**JOINT VENTURE AGREEMENT**

**合资企业合同**

BETWEEN

**XXXXX COMPANY**

AND

**XXXXX COMPANY**

FOR THE JOINT INVESTMENT IN

**XXXXXXXX**

DATE: \_\_\_\_\_\_, 2013

|  |  |  |
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**JOINT VENTURE AGREEMENT**

**FOR THE PARTICIPATION IN**

**EQUITY JOINT VENTURE COMPANY**

**OF LIMITED LIABILITY**

# 

# RECITALS

This Joint Venture Agreement (the “**Agreement**”) is made in xxxxxx, on [ ], 2013 for the joint investment in **XXXXXX**. (The “**Company**”) by and between:

**Xxxxxx Company** (“**Party A**”), a corporation duly incorporated and existing under the laws of xxxxxx, having its registered office at xxxxxx,

and

**Xxxxxx Company,** (“**Party B**”), a company duly incorporated and existing under the laws of China, having its registered office at Xxxxxxx, China.

.

Party A and Party B are hereinafter collectively referred to as “**Parties**” or individually as a “**Party**”.

**WHEREAS**

* 1. Party A possesses substantial Intellectual Property, human resources, and assets in locations around the world that allows the company to offer global solutions to customers in the field of exhaust and emission after treatment systems, including the design, development, validation and manufacturing of Catalytic Converters, Mufflers, Silencers, modules, Diesel Particulate Filter (DPF), Selective Catalytic Reduction (SCR) and systems for Passenger Cars, Commercial Vehicles, and Heavy Duty ON and OFF road and engines in general that operate with gasoline, diesel and LPG applications (hereinafter referred to as “the Products”).
  2. Party A has manufacturing plants in X *city*
  3. Party A has Research & Development, Commercial and Manufacturing presence in China and is currently well positioned in the exhaust systems market through several supply contracts across China with different automotive OEM’s including Xxxxx Company (hereinafter “Xxxxx”, with Chinese name Xxxxx for exhaust systems products.
  4. Xxxxxxx Company is currently a customer of Party B for lubricants and chemical products.
  5. As part of Party A’s plan to improve its current supply conditions to Xxxxx approved an investment and operative plan to establish a manufacturing facility in Xxxxx.
  6. The Parties recognize Xxxxx Company and its associated companies namely Xxxxx Company, as perspective customers where further business presence is desirable. Above associated companies, together with Xxxxx Company, shall be collectively referred to as “Target Customers” under this Agreement. The Parties identify each other as an ideal partner to jointly further business opportunities with above Target Customers.
  7. Xxxxx Company has the Engineering and technical expertise to appropriately support design, testing and validation, technical assistance to customers as well as industrial and quality engineers to support the perspective joint venture Company from China and other regions.
  8. Party B has understanding and knowledge of the local Xxxxx Company business environment as well as a business network that can enhance the perspective joint venture Company in Xxxxx.
  9. Party B has identified the need to align itself with a global partner that can provide the perspective joint venture Company with necessary technical and system-related capabilities to serve exhaust system supply requirements of the Target Customers.
  10. The Parties have duly signed a Memorandum of Understanding on July \_\_\_\_, 2013 regarding, among other matters, the establishment and operation of the joint venture Company and certain consequent transactions among the Company, Party A and Party B.

**THEREFORE**

The Parties agree as follows to establish and operate a joint venture Company in China and to solely and exclusively pursue the business of Products with the Target Customers in China:

# INTERPRETATION

## Unless otherwise specified in this Agreement, the following terms shall have the meanings set out below:

“**Affiliate**” with respect to a Party, means any corporation, partnership or other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such Party. For the purpose of this definition, “control” means direct or indirect ownership of at least fifty percent (50%) of the voting rights of such entity.

“**MOC**” means the competent government agency of Ministry of Commerce in China.

“**Approval Authority**” means any competent governmental, quasi-governmental, and other regulatory authority in China who has the power to approve this Agreement, the Articles of Incorporation, and/or the establishment of the Company.

“**XXXXX Group**” means collectively Party A and Party A’s subsidiaries and affiliates.

“**Articles of Incorporation**” means the Articles of Incorporation of the Company as may be amended from time to time by the Parties by mutual consent subject to the approval of the Board and MOC.

“**Board**” means the Board of Directors of the Company.

“**Business License**”means the new business license of the Company issued by the competent Chinese government agency such as the Administration for Industry and Commerce, indicating and registering the joint venture Company of Party A and Party B.

“**Confidential Information**” means any and all information including, without limitation, technology, know-how, trade secrets, strategic business or marketing information, business projections, secret processes and other processes, data, formulae, software programs, manuals, designs, sketches, photographs, plans, drawings, specifications, samples, reports, studies, findings, non-patented inventions and ideas, and other information, whether of a technical, engineering, operational, commercial, or economic nature, in connection with the business of the Company, Party A, XXXXX **COMPANY** Group (including XXXXX **COMPANY)**, and/or Party B.

“**Director**”means a member of the Board.

“**Equity Interest**” means an interest in all or part of the registered capital of the Company.

“**Force Majeure**” means fire, flood, earthquake, elements of nature or acts of God, acts of war, terrorism, riots, strikes, civil disorders, rebellions or revolutions or any other event alike affecting a Party or the Company beyond its reasonable control and gravely affecting or rendering impossible (i) the performance of this Agreement and/or the Articles of Incorporation or (ii) the Company’s operations.

“**General Manager**” means the general manager of the Company appointed by Party A.

**“XXXXX COMPANY”** means Xxxxx Company is a public limited liability company

“**Management Personnel**” shall mean the General Manager, the Deputy General Manager, the Finance Manager, the engineering manager, the sales manager and such other personnel positions of the Company that are designated as management personnel positions by this Agreement, the Articles of Incorporation, or the Board from time to time.

## Other Provisions

### The headings and sub-headings in this Agreement and its Annexes are included for convenience and ease of reference only and shall not affect the interpretation of this Agreement.

### The Recitals and Annexes shall form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement. Accordingly, reference to this Agreement shall include references to its Recitals and Annexes.

### In this Agreement, unless otherwise required, words denoting the singular shall include the plural and vice versa.

### References to any document or agreement include a reference to that document or agreement as varied, amended, supplemented, substituted, renewed, or transferred from time to time in accordance with this Agreement.

### Reference to any regulation or law of a country include a reference to that regulation or law of a country as amended, extended, consolidated, or replaced from time to time (whether before or after the date of signature of this Agreement).

### Whenever the word “include”, “includes”, or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation.”

### All references in this Agreement to a gender in a masculine form shall also refer to its feminine form, and vice versa.

# PARTIES TO THE Agreement

The Parties to this Agreement are as follows:

## Party A

**XXXXX COMPANY** (“**Party A**”), a corporation duly incorporated and existing under the laws of Xxxxx, registered office at Xxxxxx, Xxxxxx. Its legal representative is:

## Name**:**

Position: Legal Representative

Nationality:

## Party B

**XXXXX COMPANY** (“**Party B**”), a company duly incorporated and existing under the laws of People’s Republic of China, having its registered office at Xxxxxxxxx, China. Its legal representative is:

Name: Xxxxxx;

Position: Legal Representative;

Nationality: Chinese.

# JOINT INVESTMENT IN THE COMPANY

## Joint Investment in the Company

### In accordance with the laws and regulations of the People’s Republic of China (hereinafter “China”), the Parties hereby agree to jointly invest in the Company pursuant to the terms of this Agreement. Except as otherwise provided in this Agreement and in the MOU previously signed, Party B agrees that no other enterprises, in whatsoever form, will be put in place between Party B (or its Affiliates) and any other enterprise(s) or persons to design, manufacture and sell the Products. Notwithstanding the foregoing, the Parties agree that above restriction shall not apply to any agreements entered by Party B and validly existing prior to the date of the event that the improvement on the Company necessitates jointly entering into subsequent agreements with third parties, both Parties will need to agree on the terms in which the additional participant(s) will collaborate, as well as the relevant regions where the company will participate beyond China.

## Name and Address of the Company

### The name of the Company shall be “Xxxxx Company in English and Xxxxxxx” in Chinese, both subject to the government approval and registration.

### The legal address of the Company shall be at XXXXX, *Beijing*, China.

## Joint Venture Company

The Company shall be a joint venture company (*中外合资企业*). The liability of each Party for the losses, debts, liabilities, and other obligations of the Company shall be limited to the full amount of its respective capital contribution to the Company required to be made pursuant to this Agreement and the Articles of Incorporation and neither Party shall have any liability to the Company or any third party severally or jointly in excess of such amount, unless otherwise agreed to in writing by such Party. The profits, risks and losses of the Company shall be shared by the Parties in proportion to their respective contributions to the Company’s registered capital as set out in Article .Each Party shall not bear the liabilities, debts, losses, or obligations arising from any activities of the other Party.

## Legal Person

The Company shall be a Legal Corporate Entity (*企业法人*) under the laws of China.

## Compliance with the Laws of China

The activities of the Company shall be governed by and regulated by the relevant published laws, regulations, measures, and rules of China, and the Company and the Parties shall act at all times in compliance with the laws of China.

## No Agency Relationship

Neither Party is the agent of the other Party nor does either Party have any power to bind the other Party or to assume or to create any obligation of responsibility, express or implied, on behalf of the other Party in the other Party’s name. Neither this Agreement nor any of the other contracts contemplated herein shall be construed as constituting Party A and Party B as partners or as creating any other form of legal association which would impose liability upon one Party for the act or failure to act on the other.

