**Attachment 3**

**Detailed Rules of Log Futures Business of Dalian Commodity Exchange**

**Chapter I General Provisions**

1. The Detailed Rules of Log Futures of Dalian Commodity Exchange (the "**Detailed Rules**") are formulated pursuant to the *Trading Rules of Dalian Commodity Exchange* and the *Log Futures Contract of Dalian Commodity Exchange* for the purpose of standardizing the trading of log futures contracts.
2. Dalian Commodity Exchange (the "**Exchange**"), its Members, the clients, the designated delivery warehouses, the designated FOT delivery sites, the designated quality inspection agencies, the designated futures margin depository banks and other participants in the futures market shall comply with the Detailed Rules.
3. Where it is not provided in the Detailed Rules, the relevant rules of the Exchange shall apply.

**Chapter II Major Terms of the Contract and Relevant Parameters**

1. The quality standards and quality premiums or discounts for the standard deliverable products and the substitutes under the log futures contract are detailed in the *Log Delivery Quality Standard of Dalian Commodity Exchange (F/DCE LG001-2024)* as Annex 1 attached hereto.
2. The log futures contract shall take the form of physical delivery.
3. The delivery warehouses designated for log shall be divided into the benchmark delivery warehouses and the non-benchmark delivery warehouses.

The designated delivery warehouses and FOT delivery sites for log and the relevant premiums or discounts shall be determined by the Exchange (detailed in the *List of Delivery Warehouses and FOT Delivery Sites Designated for Log of Dalian Commodity Exchange as* Annex 2 attached hereto), and may be adjusted by the Exchange as the case may be.

1. The contract months of the log futures contract are January, March, May, July, September and November.
2. The trading unit of the log futures contract is 90 Cubic Meters/Lot.
3. The price quote unit of the log futures contract is CNY/Cubic Meter.
4. The minimum tick size of the log futures contract is 0.5 CNY/Cubic Meter.
5. The maximum quantity of orders placed each time for the log futures contract shall be one thousand (1,000) lots.
6. The standard of trading margins, price limit range and position limit under the log futures contract shall be subject to the relevant provisions of the *Measures for Risk Management of Dalian Commodity Exchange*.
7. The last trading day of the log futures contract is the last but three trading day of the contract month.
8. The last delivery day of the log futures contract is the third trading day after the last trading day.
9. The ticker symbol of the log futures contract is LG.

**Chapter III Delivery and Clearing**

Section I General Provisions

1. The log futures contract applies the exchange of futures for physicals (the "**EFP**") delivery, daily selective delivery and one-off delivery.

The daily selective delivery may be carried out through the standard warehouse receipt delivery and FOT delivery.

The one-off delivery shall only be carried out by the standard warehouse receipt delivery.

With respect to the EFP delivery, daily selective delivery and one-off delivery of the log, the specific processes shall be subject to the applicable provisions of the *Measures for Trading Management of Dalian Commodity Exchange*, the *Measures for Delivery Management of Dalian Commodity Exchange* and the *Measures for Clearing Management of Dalian Commodity Exchange* in addition to the applicable provisions of the Detailed Rules.

1. For those participating in daily selective delivery, if the standard warehouse receipt delivery is adopted, the standard warehouse receipt corresponding to the seller's delivery application shall be frozen, and the trading margins corresponding to its selling positions shall be refunded on the matching day; after the market close on the handover day, the Exchange will transfer the standard warehouse receipt delivered by the seller to the corresponding matched buyer and make eighty percent (80%) of the payments for goods to the seller Member, and the remaining payments shall be fully settled after the seller Member provides the dedicated VAT invoice; the seller Member shall provide the dedicated VAT invoice to the buyer Member within seven (7) trading days after the matching day.

If the FOT delivery is adopted, the seller's application for delivery shall be confirmed by the designated FOT delivery site. The trading margins corresponding to the selling positions of the FOT delivery shall not be refunded. After the market close of the matching day, the trading margins corresponding to the selling positions shall be transformed to be the delivery margins.

1. The delivery settlement price of one-off delivery shall be the weighted average price of all trade prices of the futures contract in the last ten (10) trading days of the delivery month; in case the delivery month has less than ten (10) trading days, the delivery settlement price shall be the weighted average price of all trade prices of the futures contract during the period as of the first trading day of the delivery month through the last trading day thereof.
2. The log used for futures delivery shall conform to the provisions of the state on timber harvesting, transportation, trade, import and so on.
3. The log futures contract delivery unit shall be ninety (90) cubic meters.
4. The log standard warehouse receipt shall be the standard factory warehouse receipt.
5. The Exchange shall engage the designated quality inspection agency to carry out the log inspection under the standard warehouse receipt delivery or FOT delivery. The designated quality inspection agency shall arrive on site at the time required by the Exchange to carry out the inspection. If the designated quality inspection agency is unable to be present on time, it shall notify the Exchange in a timely manner. The Exchange may, as the case may be, engage the designated quality inspection agency to carry out the inspection by remote video or other means recognized by the Exchange.
6. The quality inspection of logs shall first be carried out in batches of 90 ± 3 cubic meters, and the inspection of remaining logs that do not reach such standard shall be carried out in one batch.
7. The seller of the factory warehouse or FOT delivery shall issue a quality description for each batch of inspected logs. The quality description shall specify the species, shape, length and appearance defects of that batch of logs.
8. If the log species listed in the quality description are radiata pine, spruce, fir, hemlock, Chinese cedar, Chinese fir, Mongolian Scots pine, Douglas fir or Masson's pine, the logs in the same inspection batch shall be of the same species; if the log species listed are loblolly pine and other coniferous logs, the logs in the same inspection batch may be of different coniferous tree species.
9. The logs in the same inspection batch shall be within the same length range. The range of log length for delivery includes:
10. 3.85m ≤ log length < 5.8m;
11. 5.8m ≤ log length < 11.7m;
12. log length ≥ 11.7m.
13. In the same inspection batch of logs, the length class is determined according to the log length range, and the length class corresponding to the log length range is specified as follows:
14. If 3.85m ≤ log length < 5.8m, the length class is recorded as 3.9m;
15. If 5.8m ≤ log length < 11.7m, the length class is recorded as 5.9m;
16. If log length ≥ 11.7m, the length class is recorded as 11.8m.
17. The diameter class of a single log shall be determined by the designated quality inspection agency.

