

General Terms of Sales and Delivery

of Balluff (Shanghai) Trading Co., Ltd.

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Article 1

Quotations / Orders

- 1.1 All quotations submitted by the Seller are subject to change and not binding unless otherwise expressly agreed by the Seller in writing.
- 1.2 No order submitted by the Buyer shall be deemed to be accepted by the Seller unless and until confirmed in writing by the Seller's authorized representative. Such acceptance is normally made in form of a proforma invoice or order confirmation.
- 1.3 The Buyer shall be responsible to the Seller for ensuring the accuracy of any order including any applicable specification submitted by the Buyer, and for giving the Seller any necessary information relating to the ordered Products within a reasonable time to enable the Seller to perform the delivery in accordance with these General Terms.
- 1.4 The quantity, quality and description of and any specification of the ordered Products shall be those set out in the Seller's quotation.
- 1.5 The Seller reserves the right to make any changes in the specification of the Products which are required to conform with any applicable standards of the People's Republic of China.
- 1.6 No order which has been accepted by the Seller may be cancelled by the Buyer except with the agreement of the Seller in writing and on General Terms that the Buyer shall indemnify the Seller in full against all loss, costs, damages, charges and expenses incurred by the Seller as a result of cancellation.

Article 2

Delivery

- 2.1 All delivery dates and deadlines are not binding unless otherwise expressly agreed in writing, e.g. the date stated on the order confirmation or sales contract. The agreed delivery dates in written are effective only after advance payment according to Clause 4.2/a). If no date is explicitly stated, the Products shall be delivered within reasonable time after the Seller has notified the Buyer that the Products are ready for delivery.
- 2.2 Unless otherwise agreed in writing between Seller and Buyer, the delivery shall be made by the Buyer collecting the Products at the Seller's manufacturing plant, at the delivery date or within reasonable time after the receipt of the notice from the Seller. Or if stated on the order confirmation, the Seller can also send the Products to the Buyer. In this case, the delivery shall be effected freight forward and for the account of the Buyer. Risk is transferred from the Seller to the Buyer either when the Products have left the factory or as soon as the Buyer has been notified that the Products are ready for pick up or ready for dispatch.

- 2.3 The Products may be delivered by the Seller in advance of the agreed delivery date upon giving reasonable notice to the Buyer.
- 2.4 The agreed delivery must be reasonably extended when circumstances arise which the Seller cannot prevent despite using the required care, included but not limited to force Majeure, governmental action, labor disputes, shortage of raw material, energy supply problems or transportation delay. The Seller shall notify the Buyer about these circumstances on time. In this case, the Seller shall be not charged with the liabilities for violation of these General Terms.
- 2.5 Unless otherwise agreed, part shipment shall be permissible. Each instalment of the delivery shall constitute a separate contract and failure by the Seller to deliver any one or more of the instalments in accordance with these conditions or any claim by the Buyer in respect of any one or more instalments shall not entitle the Buyer to treat the all the instalments as a whole as repudiated.
- 2.6 Without prejudice to any other right or remedy available to the Seller, if the Buyer fails to take delivery, fails to give the Seller adequate delivery instructions or fails to pay to seller according to Clause 4.2/b) at the time stated for delivery and after a reasonable period of grace fixed by the Seller, the Seller is entitled to
- a) store the Products until actual delivery and charge the Buyer for the reasonable costs of storage; or
 - b) sell the Products at the best price readily obtainable and charge the Buyer for any shortfall below under the price agreed between the Seller and Buyer.
- 2.7 If the Seller fails to prepare the Products due to the reasons within the control of the Seller on the agreed delivery date, the Buyer shall set a reasonable period of grace for preparation of the delivery. Where after the above mentioned period the delivery is not made due to intention or gross negligence of the Seller, the Buyer may claim for the damages which occurred by the delay of the delivery up to 3/10000 per day of the Price of the involved instalment.

Article 3

Price

- 3.1 The price shall be the Seller's quoted price. All prices quoted are valid for 30 days only or until earlier acceptance by the Buyer, after which time they may be altered by the Seller without giving notice to the Buyer.
- 3.2 Except as otherwise stated under the General Terms of any quotation or in any price list of the Seller, and unless otherwise agreed in writing between the Buyer and the Seller, all prices

quoted by the Seller are on an ex works basis. Where requested by the Buyer, the Seller agrees to make the deliver otherwise than on the Seller's premises, any expenses for packaging, transport and insurance shall be charged extra.

