

Xi'an Schaltbau Electric Co. Ltd. Terms and Conditions of Purchase

1. General Provisions

- a) The purchasing clauses and conditions in question are exclusively applicable; Except for such circumstance as define the applicable scope in written form made by the company, the company shall not acknowledge such clauses issued by suppliers as conflict with or deviate from the clauses and conditions in question. Even if the company accepts the delivered goods or after delivery, pays for the goods unconditionally, but it does not mean that the company accepts such trade clauses as conflict with or deviate from the abovementioned clauses and conditions.
- b) Such agreements on the affairs for the conclusion of a contract as reached by the company and the suppliers hereof shall be recorded in written form. If any such revision to the agreement in question as is required by either party hereto, the written consent shall be obtained.
- c) The clauses and conditions of the company shall also be applicable to all transactions with the suppliers hereof.

2. Quote and Quote Documents

- a) The suppliers shall, within 14 days, accept such orders are placed by the company. Where, within 3 days after receiving the orders in question, no dissent is made by the suppliers in question, the placement of the orders in a package of purchasing orders shall be binding.
- b) Except for the separately reached consensus, such quotes and cost estimations as are made by the suppliers shall be binding, and free of charge. Except for the reached consensus in exceptional circumstances, the company shall not acknowledge any cost, or pay for the visiting, planning and other preparations made by the suppliers.
- c) The company shall, for such illustrations, drawings, calculations and other documents from the suppliers, reserve the naming right and copyright hereof. The suppliers shall not, without the written consent of the company, disclose the documents in question to the third party. The documents in question shall be used in accordance with the provisions of such inquiries as are made by the company or such requirements as are mentioned in the purchasing orders. The suppliers shall, after receiving such written requests as are issued by the company, promptly return the documents in question to the company. Unless the suppliers, within the time limit stipulated in Article 2a), accept the orders, or the suppliers shall, promptly, return the written documents in question to the company, and delete such data as are provided by the company.
- d) The suppliers shall not, without the written consent issued by the company, assign subcontractors or transfer such orders as are placed by the company to the third party. Or, the company has the right to revoke or terminate the contract in question and to claim for the compensation.

3. Delivery

- a) Such delivery dates and delivery terms as are stipulated in the orders of the company shall be binding. The timely delivery depends on the date of receiving goods at such delivery sites as are informed by the company (or the date for the completion of acceptance).
- b) Where the suppliers expect and confirm a delayed delivery or delayed implementation or such circumstances as the stipulated delivery terms or agreed dates are forecasted, they shall, promptly, inform the company of the reasons for the delay in question and possible term hereof, but the circumstances in question shall not have an impact on the exercise of the company's right to revoke the contract or to claim for compensation.
- c) Where the suppliers breach the contract, the company shall require, as of the date of the breach in question, the suppliers in question to pay the penalty of approximately 0.5% of the orders' amount weekly, but the penalty in question shall not exceed 5% hereof. Where the company reserves the right to require the suppliers to pay the penalty in question at the end of the months for the last delivery or the conclusion of the offered services by the suppliers stipulated in the orders, and the company may require the suppliers in question to pay the penalty. The penalty stipulated in the contract shall be taken as the compensation for any claim.
- d) Where, the company, without any additional condition, accept the goods or services of delayed delivery, it does not mean that the company waives the right to claim for losses to the company caused by the delayed goods and services in question.
- e) Where the suppliers, during a reasonable term, do not receive the needed documents after issuing a written reminder for such documents as shall be provided by the company, the suppliers in question shall only require the company to provide the remaining documents.
- f) All such documents as are required to be provided by the suppliers (for example, product qualification certificate, warranty, certificate of origin, etc);
- g) The suppliers shall be liable for, in written form, informing the company of such alterations to the processing raw materials or the alterations to the similar goods or services or the ones to process as have been made by the date of deadline. Such alterations shall obtain the written consent issued by the company. The goods and services without the consent hereof shall be deemed as unqualified.

4. The Acceptance of Goods and Services

- a) Where such situations as fail to be expected in placing orders, and they still can not be avoided after the company takes effective measures, such obligations of the company as are in the term and under influencing scope of the situations shall be exempted.
- b) Where in the circumstance of force majeure, such obligations of the parties to the contract as are in the disturbed term and within the influencing scope of the situations in question shall be exempted. The parties hereto shall promptly provide reasonable information as much as possible and follow the principle of integrity, and in accordance with the change in situations, correspondingly adjust the responsibilities hereto.
- c) Where a delay is caused by force majeure or labor disputes, the company, after taking into account the commercial factors, does not need the goods or services in question any more, the obligations of the company to accept specified goods or services shall be entirely or partially exempted, and in the situations in question, the company has the right to revoke the contract.