The average diameter class of a batch of inspection of logs shall be determined by the designated quality inspection agency according to the calculation method specified in the *Log Delivery Quality Standard of Dalian Commodity Exchange (F/DCE LG001-2024)*.

1. The volume of a single log shall be determined by the designated quality inspection agency in accordance with the log volume calculation formula specified in Articles 3.2 and 3.3 of *GB/T 4814-2013 Log Volume Table*. The length class of a single log used for volume calculation shall be the length class corresponding to the length range specified in the quality description of the inspection batch of logs. If the length of the log is applied for inspection during delivery, the log volume shall be determined in accordance with the relevant provisions of Articles 43 and 65 of the Detailed Rules.

The total volume of logs in an inspection batch shall be the sum of the volumes of the single logs in the batch that meet the delivery quality standards.

1. During the holidays stipulated by the State Council (including adjusted working days and consecutive holidays), the designated delivery warehouses and designated FOT delivery sites shall suspend the handover of goods, and the corresponding handover date of goods shall be postponed accordingly. Relevant business on other weekends shall stay normal.
2. In case of the standard warehouse receipt delivery, the quality premiums/discounts price difference of the log futures contract shall be settled by the owner with the factory warehouse; in case of the FOT delivery, the quality premiums/discounts price difference of the log futures contract shall be settled by the buyer and the seller, or the seller may engage a designated FOT delivery site to carry out the settlement on its behalf.

At the time of delivery, the quality description issued by the seller of the factory warehouse or FOT delivery may be used as the basis for the settlement of quality premiums/discounts; In case of quality disputes, they shall be handled in accordance with the relevant provisions of the Detailed Rules.

1. The dedicated VAT invoice shall be issued for delivery of log.
2. The delivery commissions, inspection fees, storage fees and other fees of log shall be separately stipulated and announced by the Exchange.
3. In the course of log futures trading, when the import is being or will be significantly affected by war, social unrest, natural disasters, changes in import and export policies and other factors, Chief Executive Officer of the Exchange may take emergency measures such as adjusting opening and closing time of the market, suspending trading or terminating trading. Upon settlement on the relevant day when the trading is terminated, the Exchange may liquidate positions of all or part of the contract months based on the settlement price of the immediately preceding trading day.

**Section II Standard Warehouse Receipt Delivery**

1. The *Measures for Standard Warehouse Receipt Management of Dalian Commodity Exchange* shall apply to the generation, circulation and deregistration of the standard warehouse receipts, if not provided in the Detailed Rules.
2. The log standard warehouse receipts which are used for the delivery matching shall be deregistered immediately after the market close on the handover day and after the Exchange has transferred the standard warehouse receipts delivered by the seller to the corresponding matched buyer within that day.

The standard warehouse receipts which are not used for the delivery matching shall be deregistered before the last delivery day (inclusive of such day) in March, July and November of each year.

1. When the logs are loaded out of the factory warehouse, the owner shall pick up the commodities at the factory warehouse within four (4) calendar days (inclusive of the fourth calendar day) following the deregistration day of the standard warehouse receipt (exclusive of the deregistration day). The factory warehouse shall commence consignment within four (4) calendar days (inclusive of the fourth calendar day) following the deregistration day of the standard warehouse receipt (exclusive of the deregistration day).
2. At the time of consignment, the factory warehouse shall indicate to the owner the logs to be handed over and provide the quality description of corresponding logs.
3. The excess and shortage of logs shall not exceed ±3 cubic meters per delivery unit. For the insufficient or surplus part, the factory warehouse and the owner shall settle the corresponding payment by themselves.

Excess or shortage payment = (log price + premiums/discounts between the non-benchmark delivery warehouse and benchmark delivery warehouse + premiums/discounts of log species + premiums/discounts of log length + premiums/discounts of diameter class) × excess or shortage volume.

The log species premiums/discounts and log length premiums/discounts specified in the formula in the preceding paragraph shall be subject to the premiums/discounts corresponding to the log species and log length indicated in the factory warehouse's quality description for the batch of inspection of logs. The diameter class premiums/discounts shall be subject to the diameter class premiums/discounts of the batch of inspection of logs.

1. In a batch of inspection of logs, if the owner of the goods considers that the species of a log does not conform to the quality description of the factory warehouse by visual inspection, the owner shall apply for inspection before the batch of logs begins to be loaded on the owner's transportation vehicle. If the application for inspection is not submitted within the prescribed period, it shall be deemed that the owner has no objection to the species of the logs loaded out of the factory warehouse. If the owner's claim is accepted by the factory warehouse, it shall be handled according to the owner's claim; if not, the designated quality inspection agency engaged by the Exchange shall be responsible for inspection.

Within a batch of inspection of logs, the owner can select at most three (3) logs to be submitted for log species inspection, and the inspection fee shall be prepaid by the owner.

