



QINGDAO AGT INTERNATIONAL

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GENERAL TERMS OF PURCHASE

1. Definitions

“Supplier” means a person, firm, or corporation seeking to supply goods to AGTCN, and there is more than one, these conditions bind them jointly and each of them severally.

“Goods” means goods supplied by supplier to the AGTCN

“GST” the goods and service tax which will apply to transactions for the purchase of the goods.

“AGTCN” means AGT International. located in Qingdao city.China

2. PRICES

Prices for the supply of the goods included GST, and any other taxes, duties that have agreed by AGTCN and supplier in writing. Any alteration to the price will be binding with an official notice signed by AGTCN purchaser.

Any written quotation provided by supplier to AGTCN should within 48 hours unless otherwise specified.

Supplier should notify AGTCN in writing of the acceptance. Each acceptance will be deemed to be separate contract.

3. Payment

Unless otherwise specified by AGTCN, payment of goods will be as 30 days open account of issue of an invoice by supplier.

4. PACKING

All goods the subject of the contract shall be delivered suitably and seaworthy packaged to the Destination specified on the face of the order.

5. DELIVERY

(1) Supplier shall take all practicable steps at Supplier's expense to ensure deliveries meet contract requirements. Time of delivery is of the essence of the Contract and it is a condition of the Contract that each delivery to the destination shall be strictly in accordance with the Contract delivery requirements. If supplier has any reason for anticipating that delivery requirements may not be met, Supplier shall promptly notify AGTCN

(2) In the event of strike, lockout, industrial action, fire, explosion, flood, accident or any other occurrence (whether of a similar nature or not) beyond Purchaser's control which may prevent or hinder the use of any of the Goods, Purchaser may suspend delivery of all or any of such Goods, and payment therefore for a reasonable period.

6. ADVICE NOTES

(1) Delivery of the Goods must be accompanied by a Packing List in duplicate.

(2) Advice of dispatch of any Goods shall be sent to AGTCN on the day of dispatch. Where the destination is other than the Purchaser's factory Supplier is required to complete two copies of the advice note and send them on the date of dispatch to AGTCN

(3) Except for packing lists, separate documents must be included for each order number with each consignment of Goods, stating clearly the description, quantity, weights, Serial (if applicable), Part Drawing, Specification and Order numbers, together with the issue numbers applicable to the manufacturing standard of the Goods.

(4) Invoices are to be sent to the AGTCN within three (2) days of dispatch of goods.

Invoices must state clearly the Order Number, applicable Serial, Part, Drawing, Certificate of Conformity and Advice Note Numbers, descriptions, quantities and weights. V.A.T. charges and Supplier's V.A.T. Registration Number must be shown on the invoice.

7. CHANGES

(1) In addition to any other rights available to Purchaser, Purchaser may from time to time, by written notice, make changes within the general scope of the Contract, including, but not limited to, Drawings, Designs, Specifications, degree of completion of part-machined Goods, and the amount of property supplied by Purchaser or the Government, and reasonable changes as to date and delivery requirements.

Except as is otherwise provided herein, where such changes increase or decrease the cost of or time required for performance of the Contract, a fair adjustment shall be made. No claim by the Supplier for such adjustment shall be valid unless submitted to Purchaser within thirty days from date of receipt of such notice. Substantiating evidence will be required before any payment will be made against such claim. Purchaser shall have the right to prescribe the manner of disposition of excess or obsolete property where the cost is included in such claim.

(2) Insofar as the Goods are manufactured to Supplier's Design and/or Drawings, any changes which may become necessary to comply with Airworthiness Authorities requirements shall be Supplier's responsibility and carried out at Supplier's expense.

(3) Supplier shall proceed without delay in the performance of the Contract as changed.

(4) Changes or amendments to the Contract may only be made by Purchaser's Supplies Department and no deviation therefrom shall be valid unless in writing.

8. APPROVAL PROCEDURE

(1) Supplier shall provide and maintain Quality Control and Inspection System acceptable to Purchaser.

(2) All Suppliers shall accept a Quality Systems Appraisal by the Purchaser's Quality Assurance Department.

(3) Notwithstanding the foregoing, the Supplier remains fully responsible for ensuring that all Goods conform in all respects with all Drawing Specifications and other Contract requirements.

9. INSPECTION, ACCEPTANCE AND REJECTION

(1) It is a condition of the Contract that all Goods shall be inspected and/or tested during manufacture and prior to dispatch from the Supplier's premises.

(2) Purchaser shall be entitled to specify Standards of Workmanship and Final Inspection levels.

(3) Purchaser reserves the right to reject and/or return at Supplier's risk and expense, the whole or part of any delivery in which Goods are found to be defective in material or Workmanship or otherwise not in conformity with Contract requirements and in the event of any such delivery Purchaser may additionally:

(i) Terminate the Contract for default in accordance with Condition 15 hereof and/or

(ii) Replace or otherwise correct such Goods and charge to Supplier the cost thereof.

Upon receipt of a Rejection Notice, Supplier shall, if requested by Purchaser, issue a Credit Note to Purchaser for the value of the rejected Goods.

These rights are without prejudice to any other right available to Purchaser.

(4) Supplier shall arrange that Purchaser's Chief Inspector and his representatives and any representative of Purchaser's Customer or any Governmental Department interested in the Contract can inspect at any reasonable time at Supplier's works or at the premises of its Sub-contractors, the Goods or part thereof during manufacture, tooling and inspection equipment used in the manufacture, and any articles on loan from Purchaser and works inspection and manufacturing records where appropriate.

Supplier shall, free of charge, provide all reasonable facilities and assistance for the safety and convenience of such Inspector and representatives while on the premises of Supplier or its sub-contractors.

