



EXCLUSIVE SALES REPRESENTATIVE AGREEMENT

Amended as of April 4, 2013

This Agreement ("Agreement") is entered into by and between **Phychemi Company Limited** (Herein after, the "Exclusive Representative"), a company whose principle office is located in **Hong Kong, China** and **Challenge Environmental Systems, Inc., DBA: Challenge Technology** (herein after the "Company"), a corporation organized under the laws of Arkansas, having its principle office located in **Springdale, Arkansas**.

In consideration of the mutual promises contained herein, the parties agree as follows:

1. Definitions.

As used herein, the following terms shall have the meanings set forth below:

A. "Customer" shall mean purchasers of Products.

B. "Products" shall mean Company's full line of environmental products.

C. "Territory" shall mean the following described geographic area and or specific accounts:
China, Taiwan, Hong Kong and Singapore ("Authorized Territory")

2. Appointment.

2.1 Authority. Company hereby appoints the Exclusive Representative as its Sales Representative for the Products in the Territory and to Customers, and Exclusive Representative hereby accepts such appointment. Exclusive Representative's sole authority shall be to solicit orders for the Products in the Territory in accordance with the terms of this Agreement. Exclusive Representative shall not have the authority to make any commitments whatsoever on behalf of Company, and will be fully responsible for keeping their customers duly informed of this limit on Exclusive Representative's authority to make agreements on behalf of the Company with the customer.

3. General Duties.

Exclusive Representative shall use its best efforts to promote the Products and maximize the sale of the Products in the Territory. Exclusive Representative shall also provide reasonable assistance to Company in promotional activities in the Territory such as trade shows, product presentations, sales calls and other activities of Company with respect to the Products. Exclusive Representative shall also provide reasonable support to Product purchasers after the sale and generally perform such sales related activities as are reasonable to promote the Products and the goodwill of Company in the Territory. Exclusive Representative shall report monthly to Company concerning sales of the Products and competitive promotional ad pricing activities. Exclusive Representative will devote adequate time and effort to perform its obligations. Exclusive Representative shall neither advertise the Products outside the Territory nor solicit sales from purchasers located outside the Territory without the prior written consent of the Company.

4. Training.

To be fully competent in the performance of the functions, the Exclusive Representative agrees to devote adequate time on an as needed basis, for training. Company agrees to provide to the Exclusive Representative sales/marketing/technical information and training in the products at the Company's facility.

5. Independent Contractor.

Exclusive Representative is an independent contractor, and nothing contained in this Agreement shall be construed to (i) give either party the power to direct and control day-to-day activities of the other, (ii) constitute the parties as partners, joint ventures, co-owners or otherwise, or (iii) allow Exclusive Representative to create or assume any obligation on behalf of Company for any purpose whatsoever. Exclusive Representative is not an employee of Company and is not entitled to any employee benefits. Exclusive Representative shall be responsible for paying all income taxes and other taxes charged to Exclusive Representative on amounts earned hereunder. All financial and other obligations associated with Exclusive Representative's business are the sole responsibility of Exclusive Representative.

6. Compensation

6.1 Sole Compensation. Exclusive Representatives' sole compensation under the terms of this Agreement shall be as follows:

No compensation. Exclusive Representative will determine profit margins in the described territory.

7. Sale of the Products.

7.1 Prices and Terms of Sale. Company shall provide Exclusive Representative with copies of its current price lists, delivery schedules, and standard terms and conditions of sale, as established from time to time. Exclusive Representative shall quote to customers based on those authorized prices, delivery schedules, and terms and conditions, and modify, add to or discontinue Products following written notice to Exclusive Representative. Each order shall be controlled by the prices, delivery schedules, and terms and conditions in effect at the time the order is accepted, and all quotations by Exclusive Representatives shall contain a statement to that effect.

7.2 Quotations. Exclusive Representative shall promptly furnish to Company copies of all quotations submitted to customers. Each quotation shall accurately reflect the terms of this Agreement.

7.3 Orders. All orders for the products shall be in writing, and shall be submitted to Company. All orders shall be sent directly from the Exclusive Representative for processing by the Company. Orders will not be accepted directly from the customer without the Company and Exclusive Representative prior agreement.

7.4 Acceptance. All orders obtained by Exclusive Representative shall be subject to final acceptance by Company at its principal office and all quotations by Exclusive Representative shall contain a statement to that effect. Company specifically reserves the right to reject any order or any part thereof for any reason.

7.5 Payments. All payments will be direct from the Exclusive Representative in the form of wire transfer direct to the Company's bank. Account and routing information will be provided to the Exclusive Representative. **Note:** Wire transfer must be complete before releasing an order for shipment.

7.6 Collection. Full responsibility for collections from customers rests with the Exclusive Representative.

7.7 Inquiries from Outside the Territory. Exclusive Representative shall promptly submit to Company, for Company's attention and handling, the originals of all inquiries received by Exclusive Representative from customers outside the Territory.

8. Term and Termination.

8.1. Term. This Agreement shall commence on the 4th day of April, 2013 and continue in full force and effect until terminated by either party, with or without cause, unless terminated earlier as provided herein. This Agreement shall continue until terminated upon at least 30 days written notice by either party.

8.2. Rights on Termination. Following termination of this Agreement, anything in this Agreement to the contrary notwithstanding, Exclusive Representative shall be entitled to commissions only with respect to orders received and accepted by Company within 90 days after the effective date of termination which result from firm quotations issued prior to the effective date of termination. Upon receipt of notice of termination, Exclusive Representative shall be relieved of all further duties, responsibilities and rights to assist Company in connection with bidding projects and delivery of quotations. Neither party shall be entitled to any compensation or reimbursement for its inability to recoup any investment made in connection with its performance under this Agreement, loss of prospective profits, anticipated sales or anticipated commissions or other losses occasioned by termination of this Agreement.

