

General Terms and Conditions of SINO Hardware Manufacturing Co., Ltd.

We only conclude contracts on the basis of the following terms and conditions. They are also valid for all future business relationships, even if not expressly agreed for them.

Discrepancies from the terms are only effective if we confirm them in writing. We are not bound by the terms and conditions of the purchaser unless we have recognised these either in writing or text form, even if we do not expressly contradict them in writing.

Modifications to these terms and conditions will be communicated to the purchaser in writing or text form. These are considered to have been approved unless the purchaser raises an objection in writing or text form. We will inform you of this consequence at the time of the communication. The purchaser must send his objection within one month of communication of the modifications.

I. Scope of deliveries or services

1. The mutual declarations exchanged in written or text form are decisive for the scope of deliveries or services. If a contract has been agreed without the existence of such mutual declarations then either a written or text order confirmation or, if this has not been granted, the written or text order of the purchaser is decisive.
2. We reserve the unlimited proprietary and copyright exploitation rights to cost estimates, drawings and other documents; they may only be copied or transferred to third parties with our prior permission. Drawings and other documents associated with offers must be returned immediately on demand if the order is not placed with the supplier. Clauses 1 and 2 apply accordingly for documents belonging to the purchaser but these may only be made accessible to those third parties to whom we have permissibly transferred deliveries or services.
3. Partial deliveries are permitted insofar as they are deemed acceptable for the ordering party.
4. Subsidiary agreements are only effective in written or text form.

II. Prices

1. The prices named in our order confirmation plus statutory VAT are binding. We are entitled to increase the price agreed with the purchaser in accordance with the additional burden that we incur after agreement of the contract because of the introduction of statutory or regulatory regulations, e.g. taxes, , customs or currency adjustment costs or raw material cost fluctuation.
2. Prices are valid ex factory including standard packaging except where otherwise stipulated.

III. Terms of payment

1. Payment is Payment in advance
2. Unless otherwise agreed invoices are payable at the latest 30 days after the date of the invoice without deduction. Repair invoices and invoices for samples and other services are payable at the latest 30 days after the date of the invoice without deduction.
3. Payment with bills of exchange and cheques is subject to processing. We are entitled to refuse acceptance of bills of exchange and cheques. -
4. In the event that the purchaser defaults we are entitled to demand default interest at 8 percentage points above the relevant base rate without further proof. We reserve the right to claim higher default damages.
5. Offsetting with counterclaims or the claiming of right of retention is only permissible in so far as the purchaser's claims are ascertained to be indisputable or legally valid. In the event of notices of defect in accordance with article VIII payments by the purchaser may be

retained to the extent that they are in appropriate proportion to the existing defects. The purchaser is only permitted to retain payments if a notice of defect is claimed where the entitlement cannot be doubted. If the notice of defect is wrongful then we are entitled to demand compensation from the purchaser for the costs we have incurred.

IV. Title retention

1. The delivered goods (goods subject to retention of title) remain our property until complete payment of the agreed price including all claims from the business relationship and future claims and until bills of exchange and cheques have been redeemed.
2. While the retention of title exists the purchaser is not permitted to enter into a pledge or security assignment and a reseller may only resell as part of regular business proceedings and only on condition that the reseller receives payment from his client or under the proviso that the property will only be transferred to the client once he has fulfilled his payment obligation. The purchaser assigns his claims from the resale of the goods that are subject to retention of title to us with immediate effect, particularly the claim for the purchase price/payment claim against his customer. We accept this assignment. If the goods belonging to us are processed or sold on together with other goods then the claim is assigned in same proportion of the net invoice value of our goods that are subject to retention of title to the net invoice value of the entire goods. The purchaser is obliged to inform his debtors of this assignment at our request. We must be informed of claims and the name of the purchaser's debtor.
3. The purchaser is entitled to collect claims from the resale. In the event of default or if other situations become known that would be suitable from a business point of view to reduce the credit worthiness of the purchaser then we are entitled to withdraw the right of collection.
4. Processing of the goods that are subject to the retention of title occurs for us as a manufacturer in the sense of Chinese law. If the goods that are subject to the retention of title are processed or mixed with other objects that are not our property then we acquire joint ownership of the new object in the same proportion as the net invoice value of the other goods used at the time of the processing or mixing.
5. If third parties have access to the goods that are subject to retention of title, in particular through a pledge, then the purchaser will be informed of our ownership of the goods and we must be informed immediately with a copy of the report on assets seized.
6. In the event of payment default by the purchaser or other non-fulfilment of the contractual obligations we are entitled to take back the property delivered by us. The retrieval does not represent withdrawal from the contract except if we declare the same expressly in writing or text. Furthermore we are authorised, in the event that the purchaser does not fulfill his obligations by the due date, to dispose of the goods that are subject to retention of title and other securities at any time and without legal proceedings while taking the greatest possible consideration of the purchaser's interests. The disposal may only be carried out if we have notified this purchaser at least 14 days beforehand.
7. In the event that the value of the acknowledged securities exceeds our claims by more than 20% then we are obliged to either transfer or release the securities as we prefer at the request of the purchaser.
8. The purchaser will hold the goods that are subject to retention of title for us in safe custody and free of charge. He must insure them against standard risks such as fire, theft and water to a normal level. The purchaser herewith assigns to us the compensation claims that are owed to him as a result of the above type of damage from insurance companies or other parties who are obliged to pay compensation up to the net value of the goods. We accept this assignment.