5. Risk Transfer and Shipment

- a) Where the goods requires installation and assembly, and for services, the risk transfer shall be conducted in accepting; for other goods, the risk transfer shall be conducted at such delivery sites we receive goods as are stipulated by the company
- b) Unless otherwise stipulated in the agreement, cost in transportation and package, tariffs, tax and other expenses of taxation as well as the insurance of goods shall be born by the suppliers. The package and shipment of the goods shall be well completed and done.
For the agreed EXW price or warehouse price, the shipment shall be, except for the stipulated shipment forms by the company, made at the lowest cost. The suppliers shall pay such additional expenditures as incur due to the failure to meet the requirements on shipment or package or the expenditures caused by the realization of the timely delivery through a faster shipment form in accordance with the delivery date.
- c) Where goods are delivered partially or experience delayed delivery, the situations shall be indicated in the shipment documents. Such additional expenditures of partial assembly in the assembly unit shall be born by the suppliers. The suppliers shall also bear such newly-increased cost of the company as results from the failure of the suppliers to meet the regulations in question, or using incomplete or wrong addresses in delivering.

6. Invoice

In principle, the suppliers shall issue such value-added tax invoices (the tax rate shall be 17%) as are made in duplicate. If any special case, if the suppliers failed to issue the value-added tax invoices of the tax rate 17%, the employee who is responsible for the purchase shall provide the statement in writing. The invoices of other tax rates shall be reimbursed only when checked and approved.

7. Price and Payment Conditions

- a) Such prices as mentioned in the purchasing orders shall be binding.
- b) The payment term shall be counted from the date when the delivery of all goods or the providing of all services are completed, and the date when the invoice is formally issued.
- c) Where the suppliers are responsible for providing test report, document related to quality, documentary proof and other records, the acceptance of the data in question shall serve as the major premise of the completion of delivery and service.
- d) The site of implementation shall be the locations of the relevant branches of Schaltbau Holding Group or the premises they register.
- e) Make payment of the goods does not mean that the company confirms that the goods or services meet the requirements mentioned in the contract.

8. Liability of Defect

- a) The delivered goods or services shall be in conformity with the provisions of the purchasing orders and other detailed requirements, such as standards and other documents. In any case, the goods and services in question shall be in line with the generally-acknowledged technical regulations.
- b) The suppliers shall be liable for the effective implementation and maintaining of the review of the inspection of the shipped goods in a continuous way, and as part of quality warranty, the company has no need to carry out inspections of the received goods.
- c) All the goods provided by the suppliers according to the contracts should be totally new without defects in design, material and processing, and the brands, quality, specifications and performance of the goods should be definitely complied with the regulations of the contracts, and should the product quality certificates or product quality evidences of the goods also should be provided at the same time. Where any defect is found, the company shall have relevant legal rights and have no any restriction. In any case, the company shall have the right to require the suppliers to eliminate the defects or provide new products by itself, and the company shall definitely

reserve the right to claim for compensation, especially the damage to performance. If the suppliers provided any failed or defected goods or fakes, the Company reserve the right to relieve the contracts, and the suppliers should be responsible for all the cost or losses caused by relieving the contracts (including, but not limit to the claims from the customers). In addition, the suppliers who failed to perform the contracts should pay 10% of a amount of the total contract price to the Company as a penalty.

- d) Where, due to the defective products in accordance with the corpores in the contract, such incurred expenditures of the company as are beyond the normal scope hereof, including, but not limited to the cost of transportation, travel expense, labor cost, material cost or inspection cost of the delivered goods, the expenditures in question shall be born by the suppliers.
- e) Where the suppliers fail to eliminate the defects, the company shall have the right to eliminate the defects by itself or do it through a third party, and the incurred expenditures shall be born by the suppliers.

9. Limitation Period

- a) Except for prolonged periods in the accordance with the provisions of laws or the contract, the limitation period of materials and legal defects shall be, as of the date of risk transfer, three years; and the relevant rights related to the compensation for the subsequent performance, loss or expenditure, etc shall also become invalid after three years. Once the suppliers receive the notice of defects issued by the company, the right limitation period based on the defects shall be suspended.
- b) Where the suppliers provide the substitutes for the defected products and implement the obligations of subsequent compensation, unless the suppliers definitely announce to reserve such right of delivery in the subsequent deliveries as is only based on the reputation and as is conducted in such a manner as avoids controversy, or, after the delivery of substitutes, the limitation period hereof shall be recounted.

