

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

### General

- a) The sales terms and conditions of the Company are exclusively applied, and the Company confirms that there is no such customer terms as conflict or deviate from the sales terms and conditions of the company, except those with the applicable scope clearly consented by the Company in writing. In the event that delivery is made by the Company under the circumstance that it has known that the customer terms conflict or deviate from the sales terms and conditions of the company, but no unqualified opinions is been made to the customer, the sales terms and conditions of the Company are also applicable.
- b) For the purpose of execution of the contract, all the agreements concluded and signed between the Company and customers are recorded herein in writing; therefore, all the agreements shall be reached in written form.
- c) The customer undertakes that it will not pass any information concerning the business relationship with the Company to the third parties.
- d) These sales terms and conditions are not only applicable to the existing orders, but also all the transactions with the customer in the future.

### 1. Quotation and Quotation Documents

- a) With respect to the customer's purchase orders, the Company will reply the offer within two weeks in principle.
- b) With respect to the illustrations, drawings, calculations and other documents belonging to the products developed by the company, the Company reserves full ownership and copyrights. This is also applicable to the written documents described as "confidentiality". Prior to passing on relative documents to the third parties, the customer shall get clear written consent of the company.

### 2. Delivery

- a) Delivery term of the company's quotation is on condition that all the technical matters have been clarified in advance to execute the business contract concluded by both parties.
- b) Complying with the delivery term depends on receiving all the documents provided by the customer, especially plans, approvals and announcements and compliance with the agreed payment terms as well as any other preparation and cooperation actions conducted by the customer necessarily. Failing to fulfill these requirements or due to force majeure or similar matters, thus preventing the Company from delivery, the delivery term shall be postponed.
- c) The customer shall accept products in a timely manner in principle to execute the business contract concluded by both parties.
- d) If the customer breaches other obligation of cooperation, the Company is entitled to claim the losses incurred in such respect, including any extra expenses. The Company reserves all further claims and rights.

### 3. Prices and Terms of Payment

- a) Unless there are other definite agreement described in the Orders, the Company will follow the Ex factory prices excluding package cost and insurance, but including the relevant legal tax, such as value-added tax. The legal tax rate will follow the rate of the date when the invoices were issued.
- b) Both supply and demand sides execute the contract price and payment terms concluded herein.
- c) Products discounts shall be reflected in the contract or a special written agreement signed by both parties.

### 4. Passing of the Risk

Any risk should be passed to the customers since the date when the goods arrived in the customers' business location.

### 5. Safeguarding Reservation of the Title

We reserve title to the product sold until receipt of all payments arising from the business relations with the Customer. In the event of the Customer acting in breaching contact in particular, default in payment, we are entitled to recover the purchased item.

### 6. Industrial Property Rights Copyrights, Defects of Title

- a) unless otherwise agreed, we are obliged to make delivery free of industrial property rights and copyrights of third parties (here in after referred to as "Property Rights"). The legal system of the country of delivery is solely determinant for the same. In the event of a third party bringing legitimate claims against the Customer based on the infringement of Property Rights resulting from the contractual use of deliveries made by us, we are liable to the Customer within the periods stipulated in Article 11 (c) as follows:
  - at our discretion and at our expense, we shall either procure a right of use for the deliveries concerned, modify them in such a way that the Property Right is no longer infringed or replace the same. If we are unable to do so under reasonable terms and conditions, the Customer shall have the statutory rights.
  - The above obligations exist only on condition that the Customer informs us without delay or any claims brought by third parties, that the Customer does not acknowl-

edge any infringement, and that we reserve the right to conduct all defence measures or settlement negotiations. If the Customer ceased to use the delivery items in order to mitigate the damage or on other important grounds, the Customer is obliged to draw the third party's attention to the fact that the cessation of use does not represent any acknowledgement of an infringement of Property Rights

- b) Claims of the Customer are excluded, if the Customer is responsible for the infringement of Property Rights.
- c) Claims of the Customer are also excluded if the infringement of Property Rights is caused by special specifications of the Customer, by a use that we could not have foreseen or because the Customer modified the delivery in breach of contract or used it together with products not delivered by us.
- d) Claims of the Customer against us or our employees or agents, based on an infringement of industrial Property Rights or other rights of third parties, that go beyond those or which differ from those covered by this Article, are excluded, unless we are guilty or intent.

### 7. Goods Testing and Acceptance

- a) If acceptance inspections of the products/services of the Company have been agreed to conduct under specific test conditions, customers or their agents shall execute acceptance on the site of operation of the company. If the customer prevents the implementation of such test, delivery is deemed to comply with the provisions of the contract when products are delivered out of our factory.
- b) If the Company asks for acceptance inspection by the customer, such inspection shall be conducted within 4 weeks after the request at the latest. Avoiding cooperation by the customer shall be deemed that the acceptance inspection has been conducted.

### 8. Size, Weight or Quantity Deviation

Unless clear violation of agreement existing, and under the circumstance that customers are not entitled to withdraw this contract or claim damages, maximum deviation of the weight, quantity and size allowed is not exceeding 10%.

### 9. Rights to Documents and Software

- a) With regard to the cost estimation, drawings and other documents provided by the Company (hereafter referred to as the "documents"), the Company reserves the rights of ownership and copyrights. Documents may be provided to the third parties only with the prior written consent of the Company and for the purpose of the contract, and which shall be returned on the company's demands.
- b) Customers enjoy the non-exclusive right to the software delivered by the Company (in unmodified form and having the characteristics of the prescribed service of the prescribed products). In the event of absence of express agreements, customers may prepared two sets of backup copies.
- c) Unless otherwise agreed the software shall be provided in machine readable form (object code) only.

