

General Purchase Conditions

1. Scope; conclusion of contracts

1.1 These Conditions of Purchase shall apply to deliveries and services of the Supplier, unless otherwise agreed. Other general standard terms and conditions, in particular standard terms and conditions of the Supplier, shall not apply even if they are not expressly objected to in an individual case or if ordered goods/services have been accepted without reservation.

1.2 Orders and their acceptance shall be in writing. Acceptance of orders shall be acknowledged on the form intended for this purpose on the order, unless otherwise agreed.

1.3 Oral agreements, of whatever nature, shall not be valid unless confirmed in writing by the Customer. Written form shall also include confirmations sent by data transfer or fax.

1.4 If the Supplier does not accept orders within two weeks of their receipt, the Customer shall be authorised to revoke them at no cost.

2. Delivery; consequences of failure to meet delivery times

2.1 Agreed delivery times shall be binding. The Customer shall be notified immediately of any circumstances which prevent the delivery time from being met or delay delivery. The time the goods are received or the service is completed at the Customer's premises or at the place where they are to be delivered/performed as stated in the order ("Place of Performance") shall determine whether the delivery time has been met.

2.2 Part deliveries shall require the consent of the Customer.

2.3 The Supplier is obliged to ensure that goods it has supplied or spare parts for them can be supplied to the Customer at reasonable terms and conditions for a period of 15 years after the last delivery. If the Supplier intends to discontinue supplying such goods or spare parts for them during this period of time or after this period of time expires, it shall inform the Customer immediately in writing and give the Customer the opportunity to place last orders.

2.4 If agreed delivery/performance times are not observed, the Customer can demand for each complete week by which the deadline is overrun an amount of 0.5%, but a maximum of 5%, of the total order value as a lump sum without having to furnish proof of damage or loss, unless otherwise agreed explicitly. In addition, the Customer shall be entitled to claim statutory rights. Acceptance of the delayed delivery or service shall not constitute any waiver of compensation. The Supplier shall be liable to pay the above even if no explicit reservation is specified when the goods or services are accepted.

3. Prices; terms of payment; transfer of risk

3.1 The price specified in the order shall be binding. Unless otherwise agreed, the prices are delivered at place (DAP) in accordance with Incoterms 2010, including packaging. The specified price does not include statutory value-added tax.

3.2 Invoices can only be processed if – in accordance with the stipulations in the order – they specify the order number stated in the order and all other reference information; the Supplier shall be responsible for all the consequences of a failure to comply with this obligation, unless it proves that it is not to blame for said failure.

3.3 Unless otherwise agreed, invoices shall be settled in net within 60 days as of the date the demand for payment is due and receipt of both the invoice and the goods/performance of the service.

3.4 The Supplier shall bear the risk of accidental loss and accidental deterioration of the goods until they have been accepted by the Customer or its agent at the place where the goods are to be delivered as instructed.

4. Acceptance

4.1 In case of a work supply or work performance contract, an acceptance testing of deliveries and/or services or parts of them is essential. In the event such work supply or work performance requires commissioning, the acceptance testing shall be performed after successful commissioning. The acceptance testing shall be conducted at the Customer's choice at the Supplier's premises or at the place of delivery.

4.2 The acceptance shall be granted by the issuing of a formal acceptance certificate unless otherwise agreed.

Unreserved payments do neither constitute acceptance nor approval of the deliveries, nor shall they constitute any waiver of claims for defects.

4.3 If an official inspection or acceptance testing of deliveries and/or services or parts of them is stipulated, this shall be conducted at the Supplier's premises, unless otherwise agreed.

4.4 The costs of the acceptance testing shall be borne by the Supplier.

5. Shipment

5.1 Notification of shipment of the goods shall be given by, at the latest, the time the deliveries leave the Suppliers' works. The shipping address and the Customer's order number, including the item number, shall be indicated on all notices of shipment, bills of lading and parcel labels. Consignments for which the Customer is to bear all or part of the freight costs shall be transported at the lowest freight rates or according to the Customer's shipping instructions. The shipping instructions, in particular the place where the goods are to be delivered, which is also the place of performance, shall be stated in the order.