3.3 The Seller reserves the right, by giving notice to the Buyer at any time before delivery to increase the Price to reflect any increase in the costs to the Seller which is due to any factor beyond the control of the Seller, any change in the delivery dates, quantities or specifications for the Products which is requested by the Buyer, or any delay caused by any instructions of the Buyer or failure of the Buyer to give the Seller adequate information or instruction.

Article 4

Payment

4.1 All payments shall be made by the Buyer to the Seller for the account of the Seller opened with the Industrial and Commercial Bank of China. By written permission of the Seller, the payment by cheque or other manner is acceptable. Any and all cost for payment by other manner thereof shall be borne by the Buyer.

4.2 The total price shall be paid by the Buyer to the Seller according to the following manner and percentage:

- a) After the order confirmed by the Seller, the Buyer shall make immediately advance payment according to 30% of the total order amount;
- b) The remaining 70 % shall be paid not later than 15 days after the notice to the Buyer that the order is ready for delivery has been sent by the Seller.

4.3 In the event that the Buyer fails to make any payment on the due date and after a reasonable period of grace fixed by the Seller, without prejudice to any other right or remedy available to the Seller, the Seller shall be entitled to:

- a) suspend on further deliveries to the Buyer,
- b) charge the Buyer interest on the amount unpaid according to 3/10000 per day until payment in full is made.

Article 5

Retention of Title

5.1 The Seller shall retain ownership of the Products delivered to the Buyer until the purchase Price has been paid in full.

5.2 The Buyer shall take all necessary measures for the protection of the property rights of the Seller. Such privileged property may not be pledged, placed in escrow or title thereto transferred to any third party, unless expressly agreed by the Seller in writing.

Article 6

Warranties and Liability

6.1 The warranty period shall be twelve months from the date of actual delivery to the Buyer, provided the Products have been professionally stored, maintained and used by the Buyer.

6.2 The Buyer shall insure that the specification of the ordered Products is correct and suitable for the category of usage of the Products at the place of usage. The Buyer shall hand over all the involved safety instructions and directions for use of the involved Products to his customers.

6.3 The warranty prescribed in Art.6.1 is given by the Seller subject to the following conditions:

- a) the Seller shall be under no liability in respect of any defect in the Products arising from any drawing, design or specification supplied by the Buyer;
- b) the Seller shall be under no liability in respect of any defect arising from fair wear and tear, wilful damage, abnormal working conditions, failure to follow the Seller's instructions, misuse or alteration or repair of the Products without the Seller's approval;
- c) the Seller shall be under no liability under the above warranty if the total price of the Products has not been paid by the due date for payment;
- d) the above warranty does not extend to parts, materials or equipment not manufactured by the Seller, in respect of which the Buyer shall only be entitled to the benefit of any such warranty or guarantee as is given by the manufacturer to the Seller.

6.4 The Buyer shall inspect the quantities and qualities of the Products immediately upon receipt. If any defect exists, the Buyer shall notified the Seller in writing within 15 days after the receipt. If delivery is not refused and the Buyer does not notify the Seller accordingly, the Buyer shall not be entitled to reject the Products and the Seller shall have no liability for such a defect or failure, and the Buyer shall be bound to pay the price as if the Products have been delivered in accordance with these General Terms.

6.5 To the extent there are defects involved which were not recognizable in the course of a customary examination, written notice of such defects must be given immediately upon their discovery within the warranty period. Otherwise, the Products delivered are deemed to have been accepted with respect to such defects and any warranty claims against the Seller are excluded.