# PURPOSES; BUSINESS SCOPE; LEADERSHIP AND MANAGEMENT

## Purpose of the Company

The purpose of the Company shall be to use advanced technology and know-how and scientific management techniques of Party A for the Company to produce, sell and provide Products to Target Customers, and to allow the each Party of this Agreement to earn satisfactory profits. Provision of top quality Products will be a priority for the Company and both Parties commit to have the Company follow strict quality guidelines and polices in the design, development, testing and manufacture of the products.

## Business Scope of the Company

The business scope of the Company shall be, subject to the approval of the competent governmental, quasi-governmental, and other regulatory authorities and the respective boards of directors of Party A and Party B. In the event the Company necessitates the expansion of business scope to other products, applications, and/or markets, the Parties shall agree on the terms to pursue different ones. The Company shall not enter new business lines without the approval of the Board. To avoid any doubts, the Target Customers List is defined exclusively as: Xxxxxxx Company, Xxxxxx Company, Xxxxx Company, and Xxxxx Company.

Other potential customers that in the future may be served by the Company will be included in the Target Customer list by written agreement by both Parties. For the absence of doubt, potential customers not included in the Target Customer List shall not be pursued by the Company.

# TOTAL INVESTMENT AND REGISTERED CAPITAL

## Total Investment

The total amount of investment of the Company (“**Total Investment**”) shall be thirty million Chinese Yuan (RMB30,000,000), to be contributed by the Parties in proportion to the respective ratio of their committed registered capital in the Company. The difference of the Registered Capital and the Total Investment may be paid by the Parties in form of corporate loans in proportionate to the shareholding and under equal condition according to later agreements between the Parties.

## Registered Capital

The registered capital of the Company (“**Registered Capital**”) shall be fifteen million Chinese Yuan (RMB15,000,000) of which each Party shall contribute fifty percent (50%) namely seven million and five hundred thousand Chinese Yuan (RMB7,500,000).

## Contributions of the Parties

### Party A’s contribution to the registered capital of the Company shall be the equivalent of RMB7,500,000 in form of cash, representing 50% interest of the total registered capital of the Company. Party A will make the full payment of above Registered Capital it committed to pay within 6 months as of the establishment of the Company.

### Party B’s contribution to the registered capital of the Company shall be RMB7,500,000 in form of cash, representing 50% interest of the total registered capital of the Company. Party B will make the full payment of above Registered Capital it committed to pay within 6 months as of the establishment of the Company.

## Additional Funding

### In addition to the Registered Capital and the Total Investment of the Company, the Company may borrow any necessary funds from domestic or international banks or other institutions on terms and conditions approved by the Board and by both Parties of this Agreement. Both Party A and Party B will use their best efforts to support the Company in such process.

### Where a Party lends funds to the Company at the request of the Board or guarantees a loan to the Company from a third party, such Party shall, except as otherwise agreed by the Parties, be entitled to be paid interest on the loan or guarantee fees as if such Party were not an investor of Company and as if the transaction were a negotiated arm’s length financing from a third party.

## Increase or Reduction of Registered Capital

### Any increase or reduction in the registered capital and/or total amount of investment of the Company shall require the prior agreement of the Parties and the unanimous approval of the Board and shall be subject to the approval of the Approval Authorities (if required).

### Any Party shall have the right to, via the Directors nominated by it, propose to the Board an increase in the registered capital and/or total amount of investment of the Company.

### For an increase in the registered capital of the Company, the amount of such increase shall be contributed by the Parties in proportion to the respective ratio of their committed Registered Capital before each capital increase, unless otherwise agreed by the Parties and approved by the Board.

### In the event of an increase in the Registered Capital of the Company, this Agreement and the Articles of Incorporation shall be amended to reflect the change to the Parties’ aggregate respective percentage contributions to the Registered Capital of the Company as well as the Parties’ right to appoint Directors.

### During the Joint Venture Term, the Company shall not decrease the amount of registered capital. Where there is a real need for reduction of the registered capital due to changes in the total amount of investment, the production scale, or other circumstances, the reduction shall be conducted with the unanimous approval of the Board, the ad hoc agreement by the Parties, and the approval of the Approval Authorities.

# TRANSFER OF EQUITY INTEREST

## Restrictions on Equity Interest Transactions

### Neither Party shall do, or agree to do, any of the following during the Joint Venture Term except with the prior written consent of the other Party or otherwise in accordance with this Agreement and the Articles of Incorporation:

#### pledge, entrust, or otherwise establish third party rights over any Equity Interest;

#### grant an option over any Equity Interest of any Party in the Company; or

#### enter into any agreement with any third party limiting or restricting its right to vote or any other rights attached to any Equity Interest of any Party.

### Notwithstanding any other provision of this Agreement and the Articles of Incorporation, and unless the Parties otherwise agree in writing, neither Party may dispose of all or part of its Equity Interest for a period of 3 years from the date of issuance of the first Business License of the Company (the “**Disposal Standstill**”).

### Notwithstanding any other provision of this Agreement and the Articles of Incorporation, and unless the Parties otherwise agree in writing, any transfer, pledge, or transaction pertaining to or affecting any Equity Interest may only be made in accordance with the provisions of this Agreement, and any other attempted transfer, encumbrance or issuance shall be null and void.

### Neither Party may transfer its Equity Interests to any third parties, unless such third party and the other Party have, prior to the equity transfer, negotiated and executed the new Articles of Incorporation of the Company and the new joint venture agreement between them in such form and substance as the other Party and the applicable laws shall require.

## Transfer of Equity Interest to a Non-Affiliate

### The transfer of Equity Interest of the Company by one Party to a non-Affiliate third party shall be consented to by the other Party in advance in writing, subject to the rules under Chinese Company Law.

### In the event that, after the Disposal Standstill, any Party hereto proposes to sell, transfer, or otherwise dispose of any part of its Equity Interest (the “**Offer Equity Interest**”) to any person, such Party (the “**Selling Party**”) shall give written notice (the “**Transfer Notice**”) to the Company and the other Party (the “**Non-Selling Party**”) stating the following:

#### The name of the proposed transferee, the price offered by such transferee for the Offer Equity Interest, the proposed date of completion of the transfer and all other terms and conditions of such proposed transfer;

#### That the Selling Party irrevocably offers to sell the Offer Equity Interest to the Non-Selling Party (the “**First Offer**”), on the same terms and conditions (including price) as have been offered by such transferee, except as provided otherwise herein; and

#### That the Non-Selling Party must, if it wishes to accept the First Offer, give notice to the Selling Party not later than fourteen (14) days after the date when a valid Transfer Notice was given (or deemed given) to it (the “**First Offer Date**”).

### In the event that the Non-Selling Party does not accept the First Offer in the manner provided by Article , the Selling Party shall be free to sell the Offer Equity Interest to the proposed transferee on terms and conditions no more favourable than those originally contained in the Transfer Notice provided that the execution of the equity transfer contract of the Offer Equity Interest shall be completed no later than six (6) months after the First Offer Date.

### In the event that the Non-Selling Party accepts the First Offer in the manner provided by Article , the execution of the equity transfer contract of the Offer Equity Interest shall take place no later than three (3) months after the First Offer Date at such place and time as the Selling Party and the Non-Selling Party shall agree.

### After the execution of the equity transfer contract of any Equity Interest, the Parties hereto shall procure that the Board approves such transfers of the Equity Interest as soon as possible, and the Company shall submit the equity transfer contract of the Equity Interest for governmental approval, if so required, and modifies the entry of all required particulars in the Company’s documents and administrative registrations as provided for by applicable laws.

### Under no circumstances shall the transfer of any Equity Interest by any of the Parties hereto to a New Party become effective and be entered in the Company’s documents unless the New Party has first entered into a contract with all Parties hereto (other than any ceasing to be a shareholder of the Company) whereby the New Party shall agree, inter alia, to be bound by all the restrictions of, and discharge all duties and obligations set out in, this Agreement and the Articles of Incorporation as if the New Party were an original Party hereto. Such contract shall be in such form and substance as the Parties hereto (other than any ceasing to be a shareholder of the Company) and applicable law shall require.

## Transfers to Affiliates of the Parties

## Notwithstanding the provisions of Article above, Party A may freely transfer part or all of its Equity Interest to an Affiliate of Party A after the Disposal Standstill period and subject to the applicable laws and regulations of China, including advance reporting to and/or approval of the Approval Authorities (if any), and Party B hereby consents to such assignment and agrees to cause the Directors appointed by Party B to vote in favour of such transfer and to cause its representatives to execute relevant documents for the transfer to be approved and registered by competent authorities pursuant to the laws of China. When transferring its Equity Interest to an Affiliate, Party A shall notify the Board and Party B in writing of the proposed transfer and specify the name and the legal address of the Affiliate and/or such information as Party B may reasonably request. Any of such transfer shall be unanimously approved by the Board and shall be effective thereupon subject only to necessary advance government reporting and approvals (if any). Party B may transfer part or all of its Equity Interest to an Affiliate of Party B with Party A’s consent, which may not be unreasonably withheld or delayed.

## Continued Implementation of Agreement

Prior to the transfer of a Party’s Equity Interest, all Parties shall continue to perform their obligations under this Agreement and the Articles of Incorporation.