5.2 The Supplier shall have the cargo secured by the carrier collecting it in order to prevent damage in transit due to the cargo being secured inadequately or not at all.

6. Packaging

6.1 The Supplier undertakes to ship the goods it has produced or processed only in packaging that is sufficient to protect the goods and environmentally friendly in terms of type, shape and size, with the order number, name of the goods, gross weight and any special handling clearly marked and that complies with any further or specific requirements stated in the order and the latest version of official packaging regulations.

6.2 Irrespective of whether the packaging concerned is transport packaging, retail packaging or an outer protective wrapping, the Supplier agrees to take it back after use without any additional charge and to reuse or recycle it.

7. Notice of defects

The Customer shall endeavour to check incoming deliveries for their correct quantity, damage in transit and obvious defects, insofar and as soon as this is expedient in the ordinary course of business. The Customer shall report defects as soon as they are discovered. In this regard, the Supplier waives the argument of receiving delayed notice of defects.

8. Liability for defects

8.1 The Supplier warrants to the Customer that the ordered goods or services are free of defects and legal imperfections in title at the time of the passage of risk.

8.2 If the Customer informs the Supplier of the intended use and place of use of the goods to be supplied, the Supplier warrants that its delivery and service are suitable for that use and place.

8.3 If a defect or imperfection in title exists, the Customer shall be entitled to statutory warranty claims without reduction, unless otherwise agreed.

8.4 In principle, the Customer shall have the right to select the manner of remedy. If the Supplier does not begin with subsequent remedy as part of the contract, i.e. rectification of defects or delivery of a substitute, as soon as it has been requested to do so by the Customer, the Customer shall have the right in urgent cases, in particular to avert danger or avoid/limit damage, to carry out the manner of remedy selected by the Customer, or to have it carried out by a third party, at the expense of the Supplier. The Customer shall have the same right if rectification of defects or delivery of a substitute fails or is refused.

8.5 If claims are asserted against the Customer due to the infringement of third-party rights in connection with the Supplier's delivery/service, the Supplier shall be obliged to indemnify the Customer against these claims at the first written request. The Supplier's obligation to indemnify the Customer shall relate to all expenses necessarily incurred by the Customer from or in connection with the claims asserted against it by a third party.

8.6 Claims for defects shall become time-barred – except in cases of intention to deceive – within the statutory provisions starting from the time when the Customer gets knowledge of the defects or should have known them. If the Supplier meets its obligation to remedy a defect by supplying substitute goods, the period of limitation for said goods shall commence anew after they have been delivered.

8.7. The Supplier undertakes to bear all installation and removal costs as well as transport costs to and from the place of use in cases where such costs have demonstrably been incurred due to deficient delivery/performance. The Customer therefore advises the Supplier to take out special liability insurance for installation, removal and transport costs to and from the place of use with coverage of at least RMB 2,500,000.00 per individual case.

9. Software

9.1 The Customer shall obtain the right to use software that is part of the scope of delivery, including the documentation for it, with the agreed features and to the extent necessary for ensuring use of the software in compliance with the contract or permitted by law (e.g. Copyright Law of the People's Republic of China and other relevant regulations).

9.2 Before the software is shipped or installed on a system of the Customer or its end customers, the Supplier shall check it for viruses, Trojans and other computer malware using up-to-date, customary antivirus programmes.

10. Quality assurance

10.1 The Supplier undertakes to warrant permanent quality assurance for its goods by means of installation of an adequate quality assurance system, e.g. ISO 9001 ff or similar and undertaking of quality tests and checks that are prescribed by the Customer or are otherwise suitable during and after production of its deliverables. The Supplier shall create documentation on these tests and checks.

