

I. Governing Terms

The legal relationships between the Supplier and the Purchaser for the purchase of Production Material ("Component(s)") are governed by these Terms of Purchase for Production Material VOLKSWAGEN (ANHUI) AUTOMOTIVE, CO. LTD. ("Terms") and any additional agreed terms. Amendments and additions must be made in writing. The Supplier's general terms and conditions are inapplicable even if not expressly rejected in a particular instance.

II. Orders

1. Delivery contracts (order and acceptance) and delivery call orders, as well as any amendments or additions thereto, shall be made in writing. Delivery call orders may also be effected by electronic data transfer.
2. If the Supplier does not accept an order within three (3) weeks of receipt, the Purchaser is entitled to revoke the order. Delivery call orders become binding at the latest two (2) weeks after receipt if the Supplier has not objected in the meantime.
3. The Purchaser may request reasonable modifications of the design and construction of the Component. The parties shall reach an appropriate mutual agreement regarding the consequences thereof, in particular cost increases or decreases and delivery deadlines.

III. Payment

1. Unless otherwise agreed upon by the parties hereto, the Purchaser shall pay for the Component against the presentation of invoice of the Component after the Supplier delivers the Component as follows:
2. For the Component delivered within a calendar month, the Supplier may present the corresponding value added tax special invoices (VAT special invoices) to the Purchaser according to invoice issuance notice; the Purchaser shall make the payment thereof to the Supplier within sixty (60) days after receiving such VAT special invoices. Should the last date of such sixty (60) day period be a non-business day or fall within a period of consecutive non-business days, the payment period shall be extended to three (3) business days after such non-working day or the expiration of such consecutive non-business days, respectively.
3. However, the Purchaser shall pay for Production Parts ordered by a Pre-Series Purchase Order only after the inspection thereof.
4. The Supplier shall inform the Purchaser of its actual bank account. Any discrepancies shall be reported to the Purchaser immediately. Without prior written agreement of the parties hereto, the Supplier shall not assign its receivable to any third party or entrust any third party to collect such receivable.
5. The Purchaser shall be entitled to withhold the full payment for the corresponding Order of the Component that are defective, wrong or in shortage until such defective Components have been replaced or repaired or the defect, wrong or shortage are made up for.
6. The Supplier shall present invoices to the Purchaser within two (2) months after the delivery of the Component.
7. The Purchaser will pay for the Component to the Supplier no more than 50% of the total amount by means of bank acceptance bill, and no less than 50% of the total amount in cash.
8. All payment required under these terms shall be made in RMB.
9. The Purchaser shall be entitled to offset any account receivable from the Supplier such as damages herein or any payment overdue against the accounts payable.
10. In case the Supplier fails to pay the Purchaser any due amount as specified herein, the Purchaser may, in its sole discretion, deduct such amount from any due payment to the Supplier together with the interest thereon to be calculated in accordance with the quoted market rate for one-year loan announced by the National Interbank Funding Center as authorized by the People's Bank of China in the month when these terms are concluded. In the event that it is impossible to cover such due amounts in this way, the Supplier shall pay the remaining portion within thirty (30) days upon receiving the payment notice issued by the Purchaser.

IV. Notice of defects

The Purchaser shall notify the Supplier in writing of any defects, hidden defects or deficiencies and differences in quality in the Component in the delivered Component without undue delay as soon as they are discovered in the course of operation of a properly organized business. To this extent, the Supplier waives the defence of late notice of defects. The Purchaser may report defects, hidden defects or deficiencies and differences in quality in the Component regardless of manufacturing or logistics issues, both at the time of receipt of the Component or any time thereafter within the warranty period set forth in these Terms, even if the invoices have already been paid, and may pass on to the Supplier, among others, the costs and expenses of any nature derived from the delivery and storage of the defective Component as provided herein. Cost and expenses incurred may be levied by Purchaser or by any VW Group Company

V. Confidentiality

1. The contracting parties agree to treat as business secrets all commercial and technical information of which they become aware by reason of their business relationships unless such information is public knowledge.
2. Drawings, models, jigs and templates, sample parts, or similar property may not be provided or otherwise made available to unauthorized third parties. The reproduction of such property is permissible only within the limits of business requirements and IP or copyright law.
3. Analogous obligations must be imposed by Supplier on sub-suppliers.
4. The contracting parties may only use their business relationship for advertising purposes with prior written consent.