## Effect of Transfer

The transfer of a Party’s Equity Interest shall not release such Party from its liability to pay any sums of money accrued, due and payable to the other Party, or to discharge its then-accrued and unfulfilled obligations including any liability to the Company or the other Party in respect of any breach of this Agreement pursuant to Article hereof.

# WARRANTIES AND REPRESENTATIONS OF THE PARTIES

## Warranties and Representations of Both Parties

In addition to other representations and warranties under this Agreement, each of the Parties represents and warrants to the other Party that as of the date hereof:

### It is a corporation (for Party A) or limited liability company (for Party B) duly organized, validly existing and in good standing as a legal person under the laws of *Mexico* or China respectively.

### It has full legal right, power and authority to execute this Agreement and all of the contracts and documents contemplated herein to which it is a party and to observe and perform its obligations hereunder and thereunder;

### It has taken all appropriate and necessary corporate actions to authorize the execution of this Agreement and all of the contracts contemplated herein to which it is a party and to authorize the performance and observance of the terms and conditions hereof and thereof;

### It has obtained all requisite consents, approvals, and authorizations of relevant governmental, quasi-governmental, and other regulatory authorities necessary for the valid execution and performance of this Agreement and all of the contracts contemplated herein;

### Its execution, delivery and performance of this Agreement or any of the other contracts contemplated herein will not result in a breach of any of its organizational documents, any other agreement or obligation, or currently effective law, regulation, or decree that may be applicable to any aspect of the transactions contemplated hereunder by it and/or its shareholders and/or its appointed directors to the Board; and

### All information that it supplies to the other Party in relation to this Agreement, including information concerning its business and financial status or its relevant Affiliates and any relevant assets, inventories and outstanding contractual arrangements with their respective suppliers and customers, is true and correct in all material respects, whether any of the same has been verified or audited by an independent third party or not.

## Reliance on Warranties and Representations

Each Party acknowledges that the other Parties have entered into this Agreement in reliance upon the warranties and representations given by such Party.

## Notification of Breaches or Changes

Each Party shall ensure that the warranties and representations given by such Party shall remain true, accurate, and not misleading at all times prior to the submission of application to the Approval Authorities for approval of the joint investment of the Company and throughout the term of this Agreement, and shall notify the other Party immediately upon becoming aware of any fact or circumstance that has caused or may cause any of its own warranties and representations to become untrue, inaccurate, or misleading at any time before the submission of application to the Approval Authority for approval of the establishment of the Company. Within twenty (20) days after receiving such notice, each receiving Party shall deliver a written response to the other Party and the Company expressly stating either that:

#### it accepts such fact or circumstance, in which case, the affected warranty and representation shall be deemed amended accordingly; or

#### it considers such fact or circumstance to be a material breach and is therefore giving notice to terminate this Agreement pursuant to Article hereof.

## Indemnity

Each Party undertakes that if any warranty and representation given by such Party is untrue, inaccurate, or misleading, without prejudice to any other right that the other Party may have, the Party giving the warranty and representation shall compensate the other Party and/or the Company for damages (excluding negotiation expenses for this Agreement except where the Party giving the warranty and representation did so in bad faith) that such other Party and/or the Company may suffer or incur as a result of such warranty and representation being untrue, inaccurate, or misleading.

## Conditions Precedent

#### The obligations of the Parties to proceed with the due performance of this Agreement are conditioned upon the occurrence of each and all of the following events (“**Conditions**”):

#### the obtainment by the Company of any special or extraordinary license, permit, approval, or authorization required in order to carry out its business activities under its scope of business in China, if any;

#### The Company, Party A, and Party B or their relevant Affiliates and shareholders, as the case maybe, shall duly execute and/or ratify, as the case maybe, the Intellectual Property License Agreement, the Implementation and Support Agreement, the Asset Transfer Agreement, Business Transfer Agreement and the Lease Agreement which are all to be defined in this Agreement, and

## The availability of the premises ….**Fulfilment of the Conditions**

Following execution of this Agreement, each Party shall promptly take all such actions as are necessary to fulfil the Conditions set forth in Article .

If any approval or authorization is granted on a conditional basis or denied, the Parties shall use their reasonable endeavours to negotiate appropriate changes to this Agreement, to the extent permissible under the applicable laws of China and possible without affecting the fundamental objectives of this Agreement, each Party’s Equity Interest and the interests of each of the Parties hereto.

In the event that the Parties cannot reach an agreement on appropriate changes thereof, Article hereof shall apply.

## Activities after execution of this Agreement

Upon execution of this Agreement, the Parties shall start activities in connection with the obtainment of any license, authorization, approval, and registration under the business scope of the Company pursuant to the laws of China in order to carry out the Company’s activities in the proposed market.

Within 1 (one) month from the execution of this Agreement, the Parties shall resolve on the following:

#### Approval of the Business Plan and Feasibility Study Report prepared by Parties;

#### Appointment and/or confirmation of appointment of the Board members,

#### Completion of the preparation of the Intellectual Property License Agreement, Implementation and Support Agreement, Lease Agreement, Asset Transfer Agreement and Business Transfer Agreement as previously agreed in this Agreement

Within 2 months from the execution of this Agreement, Parties shall resolve on the following:

#### Appointment and/or confirmation of appointment of General Manager, Deputy General Manager, Finance Manager, and other Management Personnel;

Notwithstanding the above, and within 10 working days upon the grant of the first Business License of the Company, the Parties shall cause the Company to undertake ratification and/or execution of the Intellectual Property License Agreement, Implementation and Support Agreement, Confidentiality and Non-compete Agreement, Lease Agreement, Asset Transfer Agreement and Business Transfer Agreement as previously agreed, which are crucial Conditions for the Parties and the Company to move forward with the business and make the contribution of Registered Capital to the Company

# RESPONSIBILITIES OF THE PARTIES

## Responsibilities of Party A

In addition to its other responsibilities under this Agreement, Party A shall:

#### make its contributions in accordance with the terms and conditions of this Agreement and the Articles of Incorporation;

#### act and cause its Directors and representatives in the Company to act at all times in good faith with respect to all matters relating to the Company and this Agreement;

#### assist the Company, if requested, to procure from abroad equipment, supplies, and other materials which the Company determines should be imported and assist the Company, if requested, to handle procedures causing third party suppliers to obtain all relevant export licenses for the Company’s imported equipment, machinery, vehicles, raw materials, and exported products of the Company;

#### assist the Company as requested to recruit personnel; and

#### optimize any incentive and support from the (Mexican, U.S., etc.) and Chinese governmental or regulatory authorities in connection with the operation of the Company;

#### assist Party B in obtaining and maintaining all governmental, administrative, and regulatory approvals, permits, licenses, registrations, and records necessary for the establishment and operation of the Company.

## Responsibilities of Party B

In addition to its other responsibilities under this Agreement, Party B shall:

#### make its contributions in accordance with the terms and conditions of this Agreement and the Articles of Incorporation;

#### act and cause its Directors and representatives in the Company to act at all times in good faith with respect to all matters relating to the Company and this Agreement;

#### assist the Company in obtaining and maintaining all governmental, administrative, and regulatory approvals, permits, licenses, registrations, and records necessary for the establishment and operation of the Company;

#### assist the Company, if requested, to handle procedures and obtain all relevant import and export licenses for the Company’s imported equipment, machinery, vehicles, raw materials, and exported products of the Company;

#### assist the Company in contracting for and obtaining adequate electricity, water, and other necessary supplies and utilities required by the Company;

#### assist foreign directors and foreign personnel of the Company to obtain all necessary entry visas, travel documents, and work permits as required of the Company;

#### assist the Company in recruiting local personnel required for the operation of the Company;

#### assist the Company in obtaining and maintaining the most preferential tax reductions and exemptions, grants and other investment incentives available under the applicable laws of China;

#### generally assist the Company in its consultations and cooperation with local government authorities;

#### optimize any incentive and support from the Mexican and China governmental or regulatory authorities in connection with the operation of the Company; and

#### handle other matters entrusted by the Company and as agreed in writing from time to time by the Parties.

# PREMISE; UTILITIES

## The Premise

Parties agree to put in place a *manufacturing plan* that includes machinery and equipment to support the projects to be quoted and executed per the Company within 3 months of the signature of this Agreement. However, the agreed Premise of the Company is at (location in China). Party B shall legally construct and make such premise available to the Company with all agreed offices, warehouse, manufacturing space and facilities for the Company to use through a fair lease (“**Lease Agreement**”) and such availability of spaces, facilities and the Lease Agreement shall be provided to the Company not later than eight (8) months upon the date of executing this Agreement. It has been agreed that, considering the space and facilities necessary for the operation of the Company, the Lease Agreement shall provide a work space of approximately 4,000 square meters at the rates of RMB26 per square meter per month for office spaces and of RMB18 per square meter per month for floor space (for manufacturing) where a 6 month rent free period will be offered by Party B to the Company. With regard to Party B’s responsibility of the construction and provision of the above mentioned suitable premise, the building shall be conveniently constructed for the JV and comply with automotive industry manufacturing, health and safety standards for manufacturing sites in both (Chinese City) and China, and with a standard equivalent to its other buildings in their industrial complex in (Chinese city); it will also secure the necessary utilities (air, gas, power, water, sewer, and telephone) ready to be used to run the site and support the operation of the JV.

## Utilities

Unless expressly agreed in the Lease Agreement, Party B shall use its best efforts to ensure that all utilities required by the Company, including water, gas, electricity, sewerage services, steam, and waste water treatment sufficient for current usage of the Company, are supplied to the Company at the same price and on the same terms and conditions enjoyed by other manufacturing enterprises of similar size to the Company subject to the laws and regulations applicable in (Chinese City) as applied to the Company and such utilities.