10. The Supply of Spare Parts

The suppliers, who supply the components without the drawings shall be, in accordance with applicable articles and conditions, liable for the delivery of spare parts within the normally applicable period of technology, and where the suppliers suspend the supply of spare part or the relevant deliverables, the company shall be given the last chance to place orders (it is not applicable for purchase of the components with the drawing).

11. Industrial Property and Other Rights of the Third Party

- a) The suppliers shall be liable for ensuring that the delivery of goods will not involve the third party or the ownership related to the delivery in question hereof.
- b) The suppliers shall protect the company from such claims as result from the infringement of industrial property or other rights of the third party, and where the claims in question are caused by the suppliers' negligence of duties, the suppliers in question shall pay the expense for right protection. Where a claim is made, the company shall promptly inform the suppliers of such claim.

12. The Ownership of the Products Provided by the Suppliers

- a) The company shall reserve the ownership of the provided moulds, designs, production equipment, tools, measuring and testing facilities, materials, drawings, and factory's charts of standards, printed duplicates and similar articles. The suppliers shall, on behalf of the company, manufacture relevant production equipment and tools related to the orders. The suppliers shall, free of charge, provide the storage sites for the data and articles in question, assign prudent personnel to take care of them, and the data and articles in question with such ones as they have possessed shall be separately placed, and mark them as the property of the company only for the use of providing goods and services. The suppliers shall pay such expenses of the company as incur in providing production resources of the company or in the storage, maintenance and updating of the product resources the company uses. The production equipment shall not be updated without the written consent issued by the company in advance. The company may require the returning of the production equipment, if:
 - A consensus of returning is reached in the tool contract
 - The suppliers shall not provide the accessories of the production equipment they purchase.
 - The suppliers suffer losses of asset, especially for the ones of the suppliers' assets, and start bankruptcy proceedings, or:
 - The suppliers have started such proceedings or the business relations have been terminated.

The suppliers shall, in accordance with the requirements (of the company), be liable for, at their own expenses, freeing the tools of the company from the losses in value caused by fire, flood or pilferage. Where the suppliers have transferred all such compensations for the claims as are covered by the insurance to the company, the company shall accept such transfer.

- b) Where the suppliers need to process or transfer such raw material as have been provided by the company, it should be conducted in the name of the company. The company shall be the immediate owner of the produced articles. Where the raw materials provided (cost price plus legal value-added tax) by the company are processed with such other articles as don't belong to the company at the same time, the company shall, in accordance with the proportion between the value of the provided articles and that of other processed articles in the newly-produced product, share the ownership.
- c) Where the articles provided by the company, in an impartible manner, combine or mix with such other articles as do not belong to the company, the company shall, in accordance with the proportion between the value of the provided articles in question contained in the newly-produced products and that of the combined, combined in the process, and the mixed other articles herein, shall share the ownership. Where the main articles in the combined or mixed products do not belong to the company, it shall be deemed that the parties have agreed to, in proportion, transfer the common ownership to the company. The suppliers shall, in the name of the company, exclusively have, or share the common ownership.
- d) Where the value of hypothec of the company exceeds the total cost of the goods of unpaid tenure ownership, and the exceeding part is more than 20% hereof, the company shall terminate the hypothec in question after the suppliers makes such request.
- e) Where the suppliers, without the authorization, use the ownership in question, the company shall, in the circumstance of having no impact on the exercise of other rights, revoke or terminate the contract, and claim for compensation.

13. Maintain Confidentiality and the Prohibition of Advertisement.

- a) The suppliers shall have the obligations to maintain the confidentiality of all such information as is indicated in the written records or oral transmission or the articles provided by the suppliers to the company, and the suppliers in question shall not, without the written consent issued by the company, disclose the information in question to the third party. The confidentiality obligation shall remain applicable after the contract terminates. Where the production technology and knowledge contained in the submitted documents are within the scope of the known, the obligation of confidentiality stipulated in the contract shall become invalid.
- b) Where the suppliers quote the business relations with the company in their advertisements, they shall obtain the definite consent of the company.
- c) Subcontractors shall, in accordance with the provisions of a) and b), implement their obligations.

14. Site of Implementation, Place of Judicial Decisions and Others

- a) The site of delivery of the goods and services shall be the destinations. Or the site of delivery is the location where the company lie in or registered premises hereof.
- b) The company shall, by itself, for branches placing orders of Schaltbau Holding Group, determine the place of jurisdiction, and register premises or provide the courts of jurisdiction where they register premises for the trademark.
- c) The invalidity of isolated clause in the purchasing clauses and conditions shall not affect the validities of the remaining clauses herein. In this circumstance, the parties to the contract shall adopt such a valid clause as approaches the economic role of the invalid clause as much as possible to replace the invalid clause in question.

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