Failure to inspect or reject any Goods shall neither relieve Supplier from its responsibilities under the Contract nor impose liability on Purchaser for or affect the Purchaser's rights in respect of Goods not in accordance with the Contract.

(5) Inspection and test by Purchaser of any Goods does not relieve Supplier from any responsibility for failure to meet the Contract requirements.

(6) Supplier shall keep available to Purchaser during the Contract, and for a minimum period of seven years thereafter, the complete inspection records applicable to the Goods.

10. SUB-CONTRACTING AND ASSIGNMENT

No work under the Contract may be sub-contracted by Supplier without the prior written consent of Purchaser and the Contract may not be assigned in whole or in part by Supplier without such consent.

11. GUARANTEE

Supplier guarantees that all Goods will conform to the Specification(s) references in the Contract and will be free from defects in material or workmanship, will conform to all Contract requirements including, but not limited to, the descriptions, specifications and drawings and (to the extent such Goods are not manufactured to detailed designs furnished by Purchaser) will be free from defect in design and suitable for the intended purposes. The guarantee is additional to all other conditions, warranties and obligations in respect of the Goods, whether express or implied by law, custom or otherwise.

12. FREE ISSUE MATERIAL, ARTICLES ON LOAN, CONFIDENTIALITY

The Supplier shall rectify or, at the option of the Purchaser, replace all material furnished by the Purchaser which may be damaged or lost and shall return to the Purchaser all such material as may prove to be surplus.

Any articles or documentation loaned to Supplier by Purchaser in connection with the Contract will remain at all times the property of Purchaser and be surrendered by Supplier upon demand in good and serviceable condition, and are to be used solely in connection with the Contract. Such loaned articles shall be at the risk of Supplier and kept insured by Supplier at Supplier's expense for an adequate amount against loss or damage resulting from fire or explosion and such other risks as Purchaser may stipulate.

Supplier shall maintain in strict confidence all information acquired from purchaser in connection with the Contract, and undertakes not to use the same except for the purpose of the Contract and not to disclose the same to any third party except as is necessary for the purposes of designing and/or manufacturing the Goods and then only upon terms of matching confidentiality.

Supplier shall insert the substance of these terms in its purchase orders with the intent that the rights and benefits of Purchaser hereunder shall not be adversely affected.

13. TOOLING AND INSPECTION EQUIPMENT

Where the Contract price includes the cost of making or purchasing Tooling and/or Inspection Equipment, these articles become the property of Purchaser and on completion of the Contract or earlier termination shall be held by Supplier in safe custody properly identified and maintained, until disposal instructions are issued by Purchaser. Such articles shall only be used by Supplier in connection with Contracts from Purchaser. Supplier shall provide copies of drawings of such articles to Purchaser upon request and at no extra charge.

14. INDEMNITIES

(a) Patents

Supplier indemnifies Purchaser against any infringement or alleged infringement of Letters Patent, Registered Design, Trade Mark, Copyright or other third party industrial rights arising out of the Contract and against all costs, damages and expenses which Purchaser may incur for such infringement or in connection with action or proceedings in relation to the same.

This indemnity shall not apply to cases where the infringement or alleged infringement arises solely by reason of the fact that Goods are made to designs originated and furnished by Purchaser or by a process or method directed by Purchaser.

(b) Accidents

Any loss, damage, injury or death resulting from the performance of the Contract shall be Supplier's responsibility and Supplier accepts the same and indemnifies Purchaser against all claims, suits, liabilities and expenses arising therefrom, except where the same is caused solely by negligence on the part of the Purchaser.

15. TERMINATION

Purchaser may, by a written Notice of Termination to Supplier, terminate the Contract in whole or from time to time in part. After receipt of such Notice, and except as otherwise directed by Purchaser, Supplier shall stop work under the Contract on the date and to the extent specified. Supplier shall submit its termination claim in the form and with the certification requested by Purchaser not later than thirty days after the date of termination, after which time, unless stated differently in the Notice, any claim received under this Clause will not be considered nor paid.

16. DEFAULT

Purchaser may, by a written Notice of Default to Supplier, terminate the Contract without any liability on the part of Purchaser if Supplier fails to make timely delivery of the Goods; fails to perform any of the other requirements of the Contract or through any act or failure to act endangers the performance of the Contract in accordance with its Terms, and in any case does not remedy such failure within a period of twenty-eight days after receipt of warning notice from Purchaser specifying such failure.

17. LIQUIDATION OR BANKRUPTCY

Should Supplier commit any act of bankruptcy or enter into an arrangement or composition with its Creditors or fail to meet liabilities or go into liquidation whether voluntary or otherwise (except for the purposes of amalgamation or reconstruction not detrimental to Purchaser), then Purchaser may forthwith terminate the Contract and Purchaser shall have no Liability to Supplier other than payment for completed Goods delivered to and accepted by Purchaser prior to the date of termination.

18. RIGHTS AND OBLIGATIONS

Termination of the Contract in whole or in part by Purchaser shall be without prejudice to any other rights (including the right to recover damages) of Purchaser under the Contract or at Law.

Supplier's obligations under Conditions 11, 12, 13 and 14 shall remain in force notwithstanding that the Contract shall have been terminated or performed.

19. WAIVER

The failure of Purchaser to enforce at any time any of the Terms of the Contract shall in no way be construed to be a waiver of such Terms, nor in any way affect the validity of the Terms or any part thereof, or the rights of Purchaser thereafter to enforce each and every such Term.

20. APPLICABLE LAW

Any Contract between Supplier and Purchaser is deemed to be made under the Laws of China and subject to the jurisdiction of the China Courts.