

Terms and Conditions of Purchase of Yantex (Yantai) Precision Textile Accessories Co., Ltd.

1. Contractual basis

- 1.1 The terms and conditions of purchase set out below shall apply to all orders of goods and services. These terms and conditions shall apply to all future transactions carried out pursuant to this agreement, even if no specific reference is made to them in an individual case.
- 1.2 The Supplier's differing terms of business shall not be a constituent of the contract, irrespective of whether we oppose them in an individual case. They shall only apply provided we explicitly acknowledge them in writing.

2. Formation of the contract

- 2.1 Quotations and cost estimates shall be free of charge, even if the tender prepares them at our request.
- 2.2 Our order and any other agreement made in connection with the conclusion of a contract, shall only be binding provided we have placed or confirmed it in text form. Orders placed verbally must be confirmed in text form.
- 2.3 We expect to receive a confirmation in text form of our order from the Supplier. The order shall cease to be valid if the Supplier fails to confirm it, confirms it late or confirms it while subjecting it to modifications or additions.

3. Drawings, drafts, documents, products made from provided materials

- 3.1 We shall retain title to all drawings, drafts and other documents given to the Supplier to enable him to prepare a quotation and, in the event of orders, to enable their execution. They may only be passed on to third parties with our prior written approval. The Supplier must treat them as confidential, must store them so that they are inaccessible to third parties and must hand them back to us or destroy them at any time upon request. The Supplier shall be responsible for the proper storage of the documents in question and shall be liable for loss and damage. In the event of a breach of the confidentiality requirement, and notwithstanding other rights, we may withdraw from all ongoing contracts with the Supplier, without being required to pay damages, and we shall have the right to require the Supplier to compensate our losses.
- 3.2 The Supplier must oblige his employees and subsidiary suppliers to observe the same confidentiality requirements as he has accepted towards us, and the Supplier shall be responsible for their breach of the confidentiality requirements.
- 3.3 The products manufactured on the basis of our documents, and of documents produced in connection with the execution of our order, may only be passed on to third parties with our prior written approval.

4. Passing on orders to third parties

- The execution of our order or of significant elements thereof may only be assigned to third parties with our prior written approval.

5. Times and time limits

- 5.1 Agreed timings and time limits shall be binding. The Supplier shall be deemed to have been adhered to, for deliveries, upon receipt at the delivery address we have specified, and for deliveries including erection and installation and other performance-related services, upon our formal acceptance.
- 5.2 If the Supplier cannot be adhered to, we must be informed immediately of the situation, the reason for the hindrance and its likely duration. This shall not affect our statutory right to claim default or agreed contractual penalties.
- 5.3 In the event of failure to adhere to calendar-based time limits or properly defined calculable time limits, the Supplier shall be in default without the need for a formal reminder. In addition to the claims for loss caused by delay which we may make in such circumstances, we may withdraw from the contract and demand damages in lieu of performance, in accordance with the statutory provisions, if the Supplier has failed to provide the supply or service within the reasonable time limit set by us after the due date.
- 5.4 If a contractual penalty for failure to observe timings and time limits is agreed and has been incurred, we may claim this up to the point at which the final payment is made and may offset it against such payment.
- 5.5 We may refuse to take receipt of early deliveries or to accept services that are provided early.

6. Partial, excess or short deliveries

- 6.1 The Supplier may not make partial deliveries or provide partial services without our prior written approval. If we nevertheless accept these in individual cases, the Supplier may not charge for them until it has fulfilled its entire performance obligation.
- 6.2 We reserve the right to acknowledge excess or short deliveries in individual cases.

7. Prices, shipping, invoice, payment

- 7.1 The prices shall be fixed prices, net of the applicable value added tax and inclusive of packaging, free at the delivery address.
- 7.2 Shipment must take place free at the delivery address stated on the order with relevant insurance cover.
- 7.3 Two copies of the consignment note and invoice must be made out for each delivery. The wording must match that of the designations used in our order word for word and must include the following details:
 - date, no. and reference of the order;
 - content of the shipment;
 - status of the order.
- 7.4 Unless agreed otherwise, payments must be made via a payment method of our choice (cash, bank transfer or cheque). The payment term shall start to run upon receipt of the invoice, albeit not before full and flawless delivery or upon acceptance, if such a procedure is statutorily required or has been agreed.

8. Set-off, retention

- Without our prior written approval, the Supplier shall not be entitled to assign its claims against us to third parties or to allow third parties to collect them.

9. Reservation of title

- We expressly oppose any reservation of title over and above simple reservation of title, in particular any prolonged or extended reservation of title of the Supplier. Such reservations of title shall require our prior written approval in each case. If any supplier of the Supplier should nevertheless claim rights of ownership, joint rights of ownership or liens, or should arrange for enforcement measures, we reserve the right to make a claim against the Supplier for all losses that arise as a result.