### 10. Illustrations, Descriptions and Product Specifications

- a) Illustrations, descriptions and specifications reflect the conditions and intentions of the detailed lists or other order documents when being delivered and printed. The Company reserves the right to make any kind of modifications by virtue of technological progress, design modifications or similar reasons, as long as these modifications falls into a reasonable range to the customer (after considering the company's own interests).
- b) To the best knowledge and belief of the company, the Company provides advice on applications. Suitability of the company's products and the details and information for applications do not exempt from the customer's examination obligation. When applying the company's products, the customer is responsible for following legal and official regulations.
- c) Customers are obliged to observe and follow the product specifications applicable to the company's products. For relative materials, customers may refer to the company's website or be provided by the Company by request. The Company disclaims any responsibility as to any defects and damages resulting from failing to observe the specifications of the Company when applying the products.

### 11. Liability for Defects

- a) If defects exist in the items purchased, customers have the right to decide on their own, and is entitled to enjoy subsequent performance rights in the form of eliminating defects or delivering a new item without defects for substitution. In the event of eliminating defects or replacing delivery, the Company is obliged to pay all the expenses incurred with regard to subsequent performance, especially transportation and travel expenses, labor and material cost, provided that these expenses shall not be higher by virtue of projects purchased having been delivered to certain place beyond the place of performance.
- b) Failure of subsequent performance, customers are entitled to decide to withdraw the contract or require to reduce the sales price on their own.

- c) The limitation period for defects claims shall be 12 months calculated from the date on which risks have been transferred.

## 12. Limitation of Liability, Exclusion of Liability

- a) In the event of any malicious intent or material negligence by the Company (as the role of an employee, an agent or a representative) appearing, the Company undertakes the responsibility in accordance with relative statutory regulations, which is also applicable to the breach of basic contract obligations. Unless the Company breaches the contract deliberately, damage compensation liability is limited to typically foreseeable damages.
- b) If the company's liability for damage is excluded or limited, individual liability of the employees, representatives and agents of the Company for damage compensation are excluded or limited accordingly.

## 13. Force Majeure

- a) Neither Buyer nor Seller shall be liable for failure of performing the Sales Contract when such failure results from the occurrence of Force Majeure which is hereby defined as an event unforeseeable, beyond reasonable control of the Party to whom such Force Majeure occurs, including but not limited to: Acts of God, natural disasters, labor disputes, lock out, war or warlike situation, riot, sabotage, fire, breakdown of equipment critical to perform the Sales Contract, transportation delays or accidents, acts of government (such as but not limited to change of laws and revocation of import permits), and outbreak of epidemic.
- b) Any delay in delivery by Seller as a result of the occurrence of any Force Majeure event to its suppliers or subcontractor shall be deemed as a Force Majeure event occurring to Seller.
- c) The Party affected by Force Majeure shall inform the other Party in writing without any delay of the force majeure event as well as the impact of such event on the performance of the Sales Contract. The Parties shall continue fulfilling obligations of the Sales Contract upon end or removal of the force majeure event or its effect. Term (e.g. delivery time) relevant to performance shall be extended accordingly. The Party shall immediately notify the other Party about the end or removal of the force majeure event.

## 14. Governing Languages:

The contract could be written in Chinese or English languages. Both versions are equally authentic. In case of any discrepancies or conflicts between the two versions, the Chinese version shall prevail.

## 15. Applicable Law

The validity, construction and performance of the Sales Contract is governed by, and must be construed in accordance with, the law of the People's Republic of China. The U.N. Convention on Contracts for the International Sales of Goods does not apply to the Sales Contract.

## 16. Dispute Resolution

- a) Amicable Settlement  
All claims, differences or disputes arising out of or in connection with the Contracts, including any question regarding its existence, validity, termination or its performance, or in connection with arrangements regarding the performance of the Contracts (herein after referred to as a "Dispute") shall be settled by an amicable settlement between the Parties. An attempt to arrive at an amicable settlement shall be deemed to have failed as soon as one Party so notifies the other Party in writing.
- b) Arbitration  
If amicable settlement has failed, the Dispute shall be submitted to the China International Economic and Trade Arbitration Commission (CIETAC) and be settled by three (3) arbitrators in accordance with the arbitration rules of CIETAC (herein after referred to as "Rules") in effect at the time of applying for arbitration. Each Party shall appoint one (1) arbitrator (here in after referred to as "Co-Arbitrator") within the period specified by the Rules. The presiding arbitrator shall be jointly appointed by the Parties. If the Parties cannot agree on a presiding arbitrator within fifteen (15) days after the respondent's receipt of the Notice of Arbitration, then the presiding arbitrator shall be appointed according to the Rules by CIETAC (Art. 22.3 CIETAC Rules).
- c) The seat of Arbitration shall be Beijing. The language of Arbitration shall be Chinese. The arbitration award shall be final and binding upon the Parties.
- d) The arbitration award shall be substantiated in writing including any dissenting opinion. The arbitration tribunal shall also decide on the matter of costs of the arbitration and on the allocation of expenditure among the respective Parties.

Effective October 2015