The designated quality inspection agency shall conduct an onsite inspection on whether the log submitted for inspection is coniferous log or broad-leaved log. If it is inspected as broad-leaved log, it is determined that the log does not meet the delivery quality standards. If it is inspected as coniferous log, the designated quality inspection agency shall take sample from such log, and the sample inspection result shall be taken as the basis for determining whether the coniferous log species conform to the quality description.

1. In a batch of inspection of logs, if the owner submits log species inspection for three (3) logs, it shall be handled according to the following provisions:
	* + 1. If three (3) logs inspected onsite are all broad-leaved logs, the delivery of the batch of logs shall be terminated. The factory warehouse shall pay compensation to the owner, with the compensation amount = one-off delivery settlement price of the last delivery month of such commodity × 90 cubic meters × 120%, and shall bear the log species inspection fee arising therefrom.
			2. If at least one (1) of the three (3) logs inspected onsite is a coniferous log, the inspection of other items of the batch of logs and the calculation of the volume and average diameter class shall be carried out normally. The factory warehouse shall store the batch of logs at the corresponding site in its warehouse area (hereinafter referred to as the ''**Designated Site of the Factory Warehouse**''), and shall be responsible for the storage, and the storage fee shall be separately stipulated and announced by the Exchange.
2. According to the inspection results of log species samples, if none of the log species for such three (3) logs meet the quality description, the delivery of the batch of logs shall be terminated. The factory warehouse shall pay compensation to the owner, with the compensation amount = one-off delivery settlement price of the last delivery month of such commodity × 90 cubic meters × 120%, and shall bear the log species inspection fee and shall not charge the storage fee arising therefrom.
3. According to the inspection results of log species samples, if all or part of the three (3) log species meet the quality description, the batch of logs shall continue to be loaded out. The owner shall pick up the goods at the factory warehouse within four (4) calendar days (inclusive of the fourth calendar day) after the Exchange releases the log species inspection results (exclusive of the release day), the factory warehouse and the owner shall settle the log species premiums/discounts according to the quality description, and the storage fee or other fees arising therefrom shall be borne by the owner. For the logs whose inspection results do not conform to the quality description, the factory warehouse shall pay compensation to the owner, with the compensation amount = 200 CNY/log × the number of logs that do not conform to the quality description upon inspection, and shall bear the corresponding log species inspection fee. For the logs whose inspection results conform to the quality description, the log species inspection fee shall be borne by the owner.
4. Within a batch of inspection of logs, if the owner submits one (1) or two (2) logs for log species inspection, the batch of logs shall be loaded out of the factory warehouse, and the log species premiums/discounts shall be settled according to the quality description. If all or part of the inspection results do not conform to the quality description, the factory warehouse shall pay compensation to the owner, with the compensation amount = 200 CNY/log × the number of logs that do not conform to the quality description upon inspection, and shall bear the corresponding log species inspection fee. For the logs whose inspection results conform to the quality description, the log species inspection fee shall be borne by the owner.
5. Within a batch of inspection of logs, if the owner considers that the shape, length or appearance defects of a log (including knots, sapwood rot, heartwood rot, crack and ring shake) do not conform to the quality description of the factory warehouse, the owner shall file an application for inspection before such log is loaded onto the owner's transportation vehicle or stored at the Designated Site of the Factory Warehouse in accordance with the provisions of Article 41, paragraph 2 of the Detailed Rules. If the application for inspection is not filed within the prescribed period, it shall be deemed that the owner has no objection to the shape, length or appearance defects of the logs loaded out. If the owner's claim is accepted by the factory warehouse, it shall be handled according to the owner's claim; if not, the designated quality inspection agency engaged by the Exchange shall be responsible for the onsite inspection.

The owner may apply for the inspection of a single log at a time for one of the following aspects: shape, length, knots, sapwood rot, heartwood rot, crack and ring shake. In a batch of inspection of logs, if the inspection results conform to the quality description of the factory warehouse for cumulatively three (3) times, the owner may no longer apply for inspection of the shape, length, knots, sapwood rot, heartwood rot, crack or ring shake of the batch of logs. If the inspection results conform to the quality description, the inspection fee arising therefrom shall be borne by the owner; if not, the inspection fee arising therefrom shall be borne by the factory warehouse.

Upon inspection, if the shape of a single log does not meet the delivery quality standard, such log shall not be calculated into the total log volume of the batch of logs. If the log length of a single log does not meet the delivery quality standard, such log shall not be calculated into the total log volume of the batch of logs; if it meets the delivery quality standard but does not meet the quality description of the factory warehouse, the log volume of such log shall be determined according to the onsite inspection result of the designated quality inspection agency, which shall be calculated into the total log volume of the batch of logs, and log length premiums/discounts of such log shall be settled. If the appearance defect of a single log does not conform to the delivery quality standard, the appearance defect premiums/discounts shall be settled according to the onsite inspection result of the designated quality inspection agency.

The discounts of a single log shall not exceed the price of such log. The price of a single log = (log price + premiums/discounts between non-benchmark delivery warehouse and benchmark delivery warehouse + log species premiums/discounts + log length premiums/discounts + diameter class premiums/discounts) × log volume of a single log.

The log species premiums/discounts and log length premiums/discounts specified in the formula in the preceding paragraph shall be subject to the premiums/discounts corresponding to the log species and log length indicated in the factory warehouse's quality description for the batch of inspection of logs. The diameter class premiums/discounts shall be subject to the diameter class premiums/discounts of the batch of inspection of logs.