10. Passing of risk, notice of defect

- 10.1 Risk shall pass on us upon delivery of the goods at the delivery address stated in the order, or in the case of delivery including erection and installation, and also in the case of other performance-related services, upon acceptance.
- 10.2 Our inspection of incoming goods shall take the form of a random sample inspection, and shall also include the detection of transport damages. Any notice of defect regarding open defects, sent off by us within 7 days after their discovery, shall be deemed as in good time. Any notice of defect regarding hidden defects, sent off by us within 7 days after their discovery, shall be deemed as in good time. The inspection has to be carried out not before the goods are at the works for which they are determined. In the event of a case of doubt relating to quantities, dimensions, weight, and quality the values we have measured shall be binding.
- 10.3 The Supplier must conduct adequate intermediate and final inspections of its production and must submit the parts delivered by its own suppliers to an incoming goods inspection. The number and nature of such inspections shall depend on the production reliability of the Supplier or his upstream supplier, the nature of the possible defects and their effects on the safety of the product to be supplied and of the products to be manufactured using the product supplied.

11. Rights in the event of material and manufacturing defects

- 11.1 The Supplier shall be responsible for ensuring that the supplies and services are free of defects and feature the guaranteed quality characteristics. He shall in particular be responsible for ensuring that they conform to the latest state of the art and the general technical and occupational medical provisions of authorities and trade associations, meet the applicable environmental protection provisions and also comply with any other applicable law.
- 11.2 If the subjects of deliveries are machines, equipment or plants, they must conform to the requirements of the special safety provisions for machines and plants, applicable at the time of fulfillment of the contract.
- 11.3 In the case of defects, we reserve our right to claim our rights against the supplier within the statutorily prescribed period of limitation. We may choose to demand either subsequent performance by repair, replacement delivery or manufacture of replacements, in accordance with the statutory provisions. The Supplier must reimburse us for our losses and for the expenses incurred by subsequent performance. If subsequent performance has not taken place within the reasonable period set by us or has been unsuccessful, or if it was not necessary to set a time limit, we may withdraw from the contract owing to any residual defect, and may claim damages in lieu of performance, reimbursement of wasted expenditure or a reduction in price. This shall not affect our rights under guarantees that have been accepted or to claim recourse owing to expenditure incurred in the supply chain to the consumer.
- 11.4 If the Supplier fails to meet its obligation to provide subsequent performance within the reasonable time limit we have set, without being entitled to refuse to provide subsequent performance, we may take the appropriate action ourselves, at the Supplier's cost and risk.
- 11.5 Our approval of drawings, calculations or other technical documents of the Supplier shall not affect his liability for defects or his commitment to fulfill his obligations under any guarantee given.

12. Rights of use, defects of title, infringement of the proprietary rights of third parties

- 12.1 The Supplier shall be obliged to grant all rights of use that are necessary in order to achieve the contractually agreed objective. He shall be liable for defects of title in accordance with the statutory provisions.
- 12.2 This notwithstanding, the Supplier shall ensure that the patents or other proprietary rights of third parties are not infringed through use of the supplies/services due under the contract, and shall indemnify us from liability for all claims made against us based on the infringement of domestic industrial proprietary rights. The Supplier must also take all reasonable action to put us a position to undertake use in accordance with the contract without prejudice to third parties.

13. Product liability, insurance

- 13.1 The Supplier shall indemnify us from all claims under extra-contractual product liability, which are caused by a defect in the product he has supplied. Subject to the same criteria, he shall also be liable for losses that we suffer as a result of precautionary measures of a reasonable nature and extent in order to avert a claim under extra-contractual product liability, such as public warnings.
- 13.2 We shall inform the Supplier in good time of the assertion of public liability claims, if they are associated with defects in the products he has supplied. In such cases, we shall not make any payments or acknowledge claims without prior consultation with the Supplier. However, this shall not affect our right to make a claim against the Supplier for our own losses.
- 13.3 The Supplier must adequately insure himself against claims that could affect him in the event of a product liability claim or for the costs of a product recall, and must provide us with evidence of his insurance cover upon request.

14. Liability for breach of this terms and conditions

- 14.1 If the Supplier is in default of an Order, we shall give the Supplier a written notice to make good its default within a necessarily reasonable time. Should the Supplier fail to comply with such notice, we shall have the right to terminate the whole or any part of the Order, by serving a written notification thereof, and exercise all remedies available to it under the Agreement or law.
- 14.2 The losses and damages under this terms and conditions shall include the third party claims, attorney fees, litigation fees and other expenses incurred for safeguarding legal rights.

15. Place of performance, place of jurisdiction, governing law

- 15.1 The place of performance for all supplies and services of the contracting parties shall be the registered office of the ordering company. If a different location is designated in the order as the delivery address, it shall become the place of performance for the supplies/services of the Supplier.
- 15.2 The place of jurisdiction for both parties, for all legal actions arising out of the contractual relationship, shall be our registered business address. The parties shall have the right to file a lawsuit with court in the place where we are located.
- 15.3 The laws of the People's Republic of China shall govern the contractual relationship and any legal disputes associated with it. The United Nations Convention on Contracts for the International Sale of Goods of 11 April 1980 (CISG) shall not apply.
- 15.4 This Terms and Conditions is written in both Chinese and English. In case of any inconsistency, the Chinese version shall prevail.