number of days from the day after the latest Letter of Credit issuance date stipulated on contract to the day of Letter of Credit issued.

Under the circumstances that the Buyer fails to open the Letter of Credit on time, the period of shipment shall be extended by the same number of days by which the Letter of Credit issuance was delayed.

8.3 Delayed notification

Under CFR terms, if the Seller fails to notify the Buyer within 3 days after the Bill of Lading date, resulting in losses due to the Buyer being unable to purchase insurance in time, all the losses shall be borne by the Seller.

8.4 Late presentation of documents

If the Buyer is unable to obtain the documents prior to the vessel arrival date due to failure caused by the Seller, then the Seller shall bear all costs, expenses and fees incurred thereby, including fees for detention, demurrage and delay of customs clearance.

8.5 Weight difference

8.5.1 If the difference between the invoice weight and the contract weight is outside the tolerance range:

1) For the excess weight, the Buyer shall settle at (contract price -3 cents/b) with the Seller for the excess part.

2) For the weight shortage, the Seller shall settle (the shortage part×3 cents /lb) as compensation to the Buyer.

8.5.2 If the invoice weight is different from the landed weight, the following shall apply:

8.5.2.1 If the difference between invoice weight and landed weight is within 2%:

1) For excessive weight (landed weight - invoice weight), claims shall be settled at the contract price between the Seller and the Buyer.

2) If there is a weight shortage (invoice weight - landed weight), the Seller shall return the value for the weight shortage to the Buyer.

8.5.2.2 If the difference between invoice weight and landed weight exceeds 2%:

1) For excessive weight exceeding 2%, the Buyer shall settle at the price of (contract price -3 US cents/lb) with the Seller.

2) For weight shortage exceeding 2%, the Seller shall return the value for the weight shortage, and also pay compensation to the Buyer (weight shortage ×3 US cents/lb).

8.5.3 If the moisture regain exceeds the tolerance rate stipulated on the contract, the landed weight should be deducted proportionally.

8.6 Quality nonconformity

8.6.1 If the CIQ landed quality is different from the quality stipulated in the contract, the Seller should compensate the Buyer according to the quality differences in the following articles.

8.6.2 If the landed shipment grade is 2-1/2 grades (or more) lower than the contractual grade, and the staple length is 1/8 inches (or more) shorter than the contractual length, the Seller shall settle with the Buyer based on the quality

differences listed here, as well as compensating the Buyer with 25% of the contract value for the off grade bales.

8.7 Problematic bales

The Buyer shall submit claims for the problematic bales within 6 months after the goods arrival at the destination port. The problematic bales shall be put aside for 28 days for the purpose of the Seller's inspection from the date of claim. If no inspection or query is made from the Seller within that period, then it shall be deemed that the claims are accepted by the Seller.

Based on the CIQ inspection result, the Seller shall compensate the Buyer both the direct loss caused by problematic bales and the reasonable charges for their disposal.

9. Time Limit for Claims

Unless otherwise agreed, claims shall be made within 90 days after the date of arrival or the last release date from a bonded warehouse. Claims shall be settled within 35 days after the date of claim.

10 Closing Contract

The contract cannot be canceled for any reason.

If the contract or part of a contract has not been, or will not be, performed, the contract or part a contract shall in all instances be closed by being invoiced back from one party to another party, the initiator party should send the written notice of closure to the other party.

If the parties cannot reach an agreement upon the closure of a contract or part of a contract, then the dispute can be resolved through arbitration. In arbitration, the determination of the date of closure shall be based on the terms of the contract,

the conduct of the parties, and any written notice of closure; the invoicing back price shall be determined by the date of closure, the terms of the contract, and the available market price of the cotton specified in the contract, or equal quality, on the date of closure.

11 Miscellaneous

Unless otherwise agreed, the 1980 Vienna Convention on Contracts for the International Sale of Goods (CISG) applies to this Contract. Any quotation of price terms (such as CIF, FOB and CFR) shall be deemed as the quotation of the relevant terms under the 2010 International Rules for the Interpretation of Trade Terms (INCOTERMS).

12 Arbitration

Unless otherwise agreed, any disputes arising from the contract to which the General Terms are applied, shall be submitted to China International Economic and Trade Arbitration Commission (CIETAC) for arbitration.

13 Applicable Languages:

The Chinese version and English version of these terms have equivalent legal effect. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Table 1: Upland Cotton Value Differences (% of contract price)

Grade	USDA Standard		GM	SMP	SM	MP	M	SLMP	SLM	LMP	LM	SGOP	SGO
	Value Difference			-1	-1.25	-1.5	-1.75	-2.00	-2.50	-3.00	-3.50	-4.00	-4.50
	By Type	below	1/2	1	1-1/2	2	2-1/2	3	3-1/2				
		value difference	-1.75	-3.75	-6.00	-9.00	-12.50	-15.50	-20.00				
Staple	Below Contract (inch)		1/32	1/16	3/32	1/8	5/32	3/16					
	contract >=1-1/16		-2.0	-4.0	-7.0	-10.0	-13.5	-17.0					
	contract<=1		-1.5	-3.5	-5.0	-7.0	-10.0						
Micronaire	min.(A)required in contract	inspection result below ctr min.(A)	0.1	0.2	0.3	0.4	0.5	0.6	0.7				
		value difference	-0.75	-1.5	-2.0	-3.0	-5.0	-8.0	-12.0				
	max.(B)required in contract	inspection result above ctr max.(B)	0.1	0.2	0.3	0.4	0.5	0.6	>0.6				
		value difference	-0.5	-1.0	-2.0	-3.0	-4.0	-5.0	deduct additional 1% for every 0.1 increase				
	Mic required in contract between (A-B)	when inspection result is below ctr min.(A),then min.(A) spread shall be applied; when inspection result is above ctr max (B), then max.(B) spread shall be appiled.											
Strength	inspectrion result < ctr min. (g/gpt)		1.0-2.0	2.1-3.0	3.1-4.0	4.1-5.0	5.1-6.0	>6.0					
	value difference			-1.5	-3.0	-5.0	-8.0	deduct additional 4% for every 1 g/gpt					

Remarks: LIGHT SPOTTED cotton shall be regarded as 1 grade off, e.g. SM LIGHT SPOTTED has the same value as that of M;
SPOTTED cotton as 2 grades off, e.g. SM SPOTTED has the same value as that of SLM;
TINGED cotton as 3 grades off, e.g. SM TINGED has the same value as that of LM; and
YELLOW STAINED as 4 grades off, e.g. SM YELLOW STAINED has the same value as that of SGO.
Inspection certificates issued by CIQ only specify these grades, LIGHT SPOTTED, SPOTTED, TINGED, OR YELLOW STAINED.

Table 2: ELS Cotton Value Differences (% of contract price)

Grade	1	2	3	4	5	6
Value Difference	7.5	4.5	0	-12.0	-17.0	-21.0
Staple (inch)	>=1-1/2	1-7/16	<=1-3/8			
Value Difference	1.0	0	-2.5			
Micronaire	>=3.5	3.3-3.4	3.0-3.2	2.7-2.9	=<2.6	
Value Difference	0	-3.0	-4.0	-7.0	-10.0	
Strength	>=37.5	36.5-37.4	35.5-36.4	=<35.4		
Value Difference	0	-4.0	-6.0	-8.0		