If the owner also requests an inspection of log species for three (3) logs of such batch and none of the inspection results meets the quality description, the delivery of the batch of logs shall be terminated. The factory warehouse and the owner shall no longer settle any premiums/discounts for the shape, log length and appearance defects in accordance with the provisions of this Article. The inspection fees of the shape, log length and appearance defects shall be borne by the factory warehouse.

1. According to the measurement and calculation results of the designated quality inspection agency, if the diameter class of a single log does not meet the delivery quality standard, it shall not be calculated into the total log volume of the batch of logs; if it meets the delivery quality standard but does not meet the minimum requirement of the diameter class for a single log corresponding to the average diameter class of the batch of logs, it shall be calculated into the total log volume of the batch of logs, but the factory warehouse shall pay the owner the log price calculated in accordance with the paragraph 4 under Article 43 of the Detailed Rules, and shall not settle any premiums/discounts for the log length and appearance defect of such log.

If the owner also requests an inspection of log species for three (3) logs of such batch of logs and none of the inspection results meets the quality description, the delivery of the batch of logs shall be terminated. The factory warehouse shall no longer pay the price of the logs in accordance with the provisions of the preceding paragraph.

1. Once the logs are loaded onto the owner's transportation vehicle, it shall be deemed that the delivery is completed, and thus the handover of goods is completed and the ownership of goods is transferred. The risk of damage or loss of logs shall be borne by the factory warehouse before delivery and by the owner after the delivery.
2. Where the factory warehouse consigns commodities to the owner at a speed no higher than the daily consignment speed but the owner fails to pick up the commodities due to its transportation capability or any other reason attributable to the owner, the owner shall pay to the factory warehouse the late fee. The late fee is determined as follows:
	* + 1. from the starting date of goods pick-up (inclusive of the pick-up day), for each day, the amount of late fee on the then-current day shall be figured out by multiplying the quantity of the goods which shall be picked up but fail to be picked up on the then-current day by the corresponding amount of late fee; and
			2. to the completion date of goods pick-up (exclusive of the pick-up day), the total amount of late fee which the owner shall pay to the factory warehouse shall be figured out on the basis of totaling the daily amount of late fee.

Amount of late fee = 1 CNY/Cubic Meter\*Day.

1. If the pick-up is carried out after expiry of the pick-up period (exclusive of the then-current day) and within nineteen (19) calendar days (inclusive of the then-current day) following the deregistration of the standard warehouse receipt (exclusive of the deregistration day), the owner shall pay the late fee to the factory warehouse, and the factory warehouse shall assume the liability related to the commodity quality, consignment time and consignment speed pursuant to the futures standards, unless all the futures commodities have been consigned.

The late fee shall be determined according to the following method:

* + - 1. from the date of expiration of pick-up period (inclusive of the expiration day), for each day, the amount of late fee on the then-current day shall be figured out by multiplying the quantity of the goods which shall be picked up but fail to be picked up on the then-current day by the corresponding amount of late fee; and
			2. to the completion date of pick-up (exclusive of the pick-up day), the total amount of late fee which the owner shall pay to the factory warehouse shall be figured out on the basis of totaling the daily amount of late fee.

Amount of late fee =1 CNY /Cubic Meter\*Day.

1. If the owner picks up the commodities at the factory warehouse after nineteen (19) calendar days (exclusive of the then-current day) following the date of deregistration of the standard warehouse receipt (exclusive of the deregistration day), the owner shall pay the late fee to the factory warehouse as calculated in the following formula, and the factory warehouse shall assume no liability related to the commodity quality, consignment time and consignment speed under the futures standards.

Amount of late fee = 1 CNY/Cubic Meter\*Day × Quantity of all the commodities × 19 Days

1. Where the factory warehouse fails to consign commodities according to the required daily consignment speed but timely completes the consignment of all the commodities, the factory warehouse shall compensate the owner.

Amount of compensation = One-off delivery settlement price of the last delivery month of such commodity × Quantity of the commodities which shall be, but fail to be, consigned according to the required daily consignment speed × 5%.

1. Where the factory warehouse fails to timely complete the consignment of all the commodities, the factory warehouse shall, in addition to the compensation provided in Article 49 of the Detailed Rules, compensate the owner the amount of compensation, the amount of compensation = One-off delivery settlement price of the last delivery month of such commodity × Quantity of the commodities which shall be, but fail to be, consigned according to the total quantity of the commodities × 5%; The following procedures shall apply to such failure:
	* + 1. the Exchange shall supply to the owner the physical commodities of the same quality and quantity of other factory warehouses or locations and bear all the costs and expenses arising out of or in connection with the adjustment of the delivery site and the delayed consignment; and
			2. where the Exchange fails to supply the above commodities, the Exchange shall refund to the owner the payment of the commodities and compensate the owner.

Amount of refunded payment of commodities and compensation = (One-off delivery settlement price of the last delivery month of such commodity × 120% + premiums/discounts between non-benchmark delivery warehouse and benchmark delivery warehouse) × Quantity of the commodities which shall be, but fail to be, consigned according to the total quantity of the commodities.

