

Terms and Conditions of Sale

Set forth below are the terms and conditions applicable to all purchase orders accepted by Qualphot (hereinafter called "Seller") and its duly authorized agents with respect to all of its products.

Prices

Prices are exclusive of taxes, shipping and insurance.

Quotations

Unless otherwise indicated therein, shall be valid for sixty (60) days from the date of issue.

Purchase Orders

The order becomes a binding contract subject to the terms and conditions hereof when Seller sends a written acknowledgement to the Buyer. Acknowledgement will contain at a minimum the part number, quantities of each product ordered, the requested shipping dates, shipping destinations, and invoice point. Oral purchase orders will be accepted by Seller upon Buyer's acceptance of Seller's written Order Acknowledgment. Seller's Order Acknowledgments are considered accepted by Buyer either through written confirmation from the Buyer or after 72 hours. Buyer's submission of a purchase order in response to any quotation including these terms and conditions shall be deemed acceptance of these terms and conditions to the exclusion of any other terms and condition appearing in such purchase order. Seller's acknowledgement of Buyer's purchase order is expressly made conditional upon Buyer's assent to these terms and conditions, which assent shall be presumed conclusively from Buyer's failure to reasonably object in writing or from Buyer's acceptance of any or all of the products ordered.

Scheduling of Shipments

Buyer may request in its order that products be shipped according to a specific shipping schedule, but Buyer may not request that products be shipped later than twelve (12) months after the date of order. Seller will schedule shipments based on Buyer's request and Seller's shipping capability at the time Buyer's order is accepted. Upon such acceptance, Seller will issue an Order Acknowledgement, which will indicate the estimated shipping dates. Buyer is responsible for timely submission of applicable drawings and specifications to enable Seller to commence manufacture within the specified production schedule.

Rescheduling

Buyer may not cancel or postpone a scheduled shipment of products unless Buyer submits its request in writing and Seller consents by issuing a new formal Order Acknowledgement. Any request to reschedule the shipment of any products accepted by Seller may be subject to payment of a rescheduling charge as quoted by Seller to the Buyer.

Cancellation

If a request to cancel a shipment is accepted by Seller, Buyer shall pay Seller (a) the contract price of all products, which has been completed prior to cancellation, (b) the cost to Seller of material or work in process on the date of cancellation, plus a reasonable administrative fee and profit. (c) reasonable and necessary expenses incurred directly incident to the cancellation. Seller, at its discretion reserves the right to charge a 20% restocking fee for all conforming items looking to be returned. In no event shall the cancellation charges exceed the contract price.

Shipping and Delivery

Seller will use its best efforts to ship on or before the estimated shipping dates indicated in Seller's Order Acknowledgement, except that Seller

will not ship before Buyer's requested shipping dates if Buyer's order so instructs. Seller shall not, in any event, be liable for any delay or failure to deliver resulting from circumstances which are beyond Seller's reasonable control or which would cause Seller to incur unreasonable expenses in order to avoid such delay or to affect such delivery. Delivery for all domestic shipments shall be FCA Chengdu and all International shipments Ex Works Chengdu. In the absence of specific written instructions from the Buyer, Seller will select the carrier, but Seller shall not thereby assume any liability in connection with the shipment. Products will be shipped freight prepaid and freight and insurance charges (if requested by Buyer) shall be paid by the Buyer and will be shown as separate items on the invoice.

Title, Risk of Loss, and Security Interest

Title and risk of loss for all products shall pass to Buyer upon tender of the products by Seller to the carrier. Seller reserves a security interest in each product shipped until the entire amount due therefore has been paid.

Taxes

Any and all state and local sales, use excise, privilege, and similar taxes imposed on Seller or which Seller has a duty to collect in connection with the sale, delivery, or use of any product will appear as separate items on the invoice and will be paid by Buyer, if sales to Buyer are exempt from such taxes, Buyer shall furnish to Seller a certificate of exemption from the applicable taxing authority.