# SALES OF PRODUCTS OF THE COMPANY; BUSINESS PLAN; ASSET TRANSFER AND BUSINESS TRANSFER

## Both Parties agree that the Company will be solely responsible for supplying Products, invoicing and collecting from sales executed in connection with the Company, including but not limited to negotiating pricing and commercial issues relating to the sale of the Products. For absence of doubt, this responsibility shall include but is not limited to negotiating pricing and commercial issues related to the sale of the Products to customers (including any Tier 1 suppliers selected by the customer to contract with the Company). In any event, both Parties will provide reasonable support to the Company to obtain sales leads and potential opportunities. The Company will work with the suppliers and Target Customers directly in accordance with the Pre-Production Approval Process (hereinafter referred to as “PPAP”) and/or other supplier requirements for customer approval prior to shipping parts for customer production requirements.

## Both Parties agree to provide the Company with as much support as commercially possible to jointly secure the best prices and suppliers around the world, and, to the extent permitted under the respective personal data protection laws and the applicable agreements with any third parties, share the necessary information related to suppliers, component and material costs, manufacturing cost assumptions, test and validation costs, logistics, packaging and overhead expenses, for the benefit of sales of products.

## The Company will have the responsibility of establishing the necessary Supply Agreements with component and material suppliers to carry out the relevant projects. The Company will be supported by both Parties in connection with Bill of Materials, comparative pricing and potential suppliers lists associated with products and projects directly connected to the Company. However, to maintain consistent quality of the Products and minimize customer risk, the Company shall not make changes to the Products without the approval of Party A.

## Party A will support the Company through its initial stages in the sphere of business development, purchasing, engineering, design and development (ED&D), manufacturing engineering, and quality through an implementation and support agreement (“**Implementation and Support Agreement**”). The Company will compensate Party A for the costs associated with providing said services and support.

## Parties will jointly draft a business plan (“**Business Plan**”) which will include but not limited to expected customer demand and volumes, necessary funding, timing of funding, required space, location of the manufacturing site, required staffing, necessary material resources and strategic supply, intended pricing and expected profitability. The Business Plan will be the roadmap of the Company and shall be approved by the Board and the Parties agree to cause the Directors appointed by them to vote in favour of the Business Plan. However, the Parties recognize that the cost of any product sold might vary according to the quotation of raw material and according to the characteristics of such product sold. Thus the Parties acknowledge and approve hereby the Business Plan will be jointly updated in writing from time to time to reflect the changing conditions, new opportunities, etc .

## Both Parties agree to share the necessary information related to suppliers, component, material costs, manufacturing cost assumptions, test and validation costs, logistics, packaging, and overhead expenses, and any other item affecting competitiveness so that the Company is able to provide the Target Customers with the best possible commercial proposal and increase the opportunity of winning new business.

## The Company will have ownership of the costing and business case but it is expected that both Parties will provide necessary support to the business case to be able to quote to the Target Customer on time and at the best possible price and conditions. The support provided by the Parties is expected to be substantial in the beginning, and as the Company hires reasonable overhead according to business awards, the support requirements will be gradually reduced. The Company will be responsible for manufacturing-related problems. Top quality will be a priority for the Company and both Parties commit that the Company will follow strict quality guidelines and policies (TS-16949 or equivalent) in the design, development, testing and manufacture of the products.

## The Company will create business cases and commercial proposals that are consistent with standard Xxxxx Company’s practices around the world and adjusted for country/customer-specific situations. Business Case authorization will follow Xxxxx Company’s internal approval process guidelines. It is understood that in the early stages of the Company, Party A will provide substantial support in the business case creating process through the Implementation and Support Agreement until the Board of Directors believes that that Company can perform this task on its own.

## The Company shall be responsible, including but not limited to negotiating pricing for service volumes, for aftermarket sales of the Products directly to the customer’s Service Parts Organization and to the Tier 1 customers as directed by the customer. The Company will be responsible for complying with service part agreements with customers during the agreed life of the Products and under the terms negotiated with the customer.

## The Parties acknowledge that reasonable efforts to project the future Product volumes will be used and that Product volumes are (i) subject to change, (ii) are controlled by the customer(s), and (iii) in no case the Parties shall be responsible for variations in Product volumes or the effect on the Company of aforementioned variations .

## It is agreed that Party A’s sole subsidiary Xxxxx Company (“Name in Chinese) Xxxxx (*Shanghai or other Chinese city*) will sell, and the Company shall buy at Xxxxx Company (*Shanghai or other Chinese city*) initial purchase cost all agreed manufacturing assets in order to properly manufacture and sell the current line of Products originally supplied by Xxxx Company to Xxxxx Company. This asset transfer transaction will be covered by a separate asset transfer agreement between the Company and Xxxxx Company, (*Shanghai or other Chinese city*)(“**Asset Transfer Agreement**”). These manufacturing assets will exclusively include all machineries, equipment, tools, dies, jigs, fixtures, spare parts, raw materials inventory including the assets which may be in transit and other equipment required to manufacture the Products. However, Xxxx Company, (*Shanghai or other Chinese city*) shall be entitled to manufacture and maintain proper inventory of the products before the Company is duly ready to produce the Products in Xxxx City in order to keep the continuous supply of Products to Xxxx Company and other concerned Target Customers until the time point when the said inventories are properly sold up. For avoidance of any doubt, the account receivables, cash, excess or obsolete inventory will not be included in the above mentioned assets to be transferred to the Company. The payment of all transferrable assets mentioned in Article 10.11 shall be paid up by the Company fifteen (15) days before the scheduled date when the concerned assets shall be uninstalled and packaged for shipment to *city name* for sale to the Company. Moreover, all applicable taxes, including value added tax, due to this asset transfer shall be exclusive of the agreed transfer cost and be borne by the Company. More details of the Asset Transfer Agreement shall be found in the Annex XX of this Agreement. Please add the estimated asset value into the Annex.

## It is agreed by the Parties that Xxxx Company Shall will also transfer its existing supply agreements with Xxxx Company to the Company, for which the Company will pay certain fair compensation on such business transfer. The Parties will cause the Company to enter this business transfer agreement with Xxxx Company, (*Shanghai* *or other Chinese city*)(“**Business Transfer Agreement**”). The Business Transfer Agreem**e**nt shall state that the Company will additionally pay Xxxx Company, (*Shanghai or some other Chinese city*) in a period of four years the sum of twelve million Chinese Yuan (RMB 12,000,000) for the transfer of the business and contracts to the Company, exclusive of payable taxes. The taxes applied shall be paid in compliance with the Chinese tax law. This amount shall be paid in four equal instalments of three million Chinese Yuan (RMB 3,000,000) every June, with the first payment to be made on June 15, 2014, and the last instalment to be paid no later than June 15, 2017. Such payment schedule may be amended by any special Board Resolution made by the three Party A appointed Directors in accordance with the last paragraph of Article 12.3. The Parties agree that this commitment and the payment must be prioritized over all other possible payments, investments, loans or dividends payable to the investors or third parties. More details of the Business Transfer Agreement shall be found in the Annex XX of this Agreement.

# Intellectual Property Rights

## The Parties hereby agree that either Party shall never have any right either on the trademarks or logo, or on any kind of goodwill, of the other Party and/or XXXXX CANADA **COMPANY**, unless otherwise licensed in written form by the other Party A and/or XXXXX CANADA COMPANY in case of direct sales to final customers pursuant to Article hereof.

Any future intellectual property rights solely developed by the Company will be owned by the Company, yet Party A and/or XXXXX CANADA COMPANY and Xxxxx Company, (*Shanghai or some other Chinese city*) may use and license non-exclusively such intellectual property rights at no cost for the any business customers except for the Target Customers. This will not affect XXXXX CANADA’s right to get paid for the relevant original intellectual property rights and knowledge used to obtain new intellectual property rights.

## The technology and intellectual property required to manufacture and market the Products shall remain the property of XXXXX CANADA COMPANY as the original owner of the said technology and intellectual property rights. XXXXX CANADA COMPANY will issue a License to the Company under one separate intellectual property license agreement (“**Intellectual Property License Agreement**”) to manufacture the Products. The key clauses of the Intellectual Property License Agreement can be found in Annex XX. Party A and Party B further agree that XXXXX CANADA COMPANY deserves the right to charge the Company with a royalty, for the licence of the technology and intellectual property rights provided by XXXXX CANADA COMPANY in connection with the Products manufactured and sold by the Company. The license will be issued for exclusive use by the Company in China’s mainland to pursue business with customers included in the Target Customer List.

## The Intellectual Property License Agreement shall state that the Company shall pay XXXXX CANADA COMPANY a three percent (3%) royalty of total sales revenue for the time period of **(A)** five (5) years beginning from the Start of Production Date (SOP Date refers to the date on which a customer approves or confirms the beginning of the massive production of the ordered products by a supplier in a contract or project) of each contract or project determined by the customer or the payer of the said contract or project originally acquired by the Company, or **(B)** five (5) years beginning from the effective date of contract transfer if the concerned sales revenue is generated through an existing supply contract or project transferred to the Company from Xxxxx Company (*Shanghai or some other Chinese city*)*.* In spite of the various source of the contract or project, above fees shall be payable every Quarter based on reports provided by the Company. Engineering Work Orders that generate substantially change to the product and generate a new part number will be subject to a new three percent (3%) royalty five (5) year cycle. Minor Engineering Work Orders will not generate a new three percent (3%) royalty 5 year cycle. For absence of any doubt is important to clarify that the product that that went through minor Engineering Work Order will continue and finish the three percent (3%) royalty five (5) year cycle that started at SOP of the same product. The Company shall additionally bear both value added taxes and the withholding taxes when paying above royalties to XXXXX CANADA COMPANY.