- 6.6 The Products may not be returned except by written permission of the Seller, and when so returned will be accepted only as stated in the following conditions:
- a) all transportation charge for returned products must be covered and prepaid by the Buyer;
 - b) in original package and in good, clean condition;
 - c) not later after 30 days after the invoice date.
- 6.7 Where any valid claim in respect of any of the Products which is based on any defect in the quality or condition of the Products or their failure to meet specification is notified to the Seller in accordance with these conditions, the Seller shall be entitled to repair the Products or replace them free of charge.
- 6.8 Any advise or recommendation given by the Seller or its employees or agents to the Buyer or its employees or agents as to the storage, application or use of the Products which is not confirmed in writing by the Seller is followed or acted upon entirely at the Buyer's own risk, and accordingly the Seller not be liable for any such advice or recommendation which is not confirmed.
- 6.9 In case of the delay of the delivery the Seller shall not undertake other liabilities than the liability for damages provided in Art.2.7 of these General Terms.
- 6.10 In case of any defect or quality problem of the Products the liabilities for damages to be undertaken by the Seller shall not exceed the actual Price of the Products. Any and all the joint and several liabilities for damages shall not be born by the Seller.

Article 7

Confidentiality

- 7.1 The Buyer hereby agrees to keep confidential and not to disclose to any third party any part of the Technical Specification and/or any technical or other information disclosed to the Buyer pursuant to these General Terms.
- 7.2 The Buyer shall also not use any part of the Technical Specification and/or any technical or other information disclosed to the Buyer pursuant to the provisions of these General Terms for the manufacture of any products similar to the delivered Products.
- 7.3 The Buyer agrees to pay to the Seller a penalty of RMB 5000.00 RMB for each event of violation of confidentiality under this Article. If the violation continues for more than one month, each month shall be deemed as separate violation. The right under this provision shall not preclude the Seller from exercising its right under Article 9 below.

Article 8

Taxes

8.1 All taxes and duties in respect of Seller's income or revenues to be levied on the Seller under the tax laws and regulations shall be borne and paid by the Seller.

8.2 All expenses for packing, shipment, insurance and bank transfer, and all taxes and duties to be levied on the Buyer under the tax laws and regulations shall be borne and paid by the Buyer.

Article 9

Violation of Stipulations

If a Party fails to perform any of its obligations according to these General Terms, it shall be deemed as violation of stipulations. The Party in violation shall have thirty days from the receipt of notice from the other Party specifying the violation to correct such violation. If, after such thirty day's period the violation is not corrected, then the other Party shall have the right to claim from the Party in violation all damages incurred whether direct or indirect (including all economic losses). In addition, the other Party may withdraw the sales with immediate effect.

Article 10

Force Majeure

10.1 Should either Party be prevented from executing its obligations according to these General Terms due to the case of force majeure such as war, serious fire, flood, typhoon, earthquake and other cases which will be recognized by both Parties upon agreement as being cases of force majeure, the time for implementing shall be extended by a period equivalent to the effect of the occurrences.

10.2 The Party pleading force majeure shall give written notice to the other Party as soon as circumstances will allow. In such case the affected Party will be excused from the fulfillment of its obligations to the extent a delay was caused by force majeure.

10.3. During the duration of force majeure, each Party shall bear its own cost resulting from the delay in the execution of its obligations.

10.4 If the event of Force Majeure continues for more than 90 days, both Parties shall negotiate the performance or withdraw of the sales. If within 90 days after the occurrence of the event of Force Majeure both Parties cannot reach an agreement, either Party has the right to withdraw the sales. In case of such a withdraw either Party shall bear its own costs, further claims for compensation resulting from the termination shall be excluded.

Article 11

Right to Withdraw

11.1 If the specified quantities of Products ordered by the Buyer are not called down for delivery within the agreed period, the Seller is entitled to withdraw from the sale with immediate effect, and/or to adjust the prices accordingly. The Buyer is prohibited from claiming any damages.

11.2 In case of the Buyer's insolvency or the Buyer's default in payment of an earlier order, the Seller is entitled to withhold its performance until the payment of the outstanding purchase is guaranteed. If such a guarantee cannot be established by the Buyer within a reasonable period of time, the Seller may withdraw from the sale.

Article 12

Applicable Laws, Dispute Settlement

12.1 Governing Law as applicable to these General Terms and to the entire legal relations between the Seller and Buyer shall be the law of the People's Republic of China.

12.2 Any dispute, controversy or claim arising out of or relating to the contractual relationship between both parties shall be settled through friendly consultations between both parties. In case no agreement can be reached through consultations, they shall be settled before the competent People's Courts at the Seller's location.

Article 13

If some clauses of "General Terms of Sales and Delivery" are in conflict with the clauses of the Contract signed by both Parties, the clauses of the Contract signed by both Parties should be valid.