10.2 The Customer shall have the right to require proof of the quality assurance system installed at the Supplier, to satisfy itself of how the quality tests and checks are carried out on site, including if applicable at subcontractors' premises and to conduct audits at the Supplier's site.

10.3 Without being requested to do so, the Supplier shall immediately inform the Customer of changes in the composition of the processed material or design of its deliveries or services. Any changes shall require the written consent of the Customer. The same applies if the Supplier intends to subcontract the whole or major part of its deliveries or services.

10.4 If the Supplier intends to subcontract the whole or major portion of the deliveries and/or services, he shall first give notice to the Customer and seek for the Customer's written approval.

10.5 The quality assurance policy of the Customer disclosed to the Supplier in the order and the quality assurance agreements concluded with the Supplier under the contract executed by the parties are additional to and do not exclude these Purchase Conditions.

11. Applicable regulations for placing the products on the market; product liability

11.1 The Supplier undertakes to comply with the relevant laws and regulations applicable to the delivered goods, including but not limited to health and safety requirements, at the Place of Performance. If the goods according to the Customer's purchase order will be exported to the European Union and therefore fall under the scope of application of a European Directive for first-time placing on the market, such as the EU Machinery Directive, Pressure Equipment Directive, EMC Directive, etc., the Supplier undertakes that it shall comply with the relevant health and safety requirements and processes specified in them. If provided for in these Directives, the Supplier shall issue an EC declaration of conformity for its products and shall affix a CE mark.

In the case of partly completed machinery according to the EC Machinery Directive No. 2006/42/EC, the Supplier shall provide the Customer with a declaration of incorporation according to Annex II B of the EC Machinery Directive in the form requested by the Customer (extended declaration of incorporation) as well as in addition provide instructions for use in accordance with Section 1.7.4 of Annex I of the EC Machinery Directive. If requested by the Customer, the Supplier shall at the Customer's discretion either allow the Customer to inspect the risk assessment created by it or shall provide it to the Customer.

11.2 The Supplier is entirely responsible for damages caused to the Customer and/or any third party due to product liability. The Supplier shall indemnify the Customer for all claims for damages made by third parties pursuant to product liability law at the first time of request if the cause of the damage is in the sphere of responsibility of the Supplier.

11.3 As part of its liability under Section 11.2, the Supplier is also obliged to reimburse any expenses incurred by the Customer from or in connection with a warning issued or recall conducted by the Customer.

Where possible and reasonable, the Customer shall inform the Supplier of the content and scope of the measures to be performed and coordinate them with the Supplier. Additional rights under product liability law shall remain unaffected.

11.4 The Customer advises the Supplier to maintain product liability insurance to cover the risks from Sections 11.2 and 11.3, with coverage of at least RMB 10,000,000.00 per damaging event.

12. Safety; protection of the environment

12.1 The Supplier shall ensure that its deliveries and services meet the environmental protection, accident prevention and work safety or further security or safety relevant regulations in force and applicable at the premises of the Customer or other known Place of Performance, in order to avoid or reduce harmful impacts on human beings and environment. To this end, the Supplier shall install and enhance a management system, e.g. ISO 14001 or similar. The Customer shall have the right, if applicable to require proof of the management system installed at the Supplier and to conduct audits at the Supplier's site.

12.2 The Supplier has to comply with the relevant laws and regulations on the handling and placing on the market of hazardous goods to be in force at the place of performance.

The Supplier further has to observe the relevant laws and regulations on the disposal of waste and recycling material at the premises of the Customer or other Place of Performance and point out any product handling, product storage and disposal requirements to the Customer.

13. Models and tools; confidentiality

13.1 Any models and tools which are furnished or produced by the Supplier or which the Supplier specifically acquires for the purpose of the Customer's order shall be the property of the Customer. They shall be treated with care by the Supplier, indicated as property of the Customer and – where possible – stored separately from the other products of the Supplier, as well as insured at the expense of the Supplier against disasters such as fire, water, theft, loss and other damage. Resale of the parts produced using these models and tools shall not be permitted without the express written approval of the Customer.