VI. Delivery deadlines and periods / shipping terms

Agreed delivery dates, deadlines, and time periods are binding. Whether delivery is timely is determined by receipt of the Component by the Purchaser. The Supplier shall make the Component available on a timely basis, allowing the standard time for loading and shipping.

Shipments are to be handled according to the Purchaser's instructions. The INCOTERMS govern all commercial terms.

VII. Overdue Delivery

1. The Supplier is liable to the Purchaser for damages resulting from failure to make timely delivery, such as but not limited to lost profits, interruption of the Purchaser's business operation or interests receivable after the performance of the contract.
2. In cases of simple negligence, damages are limited to additional shipping charges, retrofitting costs, and, if the Supplier fails to meet a final deadline extension set by the Purchaser or if its performance would come too late to be of interest to the Purchaser, additional expenses for replacement purchases from third parties.

VIII. Force majeure

Unforeseeable, unavoidable and insurmountable objective events of major significance release the contracting parties from their performance obligations for the duration of the disturbance to the extent of the impact thereof. The contracting parties are required to provide the information reasonably necessary without delay and to adjust their mutual obligations to the altered circumstances in accordance with the principle of good faith.

IX. Quality and Documentation

1. For its deliveries, the Supplier shall adhere to accepted engineering standards, relevant safety requirements, and the agreed technical specifications. Modifications of the Component require the Purchaser's prior written consent.
For guidance on initial sample testing, see the VDA publication "Volume 2, Quality Assurance for Supplies, Production Process and Product Approval (PPA)". The Supplier shall not commence series production delivery until the Purchaser has approved the sample parts. Notwithstanding such approval, the Supplier shall continuously verify the quality of the Component. Each contracting party shall inform the other of quality improvement possibilities.
2. If no firm agreements exist between the Supplier and the Purchaser on the nature and scope of testing and inspection and the means and methods thereof, the Purchaser is willing, at the Supplier's request and within the limits of its own knowledge, experience, and resources, to discuss testing and inspection issues with the Supplier in order to determine the level of testing and inspection technology required in each individual situation. If requested, the Purchaser will also inform the Supplier about the relevant safety requirements. For further information, see the VDA publication "Volume 5, Capability of Measurement Processes, Capability of Measuring Systems".
3. With regard to characteristics that have been specially marked, e.g. with the letter "D," in the technical documents or designated by separate agreement, the Supplier must in addition keep special records showing when, in what manner, and by whom the Components were tested and inspected with respect to special characteristics, and recording the results of the required quality testing. The testing and inspection documentation must be retained for at least fifteen years and provided to the Purchaser when needed. To the extent legally possible, the Supplier shall impose corresponding obligations on its sub-suppliers. For documentation and archiving, see the VDA publication "Volume 1, Documentation and Archiving – Code of Practice for the Documentation and Archiving of Quality Requirements and Quality records" as well as the VDA publication "A process description covering special characteristics (SC)".
4. Should any public agency with authority regarding vehicle safety, emissions standards, or the like wish to verify certain requirements by examining the Purchaser's production processes and its testing and inspection documentation, the Supplier agrees that, at the Purchaser's request, it will accord such agencies the same rights with respect to itself as they have with respect to the Purchaser and will give them all reasonable support to the extent permitted by applicable law.