1. In the event of any violation by the factory warehouse described in Article 49 or 50 of the Detailed Rules, the compensation shall firstly be paid to the owner by the factory warehouse. Where the factory warehouse fails to pay such compensation or the amount of compensation is insufficient, such violation shall be handled by the Exchange subject to the applicable provisions of the *Measures for Standard Warehouse Receipt Management of Dalian Commodity Exchange.*
2. In accordance with the provisions of Article 41 of the Detailed Rules, if the logs can continue to be loaded out of the factory warehouse upon the inspection of log species, the fourth calendar day after the Exchange releases the inspection results of log species (exclusive of the then-current day) shall be the date of expiration of pick-up period. If the owner or the factory warehouse fails to pick up the goods or consign the goods in accordance with the provisions, the provisions of Articles 46 to 51 of the Detailed Rules shall apply by reference. Among others, the date of releasing the log species inspection results shall correspond to the relevant provisions of the date of deregistration of the standard warehouse receipt.
3. The log price and the premiums/discounts between the non-benchmark delivery warehouse and the benchmark delivery warehouse specified in Articles 39 and 43 of this Chapter shall be the settlement price of the contract of the month on the deregistration date of the standard warehouse receipt and the corresponding premium/discounts. If the current-month contract on the deregistration date of the standard warehouse receipt has been delisted, the delivery settlement price for one-off delivery of the current-month contract and the corresponding premiums/discounts shall be applied; if the current month is not a contract month, the delivery settlement price for one-off delivery of the preceding contract month and the corresponding premiums/discounts shall be applied.

**Section III FOT Delivery**

1. The applicant for the designated FOT delivery site shall meet the following conditions:
	* + 1. enterprise legal person with a business license issued by the market supervision and administration department;
			2. the net assets reaching the amount stipulated by the Exchange;
			3. having good financial condition and strong risk resistance ability;
			4. having good commercial reputation, having no record of serious violation of laws or record of disqualification for designated FOT delivery site or designated delivery warehouse in recent three years;
			5. undertaking to comply with the rules of the Exchange;
			6. having a goods delivery site with certain scale and good transportation conditions; and
			7. other conditions stipulated by the Exchange.

After meeting the above conditions and after becoming a designated FOT delivery site upon recognition by the Exchange, the designated FOT delivery site shall sign corresponding agreements with the Exchange to make the rights and obligations of both parties, so as to regulate relevant business behaviors.

1. The Exchange shall supervise, inspect and manage the designated FOT delivery site according to the Detailed Rules hereof, relevant rules and agreements.
2. If the designated FOT delivery site voluntarily waives its qualification as the designated FOT delivery site, it shall submit an application to the Exchange and obtain the approval of the Exchange.

In case of any rule violations, contract breaches or other circumstances identified by the Exchange in the FOT delivery business of the designated FOT delivery site, the Exchange may, depending on the circumstances, take measures such as suspending the delivery business of the designated FOT delivery site or canceling the qualification of the designated FOT delivery site.

1. The maximum deliverable amount every day on each designated FOT delivery site shall be stipulated by the Exchange (see Annex 2 *List of Delivery Warehouses and FOT Delivery Sites Designated for Log of Dalian Commodity Exchange* for details).
2. Except for the handling upon negotiation between the buyer and the seller, both the buyer and the seller shall deliver the logs on the second calendar day after the handover date (i.e. the FOT delivery date).

Before 8:00 on the FOT delivery date, the seller shall transport the logs to the designated FOT delivery site, and the buyer shall be present on time. If the seller fails to transport the logs to the designated FOT delivery site on time, Article 69 herein shall apply. If the buyer fails to be present on time, it shall be deemed that the buyer has no objection to the quality of the delivered goods. The log diameter class, volume and average diameter class shall be subject to the onsite measurement and calculation of the designated quality inspection agency.

1. At the time of the FOT delivery, the seller shall indicate to the buyer the logs to be handed over and provide the quality description of corresponding logs.
2. The seller shall load the logs onto the buyer's transportation vehicle at the designated FOT delivery site. If the buyer does not arrange the transportation vehicle to arrive onsite, the seller may unload the logs to a location within the delivery place designated by the designated FOT delivery site (hereinafter referred to as the ''**Designated Place of the Designated FOT Delivery Site**''). The seller shall bear the loading and unloading fees incurred therefrom, and the buyer shall bear all expenses incurred consequently (including loading and unloading fees, storage fees, etc.).
3. The excess and shortage of logs shall not exceed ±3 cubic meters per delivery unit. For the insufficient or surplus part, the seller and the buyer shall settle the corresponding payment by themselves.

Excess or shortage payment = (log price + premiums/discounts of designated FOT delivery site + premiums/discounts of log species + premiums/discounts of log length + premiums/discounts of diameter class) × excess or shortage volume

The log species premiums/discounts and log length premiums/discounts specified in the formula in the preceding paragraph shall be subject to the premiums/discounts corresponding to the log species and log length of the batch of inspection of logs specified in the seller's quality description, and the diameter class premiums/discounts shall be subject to the diameter class premiums/discounts of the batch of inspection of logs.

1. In a batch of inspection of logs, if the buyer considers that the species of a log does not conform to the seller's quality description by visual inspection, the buyer shall apply for inspection before the batch of logs begins to be loaded onto the buyer's transportation vehicle. If the buyer does not arrange for the transportation vehicle to arrive onsite, the buyer shall apply for inspection before the batch of logs begins to be moved to the Designated Place of the Designated FOT Delivery Site. If the application for inspection is not submitted within the prescribed period, it shall be deemed that the buyer has no objection to the species of the logs. If the buyer's claim is accepted by the seller, it shall be handled according to the buyer's claim; if not, the designated quality inspection agency engaged by the Exchange shall be responsible for inspection.

Within a batch of inspection of logs, the buyer can select at most three (3) logs to be submitted for log species inspection, and the inspection fee shall be prepaid by the buyer.

