

Johnson Electric Industrial Manufactory, Ltd.
Standard Terms & Conditions

1. General Terms and Conditions

Unless otherwise agreed to by Buyer in writing, either (a) the written acceptance by Seller of any Long Term Agreement / Purchase Order / Release issued by Buyer; or (b) the commencement of any work or the performance of any services called for in any Long Term Agreement / Purchase Order / Release issued by Buyer, shall constitute acceptance by Seller of Buyer's Long Term Agreement / Purchase Order / Release and all the terms and conditions set forth in such document, including by reference and without limitation these terms and conditions of purchase.

Unless otherwise agreed to by Buyer, Buyer rejects any additional or inconsistent terms and conditions offered by Seller at any time and irrespective of Buyer's acceptance of or payment for Seller's goods and services.

2. Definitions

Capitalized terms not otherwise defined herein, shall have the meaning set forth in this Section 2:

- A) "Johnson Electric Group of Companies" shall mean Johnson Electric Industrial Manufactory, Ltd. and its Sister Companies.
- B) "Sister Companies" shall mean any entity directly or indirectly, controlled by, controlling or under common control with Johnson Electric Holdings Limited.
- C) "Maker" shall mean the manufacturer of a good delivered to Buyer or requested by Buyer pursuant to a Purchase Order / Release.

3. Delivery

Time, quantity and deliveries are the essence of the Long Term Agreement / Purchase Order / Release. If delivery of goods or rendering of services is not completed by the time promised, Buyer reserves the right, without liability and in addition to its other rights and remedies: (a) to terminate the Long Term Agreement / Purchase Order / Release by written notice effective when received by Seller as to stated goods not yet shipped or services not yet rendered; (b) to expedite shipment arrival at the sole expense of Seller; (c) to purchase substitute goods or services elsewhere; and (d) to charge Seller with excess price difference between the cost of the goods or services had they been supplied on time and the cost of obtaining the substitute goods or services.

4. Advanced Shipments

Seller shall not deliver any goods or services in advance of the schedule set forth in the Long Term Agreement / Purchase Order / Release without Buyer's written permission. Buyer reserves the right to return, at Seller's expense, all goods received by Buyer in advance of the schedule shown in the Long Term Agreement / Purchase Order / Release. Seller may request Buyer's written consent to advance delivery.

5. Packaging and Shipment

Seller agrees to (a) properly pack, label and ship goods in accordance with the requirements of Buyer; (b) make only those charges for handling, packaging, storage or transportation of goods as expressly permitted by the relevant Long Term Agreement / Purchase Order /

Release; (c) promptly forward the full set of original copies of bills of lading and/or other shipping documents for each shipment to Buyer in accordance with Buyer's instructions. Such bills of lading or shipping documents shall include correct classification identification of the goods shipped, in accordance with the applicable carrier's requirements, as well as Buyer's packaging and shipping instructions.

Seller shall be liable for any loss or damage resulting from failure to comply with such instructions. Seller will reimburse Buyer upon receipt of a debit note issued by Buyer for any additional costs incurred due to Seller's non-compliance with the above-mentioned instructions.

Prepaid transportation charges on Seller's invoice must be supported by a paid freight bill or equivalent.

6. Warranty

- 6.1 Seller warrants to Buyer, its successors and customers that all goods and services furnished (including all replacement items or corrected components which Seller furnishes) will be free from defects in materials and workmanship, will conform to all applicable drawings, specifications, samples and other descriptions furnished or specified by Buyer, Seller or Maker, as the case may be.
- 6.2 Seller further warrants that all goods and services will be merchantable, suitable for the intended purposes, and free from all other defects, including, without limitation and in the case of a specification or design provided by Seller or Maker, defects in design.
- 6.3 Buyer's approval of Seller's samples or first articles shall not be construed as a waiver by Buyer of any requirements of the drawings, specifications, and/or other applicable descriptions or of any expressed or implied warranty.
- 6.4 The goods must meet all relevant health and safety requirements applicable to purchase requirements in the form supplied to the Buyer.
- 6.5 The Seller warrants that the Goods will remain free of defects for a period of two (2) years upon date of receipt, or date of fitting the supplied products/materials into the products/services of Buyer, whichever happens later.

This warranty is in addition to and without prejudice to all other warranties, expressed or implied by law and otherwise, and shall survive acceptance of and payment for the goods and services and shall run to Buyer, its successors, assigns, customers and the users of its products which have incorporated the goods and/or services supplied by Seller to Buyer in fulfillment of the Long Term Agreement / Purchase Order / Release.

