

## Terms and Conditions of Purchase

Set forth below are the terms and conditions applicable to all purchase transactions between Freflex (hereinafter called "Buyer") and Sellers who supply goods or services.

### Exclusivity of Terms

Buyer hereby offers to purchase the good ("Goods") and / or services described on the face of the "Purchase Order". Acceptance is expressly limited to the terms and conditions of this offer ("these Terms"). Any term or condition in any form of Seller which has been or, at any time, may be received by Buyer and which is inconsistent with, additional to, or different from these terms is hereby expressly objected to, rejected and shall not be applicable to the sale or shipment of Goods. Changes to this purchase order or any contract resulting here from not made in writing executed by Buyer's authorized contractual representation are invalid.

### Acceptance of Order

Seller has read and understands this order and agrees that the Seller's written acceptance or commencement of any work or service under this order shall constitute Seller's acceptance of the terms and conditions only. All terms and conditions proposed by Seller which are different from or in addition to this order are unacceptable to Buyer, are expressly rejected by Buyer, and shall not become a part of this order. Any modifications to this order shall be made in accordance with paragraph "Changes".

### Quantities and Prices

Buyer's count shall be accepted as conclusive on all shipments not accompanied by a packing slip. Buyer reserves the right to reject and return any material in excess of the quantities specified on Buyer's Order.

### Inspection and Final Acceptance

All articles, parts, materials and workmanship are subject to 100% inspection, testing and final acceptance by Buyer after delivery to Buyer notwithstanding if prior payment has occurred. No preliminary inspection by or on behalf of Buyer shall relieve Seller of its own obligation to make full and adequate test and inspection. Seller agrees to furnish all reasonable facilities and assistance for test and inspections to be made on its premises by or on behalf of the Buyer. Any article, part, material, or workmanship not accepted may be held by Buyer, after notice of rejection to Seller, at Seller's risk and expense, or at the option of the Buyer, in addition to Buyer's other rights, Seller shall replace the same or reimburse Buyer for its expenses of rework, inspection, transportation and repackaging. Seller shall pay the cost of all Buyer's articles, parts or material which may be damaged by any improper workmanship on the part of the Seller.

### Packing, Delivery and Shipping

All delivered goods shall be packed and shipped in accordance with the instructions or specification on the Purchase Order. In the absence of any such instructions, Seller shall comply with best commercial practice to ensure safe arrival at destination at the lowest transportation cost. Deliveries must be made by Seller in accordance with the delivery schedule specified on the "Purchase Order". If for any reason the Seller cannot or will not make delivery by the time specified, Seller shall immediately notify Buyer to the effect and the reason thereof. Buyer reserves the right to reject or return at Seller's risk and expense all articles or materials shipped which are in excess or in advance of the time specified for delivery or to defer payment for advance deliveries until the specified delivery dates. If in order to comply with the Buyer's required delivery date it becomes necessary for seller to ship by a more expensive method than specified in this purchase order, Seller shall pay any increased transportation costs, unless the necessity for such routing

or expedited handling has been caused by the Buyer.

### Force Majeure

Any delay or failure of either party to perform its obligation hereunder shall be excused if, and to the extent that it is caused by an event or occurrence beyond the reasonable control of the party and without its fault or negligence, such as, by way of example and by way of limitations, acts of God, actions by any government authority (whether valid or invalid), fires floods, windstorms, explosions, riots, natural disasters, wars, sabotaged, labor problems (including lockouts, strikes and slowdowns), inability to obtain electrical power, provided that written notice of such delay (including the anticipated duration of the delay) shall be given by the affected party within five (5) days. During the period of such delay or failure to perform by Seller, Buyer, at its option, may purchase goods from other sources and reduce its schedules to Seller by such quantities, without liability to Seller, or have Seller provide goods from other sources in quantities and at times requested by Buyer and at the price set forth in the Purchase Order. If requested by the Buyer, Seller shall within five (5) days of such request, provide adequate assurance that the delay shall not exceed fifteen (15) days or if Seller does not provide adequate assurance that the delay will cease within fifteen (15) days, Buyer may immediately cancel the order without liability.

### Changes

Buyer shall have the right, by given written notice to Seller to make changes in the drawings, specifications, design, quantities and delivery schedule of the articles ordered. Upon receipt of such notice, Seller shall proceed promptly to make such changes in accordance with the terms of such notice. Such changes shall be subject to an equitable adjustment in performance schedule or purchase price based on a reasonable and unavoidable costs incurred by the Seller prior to notice of the change. Any claim of Seller for an adjustment must be submitted in writing to Buyer within five (5) days of the written notice.

### Termination

Buyer may terminate all or any part of this order at any time for its convenience upon written notice to Seller. Buyer will pay a reasonable termination charge based on percentage of the order price reflecting the percentage of work performed by Seller prior to termination. Buyer may also terminate this order, in whole or in part, for cause if Seller defaults. Any claim for payment of such termination charges may be submitted in writing to the Buyer within ten (10) days of receipt of such notice of termination, thoroughly documented by invoices or other applicable documents. Buyer shall have the right to audit all elements if any termination claim, and Seller shall make available to the Buyer on request all books, records and papers relating thereto. The provisions of this paragraph are without prejudice to the rights of the Buyer in the event of any failure on the part of the Seller to comply with performance schedule or other provisions of the "Purchase Order". Deliveries of products which are defective or do not conform to the "Purchase Order", and failure to provide reasonable assurance of a future performance upon request, shall all be reasons for allowing the Buyer to terminate the "Purchase Order" for cause. In such event, Buyer shall not be liable to Seller for any amounts, and Seller shall be liable for any damages due to Seller's breach or default. Buyer may also terminate without liability to Buyer if Seller fails to deliver products ordered on any "Purchase Order" which are more than thirty (30) days past the previously agreed upon dock date.