The designated quality inspection agency shall conduct an onsite inspection on whether the log submitted for inspection is coniferous log or broad-leaved log. If it is inspected as a broad-leaved log, it is determined that the log does not meet the delivery quality standards. If it is inspected as a coniferous log, the designated quality inspection agency shall take sample from such log, and the sample inspection results shall be taken as the basis for determining whether the coniferous log species conform to the quality description.

1. In a batch of inspections of logs, if the buyer submits log species inspection for three (3) logs, it shall be handled according to the following provisions:
	1. If three (3) logs inspected onsite are all broad-leaved logs, the delivery of the batch of logs shall be terminated, and it shall be handled according to the Article 69 of the Detailed Rules. The log species inspection fees arising therefrom shall be borne by the seller.
	2. If at least one (1) of the three (3) logs inspected onsite is a coniferous log, the inspection of other items of the batch of logs and the calculation of the volume and average diameter class shall be carried out normally. The seller shall store the batch of logs at the Designated Place of the Designated FOT Delivery Site, and such batch of logs shall be stored by the FOT delivery site. The storage fee shall be separately stipulated and announced by the Exchange.

According to the inspection results of log species samples, if none of the log species for such three (3) logs meet the quality description, the delivery of the batch of logs shall be terminated, and it shall be handled according to paragraph 2 of the Article 68 of the Detailed Rules. The log species inspection fee and storage fee arising therefrom shall be borne by the seller.

According to the inspection results of log species samples, if all or part of the three (3) log species meet the quality description, the batch of logs shall continue to be loaded out. The buyer and the seller shall arrive at the designated FOT delivery site prior to 8:00 on the day after the inspection results are released by the Exchange to handle the handover of goods and settle the log species premiums/discounts according to the quality description, the storage fee or other fees arising therefrom shall be borne by the buyer. If the seller fails to be present on time, the designated FOT delivery site may arrange for consignment on its behalf. If the buyer does not arrange for the transportation vehicle to arrive onsite, the seller may store the logs at the Designated Place of the Designated FOT Delivery Site, and the storage fee arising therefrom shall be borne by the buyer. For the logs whose inspection results do not conform to the quality description, the seller shall pay compensation to the buyer, with the compensation amount = 200 CNY/log × the number of logs that do not conform to the quality description upon inspection, and shall bear the corresponding log species inspection fee. For the logs whose inspection results conform to the quality description, the log species inspection fee shall be borne by the buyer.

1. Within a batch of inspections of logs, if the buyer submits one (1) or two (2) logs for log species inspection, the batch of logs shall be loaded out, and the log species premiums/discounts shall be settled according to the quality description. If all or part of the inspection results do not conform to the quality description, the seller shall pay compensation to the buyer, with the compensation amount = 200 CNY/log × the number of logs that do not conform to the quality description upon inspection, and shall bear the corresponding log species inspection fee. For the logs whose inspection results conform to the quality description, the log species inspection fee shall be borne by the buyer.
2. Within a batch of inspection of logs, if the buyer considers that the shape, length or appearance defects of a log (including knots, sapwood rot, heartwood rot, crack and ring shake) do not conform to the quality description of the seller, the buyer shall file an application for inspection before such log is loaded onto the buyer's transportation vehicle. If the buyer does not arrange the transportation vehicle to arrive onsite or if the circumstances under paragraph 2 of Article 63 of the Detailed Rules occur, the buyer shall file the application for inspection before the log is unloaded at the Designated Place of the Designated FOT Delivery Site. If the application for inspection is not filed within the prescribed period, it shall be deemed that the buyer has no objection to the shape, length or appearance defects of the logs loaded out. If the buyer's claim is accepted by the seller, it shall be handled according to the buyer's claim; if not, the designated quality inspection agency engaged by the Exchange shall be responsible for the onsite inspection.

The buyer may apply for the inspection of a single log at a time for one of the following aspects: shape, length, knots, sapwood rot, heartwood rot, crack and ring shake. In a batch of inspection of logs, if the inspection results conform to the seller's quality description for cumulatively three (3) times, the buyer may no longer apply for inspection of the shape, length, knots, sapwood rot, heartwood rot, crack or ring shake of the batch of logs. If the inspection results conform to the quality description, the inspection fee arising therefrom shall be borne by the buyer; if not, the inspection fee arising therefrom shall be borne by the seller.

Upon inspection, if the shape of a single log does not meet the delivery quality standard, such log shall not be calculated into the total log volume of the batch of logs. If the log length of a single log does not meet the delivery quality standard, such log shall not be calculated into the total log volume of the batch logs; if it meets the delivery quality standard but does not meet the seller's quality description, the log volume of such log shall be determined according to the onsite inspection result of the designated quality inspection agency, which shall be calculated into the total log volume of the batch of logs, and log length premiums/discounts of such log shall be settled. If the appearance defect of a single log does not conform to the delivery quality standard, the appearance defect premiums/discounts shall be settled according to the onsite inspection result of the designated quality inspection agency.

The discounts of a single log shall not exceed the price of such log. The price of a single log = (log price + premiums/discounts of the designated FOT delivery site + log species premiums/discounts + log length premiums/discounts + diameter class premiums/discounts) × log volume of a single log.

The log species premiums/discounts and log length premiums/discounts specified in the formula in the preceding paragraph shall be subject to the premiums/discounts corresponding to the log species and log length indicated in the seller's quality description for that batch of inspection of logs. The diameter class premiums/discounts shall be subject to the diameter class premiums/discounts of the batch of inspection of logs.

If the buyer also requests an inspection of log species for three (3) logs of such batch and none of the inspection results meets the quality description, the delivery of the batch of logs shall be terminated. The buyer and the seller shall no longer settle any premiums/discounts for the shape, log length and appearance defects in accordance with the provisions of this Article. The inspection fees of the shape, log length and appearance defects shall be borne by the seller.