7. Quality Assurance

- 7.1 Seller/supplier shall qualify as, and maintain its status as, an acceptable supplier in compliance with the requirement set in the Approved Supplier List (ASL).
- 7.2 Buyer reserves the right to reject and hold payment of any Goods supplied where they fail to comply exactly with the specifications, or of poor quality, or the Long Term Agreement / Purchase Order / Release. When Goods are rejected, either in part or in total, such Goods will be at Buyer's discretion and agreed disposition.

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7.3 If the Goods have a determined shelf life, Supplier shall inform Buyer of the storage conditions recommended for the longest possible shelf life as well as the minimum and maximum anticipated duration thereof.

7.4 Buyer reserves the right at any time to inspect and/or test Goods and/or Services and for that purpose shall be entitled to enter any manufacturing plant, warehouses or other premises under Seller/Supplier's control to inspect process, tools or materials procured or used for the manufacture of the Goods or the supply of the Services (at Supplier's expense) as is reasonable. Such inspection and/or testing shall not imply any acceptance of the Goods and/or Services nor in any way relieve the Seller/supplier of any obligation or duty under the Purchase Order/Release or otherwise impose any obligations on Buyer.

8. Intellectual Property

Seller represents and warrants that the goods and services supply to the Buyer pursuant to the Long Term Agreement / Purchase Order / Release shall not infringe upon any third party's patent, industrial design, copyright, trade secret or any other intellectual property or proprietary rights. Seller further represents and warrants that it has the right via ownership or license, to offer for sale, to use and to sell the goods and services provided hereunder and that in the event such right is via license, that Seller has ensured that the rights obtained by Seller shall extend to cover each and every member of the Johnson Electric Group of Companies, its successors, assigns and their customers. Notwithstanding the foregoing, Seller makes no representations or warranties under this Section 8 with respect to a design or specification provided to it by Buyer.

9. Indemnification

Seller will indemnify, defend and hold each and every member of the Johnson Electric Group of Companies, including Buyer, and its employees, directors and officers, harmless from and against any and all losses, costs, incidental or consequential damages, liabilities, claims, expenses (including reasonable legal fees) and the payment of all sums of money owing or incurred (a) by reason of accidents, injuries or damages to persons or property directly or indirectly resulting from Seller's performance under the Long Term Agreement / Purchase Order / Release or Seller's breach of the warranties set forth in Sections 6, 7, 8 and 10; or (b) by reason of a claim by a third party of infringement, including contributory infringement associated with any act performed by a member of the Johnson Electric Group of Companies subsequent to receipt of the goods or services.

If the use or sale of any good or service with respect to which Seller indemnifies Buyer in accordance with subsection (b) above, is enjoined as a result of such action or proceeding, Seller at no expense to Buyer, shall obtain for Buyer and its customers, the right to use and sell said goods or services or shall substitute an equivalent good or service acceptable to Buyer, and shall reimburse Buyer for any costs associated with the substitution and extend the property rights indemnity with respect to such equivalent good.

10. Substance Use Restrictions

Seller warrants and represents that none of the goods supplied by Seller to the Johnson Electric Group of Companies contain, or were produced with, any materials whose use is prohibited either by the list of banned

materials provided to Seller by the Johnson Electric Group of Companies or by applicable government regulations.

Seller also warrants and represents that the proper use, storage, or disposal of Seller's goods by Buyer will not result in any claim against Buyer for environmental damage or remedial actions by third parties.

11. Price

Buyer shall not be billed at prices higher than that stated on the Long Term Agreement / Purchase Order / Release unless authorized by a Purchase Order Change Notice issued and signed by Buyer. Seller represents that the prices charged for the goods or services covered by the Long Term Agreement / Purchase Order / Release are equal to or lower than the lowest prices charged by Seller to any of Seller's buyers under conditions similar to those specified in the Long Term Agreement / Purchase Order / Release.

12. Inspection and Rejection

Seller shall test each lot to ensure that the goods meet with Buyer's specifications and acceptance criteria. Seller shall not ship any goods that do not conform thereto. Each shipment must be accompanied by a Maker's completed Quality Control Inspection Report. Seller shall disclose to Buyer all prior rejections upon delivery of any goods or lots of goods containing replacement or corrected goods. Seller shall provide and maintain a test and inspection system acceptable to Buyer. Records of all inspection work by Seller shall be kept complete and available to Buyer and its customers during the performance hereof and for three years after final payment by Buyer or for such longer period as may be specified.