13.2 Documents, drawings, plans and sketches and other know-how of the Customer which the Customer entrusts to the Supplier for producing the ordered delivery and/or service, in whatever form (in writing, by fax, by e-mail or on electronic data carrier) shall remain the property of the Customer.

They are trade secrets of the Customer and shall be treated confidentially. The Supplier undertakes to treat them with care, to make them available only to employees who need them for fulfilling the contract and who are in turn obligated to maintain confidentiality, not to make them available to third parties, to make copies only for the purpose of executing the order, and to return all documents, including copies of them, to the Customer upon completion of delivery.

14. Data Protection

The Customer is entitled to store, transfer, use, revise and erase personal data of the Supplier in the course of business within the Voith Group of companies.

15. Export control

15.1 If requested to do so by the Customer, the Supplier shall provide the shipment documents and information as well as other relevant documents and information required for export and customs clearance to the Customer and the shipping company. The Supplier shall assure that the shipment documents and information and other relevant documents and information required for export and customs clearance of the Goods are complete, precise and submitted in time to handle the export as scheduled by the Customer.

15.2 The Supplier must inform the Customer of any approvals required on the (re-)export of its goods by export or customs regulations of the People's Republic of China or other applicable export or customs regulations. For this purpose the Supplier will, insofar as this was not already provided in its offer, supply the required information next to the relevant item references at the Customer's request when an order is accepted and on every delivery note.

15.3 At the request of the Customer, the Supplier shall be obliged to inform the Customer in writing of all further foreign trade data regarding the goods and its components, as well as inform the Customer immediately in writing of all changes to the data specified in Section 15.2.

15.4 If details in accordance with the previous sections are not provided or are provided incorrectly, the Customer shall, without prejudice to further rights be authorised to rescind the contract.

16. Insolvency of the Supplier

If the Supplier suspends payments or if the Supplier or one of its creditors files for insolvency proceedings on the Supplier's assets or similar proceedings on debt clearing, the Customer can, without prejudice to its other statutory and contractual rights, at its discretion terminate the contract and/or enter into the contracts of the Supplier with its subcontractors.

17. Entrepreneurial responsibility; Code of Conduct

The Supplier declares its commitment within the scope of its entrepreneurial responsibility to ensuring that it complies with legal provisions, including environmental protection laws,

regulations relating to labour law and laws on the safety of employees, and does not tolerate child or forced labour in or in relation to the production and sale of its goods or the provision of its services.

Upon accepting the order, the Supplier further confirms that it shall not commit or tolerate any form of bribery and corruption. The Customer in this respect refers to its "VOITH Code of Conduct", which could be inspected under <http://www.Voith.com>. The Customer expects the Supplier to admit to the rules and principles as contained therein and supports its compliance.

18. General provisions

18.1 The assignment of claims without the express written approval of the Customer shall be excluded.

18.2 The contract shall be subject to the Law of the People's Republic of China without giving effect to its principles of conflict of laws and to the exclusion of the U.N. Convention on Contracts for the International Sale of Goods (CISG).

18.3 Any dispute arising from or in connection with the contract and the present conditions shall be settled through amicable negotiation. Should no amicable resolution be achieved within a reasonable time, either party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") Beijing Headquarters for arbitration which shall be conducted in accordance with the said Commission's arbitration rules in effect at the time of applying for arbitration. There shall be three (3) arbitrators, one (1) of them shall be appointed by the Supplier, one (1) of them shall be appointed by the Customer, and one (1) of them shall be appointed by CIETAC and shall serve as chairman of the tribunal. The arbitral proceedings shall be conducted in Shanghai, PRC and the arbitral award shall be final and binding upon both parties. The losing party shall bear the expenses of the arbitration, if not otherwise decided by the arbitration tribunal.

18.4 If individual provisions of these Conditions of Purchase are or become invalid in full or in part, this shall not affect the remaining provisions.