1. According to the measurement and calculation results of the designated quality inspection agency, if the diameter class of a single log does not meet the delivery quality standard, it shall not be calculated into the total log volume of the batch of logs; if it meets the delivery quality standard but does not meet the minimum requirement of the diameter class for a single log corresponding to the average diameter class of the batch of logs, it shall be calculated into the total log volume of the batch of logs, but the seller shall pay the buyer the log price calculated in accordance with the paragraph 4 under Article 65 of the Detailed Rules, and shall not settle any premiums/discounts for the log length and appearance defect of such log.

If the buyer also requests an inspection of log species for three (3) logs of such batch of logs and none of the inspection results meets the quality description, the delivery of the batch of logs shall be terminated. The seller shall no longer pay the price of the logs in accordance with the provisions of the preceding paragraph.

1. Once the logs are loaded onto the buyer's transportation vehicle, it shall be deemed that the delivery is completed, and thus the handover of goods is completed and the ownership of goods is transferred. If the buyer does not arrange the transportation vehicle to arrive onsite, once the logs are loaded at the Designated Place of the Designated FOT Delivery Site, it shall be deemed that the delivery is completed, and the goods ownership is transferred. The risk of damage or loss of logs shall be borne by the seller before delivery and by the buyer after the delivery.
2. If the buyer and the seller complete the delivery of all logs on the FOT delivery day, the buyer client shall, prior to 11:30 a.m. on the fourth (4) trading day after the handover day, confirm through the Member; if it fails to do so, the delivery shall be deemed confirmed. The Exchange shall refund the delivery margin of the seller Member after the market close on the fourth (4) trading day after the handover day, make 80% of the payments to the seller Member, and the remaining payments shall be fully settled after the seller Member provides the dedicated VAT invoice.

If the buyer client files the inspection application of log species for three (3) logs in a batch of inspection of logs on the FOT delivery day, and whether the log species is complied with the quality description cannot be determined onsite, the Exchange shall release the log species inspection results prior to the market close on the eighth (8) trading day following the handover day. If none of the log species for such three (3) logs are inspected to meet the quality description, the delivery shall be terminated, and the Exchange shall, after the market close on the eighth (8) trading day following the handover day, pay to the buyer Member the delivery margin of twenty percent (20%) of the contract value of the batch of logs of the seller Member, the corresponding goods of the batch shall be returned to the seller, and the payments shall be refunded to the seller Member. If all or part of the three (3) log species are inspected to meet the quality description, the Exchange shall, after the market close on the eighth (8) trading day following the handover day, refund the delivery margin to the seller Member and make eighty percent (80%) of the payments to the seller Member, and the remaining payments shall be fully settled after the seller Member provides the dedicated VAT invoice.

The seller Member shall provide the dedicated VAT invoice corresponding to the actually delivered goods to the buyer Member within seven (7) trading days after the Exchange pays eighty percent (80%) of the payments.

1. FOT delivery default means that the buyer fails to fully make the payments within the stipulated time, and the seller fails to fully deliver logs conforming to the futures delivery quality standard in the stipulated place.

In case the buyer commits a delivery default, the Exchange shall notify the seller Member after settlement on the handover day, a punitive penalty shall be imposed by the Exchange against the buyer of twenty percent (20%) of the contract value of the default portions calculated at the delivery settlement price on the matching day, which shall be paid to the seller; and the delivery shall terminate. The quantity of the contracts of delivery default by the buyer shall be calculated as per the following formula:

The quantity of the contracts of delivery default by the buyer (*Lot*) = [the payments which should have been paid (*CNY*) - the payments which have been paid (*CNY*)] ÷ [the delivery settlement price (*CNY/Cubic Meter*) × (1-20%) + the discounts/premiums of designated FOT delivery sites]÷ the trading unit (*Cubic Meter/Lot*).

In case the seller commits a delivery default, the Exchange shall notify the buyer Member before the market close on the fourth trading day following the handover day, a punitive penalty shall be imposed by the Exchange against the seller of twenty percent (20%) of the contract value of the default portions calculated at the delivery settlement price on the matching day, which shall be paid to the buyer; and the buyer's payments shall be released, and the delivery shall terminate.

Contract quantity for the portions insufficiently delivered by the seller (*Lot*) = [log volume which should have been delivered (*Cubic Meter*) – log volume delivered (*Cubic Meter*)] ÷ trading Unit (*Cubic Meter/Lot*).

The default quantity shall be calculated in "*Lot*" and rounded up to the nearest integer.

1. The buyer and the seller may negotiate to handle the payments and handover of the goods for the FOT delivery by themselves, the specific processes of which shall be subject to the Detailed Rules and the applicable provisions of the *Measures for Delivery Management of Dalian Commodity Exchange.* If the buyer and the seller have agreed to handle the handover of the goods by themselves, but process the payments for the goods through the Exchange, the buyer Member shall supplement the full payments for goods before the market close on the handover day, and the Exchange shall transfer all the payments for goods and refund the delivery margins to the seller Member after the market close on the forth (4) trading day following the handover day.
2. The log price and the premiums/discounts of the designated FOT delivery site specified in Articles 61 and 65 of this Chapter shall be the delivery settlement price and the corresponding premiums/discounts on the matching day.

**Chapter IV Supplementary Provisions**

1. Any violation of the Detailed Rules shall be handled by the Exchange in accordance with the applicable provisions of the *Measures against Rule Violations of Dalian Commodity Exchange* and other rules.
2. The Exchange reserves the right to interpret the Detailed Rules.
3. The Detailed Rules shall come into force on the date of promulgation.