When the goods supplied by Seller have to be assembled or incorporated to become part of the output of Buyer, Seller is still held liable to the conformance of the quality of the part so supplied. On tracing the cause of failure of the subassembly, assembly or finished good, if Buyer finds that the failure comes from Seller's breach of warranty, Buyer shall (a) reject and return the part supplied at Seller's expense including transportation charges, (b) claim from Seller the extra cost incurred in reclaiming the other usable part for further processing, or (c) if reclaiming the other parts is not technically feasible, or not economically justified, claim from Seller the whole cost incurred for scrapping the subassembly, assembly or finished good.

Notwithstanding (a) payment, (b) transfer of title or (c) prior inspection or test, all goods delivered in accordance with the Long Term Agreement / Purchase Order / Release are subject to final inspection and acceptance or rejection as stated herein. At all reasonable times during the period of Seller's performance hereunder, including the period of manufacture, Buyer and its customers may inspect and/or test the goods to be furnished hereunder at the plants where the work is being performed, including those plants of Seller's suppliers. Seller shall provide, without additional charge, reasonable facilities and assistance for safe and convenient inspections and tests. All such inspections and tests shall be conducted in such a manner so as not to unduly delay the work.

13. Changes

Buyer may, at any time, by a written order, make changes in any one or more of the following: (a) drawings, designs or specifications, where the goods to be furnished are to be specially manufactured for Buyer in accordance with the Long Term Agreement / Purchase Order / Release; (b) method of shipment and packing; (c) place or time of inspection,

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delivery or acceptance; and (d) the amount of any Buyer furnished property.

If any of such changes causes an increase or decrease in the cost of and/or time required for performance of the Long Term Agreement / Purchase Order / Release, an equitable adjustment shall be made in the price or delivery schedule or both. No claim by Seller for adjustment hereunder shall be allowed unless made in writing to Buyer within ten (10) days from the date notice of any such change is received by Seller. Where the cost of property rendered obsolete or excess as the result of a change is included in Seller's claim for adjustment, Buyer will have the right to take title thereto and prescribe the manner of disposition thereof. Nothing in this Section 13 shall excuse Seller from proceeding with performance of the Long Term Agreement / Purchase Order / Release as changed. Price increase or extension of time for delivery shall not be binding on Buyer unless evidenced by a Purchase Order Change Notice issued and signed by Buyer.

14. Assignments and Subcontracts

Seller shall not assign or subcontract any process, part of the Long Term Agreement / Purchase Order / Release or right or obligation hereunder without the prior written consent of Buyer.

15. Nondisclosure of Information

Seller shall hold in strict confidence all information, drawings, specifications, processes, reports, technical and business data submitted by Buyer to Seller pursuant to, or in connection with the Long Term Agreement / Purchase Order / Release or Buyer's business or Buyer's customers. Seller shall upon request return all documents furnished by Buyer. Seller shall not disclose or use such information, drawings, specifications, or data for the benefits of itself or any other party.

Seller shall not sell, or dispose of as scrap or otherwise, any completed or partially completed or defective goods embodying or comprised of Buyer's confidential or proprietary information without Buyer's written consent. Buyer shall have the right to audit all of Seller's pertinent books and records in order to verify compliance with this Agreement.

Seller waives all claims regarding Buyer's use of all data disclosed to Buyer in connection with the goods or services covered by the Long Term Agreement / Purchase Order / Release unless, prior to disclosure by Seller to Buyer, such data is the subject of a written confidentiality agreement signed by Buyer. Seller hereby assigns to Buyer all right, title and interest in and to all data, processes, inventions (whether or not patentable), trademarks, copyrights and mask work rights in any goods created by Seller for Buyer under the Purchase Order / Release.

16. Tooling and Buyer's Property

Unless otherwise specified in the Long Term Agreement / Purchase Order / Release, all tooling and/or all other articles required for the performance hereof shall, at Seller's expense, be (a) furnished by Seller, (b) maintained in good condition and (c) replaced, modified or updated when necessary. The Seller shall also keep maintenance records of the tooling for Buyer to review on request. Title to all tooling and other property furnished to Seller by Buyer or paid for by Buyer, shall remain with Buyer. Seller shall not alter or use such tooling and other property for any purpose other than that specified by Buyer or for any other person without the prior written consent of Buyer. Seller shall not duplicate the tooling without prior consent from Buyer, for purposes not intended in the Long Term Agreement / Purchase Order / Release.

Buyer's materials, tooling and equipment, shall be identifiably kept separate, apart from Seller's, and free of liens and encumbrances at Seller's sole cost and expense. Seller shall not move or relocate such materials, tooling or equipment outside Seller's production site without written consent or instruction from Buyer. Seller shall keep adequate records of such tooling and other property and such records shall be made available to Buyer upon request, and shall store, protect, preserve, repair and maintain such tooling and other property in accordance with sound industrial practice all at Seller's expense.