# BOARD OF DIRECTORS

**Board of Directors**

## Composition of Board of Directors

The Board of the Company shall consist of six (6) directors with equal voting rights, of whom:

#### Three (3) Directors to be appointed by Party A; and

#### Three (3) Directors to be appointed by Party B.

Party B will appoint the Chairman of the Board subject to Party A’s final approval, and the Chairman of the Board will be the Legal Representative of the Company. Party B will appoint the vice-chairman of the Board. The Chairman of the Board shall be the legal representative of the Company, but may not take any action on behalf of the Company except as specifically authorized by the Board through valid resolutions.

## Term of Directors

### Each Director shall be appointed for a term of four (4) years and may serve consecutive terms if duly re-appointed. If a seat on the Board is vacated by the retirement, resignation, illness, disability, or death of a Director or by the dismissal of such Director by the Party that originally appointed him, the appointing Party shall appoint a replacement Director to serve out such Director’s term. Subject to the applicable laws and regulations of China, any Party may at any time remove for any reason any or all of the individuals appointed by such Party as a Director and appoint in lieu thereof another individual or individuals to serve the remainder of the relevant term(s).

## Powers of the Board

### The Board shall be responsible to the Parties and exercise the power as below:

#### Being the primary managing body, to manage the Company through various Board resolutions as the result of the joint decisions of all Directors of the Board;

#### To undertake the legal responsibilities of the Board which are expressly permitted or authorized by the Chinese Sino-Foreign Equity Joint Venture Law and its implementation regulations, unless such responsibilities are otherwise arranged by the agreement between the Parties or by the Articles of Incorporation of the Company;

#### To undertake responsibilities authorized or requested by this Agreement and other agreements between the Parties;

#### To review expansion business plan of the Company for additional production capacity out of (Chinese City);

#### To undertake responsibilities authorized or requested by the Articles of Incorporation of the Company;

Board resolutions with respect to amendment of Articles of Incorporation, suspension or dissolution of the Company, the amendment of the Registered Capital, the split or merge of the Company, and the dividend payment shall require the unanimous approval of the Directors present and voting in person, by telephone-conference or video-conference, at a duly convened Board meeting.

Unless otherwise specifically provided in this Agreement or the Articles of Incorporation, resolutions on all other matters shall be validly made if they receive the affirmative vote of a simple majority of the Directors present and voting in person, by telephone-conference or video-conference, at a duly convened Board meeting.

### In exercising their powers and performing their duties, the Directors shall at all time act in compliance with the terms and spirit of this Agreement, the Articles of Incorporation, and the laws of China.

### All Directors will have equal voting power when serving their duty and must comply with all due resolutions made by the Board. Notwithstanding the general applicable requirements for a Board Resolution to be passed and be legally effective, the Parties however specifically agree that the three (3) Directors appointed by Xxxxx Company shall have the absolute discretion and power in making Board Resolutions relating to the Company’s responsibility and the process to undertake payment matters agreed in Article 10.12 of this Agreement. The Parties further agree that the Directors appointed by Party A, the Legal Representative, and the General Manager of the Company must offer their support while undertaking and completing such Board Resolutions.

## Deadlock

If the Board cannot reach a resolution on any matters in accordance with the requirements set out in Article 12.3 above, the Board will be deemed to be in deadlock (“**Deadlock**”) where the chairman shall not have a casting vote. Upon the occurrence of Deadlock, the chairman shall prepare and deliver a full report regarding the unsuccessfully resolved matter to Party A and Party B within fifteen (15) days of the date of Deadlock. The representatives of the Parties shall have an additional thirty (30) days from the date of receipt of the report or a longer period as they may agree to successfully conciliate such matter. If the representatives of the Parties do not successfully resolve the matter during the aforesaid period, then:

#### if neither Party wishes to continue the business of the Company as a going concern, the provisions of Article of this Agreement shall apply; or

#### if only one Party desires to carry on the business of the Company as a going concern, the other Party may sell its Equity Interest to the Party desiring to carry on the business of the Company in accordance with Article of this Agreement; or

#### if both Parties wish to continue the business of the Company as a going concern, the provisions of Article of this Agreement shall apply; or

#### failing all of the foregoing, the matter shall be submitted for resolution in accordance with Article 27 of this Agreement.

Both Parties shall continue to perform their obligations under this Agreement and the Articles of Incorporation during the period of Deadlock.

## Expenses

The Company will not pay any fee, remuneration, or subsidy to any Director for attendance at a Board meeting, unless otherwise agreed by the Parties in written form. However, the Company may reimburse a Director for reasonable expenses incurred by such Director in connection with attending meetings of the Board if the Parties jointly approve so.

## Further Powers and Procedures

### Ordinary Board meetings shall be held at least two times a year. The venue and form of ordinary Board meetings shall be determined by the chairman of the Board in consultation with other Directors. The chairman shall determine and notify each Director of the place, date and time of the Ordinary Board meeting and the manner in which it will be held at least thirty days advance.

### Interim Board meetings shall be convened by the chairman upon written request of at least one-third (1/3) of the Directors by giving at least thirty (30) days written notice by fax or email to each of the Directors specifying date, time, and place of the proposed meeting. The Directors may waive the requirement for thirty (30) day notice of a meeting by their unanimous written consent.

The detailed powers and procedures of the Board shall be as set forth in the Articles of Incorporation.

# STATUTORY Supervisor

## Appointment of Statutory Supervisors

The Company will not have a board of statutory supervisors. The Company may have at least one (1) statutory supervisor if so requested by the competent government agencies.

The Directors and other Management Personnel shall not hold the post of a statutory supervisor concurrently. The detailed powers and term of the statutory supervisors shall be as set forth in the applicable law.

# MANAGEMENT ORGANISATION

## Management Organization

The Company shall adopt a management system under which the General Manager, who within the limits of powers fixed by resolution of the Board, this Agreement, and the Articles of Incorporation, shall be responsible for the day-to-day management and operation of the Company and shall report to and be under the leadership and direction of the Board.

The Company may establish various departments as proposed by the General Manager and approved by the Board.

## Appointment of General Manager and Deputy General Manager

### The Company shall have one General Manager. The General Manager shall be proposed by Party A, thereafter appointed by the Board who must support and endorse this decision. Party B will appoint the Deputy General Manager of the Company who will report to the General Manager of the Company. The Deputy General Manager together with the General Manager will be responsible for approving the financial and commercial information.

## General Manager Reporting

The General Manager of the Company will report to the Company Board of Directors yet not directly to the investors of the Company nor to the Chairman of the Board.

## Term of Office

### The General Manager shall, unless he becomes incapacitated, retires, or is removed from office earlier by the Board, serve a term of two (2) years and is eligible for reappointment for further terms.

## Responsibilities of General Manager

### The General Manger shall be responsible for the following matters:

#### To implement the decisions of the Board, and submit annual management reports to the Board;

#### To formulate draft rules and regulations for the operation and management of the Company, and to implement such rules and regulations after approval of the same by the Board;

#### To take charge of the overall daily ordinary operation and management of the Company within the limits of powers fixed by resolution of the Board, this Agreement, and the Articles of Incorporation; more precisely to be responsible for:

* the implementation and organization of the factory;
* the management of the production;
* the management of suppliers;
* product development under Party A’s and the Board’s supervision;
* the determination and execution of investments and capital expenditures within the limit of USD 25,000 per single operation.

#### To propose an organizational structure suitable for the needs of the Company’s business, and the responsibilities and functions of various departments, and to implement such systems after approval of the same by the Board;

#### To employ and dismiss the Company’s employees, excluding Management Personnel (subject to the approval of the Board), and to determine the rewards, punishments, promotions, and the salaries for such employees within the limits of powers fixed by resolution of the Board and this Agreement and the Articles of Incorporation; and

#### To handle other matters all within the authority delegated by the Board and subject to the limitations imposed by the Board.

## Limits to the Powers and Authority of the General Manager

### Limits to the powers and authority of the General Manager shall be as follows, in addition to the limit with respect to investments and capital expenditure and other limits:

#### To accepting orders or handle expenditures in ordinary courses not exceeding RMB [ ] (namely ) per single operation require the sole signature of the General Manager;

#### To accepting orders or handle expenditures in ordinary courses exceeding RMB [ ] (namely ) but not exceeding KRW [ ] (namely ) per single operation, require the signatures of both the General Manager and Finance Manager of the Company; and

#### To accepting orders or handle expenditures in ordinary courses exceeding RMB [ ] (namely ), require the signatures of both the General Manager and a member of the Board who is not concurrently the General Manager.

## Other Management Personnel

Party A will appoint the Finance Manager of the Company. Other staff of the Company shall be recruited and dismissed by the General Manager and report to the General Manager. However, in order to keep efficient operation of the Company, the Parties agree that the Finance Manger, the manager in charge of engineering and technology and other managerial staff shall in parallel functionally report to the experts appointed by Party A.