Annex 1: Log Delivery Quality Standard of Dalian Commodity Exchange (F/DCE LG001-2024)

Annex 2: List of Delivery Warehouses and FOT Delivery Sites Designated for Log of Dalian Commodity Exchange (Omitted)

Annex 1:

**Log Delivery Quality Standard of Dalian Commodity Exchange ("DCE")**

**(F/DCE LG001-2024)**

1. Main content and applicable scope
	1. The standard herein (the "**Standard**") stipulates the quality requirements and testing methods for logs delivered at DCE.
	2. The Standard applies to standard products and substitute products delivered under the log futures contract of DCE.
	3. The log mentioned in the Standard refers to the round timber section which is formed by cross-sectional bucking of fallen felling timber after branching.
2. Cited rules and standards

The provisions of the following documents are incorporated as the provisions of the Standard by reference. For those cited documents noted with dates, all of their following amendments (excluding corrections) and revised versions shall not be applied to the Standard; for those without noted dates, their latest versions shall be applied to the Standard.

GB/T 155-2017 Defects in Logs

GB/T 15787-2017 Terms in Log Inspection

GB/T 7909-2017 Wood Chips for Pulp

GB/T 29894-2013 The General Method of Wood Identification

GB/T 144-2024 Log Inspection

GB/T 4814-2013 Log Volume Table

1. Terms and definitions
	1. Ring Shake: refers to the end cracks that appear along the growth ring direction of the log which are in the shape of circular, with their curvature occupying half or more of the growth ring. Those cracks less than 3mm in width are not counted.
	2. Crack: refers to cracks that appear on the body or on the body and its cross-section of the log. Those cracks less than 3mm in width are not counted.
	3. Other terms and definitions shall comply with the relevant provisions of GB/T 155-2017 and GB/T 15787-2017 and the terms and definitions referred therein.
2. Quality Requirements
3. Shape Requirements: basically cylindrical, without obvious bends, with a basically smooth surface that has no obvious defects such as bark pocket, scar, or depressions.
4. Quality requirements for standard products

|  |  |
| --- | --- |
| **Item** | **Scope of Tolerance** |
| Log species | radiata pine |
| Log length | 3.85m≤ log length ＜5.8m |
| Diameter class | In a batch of inspection of logs, 36cm≤average diameter class＜46cm, single diameter class≥28cm |
| Appearance defects | Knots | The percentage of the diameter of each knot to the diameter class of the log ≤50% |
| Sapwood rot | The radial depth of the sapwood rot ≤3cm |
| Heartwood rot | The diameter of the heartwood rot ≤3cm |
| Crack | If the width of the crack ≥3 mm, the depth extended towards the center ≤3 cm  |
| Ring shake | If the width of the ring shake ≥3 mm, the width extended along the log length of the log ≤3 cm  |

1. Allowances (premiums/discounts) for quality difference of substitute products

|  |  |  |
| --- | --- | --- |
| **Item** | **Scope of Tolerance** | **Premium/Discount** |
| Log species | Spruce | +100 (CNY/m³) |
| Fir | +100 (CNY/m³) |
| Hemlock | 0 (CNY/m³) |
| Chinese cedar | 0 (CNY/m³) |
| Chinese fir | 0 (CNY/m³) |
| Mongolian Scots pine  | 0 (CNY/m³) |
| Douglas fir | 0 (CNY/m³) |
| Masson's pine | 0 (CNY/m³) |
| Loblolly pine and other coniferous logs  | -200 (CNY/m³) |
| Log length | 5.8m≤ log length ＜11.7m | + 50 (CNY/m³) |
| Log length ≥11.7m | + 150 (CNY/m³) |
| Diameter class | In a batch of inspection of logs, 26cm≤average diameter class＜36cm，single diameter class≥18cm | - 50 (CNY/m³) |
| In a batch of inspection of logs, average diameter class ≥46cm, single diameter class≥38cm | + 50 (CNY/m³) |
| Appearance defect | Knots | The percentage of the diameter of each knot to the diameter class of the log ＞50% | - CNY 50 for each log |
| Sapwood rot | The radial depth of the sapwood rot ＞3cm | - CNY 150 for each log |
| Heartwood rot | The diameter of the heartwood rot ＞3cm | - CNY 250 for each log |
| Crack | If the width of the crack ≥3 mm, the depth extended towards the center＞3 cm  | - CNY 150 for each log |
| Ring shake | If the width of the ring shake ≥3 mm, the width extended along the log length of the log ＞3 cm  | - CNY 250 for each log |

1. Testing methods
2. Inspection on log species shall be subject to the clause 5.7 of GB/T 7909-2017 and GB/T 29894-2013.
3. Inspection on other indicators shall be subject to GB/T 144-2024.
4. Calculation methods of average diameter class

In a batch of inspection of logs, for the logs that meet the delivery quality standard, the log volume of a single log is calculated first according to the formulas specified in Clauses 3.2 and 3.3 of GB/T 4814-2013 and based on the length class corresponding to the log length range specified in such batch's quality description and the diameter class measured by the designated quality inspection agency. Then, sum the log volumes of all single logs and divide by the corresponding number of logs to calculate the average log volume (rounded to three decimal places). Finally, according to the aforementioned formulas, based on the average log volume and the aforementioned length class, calculate the average diameter class of such batch of inspection of logs (rounded to one decimal place).

1. Additional note

The Standard shall be subject to the interpretation of DCE.