In the event that Buyer's tooling and other property become lost or damaged to any extent while in Seller's possession, Seller agrees to indemnify Buyer or replace such tooling and other property at Seller's expense.

In accordance with Buyer's request, Buyer may move the tooling at any time at its discretion. At the completion or termination of the Long Term Agreement / Purchase Order / Release, Seller shall return the materials, tooling and equipment to the Buyer or request disposition instructions from Buyer.

17. Insurance

Unless otherwise agreed to by Buyer, Seller shall maintain insurance in such amounts acceptable to Buyer and at Seller's expense, sufficient to cover (a) Buyer's interest in such tooling and other property against loss or damage by reason of fire, flood, accident, theft, riot or civil commotion; (b) Seller's obligations under the Indemnification provisions contained herein; (c) risk of loss of the goods prior to acceptance by Buyer.

18. Breach of Conditions

In the event of any breach by the Seller of any provision of the Long Term Agreement / Purchase Order / Release, or in the event of the assertion by any third parties of any claim or lien against Buyer on its property arising out of the Seller's performance under the Long Term Agreement / Purchase Order / Release, Buyer shall have the right to retain out of any payments due to Seller or that become due to Seller an amount sufficient to protect Buyer completely from any loss, damage or expense therefore, until the situation has been satisfactorily remedied or clarified by Seller.

19. Termination / Cancellation

Buyer may, at any time, terminate the Long Term Agreement / Purchase Order / Release in whole or in part by written notice or verbal notice confirmed in writing to Seller. If the Long Term Agreement / Purchase Order / Release is terminated by Buyer for convenience, any claim of Seller shall be settled on the basis of reasonable costs (excluding anticipated profits) it has incurred in the performance of the Long Term Agreement / Purchase Order / Release. Upon receipt of such notice of termination, Seller shall, unless otherwise directed by Buyer, (a) immediately terminate all work under the applicable Long Term Agreement / Purchase Order / Release; (b) terminate all Long Term Agreement / Purchase Orders / Releases relating to the performance of the work terminated by Buyer's notice; (c) transfer title and deliver to Buyer (i) all completed work which conforms to the requirements of Buyer's Long Term Agreement / Purchase Order / Release and (ii) all reasonable quantities of work in process and materials produced or acquired in respect of the performance of the work terminated which are of a type and quality suitable for producing supplies in conformance to the requirements; (d) take all action

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necessary to protect property in Seller's possession in which Buyer has or may acquire an interest; and (e) submit to Buyer promptly, but not later than twenty (20) days from the effective date of such termination its termination claim.

Seller shall not manufacture in advance of Seller's normal material lead-time and production flow time. Any preparation in violation of this prohibition shall be done at Seller's risk and if Buyer terminates a Long Term Agreement / Purchase Order / Release in accordance with this Section 19, the advanced commitment in materials and work done by Seller shall not be claimed in this respect against Buyer.

Buyer will make no payments for finished goods, works-in-process or raw materials fabricated or procured by Seller in amounts in excess of those authorized in a Purchase Order / Release nor for any undelivered goods which are in Seller's standard stock or which are readily marketable.

Notwithstanding the foregoing, if termination is occasioned by Seller's breach of any conditions hereof, including breach of warranty, or by Seller's delay, Seller shall not be entitled to any costs, and Buyer shall claim against Seller all remedies provided by law and equity. Further, in the event Seller shall become insolvent or in a petition for bankruptcy, Buyer may, without further obligation to Seller, terminate the Long Term Agreement / Purchase Order / Release associated herewith in whole or in part upon giving written notice to Seller.

20. Governing Law

In the absence of any agreement to the contrary, the Long Term Agreement / Purchase Orders / Releases shall be deemed to have been made in Hong Kong and shall be governed by and construed in accordance with the Laws of Hong Kong.

21. Work on Premises

If Seller's work under this order involves operation by Seller on the premises of Buyer or one of Buyer's customers, Seller shall take all necessary precautions to prevent injury to any person or property during the progress of such work. Seller shall indemnify Buyer against all loss, which may result in any way from any act or omission of the Seller, its agents, employees, or subcontractors. Seller shall maintain such public liability, property damage and employee's liability and compensation insurance as will protect Buyer from said risk and from any claims under applicable worker's compensation and occupational disease act.

22. Endorsement

Seller shall not, without the prior written consent of Buyer, make any release of information concerning any Long Term Agreement / Purchase Order / Release (other than to Seller's employees with a need to know in order to perform their duties) and shall not use the name of Buyer in any advertising or publicity.