## Dismissal of Office

In case of any serious violation of Articles of Incorporation, Board resolutions, incompetence at work or other causes permitted by the law, the General Manager, the Deputy General Manager, the Finance Manager, and other Management Personnel of the Company may be removed by the Board at any time, subject to the applicable laws and regulations of China and any employment or service contract between the Company and such Management Personnel. In the event that a Management Personnel is removed, the Party that originally nominated such manager shall nominate another individual for such position.

## Illegal Commerce Opportunity

The Directors, the General Manager, the Deputy General Manager and other Management Personnel may not use their positions, functions, or powers in the Company to obtain commerce opportunity for themselves or other persons, or operate business identical to that of the Company for their own account or for others, or engage in activities detrimental to the Company’s interests.

## Non-Concurrent Position

All full-time employees of the Company (including the General Manager and other Management Personnel) are forbidden from concurrently serving or working in any other company, unit, entity or organization whatsoever other than the Company and the Parties (or their Affiliates) unless approved by the Board.

## Confidentiality and Non-Competition

Each Management Personnel shall, as a condition to employment by the Company, execute an agreement in form and substance acceptable to the Board which shall contain provisions prohibiting the disclosure of confidential information obtained during the course of employment with the Company and restricting the ability of such Management Personnel to compete with the Company.

# PERSONNEL AND LABOR MANAGEMENT

## Governing Principle

The Company shall have the right to recruit and dismiss its own employees freely. The recruitment, employment, dismissal, resignation, wages, welfare benefits, labor insurance, labor protection, and labor discipline of employees of the Company shall be handled according to the applicable laws of China and other pertinent jurisdictions, this Agreement, and the Articles of Incorporation.

## Labor Contracts

The Company shall enter into individual employment contract with each employee of the Company and, forthwith upon execution thereof, such employment contract shall be submitted to the competent labor authority for recording purposes, if so required under the laws of China and by such labor authority.

## Labor Plan

The labor plan, including the recruitment, dismissal, resignation, wages, labour protection, welfare benefits, and labor discipline of the employees of the Company shall be prepared by the General Manager in accordance with the relevant laws and regulations of China and shall be subject to approval by the Board.

## Wages and Bonus

The wage standards of the Company shall be determined by the Board according to the circumstances of the Company and with reference to the relevant laws and regulations of China. The compensation packages of the Management Personnel shall be determined by the Board. The wages of each employee of the Company other than those of Management Personnel shall be determined by the General Manager in accordance with the compensation standards as approved by the Board and stipulated in such employee’s employment contract and in compliance with the relevant laws and regulations of China.

# FINANCIAL, ACCOUNTING AND AUDIT SYSTEM

## Accounts, Records and Financial Statements

### The fiscal year of the Company shall be from 1 January to 31 December of the same year, except that the first fiscal year of the Company shall commence on the date on which the Company is established and end on the following 31 December and the last fiscal year of the Company shall start on January 1 of the year of termination and end on the date of termination. The Company shall keep true and complete accounts and other related records in accordance with generally accepted accounting principles complying with the People's Republic of China Generally Accepted Accounting Principles (“PRC GAAP”).

### Each Party shall have the right to examine and copy all books of account, record, vouchers, contracts, and documents of any kind that are necessary or appropriate for monitoring the financial performance of the Company subject to an advance written notice to the Company. Each Party may make such examination and copies during the Company’s normal business hours, provided that such examination and copying does not unreasonably interfere with the business operations of the Company and any information or data obtained shall be kept confidential at all times. Each Party may exercise such rights through its agent or employee or by an independent accounting firm designated by the Party.

### The Company shall adopt the internationally recognized accrual basis and debit and credit accounting system. All accounting records, vouchers, books and statements of the Company shall be prepared and kept both in Chinese and English.

### The Company shall adopt Chinese Yuan as its bookkeeping base currency. Financial statements shall be prepared in both Chinese Yuan and US Dollar. Cash, bank deposits, foreign currency loans as well as creditors' rights, debts, income and expenses which are denominated in currencies different from the unit of account shall be recorded in the currency of actual receipt and payment.

### Each financial statement in respect of the Company shall be true and complete and shall fairly represent the financial position of the Company as of the date thereof. All financial statements shall be prepared in accordance both with relevant requirements of the laws of China and management accounting requirements, including PRC GAAP.

### The Finance Manager of the Company, who shall be nominated by Party A and appointed by the Board, shall be responsible for preparing and maintaining the Company’s financial statements, records, and accounts and the Company’s other financial affairs.

### The annual, quarterly and monthly reports shall be approved and jointly signed by the General Manager, the Deputy General Manager and the Finance Manager, and shall be prepared and kept in both Chinese and English.

### Major changes in accounting procedures and practices may be implemented only upon approval by the Board.

## Audits and Auditors

### The Board shall appoint an independent firm of certified public accountants registered in China as the independent auditors of the Company (the “**Auditor**”). Such firm will perform the annual examination and audit of the financial statements of the Company, and issue an audit report thereupon for use by the Company. The audit report, together with the audited annual financial statements, shall be distributed to the Board as promptly as possible, but in no event later than four (4) months after the end of each fiscal year. The cost of employing the Auditors shall be borne by the Company.

### In order to assist Party A in interpreting and reporting the Company’s financial performance to meet its reporting requirements, the Company shall provide, with the assistance of its outside auditor as necessary or convenient, at Party A’s sole cost, to Party A that so requests such additional reports, financial data, and information in English in accordance with the accounting standards designated by Party A, and in the format, style, and structure as Party A may reasonably request.

## Bank Accounts

The Company shall, in accordance with the laws of China, open Chinese Yuan and foreign currency accounts with banks located in Chongqing, China with [ ] having the sole signing authority for the Company accounts. Subject to the applicable laws and regulations of China and the approval of the General Manager, the Company may also open foreign currency accounts outside China.

## Statutory Funds

The Company, in making contributions to statutorily required funds, shall only do so in such amounts and percentages as determined by the Board in accordance with the applicable laws and regulations of China, this Agreement and the Articles of Incorporation.

# TAXATION AND INSURANCE

## Income Tax, Customs Duties and Other Taxes

### The Company shall pay tax in accordance with the relevant laws and regulations of China. Chinese and foreign employees shall pay individual income tax at their sole responsibility in accordance with applicable laws and regulations of China and all other pertinent jurisdictions.

### The Parties shall apply to obtain for the Company and the Parties the benefits of all applicable tax exemptions, reductions, privileges and preferences which are now or in the future become obtainable under the laws of China or any treaties or international agreements to which China is or may become a party.

## Insurance

### The Company shall, at its own cost and expenses, take out and maintain full and adequate insurance of the Company’s assets. The relevant insurance policies may be obtained from any insurance company authorized to provide such policies in China. The types and the value, duration and denomination of the currency of the premiums and insurance proceeds shall be determined by the General Manager in compliance with the Board’s authorization and the applicable laws and regulations of China based on the practices of similar business in other countries and the generally accepted business practices in China.

### The Company may maintain product liability insurance, third party liability insurance, and other relevant and reasonable insurance coverage in order to protect the Company, its employees, agents and other appropriate parties from claims, subject to further resolution of the Board.

17.2.3 The Company shall take out and maintain at all times all mandatory pension, health insurance, lay-off insurance and workers’ compensation plans as applied to its officers and employees,

# DISTRIBUTION OF PROFITS

## After paying taxes in accordance with the relevant laws of China and making contributions to the statutory funds, the Board may, upon the necessary Board approval and investors agreements, distribute the net profits of the Company to the Parties in proportion to each Party’s Equity Interest at the time of the distribution in such manner and at such times as it deems appropriate in compliance with the applicable laws of China.

## Undistributed profits from prior years can be distributed together with those of the current year and the Board may approve the payment of dividends from undistributed dividends from previous years at any time.

## Profits in relation to any one year cannot be distributed until all of the following have been satisfied:

### all principal and interest accrued and any applicable commissions, costs, taxes and other charges incurred in relation to any loan granted or secured by the Parties have been fully paid up when they become due;

### losses of the preceding fiscal year have been made up;

### auditing of the accounts of the Company for the relevant fiscal year and approval thereof by the Board;

### compliance with this Agreement and the Articles of Incorporation; and compliance with the applicable laws and regulations of China.

## Distribution of profits shall not jeopardize the cash flow of the Company.

# FOREIGN EXCHANGE

## The Company shall handle its foreign exchange matters in accordance with the applicable laws and regulations of China as well as the provisions of this Agreement and the Articles of Incorporation.

## All payments to be made by the Company to Party A or its Affiliates shall be made in USD or RMB, unless some other currency shall be mutually agreed upon.

## Unless otherwise specified in this Agreement or the Articles of Incorporation, or required by the relevant laws of China, all expenses, loan repayments, labour compensation and other charges of the Company paid to Chinese enterprises or nationals shall be paid in Chinese Yuan.

# CONFIDENTIALITY AND NON-COMPETITION

## Confidentiality

### Each of the Parties acknowledges and agrees that the discharge of its obligations under this Agreement and the Articles of Incorporation will involve the disclosure of Confidential Information.

### Unless and until the information properly comes into the public domain, both Parties (i) shall maintain the secrecy and confidentiality of any Confidential Information and (ii) shall use Confidential Information only for the purposes specified in this Agreement and the Articles of Incorporation, and (iii) shall not divulge or disclose any of the Confidential Information at any time to any third person without the prior written consent of the other Party and, where the Confidential Information related to the Company involves, the approval of the Board. The term “person” as used in this Agreement will be interpreted broadly to include without limitation any natural person, corporation, partnership, trust, governmental authority, or any other entity.