9. All claims and the rights resulting from the title retention for all of the special forms stated in these regulations remain in place until the complete release from any obligations that we have undertaken in the purchaser's interest.

V. Time period for deliveries and services

1. The delivery period is determined in accordance with the mutual declaration in writing or text form. Article I item 1 clause 2 is valid accordingly. The confirmed delivery period is considered non-binding except if it has been confirmed as a 'binding delivery date' in written or text form. Adherence to this period presupposes the punctual receipt of all documents to be delivered by the purchaser, the necessary authorisations and releases, the punctual clarification and approval of the plans, adherence to the agreed conditions of payment and other obligations. If these obligations are not fulfilled in time then the time period will be extended accordingly.

2. The time period for deliveries is considered to have been upheld if the operational shipment is delivered for shipping or collected within the agreed delivery or service period. If the departure for delivery is delayed for reasons for which the purchaser is responsible then the deadline is considered to have been upheld if the readiness for shipping is registered within the agreed period.

3. If the non-adherence to the deadline for deliveries or services can be proven to have been caused by mobilisation, war, unrest, strike, lockout or the occurrence of unforeseeable barriers then the period will be extended accordingly.

If the deadline is not upheld for other reasons than those named in item 3 section 1 then the purchaser – insofar as he substantiates that he has incurred damages as a result of the delay – can demand delay compensation for each complete week of the delay from 0.5% to a total of 5% of the value of the part of the delivery or service that could not be put to use because of the delay in the production of individual objects that formed part of it. In the case of a non-binding delivery date the delay occurs after the purchaser sets a time extension of 3 weeks.

The purchaser can also demand payment of the delay compensation if the situation in item 3, section 1 only occurs following the culpable exceedance of the deadline that was originally agreed. The purchaser has no other claim to compensation beyond the limit stated in item 3, section 2 except if the damage is caused intentionally or through gross negligence on our part or that of one of our executives. We are only liable for gross negligence on the part of non-executives if they have violated an important contractual obligation. Compensation of actual loss such as loss of production, reduced production or lost profit is limited to the general principles of good faith, for example in cases of disproportion between the level of the delivery price and that of the damage.

VI. Shipping, transfer of risk

1. The risk is also transferred to the purchaser if delivery is agreed free of transportation charges if the finished shipment is delivered or collected for shipping. Shipping is carried out to the best of our ability. We will insure the shipment against breakage, transport and fire damage at the request and cost of the purchaser.

2. If the shipping or the delivery is delayed at the request of the purchaser then we can charge 0.5% of the net invoice sum per month, beginning one month after shipment readiness is notified except if we can prove higher costs.

3. Packaging is carried out with utmost care. Packaging is neither taken back or disposal costs paid unless we are obliged by law to take it back.

VII. Acceptance

The purchaser may not refuse to accept deliveries because of minor defects.

VIII. Material defects

We are liable for material defects as follows:

1. All parts and services that display a material defect within 12 months from the day of the risk transfer will either be improved free of charge, replaced or provided again, as we choose insofar as the cause was already in existence at the time of the transfer of risk. We must be informed of the determination of such defects immediately in written or text form.
2. The purchaser must give us as much time and opportunity as is reasonably required to repair the defect. If he refuses the same then we are released from liability for the defect.
3. In the event that we allow a reasonable final deadline to elapse without resolving the defect then the purchaser may withdraw from the contract or reduce remuneration regardless of any compensation claims.
4. Claims for material defects on the basis of reworking, replacement deliveries or replacement services lapse in 6 months or at the earliest once the time period in section 1 has elapsed. The statutory regulations regarding suspension of expiry, suspension and new starts for deadlines remain unaffected.
5. Claims for defects cannot be made in the event of only slight discrepancies from the agreed properties, in the event of only slight impairment of serviceability, in the event of natural wear or damage that was caused after transfer of risk as a result of incorrect or negligent treatment, overuse or unsuitable operating materials and types of electrical or electro-chemical influences that are not prerequisites in the contract.
6. If the purchaser or a third party carries out unsuitable modifications or repair work then the consequences of the same are also excluded from defect claims.
7. Claims by the purchaser because of necessary costs for supplementary performance, particularly costs for transport, travel, work and materials are excluded insofar as the costs are increased because the delivered goods were transported at a later date to a different location than the purchaser's premises except if the later transportation was in line with the intended use.
8. Recourse claims by the purchaser against us in accordance with Chinese Law (company recourse) can only be made insofar as the purchaser has not made any arrangements with his client that go beyond statutory defect claims. The scope of recourse claims by the purchaser against us in accordance with Chinese Law is also in accordance with item 7.