X. Warranty

1. Unless otherwise agreed, the Purchaser may exercise the following rights in the event of delivery of defective Component, provided any preconditions established by applicable law or this section are fulfilled:
 - a) Before the commencement of manufacturing (processing or installation) the Purchaser must first give the Supplier the opportunity to sort out the defective Component and to correct the defects or to deliver replacements, unless this would unreasonably burden the Purchaser. If the Supplier is unable to accomplish the above or fails to do so without delay, the Purchaser may, without setting any deadline, rescind this portion of the contract and return the Component at the Supplier's risk and expense. In urgent cases, the Purchaser may itself remedy the defects after coordination with the Supplier, or have a third party do so. The resulting costs shall be borne by the Supplier. If the same Components are repeatedly delivered with defects, the Purchaser may, after giving written notice of such breach, rescind the contract with respect to the as yet undelivered part thereof as well if another delivery of defective Component occurs.
 - b) If, despite compliance with the obligation under Section IV (Notice of Defects), the defect is not discovered until after manufacturing has commenced, the Purchaser may either require remedial or substitute performance and claim reimbursement of the necessary concomitant costs for transportation (incl. towing charges) and for dismantling and reinstallation (incl. labor, material, logistics costs), or - reduce the purchase price. In case the Supplier requests defective Components for inspection, the Supplier shall assume the logistics costs thereof.
 - c) In the event of the breach by Supplier of an obligation over and above the delivery of defective Components, the Purchaser may, in accordance with Section XI, claim compensation for the consequential damages flowing therefrom including the consequential damages paid by the Purchaser to its customer by law. "Consequential damages" refers to damage suffered by the Purchaser, by reason of delivery of defective Components, to legal interests other than those pertaining to the goods themselves and is inclusive of administrative handling fees.
2. Upon reasonable request, the Purchaser shall, at the provide the parts which the Supplier must replace to the Supplier for inspection. The Supplier shall assume all and any costs associated therewith.
3. Where defective Components are delivered, the provisions of this Section X are without prejudice to any claims that the Purchaser may have under product liability or tort law or under the theory of conduct of business on another's behalf without his authority (*negotiorum gestio*). Guarantees as to specific characteristics and durability must be expressly designated as such in writing.
4. The warranty period shall commence as of registration of the vehicle into which the Component is mounted and shall be in general 36 months, however in no case shorter than (i) the one set by Purchaser or any Volkswagen Group company for any of its vehicle/products, or (ii) the mandatory laws and regulations applicable to Purchaser's or any Volkswagen Group's vehicle/products, or (iii) the one Purchaser or any Volkswagen Group company have formulated in specific policies in its latest applicable version, whichever is longer. In such case Purchaser will inform Supplier accordingly. "
5. In case the warranty period applicable to Purchaser's or any Volkswagen Group's vehicle/products shall be extended according to newly issued laws, regulations or rules, or based on Purchaser's or any Volkswagen Group company's reasonable request in consideration of the market requirement, Supplier shall accept such extended warranty period.
6. Charges incurred in respect of warranty attributable to the Supplier may be levied by Purchaser or by any VW Group Company.

XI. Liability

Subject to other liability provisions contained elsewhere herein, the following terms define the limits of the Supplier's liability for damages suffered directly or indirectly by the Purchaser by reason of the delivery of defective Components, the violation of governmental safety requirements, or any other legal grounds of Supplier liability.

1. As a general matter, the Supplier is only liable for damages with regard to harm it has caused.
2. If claims are raised against the Purchaser based on no-fault liability which cannot be disclaimed with respect to third parties, the Supplier shall be liable to the Purchaser to the extent to which it would also be directly liable. The principles of contributory negligence shall apply analogously regarding the adjustment of damages between the Purchaser and the Seller. The same applies in the event the Supplier is sued directly.
3. Liability for damages is excluded to the extent the Purchaser has in turn limited its liability to its customer with legal effect.
4. Claims by the Purchaser are precluded to the extent the damage is due to circumstances attributable to the Purchaser involving violations of operating, maintenance, and installation instructions, unsuitable or improper usage, improper or negligent handling, natural wear and tear, or faulty repair. The previous sentence shall, however, not apply to the extent the Supplier is aware of special requirements regarding operation, maintenance, or installation and has failed to inform the Purchaser thereof in writing.