**Payment**

Invoices shall be submitted with the following information: Purchase Order number, item number, description of articles, quantities, unit price and extended totals. Any adjustments in Seller's invoice due to shortages, late delivery, rejections, or either failure to comply with the requirements of the "Purchase Order" may be made by Buyer before payment. Cash discounts will be taken from the date of material receipts. Payments shall not constitute final acceptance.

**Patents and Trademarks**

The seller shall indemnify, defend, save and hold harmless the Buyer, its successors, assigns and customers from and against any and all suits, actions, claims, demands, damages, liabilities, costs and expenses, including all attorneys' fee arising out of any actual or claimed infringement of any PRC or foreign patent or patents or trademark or trademarks - other than those of the Buyer - or proprietary rights in the manufacture, use or sale of goods covered under this purchase order.

**Nondisclosure of Trade Secrets**

Seller agrees that the nature of said materials, specifications, and drawings, and the purpose of which the same furnished by Buyer to Seller shall be kept in strict confidence and shall be revealed only to Seller's employees and their suppliers to the extent necessary.

**Proprietary Rights**

If articles hereunder are to be manufactured or supplied pursuant to Buyer's drawings or specifications furnished by Buyer hereunder are not based on Seller's design, Seller grants hereby to Buyer and assigns a nonexclusive, fully paid, and irrevocable license to make, procure, use and sell any improvement in such article made or incorporated by Seller in performance hereunder. All electronic files and drawings supplied by Buyer must be destroyed by Seller upon completion of Buyer's Purchase Order.

**Warranties**

Seller warrants that all articles, materials, parts and work covered by the Purchase Order will conform to the specifications, drawings, samples or other descriptions furnished or adopted by Buyer, shall be merchantable, of good workmanship and material and free from defects. These warranties are in addition to any other warranties specified herein or implied by law, and shall survive acceptance and payment. In case of ambiguity in specification, drawings, or other requirements of the Purchase Order, Seller, before proceeding, must contact Buyer, whose written interpretation shall be final.

**Counterfeit Parts**

Seller agrees and shall ensure that only new and non-counterfeit parts, materials and components are used in products required to be delivered to Buyer.

**Material Safety**

All chemicals purchased under any Purchase Order by Buyer shall be accompanied with a Material Safety Data Sheet provided by the chemical supplier / manufacturer.

**Property**

Whenever Seller has in its possession Buyer's property, Seller shall be deemed an insurer thereof and shall be responsible for its safe return. Equipment, patterns, dies, tooling, materials, specifications, and drawings supplied or paid for by Buyer shall remain the property of Buyer and shall not be used except for work performed for Buyer. Upon request by Buyer, all property of Buyer shall be returned immediately upon request to the requested destination.

**Advertising**

Seller shall not without first obtaining the written consent by Buyer, in

any manner advertise or publish the fact that Seller has contracted to furnish Buyer's goods or services under any of Buyer's Purchase Orders, or use any of Buyer's trademarks or trade names in Seller's advertising or promotional materials. In the event of Seller's breach of this provision, Buyer shall have the right to cancel the undelivered portion of any goods or services covered by all the open Purchase Orders and shall not be required to make further payments except for conforming goods delivered or services rendered prior to written cancellation.

**Disputes**

Both parties agree that any claims or disputes will be submitted to non-binding mediation prior to initiation of any formal legal process. Costs of mediation will be shared equally. Provision does not apply to claims or disputes relating to intellectual Property.

**Tooling**

All tooling materials, including computer programs or data provided by Buyer are the property of the Buyer and shall be used by Seller at Seller's risk. All such materials will be returned to the Buyer upon request.

**Infringement**

Buyer warrants that the manufacture, use, or sale of Products in accordance with the designs (including without limitation, product specifications and / or drawings or part thereof) provided by the Buyer under this Agreement will not infringe upon or violate any patent, copyright, trade secret, or any other proprietary right of any third party. In the event of any claim by a third party against Buyer asserting or involving a patent, copyright, trade secret, or proprietary right violation involving such products, Seller will defend, at its expense, and will indemnify and hold harmless the Buyer against any loss, expense (including attorney's fees), or liability arising out of such claim, whether or not such claim is successful, provided, however, that Buyer is notified by Seller in writing within a reasonable time after Buyer first receives written notice of any such claim, action, or allegation of infringement.

**Assignment**

No right or obligation under any of Buyer's purchase orders (including the right to receive money due and to become due hereunder) shall be assigned by Seller without the prior written consent of Buyer, and any purported assignment without such consent shall be void.

**Governing Law**

The laws of Chengdu hereunder, shall govern the rights of the parties.

**Attorney's Fees**

If litigation is commenced by either party to enforce any provision of any contract including these terms and conditions, the prevailing party shall be entitled to recover reasonable costs and attorney's fees both at trial and upon appeal.

**Code of Conduct**

Buyer is committed to conducting its business ethically and lawfully. Buyer reserves the right to discontinue a business relationship with any Seller if any of its officers, directors or employees is found to have violated our Code of Conduct.

**Notices**

All notices required or authorized by these terms and conditions shall be given in writing and shall be deemed effective upon receipt. Notices to Seller shall be sent to the address shown in Buyer's Purchase Order. Notices to Buyer shall be sent to the attention of the President or Vice-President.