### Both Parties shall cause its Affiliates, shareholders, directors, staff, and other employees, and those of its Affiliates, also to comply with the confidentiality obligation set forth in Article 20.1.2 above. Both Parties, their Affiliates, and the Company shall make Confidential Information available only to those of their personnel whose duties necessitate access to or familiarity with and have a reason to know such Confidential Information.

### Unless the Parties may agree otherwise, the Board shall have the power to determine what data, technologies, documents, and information as Confidential Information subject to this Article 20.

## Non-competition

Each Party agrees that during the Joint Venture Term (including any extensions thereof) so long as the Company continues to exist, and for the period thereafter, neither such Party nor its Affiliate may:

#### directly or indirectly, through controlled, affiliate or related companies, persons or entities, either individually or with others, engage or have any interest, as an owner, employee, representative, agent, consultant or otherwise, in any business, which is in competition or similar to the business conducted by Company and/or the other Party and/or the business using Confidentiality Information. For sake of clarity, it is specifically recognized that the Company’s business and/or the business using Confidentiality Information includes, amongst the others.

#### solicit a customer or client of the Company on behalf of itself or any other business or entity in competition with the business then conducted by the Company; or

#### persuade or attempt to persuade any employee of the Company to leave the Company’s employment, or solicit or employ such employee.

(d) Notwithstanding the above, the Parties agree that no other joint ventures will be put in place between either Party and a third party for provision of the Products or related exhaust systems to the Target Customers. However, Party A may pursue and establish other joint ventures, entities or alliances in China to pursue business opportunities with customers not included in the Target Customer List. Party B may not, directly or through other companies, individuals or alliances in relation to Party B, pursue any business relating to the Products unless such effort is undertaken under this Agreement and through the Company. Party A shall not, directly or through its other alliance or companies, pursue the business of Products with the Target Customers unless such effort is undertaken through the Company. In addition, the Parties may consider to expand the Target Customer List.

## Liquidated Damages

### If either Party breaches the confidentiality and non-competition covenants set forth in this Article 20, the non-breaching Party and the Company shall be entitled to the following remedies:

#### Penalty of US$3,000,000 plus exceeding damages;

#### In addition to its right to damages and any other rights it may have, the rights to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Agreement; it being agreed that money damages alone would be inadequate to compensate the Party and/or the Company and would be an inadequate remedy for such breach.

#### The rights and remedies of the parties to this Agreement are cumulative and not alternative.

## Survival after Termination

### The confidentiality and non-competition covenants set forth in this Article shall remain in force for the Joint Venture Term (including any extensions thereof) and for an additional period of five (5) years after the termination of this Agreement.

# JOINT VENTURE TERM

## Joint Venture Term

The initial term of the Company shall be indefinite, commencing from the date of issuance of the Company’s Business License, unless earlier terminated or further extended as provided herein (the “**Joint Venture Term**”) subject to Section 22.1. Notwithstanding the going, the Parties may terminate this Agreement by mutual agreement at any time during the Joint Venture Term.

# TERMINATION AND BUYOUT

## Events of Termination

Upon the occurrence of any of the following events, the indicating Party shall have the right to request either the early termination of this Agreement or the buyout of its Equity Interest by the other Party or the other Party’s Equity Interest by it or any third party selected by it, and the Company shall be terminated or reorganized accordingly pursuant to Article and , unless the Parties agree otherwise:

#### expiration of the Joint Venture Term or any extension thereof;

#### inability of the Company to continue operations due to heavy losses, as determined by a unanimous resolution of the Board;

#### inability of the Company to continue operations for six (6) months or more due to heavy losses caused by events of Force Majeure, as determined by a unanimous resolution of the Board;

#### inability of the Company to attain its objectives and no prospect of further recovery, as determined by a unanimous resolution of the Board;

#### there occurs a material breach of the Agreement and such breach is not cured within sixty (60) days of written notice thereof from the non-breaching Party;

#### any Party or its relevant Affiliate fails to perform any of its material obligations under the Articles of Incorporation and this Agreement or any other contracts contemplated hereunder to which it is a party if, in the reasonable opinion of the non-breaching Party, such non-performance creates a material risk of loss to such non-breaching Party or the Company and such breach is not cured within sixty (60) days of written notice thereof from the non-breaching Party;

#### either Party fails to make its contributions to the registered capital of the Company in accordance with the provisions of Article , where such failure continues for a period of more than three (3) months and is not waived by the other Party;

#### Deadlock pursuant to Article occurs and neither Party wishes to continue the business of the Company as a going concern;

#### non-compliance by one of the parties with Article of this Agreement;

#### breach or change of the warranties and representations pursuant to Article of this Agreement;

#### failure of duly execution and coming into effect of a Confidentiality and Non-Compete Agreement by and between Party A, Party B and/or Xxxxx Company in the form and substance required by the applicable laws of China; or

#### occurrence of other events leading the Board to determine by unanimous resolution for termination and liquidation of the Company.

In the event of the occurrence of an event referred to above, the Parties shall cause their directors to unanimously resolve to dissolve the Company. After the Board resolves to dissolve the Company, it shall apply to the Approval Authorities of such dissolution.

## Termination and Buyout Option

### If the indicating Party (the “**Requesting Party**”) chooses to terminate the Company pursuant to Article , then the Requesting Party shall send written notice therefore to the chairman of the Board. Within thirty (30) days of the receipt of such notice, the chairman shall convene a Board meeting therefore.

### If the Requesting Party chooses to buy out or to cause a third party to buy out the other Party’s Equity Interests in the Company, it shall notify the other Party in writing. Upon the receipt of the notice by the other Party, the Parties or the third party, as the case may be, shall commence negotiations for the buyout immediately. In such negotiations, if the other Party wishes to buy out or to cause a third party to buy out the Requesting Party’s Equity Interests, the provisions of Article 22.2. shall apply.

### In the case that the Requesting Party chooses to terminate the Company, the other Party may, at the Board meeting convened in connection therewith, option to buy out or cause a third party to buy out the Requesting Party’s Equity Interest in the Company subject to the applicable laws and regulations of China, including prior reporting requirements (if any).

### If neither the Requesting Party nor the other Party chooses the buyout option, the Parties shall cause the Board to adopt a unanimous resolution for dissolution of the Company at the Board meeting convened according to above Article .

### The price for any buyout under Article shall be determined in accordance with Article . After the price is determined and accepted in accordance with Article , an equity transfer agreement shall be entered into therefore between the Parties or between the selling Party and the selected third party with the Company. The selling Party shall assist in securing all necessary government approvals.

### If any Party exercises the buyout option, the Parties shall complete the buyout transaction within six (6) months following the Requesting Party’s initial termination or buyout request, provided, however, that the selling Party shall not be required to complete any sale pursuant to this Article unless the entire purchase price is paid in the lawful currency of, or a currency which may be freely converted and remitted to, the jurisdiction of organization of the selling Party. In the event the Parties fail to do so within such time, unless the Parties shall agree otherwise, each Party shall agree to the termination and dissolution of the Company and cause its Directors to vote in favour therefore on a Board meeting convened therefore no later than thirty (30) days following such six (6) month period. Failure by any Party to do so shall constitute material breach of this Agreement and the Articles of Incorporation, which shall justify unilateral application by the other Party to the Approval Authorities to terminate and liquidate the Company in accordance with the applicable laws and regulations of China.

### The termination of the Company and the transfer of Equity Interest as a result of any buyout transaction shall be subject to the advance reporting to and/or approval of the Approval Authorities as required by law.

### After approval of the equity transfer agreement has been obtained and the purchase price has been paid in accordance with Article above, the Parties shall terminate/amend this Agreement and all of the contracts contemplated herein as well as the Articles of Incorporation by a writing executed by the duly authorized representative of each of the Parties.

### In the event that both Parties wish to continue the business of the Company as a going concern and buyout the other Party’s Equity Interest, the price of the selling Party’s Equity Interest shall be determined pursuant to Article and an auction shall be conducted by the Company’s auditor to determine which Party shall sell its Equity Interest to the other Party, whereby each Party shall enclose its final and binding bid in a secured envelope, and these bids shall be disclosed simultaneously by the auditor to confirm which Party wins the auction. The Party making the highest bid (per percentage interest) shall be entitled to purchase the Equity Interest of the other Party. No bid shall be lower than the applicable percentage held by the selling Party in the registered capital of the Company multiplied by the fair market value of the Company. After determination of the final purchase price, the procedures set forth in Articles and shall apply.

### Both Parties shall continue to perform their obligations under this Agreement and the Articles of Incorporation prior to completion of Article above.

## Buyout Price

The price of the selling Party’s Equity Interest shall be:

#### the net equity of the Company, to be determined by a balance sheet effective on the date of termination, multiplied by the percentage of the Company’s registered capital contributed by the Selling Party, adjusted by

#### an additional amount (which may be positive or negative), multiplied by the percentage of the Company’s registered capital contributed by the Selling Party, to be negotiated in good faith to reflect the overall going concern value of the Company’s business based on the actual circumstances of the Company and taking into account the market value of companies in similar industries and internationally accepted principles relevant to the determination of going concern value.