5. The Supplier is liable for measures taken by the Purchaser to avert damages (e.g. recall campaigns) to the extent the law requires such measures.
6. The Purchaser will fully inform and consult with the Supplier without undue delay in the event it intends to assert claims based on the above provisions. It shall give the Supplier the opportunity to investigate the damage situation to Supplier's costs. The contracting parties will consult with each other regarding the action to be taken, in particular regarding settlement negotiations.
7. The principles of Section VII (1) shall apply mutatis mutandis if the Supplier has no insurance coverage or insufficient coverage.

XII. Industrial Property Rights

1. The Supplier is liable for claims arising from the contractual use of the Components that are based on the infringement of industrial property rights and applications pending for such rights (industrial property rights).
2. The Supplier shall release and hold the Purchaser and its customers harmless from all claims from the use of such industrial property rights.
3. The above does not apply to the extent the Supplier manufactured the Components according to drawings, models, or other equivalent descriptions or specifications provided by the Purchaser and neither knows nor should have known with respect to the Components it developed that industrial property rights were thereby infringed.
4. To the extent the Supplier is not liable by reason of subsection 3, the Purchaser shall release and hold it harmless from all third-party claims.
5. The contracting parties agree to inform each other without undue delay of potential infringement risks and alleged infringements that come to their attention and to afford each other the opportunity to cooperate in countering such claims.
6. The Supplier shall inform the Purchaser of any industrial property rights, whether published or unpublished, self-owned or licensed, registered, unregistered or pending, that the Supplier uses with regard to the Component.

XIII. Use of Purchaser's Production Aids/Equipment and Confidential Information

Models, molds and dies, jigs and templates, sample parts, tools, and other production aids and equipment including confidential information that the Purchaser provides to the Supplier or pays for in full may only be used for deliveries to third parties with the Purchaser's prior written consent.

XIV. Retention of Title

The Supplier retains title to Component it delivers until paid as agreed upon between the parties. For current account deliveries, the retention of title shall be considered to secure payment of the account balance owing.

If the Purchaser so joins the Component with other property that they form a whole, and if the other property constitutes the principal object, the Purchaser is required to transfer proportionate joint ownership to the Supplier, to the extent it has title to the principal object. If the Purchaser sells the delivered Component as contemplated by the parties, it hereby assigns in advance to the Supplier its accounts receivable from its customer by reason of sale together with all ancillary rights until complete satisfaction of the Supplier's claims.

Where the circumstances so justify, the Purchaser is upon request by the Supplier required to notify the third-party buyers of the assignment and to furnish the Supplier with the information and documents it reasonably requires to enforce its rights.

The Supplier must relinquish and release its interest in collateral to the extent the total value thereof exceeds that of the claims to be secured by more than 20 %.

XV. General Provisions

1. If a contracting party ceases paying its debts as they fall due or a petition is filed for commencement of an insolvency proceeding with regard to its assets or for an arrangement or composition proceeding, the other party is entitled to rescind the as yet unperformed portion of the contract.
2. Should any provision of these Terms and the other agreements entered into be or become invalid, this shall not affect the validity of the other provisions of the contract. The contracting parties are required to replace the invalid provision with a provision that approximates the economic effect of the invalid provision as closely as possible.
3. Unless otherwise agreed, the contract shall be governed exclusively by the law of the People's Republic of China. The United Nations Convention on Contracts for the International Sale of Goods of 11 April 1980 shall not apply.
4. The place of performance is the Purchaser's registered office. A varying term may be agreed with respect to delivery.
5. For all disputes arising out of or in connection with these Terms, actions may be brought only in the court having jurisdiction in the judicial district of the Purchaser's registered office.

Instructions for Shipping Documents and Invoicing Forms

If so agreed, settlement between the Supplier and the Purchaser shall be by means of credit notes issued by the Purchaser (credit note procedure). Information thereon is available from the Purchaser. Unless settlement by credit notes has been agreed, an invoice must be issued for each and every bill of lading.

Invoices shall not travel with the goods and shall be submitted only to **Hefei**. Empties not entered on the bill of lading (identification code) become the property of the Purchaser free of charge.