Invoices and Payments

Seller shall submit an invoice to Buyer at the time of shipment of products or, upon such other progress-billing interval as specified in Seller's quotation. Seller shall submit an invoice to Buyer for any rescheduling or cancellation charge whenever such charge is assessed. All invoices shall be submitted to the invoice point specified in Buyer's purchase order. Payment terms are as per Seller's written Order Acknowledgement. Seller retains the right to change its credit terms at any time upon notice to Buyer when, in the opinion of Seller, Buyer's financial condition or record of payment so warrants. Should Buyer become delinquent in the payment of any amount hereunder, Seller at its option and upon notice to Buyer may suspend performance under any outstanding order.

Warranty

Seller warrants to its Buyers that products manufactured and sold hereunder will conform to Seller's specification drawing and will be free from defects in materials and workmanship for a period of one (1) year from the shipment date ("Warranty Period"). If any product proves to be defective during the Warranty Period, Seller, at its option, either will repair the defective product without charging parts and labor, will provide a replacement in exchange for the defective product, or will grant Buyer a credit for the price of the defective product. This warranty shall not apply to any defect, failure, or damage caused by improper use or improper or inadequate maintenance and care. Seller shall not be obligated to furnish service under this warranty (a) to repair damage resulting from attempts by personnel other than Seller representatives to install, repair, or service the product, (b) to repair damage resulting from improper use or connection incompatible equipment. Or (c) to service a product that has been modified or integrated with other products when the effect of such modification or integration increases the time or difficulty of servicing the product. This warranty is given by seller in lieu of any other warranties.

Expressed or implied. Seller and its vendors disclaim any implied warranties of merchantability or fitness for a particular purpose. Seller's responsibility to repair or replace defective products or credit buyer for the price of the defective product is the sole and exclusive remedy provided to the buyer for breach of this warranty. Seller and its vendors will not be liable for any indirect, special, incidental, or consequential damages irrespective of whether seller or the vendor has advance notice of the possibility of such damages.

Tooling

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

Infringement

Buyer warrants that the manufacture, use, or sale of Seller's 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 Seller asserting or involving a patent, copyright, trade secret, or proprietary right violation involving such products, Buyer will defend, at its expense, and will indemnify and hold harmless Seller 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 Seller first receives written notice of any such claim, action, or allegation of infringement.

Limitation of Liability

In no event shall seller or its vendors be liable for any indirect, special, incidental, or consequential damages arising out of buyer's purchase or use of any product, even if seller or the vendor has advance notice of the possibility of such damages.

Product Liability

In the event of any claim by a third party against Seller for personal injury or property damage arising out of or in any way connected with the design or manufacture of a product furnished under this Agreement, Buyer shall defend, at its expense, and will indemnify and hold harmless Seller against any loss, cost, expense, including attorney's fees, or liability arising out of such claim, whether such claim is based on contract (including negligence and strict liability), or any other legal theory. Buyer's obligations under this paragraph shall survive termination of any contract including those terms and conditions.

Waiver

The failure of either party to enforce at any times any provision of these terms and conditions shall not be construed to be a waiver of such provision or the right thereafter to enforce each and every provision. No waiver by either party, either express or implied, or any breach of any of these terms and conditions shall be construed as a waiver of any other breach of such term or condition.

Assignment

Buyer may not assign or otherwise transfer its rights or obligations hereunder without the prior written consent of Seller. No attempt to assign or transfer in violation of this provision shall be binding upon Seller.

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.

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 Buyer shall be sent to the address shown in Buyer's order. Notices to Seller shall be sent to the attention of the President or Vice-President.

Export Restrictions

Compliance with Foreign Trade Law of PRC. Commodities, technology or software that are sold according to this agreement will be exported in accordance with the Export Administration Regulations of PRC and any other applicable Chinese government regulations. Diversion contrary to the law of PRC is prohibited. Buyer must not violate any Law, Regulation, Act, or Executive Order of PRC. Compliance with the Export Administration Regulations of PRC must be adhered to if Buyer intends to re-sell products purchased from Seller. In addition, Buyer will not sell our product to any person or entity who is not allowed by the government of PRC. Furthermore, Buyer is not permitted to sell, re-sell, export, or re-export any of Seller's to any country that is sanctioned by the PRC. If Buyer is uncertain about any practice that may violate PRC Law regarding Seller's product(s), Buyer must request guidance from Seller.

Seller's Property

Whenever Buyer has in its possession any of Seller's property, Buyer shall be deemed an insurer thereof and shall be responsible for its safe return.

Trade Secrets

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