IX. Industrial property rights and copyright; defects of title

1. Where no other agreement is reached we are obliged to only provide deliveries in the country of the delivery destination free of third party commercial property rights and copyright (referred to hereinafter as trademark rights). Insofar as a third party makes a founded claim against the purchaser on the grounds of violation of trademark rights by contractual deliveries by us we are liable to the purchaser within the time period in article VIII as follows:
 - a) We have the choice of either effecting an easement at our cost for the relevant delivery or modifying it in such a way that the trademark is not violated or to exchange it. If this is not possible on reasonable terms then the purchaser is entitled to withdraw or to reduce remuneration as permitted in law.
 - b) Our obligation to pay compensation is based on article XI.
 - c) Our obligations as listed above are only valid insofar as the purchaser informs us immediately in writing of the claims made by third parties, does not acknowledge the violation and retains for us the rights for all defensive measures and settlement negotiations. In the event that the purchaser ceases use of the delivery for damage reduction or other solid grounds then he is obliged to inform the third party that the cessation of use does not signify acknowledgement of the trademark violation.
2. No claims are permitted by the purchaser insofar as he is responsible for the trademark violation.

3. Claims are also excluded by the purchaser insofar as the trademark violation was caused by specific requirements of the purchaser, by usage that we could not foresee or because the delivery was modified by the purchaser or was used with products that we did not deliver.

4. In the event of trademark violations the provisions in article VIII are valid accordingly for the claims by the purchaser regulated in item 1 a).

5. In the event of such defects of title the provisions in article VIII are valid accordingly.

6. Further or other claims against us or our agents by the purchaser to those regulated in this article IX on the basis of defect of title are excluded.

X. Contract adaptation

1. Insofar as unforeseen events in the sense of article V item 3 substantially alter the economic importance or the content of the delivery or have a substantial effect on our operations the contract will be adapted in good faith. Where this is not economically possible we reserve the right to withdraw from the contract. If we take advantage of this right to withdraw we must inform the purchaser of this decision immediately following recognition of the consequences of the event, even if we had initially agreed an extension of the delivery date with the purchaser.

XI. Other compensation claims

1. Damage and cost compensation claims by the purchaser (hereinafter referred to as compensation claims), for whatever legal reason, particularly based on the violation of obligations in the obligatory relation and as a result of unlawful acts, are excluded.

2. This is no longer valid if the liability is mandatory, e.g. in accordance with the product liability law, in cases of intent, gross negligence, based on damage to life, body or health or because of the violation of important contractual obligations. Compensation claims for the violation of important contractual obligations are, however, limited to foreseeable damage insofar as there is no intent or gross negligence or liability based on damage to life, body or health. A change in the burden of proof to the disadvantage of the purchaser is not associated with the above regulations.

3. Insofar as the purchaser is entitled to compensation claims in accordance with this article XI they will lapse with the period of limitation that is valid for compensation claims in accordance with article VIII. The statutory periods of limitation are valid for compensation claims in accordance with the product liability law.

XII. Place of fulfilment, court of jurisdiction and applicable law

1. The place of fulfilment for all obligations resulting from the contractual relationship is Jiaxing, Zhejiang, China

The court of jurisdiction for all disputes arising from this contractual relationship when the purchaser is a businessman, a public corporate body or public fund assets is Jiaxing. We are, however, also permitted to file a suit at the location of the purchaser's headquarters.

2. The sole applicable law is Chinese law. Application of the UN Convention on Contracts for the International Sale of Goods (CISG) is ruled out.

XIII. Final provisions

In the event that individual provisions in these general terms and conditions or a provision within the framework of other agreements between the purchaser and us is found to be invalid then this will not affect the validity of the other provisions. In this event the



contractual parties are obliged to agree a valid regulation that is equivalent to the economic sense and aim of the invalid clause.

SINO Hardware Manufacturing Co., Ltd.
168 Duoyuan Road
Wangjianjing Development Zone
Xiuzhou District
314016 Jiaxing, Zhejiang
P.R.C.