### If the price cannot be agreed upon within thirty (30) days of the Board meeting convened following the Requesting Party’s termination or buyout request, the Parties shall appoint a reputable, independent, and qualified appraiser to appraise the Company as a going concern by reference to the principles set forth above. Such valuation shall be completed within sixty (60) days of the date of appointment of the accounting firm. The fees associated with such valuation shall be borne by the selling Party. The value determined by such accounting firm shall be final and binding.

# LIQUIDATION AND DISSOLUTION

## Liquidation

Upon approval by the Approval Authorities of a unanimous Board resolution to dissolve the Company or upon the order of a court or decision of an arbitration tribunal to dissolve the Company, or upon other statutory occasions permitted by the Chinese Company Law, the Parties and the Company shall dissolve or manage the Company according to the Chinese Company Law and other applicable regulations.

# LIABILITY FOR BREACH OF AGREEMENT

## Breach of Agreement

If a Party fails to perform any of its material obligations under this Agreement, or if a representation or warranty made by a Party under this Agreement is untrue or materially inaccurate, the Party shall be deemed to have breached this Agreement.

In this case, the non-breaching Party may give the breaching Party a written notice that it has breached this Agreement and should remedy such breach within sixty (60) days of the date of such notice. If the breach has not been remedied by the end of such sixty-day period, the non-breaching Party may request early dissolution of the Company as provided in Article . Within the same sixty-day term, the breaching Party may as well notify the non-breaching Party it does not consider itself having committed a breach of any material obligation under this Agreement; in this case, the Parties shall initiate the procedure provided for in Article . The termination rights expressed in this Article shall be in addition to and not in substitution of any other remedy that may be available to the non-breaching Party and any termination in the exercise of such rights shall not relieve the other Parties from any obligations accrued to the date of such termination or relieve the breaching Parties from liabilities and damages to the other Parties for breach of this Agreement. Notwithstanding the foregoing, each Party may terminate this Agreement immediately if a petition for bankruptcy, corporate reorganization or insolvency is made by or against the other Party and is not dismissed for sixty (60) days or the other Party sells or transfers all or substantially all of its assets or business to a third party.

## Indemnity for Breach of Agreement

If the Company suffers any cost, expense, liability or loss, including but not limited to lost profits, as a result of a breach of this Agreement by any Party, then the breaching Party shall indemnify and hold the Company harmless in relation to any such cost, expense, liability or loss incurred by the Company.

If the non-breaching Party suffers any cost, expense, liability or loss as a result of a breach of this Agreement by the breaching Party, the breaching Party shall indemnify and hold the non-breaching Party harmless in relation to such cost, expense, liability or loss incurred by the non-breaching Party except for the wilful misconduct or gross negligence of the non-breaching Party.

## Continued Implementation of Agreement

During the period of breach, the Parties shall in all other respects continue their implementation of this Agreement.

# FORCE MAJEURE

## Performance of Obligations

If any Party is prevented from performing any of its obligations excluding the payment of monies due hereunder which payment obligations are hereby specifically stipulated to be outside the scope of the definition of Event of Force Majeure under this Agreement due to an Event of Force Majeure, the time for performance of the obligations under this Agreement specifically prevented from performance by such Event of Force Majeure shall be extended by a period equal to the period of delay caused by such Event of Force Majeure. A Party claiming inability to perform due to an Event of Force Majeure shall take appropriate means to minimize or remove the effects of the Event of Force Majeure and, within the shortest possible time, attempt to resume performance of the obligation(s) affected by the Event of Force Majeure. If an Event of Force Majeure occurs, no Party shall be responsible for any damage, increased costs or loss which the other Parties may sustain by reason of such a failure or delay of performance, and such failure or delay shall not be deemed a breach of this Agreement. All other obligations under this Agreement and the time for performance thereof shall remain unaffected.

## Notice

The affected Party shall immediately notify the other Party within fifteen (15) days after of the occurrence of any Event of Force Majeure, and shall provide available evidence thereof.

## Continued Implementation of Agreement

During the period of an Event of Force Majeure, the Parties shall in all other respects continue their implementation of this Agreement.

# GOVERNING LAW

## Governing Law

The validity, interpretation and implementation of this Agreement and the rights and obligations of the Parties created hereunder shall be governed by and subject to the laws of China.

## Prior and Subsequent Laws

This Agreement and its Annexes constitute the valid and binding obligations of the Parties. If there is any conflict between this Agreement and (i) any laws, decrees, rules and regulations, or any ruling having the force of law, promulgated by any Chinese authority after the Effective Date; or (ii) any amendment to previously promulgated laws, decrees, rules and regulations which take effect after the Effective Date, this Agreement shall be amended accordingly so as to preserve the original economic interests of the respective Parties.

# SETTLEMENT OF DISPUTES

## Consultations

### In the event a dispute arises in connection with the interpretation or implementation of this Agreement, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations.

## Choice of Arbitration

### Any dispute arising from or in connection with this Agreement that remains unresolved for [60] days despite friendly consultations shall be submitted to Shanghai International Economic and Trade Arbitration Commission (“SIAC”) for arbitration. Any Party initiating an arbitration proceeding shall give notice to the other Party in writing.

### The arbitration tribunal shall consist of three arbitrators, one each appointed by the Parties; the two arbitrators shall then appoint the third arbitrator, who will be the chairman and who shall be of a nationality other than the Parties. The arbitration proceedings shall be held in the Chinese language in accordance with the arbitration rules of SIAC in effect at the time of applying for arbitration. The arbitral award shall be final and binding upon both Parties, not subject to any appeal, and shall settle the question of costs of arbitration and all matters related thereto.

## Continued Performance

During the period when a dispute is being resolved, the Parties shall in all other respects continue their performance of this Agreement.

# MISCELLANEOUS

## Subsequent Collaboration

The Parties agree that they intend to jointly evaluate further opportunities to strengthen their business relationship by exploring potential joint venture in other regions beyond (city name) This subsequent collaboration would be subject to reaching specific agreements on the terms and conditions of such collaboration.

## Costs

Each Party shall bear its own costs in relation to the negotiation, preparation and execution of this Agreement.

## Notices

Any notice or communication herein required or permitted to be given to any Party hereto shall be personally served or sent by facsimile or by E-mail or by traceable courier to the proper address as set out below, and shall be deemed to have been received as follows: if personally served, when served; if by facsimile or by email, on the day of transmission thereof on a facsimile machine or a computer to the proper address or facsimile number with confirmed answerback; if by traceable courier, five (5) Business Days after the date of delivery. For the purposes of this Article , the addresses of the Parties (until notice of a change thereof is given as provided above) shall be:

to Party A:

**XXXXX COMPANY**

Address:

Telephone: [ ]

Fax: [ ]

E-mail: [ ]

Attn: [NAME]

to Party B:

**XXXXX COMPANY.**

Address:

Telephone: [ ]

Fax: [ ]

E-mail: [ ]

Attn: [Name]

to the Company:

**XXXXX COMPANY**

Address: China

Telephone: [ ]

Fax: [ ]

E-mail: [ ]

Attn: [Name]

## Successors Bound

This Agreement shall be binding on and shall inure for the benefit of the successors and permitted assigns (as the case may be) of each of the Parties hereto and none of the rights or obligations of the Parties shall be in any way affected, diminished or prejudiced by the winding up, re-organization or change in name or constitution of any of the Parties hereto, subject to bankruptcy exemptions under applicable law.

## Assignment

Unless otherwise provided in this Agreement and the Articles of Incorporation, none of the Parties hereto may assign its rights or obligations in whole or in part hereunder without the prior written consent of the other Parties hereto.

## Continuing Agreement

All provisions of this Agreement shall so far as they are capable of being performed and observed continue in full force and effect except in respect of those matters then already performed, subject to bankruptcy exemptions under applicable law.

## Entire Agreement

This Agreement (together with its Annexes) constitutes the entire agreement between the Parties hereto with respect to the matters dealt with herein and supersedes any previous agreement or understanding among the Parties hereto in relation to such matters. Each of the Parties hereto hereby acknowledges that in entering into this Agreement it has not relied on any representation or warranty, save for those expressly set out herein.

This Agreement shall not be amended or otherwise varied unless with the prior written consent of the Parties subject to the approval of the Approval Authority.

## Non Waiver

Any waiver, express or implied, by any of the Parties of any of its rights under this Agreement or of any breach by another Party shall not constitute or be deemed as a waiver of any other right or any other breach, whether of a similar or dissimilar nature of the right or breach being waived.

## Severability

The invalidity of any provision of this Agreement shall not affect the validity of any other provision of this Agreement.

## Language

This Agreement is written in Chinese and English.

However, official corporate documents, meeting minutes, communication from Company management to partners or Board of Directors and communication among Board Members and Partners should be written in English. Management for the Company must be fluent in oral and written English.

## Copies

This Agreement is signed in five (5) copies. Each of the Parties shall keep one (1) copy, the Company shall keep one (1) copy, and the remaining copies shall be retained by the Company.

# ANNEXES

The Annexes attached hereto shall be an integral part of this Agreement and are equally binding with these Articles to 28. The Annexes are as follows:

**ANNEX 1**

**ANNEX 2**

**ANNEX 3IN WITNESS WHEREOF,** each of the Parties hereto has caused this Agreement to be executed by its duly authorized representative on the date first set forth above.

|  |  |
| --- | --- |
| **Party A**  **XXXXX COMPANY** | **Party B**  **XXXXX COMPANY** |
| By:  Name:  Title: Legal Representative  Date: [ ], 2013 | By:  Name:  Title: Representative  Date: [ ], 2013 |