8.3. Return of Materials. All of Company's Trademarks, trade names, patents, copyrights, designs, drawings, formulas or other data, photographs, demonstrators, literature, and sales aids of every kind shall remain the property of Company. Within 10 days after the termination of this Agreement, Exclusive Representative shall return all such items to company at Exclusive Representative's expense. Exclusive Representative shall not make or retain any copies of any confidential items or information that may have been entrusted to it. Effective upon the termination of this Agreement, Exclusive Representative shall cease to use all trademarks, marks and trade name of Company.

9. Limitation of Liability.

Upon termination by either party in accordance with any of the provisions of this Agreement, neither party shall be liable to the other because of the termination for compensation, reimbursement or damages on account of the loss of prospective profits or anticipated sales or on account of expenditures, investments, leases or commitments in connection with the business or goodwill of Company or Exclusive Representative.

10. Confidentiality.

10.1 Proprietary Information. Exclusive Representative acknowledges that by reason of its relationship to Company hereunder it will have access to certain information and materials concerning Company's business plans, customers, technology, and products that is confidential and of substantial value to Company, which value would be impaired if such information were disclosed to third parties. Exclusive Representative agrees that it shall not use in any way for its own account or the account of any third party, nor disclose to any third party, any such confidential information revealed to it by Company. Exclusive Representative shall not publish any technical description of the Products beyond the description published by Company. In the event of termination of this Agreement, there shall be no use or disclosure by Exclusive Representative of any confidential information of Company and Exclusive Representative shall not manufacture or have manufactured any devices, components or assemblies utilizing Company's patents, inventions, copyrights, know-how or trade secrets.

10.2 Protection of Proprietary Rights. Exclusive Representative agrees to cooperate with and assist Company, at Company's request and expense, in the protection, maintenance and enforcement of trademarks, patents or copyrights owned by or licensed to Company, and shall inform Company immediately of any infringements or other improper action with respect to such trademarks, patents or copyrights which shall come to the attention of Exclusive Representative.

10.3 Trademark and Trade Names. Company's trademarks affixed to the Products shall not be effaced by Exclusive Representative. Exclusive Representative shall not use any of Company's trademarks or part thereof, or any mark or name confusingly similar thereto, as part of its corporate or business name or in any other manner, except that (i) Exclusive Representative may identify itself as an authorized Sales Exclusive Representative of Company and (ii) Exclusive Representative may use Company's trademarks relating to the Products in sales and promotional materials provided that such materials acknowledge Company's ownership of its marks, include appropriate designations of registration and/or trademark status, and have been previously approved by Company for display and distribution. All such use of such trademarks shall inure solely to the benefit of Company. Exclusive Representative shall not register any of Company's trademarks or any mark or name closely resembling them. Upon termination of this Agreement, Exclusive Representative shall immediately discontinue use of all trade names or trademarks of Company, including any word, title, symbol or expression resembling any such trade name or trademark.

11. Notices.

Any notices required or permitted by this Agreement shall be deemed given if sent by certified mail, postage prepaid, return receipt requested or by a recognized overnight delivery service such as FedEx.

12. Warranty

All of Challenge Technology environmental products have a one year warranty against defects. Products returned for determination of warranty claim are shipped at the customer's expense. If the determination that the product warranty claim is valid, then Challenge Technology will reimburse the shipping cost to the customer. Challenge Technology alone will determine if a claim is valid, not the Exclusive Representative, or any agent or customer of the Exclusive Representative.

If to Exclusive Representative:

Phychemi Company Limited
23/F, Seaview Commercial Building,
21-24 Connaught Road West,
Sheung Wan, Hong Kong

If to Company:

Challenge Environmental Systems, Inc.
Challenge Technology
Mark Kuss, President /Owner
2270 Worth Lane Suite D
Springdale Arkansas 72764

13. No Waiver.

The waiver or failure of either party to exercise in any respect any right provided in this agreement shall not be deemed a waiver of any other right or remedy to which the party may be entitled.

14. Entirety of Agreement.

The terms and conditions set forth herein constitute the entire agreement between the parties and supersede any communications or previous agreements with respect to the subject matter of this Agreement. There are no written or oral understandings directly or indirectly related to this Agreement that are not set forth herein. No change can be made to this Agreement other than in writing and signed by both parties.

15. Governing Law.

This Agreement shall be construed and enforced according to the laws of the United States and any dispute under this Agreement must be brought in this venue and no other.

16. Headings in this Agreement.

The headings in this Agreement are for convenience only, confirm no rights or obligations in either party, and do not alter any terms of this Agreement.

17. Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable then this Agreement, including all of the remaining terms, will remain in full force and effect as if such invalid or unenforceable term had never been included.

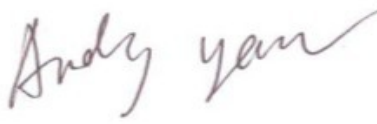
18. Restrictions on Assignment.

This Agreement may not be assigned by Exclusive Representative, whether voluntarily or by operation of law, without the prior written consent of Company; this Agreement may not be assigned by Company, except to the acquirer of substantially all of its assets in conjunction with such an acquisition.

IN WITNESS WHEREOF, the parties have caused their authorized officers to execute this Agreement as of the date first written above.

By: 

Mark Kuss, President
Challenge Environmental Systems Inc.
Challenge Technology

By: 

Andy Yan
Phychemi Company Limited