23. Content Reporting

Seller shall provide to Buyer such content information as Buyer reasonably requests for the purpose of assisting Buyer's customers in complying with all applicable content reporting requirements. Such report may also be required for assisting Buyer's custom declaration for importation or transshipment.

24. Changes in Ingredients and Process Disclosure and Special Instructions

As Buyer needs to inform its customers and its employees of changes in processes or materials, Seller agrees to furnish in advance of making changes the following goods: (a) a list of all ingredients in the goods that may be purchased by Seller from time to time, (b) the amount of one or more ingredients; (c) information concerning any changes in or addition to such ingredients or changes in Seller's processes; and/or (d) Material Safety Data Sheets for all such ingredients.

Prior to and with the shipment of any goods purchased by Buyer from time to time, Seller shall furnish Buyer with sufficient written notice, including appropriate labels on goods, containers, and packing, of any hazardous material that is an ingredient or a part of any of such goods. Seller shall also provide any special handling instructions necessary to best prevent bodily injury or illness or property damage in the handling, transportation, processing, use or disposal of the goods, containers and packing shipped to Buyer.

25. Severability

If any part of these terms and conditions of purchase, or any terms of an associated Long Term Agreement / Purchase Order / Release, is held by a court of competent jurisdiction to be invalid or unenforceable under any statute, regulation, ordinance, executive order, or other rule of law, such part or terms shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, executive order or other rule of law. The remaining provisions of these terms and conditions, or any associated Long Term Agreement / Purchase Order / Release, shall remain in full force.

26. Export and Import Licenses; Permits

Unless expressly agreed otherwise, Seller shall be responsible for obtaining and paying for any permits, licenses or other governmental authorization(s) necessary for the exportation or importation of the goods into the designated country of importation, and it shall comply with all laws and regulations thereof.

27. Confidentiality

Seller agrees not to disclose to third parties any information regarding Purchaser or its business or its customers, including the existence and terms of any purchase order, or use such information itself for any purpose other than performing this order, without Purchaser's written prior approval. This paragraph shall apply, including but not limited to drawings, specifications, samples, correspondence pertaining to Seller's issued purchase order and any other documents prepared by Seller for Purchaser in connection with any purchase order.

28. Force Majeure

Neither party shall be liable for defaults due to acts of God or the public enemy, acts or demands of any government or any government agency, strikes, fires, floods, accidents, or other unforeseeable causes beyond its control and not due to its fault or negligence; provided, however, Force Majeure shall not include any labour problems or strikes relating to the workforce of Seller or its suppliers or subcontractors or any commercial circumstances affecting pricing or availability of any goods or raw materials furnished by Seller or its suppliers or subcontractors. Each party shall notify the other in writing of the cause of such delay within 5 days after the beginning thereof. During the period of such delay or failure to perform by Seller, Purchaser, at its option may purchase

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Standard Terms & Conditions

goods and services from other sources and reduce its schedules to Seller by such quantities, without liability to Seller or have Seller provide the goods and services from other sources in quantities and at times requested by Purchaser and at the price set forth in this purchase order, if requested by the Purchaser. Seller shall within 10 days of Purchaser's request for adequate assurances provide Seller's assurances that the delay shall not exceed 30 days. If the delay lasts more than 30 days or Seller does not provide adequate assurance that the delay will cease within 30 days.

29. Customer Requirements; Service Parts

To the extent that this purchase order or any other order covers goods which are parts, components, items, tooling and services being supplied to or for the benefit of any customer of Purchaser, Seller acknowledges and agrees that such goods and services must be in compliance with all of the applicable requirements, specifications, standards, pricing requirements (even if such pricing differs from the purchase order or older price), audit standards, and terms and conditions for such goods and services which are set forth in the customer's purchase documents. Seller shall provide service parts to Purchaser and/or its customer(s) for any goods and parts furnished under any purchase order based upon the customer's service requirements.

30. Relationship of Parties

Seller and Purchaser are independent contracting parties and nothing in this Purchase Order shall make either party the agent or legal representative of the other for any purpose whatsoever, nor does it grant either party any authority to assume or to create any obligation on behalf of or in the name of the other party.

31. Product Safety and Compliance

Seller is responsible to ensure that the goods being sold are "Certified Safe" and comply with all relevant product safety standards and regulations of the importing country. This means that the goods must be rigorously tested and met all the required safety standards. All goods shipped must be supplied with the applicable operator, installation and safety manuals, along with properly displayed safety alert labels on the goods in accordance with international standards. Any deficiencies or shortages of safety devices in the goods, including the manuals or documentation, will be the responsibility of the Seller.

(Revised November 1, 2004)