



EXCLUSIVE DISTRIBUTORSHIP AGREEMENT

This Exclusive Distributorship agreement is made and entered into by and between Foshan Nanhai Sirac Air-Conditioning Equipments Co., Ltd (hereinafter referred to as "Manufacturer"), a corporation chartered under the laws of the People's Republic of China, having its principal place of business at Zhoucun Industrial Zone, Lishui, Nanhai, Guangdong, China and Company _____ (hereinafter referred to as "Distributor"), a corporation chartered under the laws of _____, having its principal place of business at _____.

Appointment of Distributor

Manufacturer desires to appoint Distributor, and Distributor desires to accept appointment, on the terms and conditions contained herein, as an exclusive distributor of Manufacturer's Products (as defined below) to purchase, inventory, promote and resell "Manufacturer's Products" within the following area (the "Territory"): _____. Distributor is not an agent of Manufacturer and shall not at anytime represent itself as such, nor shall Distributor incur, assume or create any debt, obligation, contract or release of any kind in the name of or on behalf of Manufacturer.

Products

As used in this Agreement, the term "Manufacturer's Products" shall mean the products, related service parts and accessories manufactured and/or sold by Manufacturer as follows:

Heat Pump Water Heaters .

Term of Sale

All sales of Manufacturer's Products to Distributor shall be made pursuant to this Agreement at such prices and on such terms as Manufacturer shall establish from time to time on at least fifteen (15) days notice. All prices are FOB Guangzhou. Manufacturer agrees to properly pack all items for shipment. Risk of loss due to damage or destruction of Manufacturer's Products shall be borne by Distributor after delivery to the carrier for shipment. The shipper will be selected by Distributor. All orders are subject to acceptance by Manufacturer. Except as otherwise expressly agreed by Manufacturer in advance, this Agreement shall control all aspects of the dealings between Manufacturer and Distributor with respect to the Manufacturer's Products. A minimum order of \$ 10,000.00 US dollars or equivalent value is expected, with a 4 week lead time for all orders. The only methods of payment accepted are telegraphic transfer or L/C at sight and Distributor shall pay 30% of the purchase price of the product at the time of order.

Minimum Purchase Requirement



The minimum volume of Manufacturer's Products to be purchased by Distributor hereunder shall be _____ or equivalent value within the duration of this Agreement. Volume of Purchased products herein refers to sum of invoices of Products that have been shipped to Distributor or its carrier.

Rebate Incentive Program

Manufacturer agrees to give Distributor a rebate incentive in condition that Distributor's purchased value meet a specific amount within the duration of this Agreement. Purchased value herein refers to sum of invoices for which full payments have been made by Distributor.

Purchased Value	Rebate Amount
US\$200,001 to US\$500,000	Purchased Value X 3%
US\$500,001 to US\$1,000,000	US\$15,000 + (Purchased Value – US\$500,000) X 3.5%
US\$1,000,001 and up	US\$32,500 + (Purchased Value – US\$1,000,000) X 4%

Manufacturer shall reimburse the rebate incurred within the duration of this Agreement to Distributor by delivering Products (models at Distributor's selection) of equivalent value to Distributor within forty-five (45) days after the ending date of the term of this Agreement.

The rebate obligations herein shall survive the termination of this Agreement.

Marketing Policies

Distributor will at all times maintain adequate inventories of Manufacturer's Products and will promote vigorously and effectively the sale of Manufacturer's Products through all channels of distribution prevailing in the Territory. Distributor will use its best efforts to sell Manufacturer's Products to aggressive, reputable, and financially responsible dealers providing satisfactory consumer service throughout Distributor's primary marketing area. Distributor is authorized to enter into written agreements with its dealers relating to the purchase, resale and service of Manufacturer's Products.

Distributor's General Duties

A. Distributor shall hire sales personnel or appoint representatives to introduce, promote, market and sell Manufacturer's Products in the Territory. Such personnel and/or representatives shall be adequately trained by Distributor. Distributor shall employ sufficient numbers of sales personnel and/or representatives properly to market Manufacturer's Products in the Territory.



B. Distributor agrees not to engage in the distribution promotion, marketing or sale of any goods or products produced in China same as or similar to Manufacturer's Products.

C. Distributor agrees not to sell Product, directly or indirectly, to any other country other than the herein assigned Territory without the permission of Manufacturer.

D. Distributor shall inform the Manufacturer of any reorganization of his business and any consequences for the distributorship.

F. Distributor agrees not to manufacture products of the same type as or similar to Manufacturer's Products.

Manufacturer's General Duties

A. Manufacturer agrees to give the Distributor all the guidelines and needed support to prepare the advertising and promotional campaign for the Products in the assigned Territory.

B. Manufacturer agrees not to sell directly or indirectly Products to the assigned Territory and to refer to the Distributor all the inquiries or order for the Product that Manufacturer might get from the Territory while this Agreement is valid.

Product Warranty Policies

In the event that any of Manufacturer's Products are proved to Manufacturer's satisfaction to have been defective at time of sale to Distributor, Manufacturer will make an appropriate adjustment in the original sales price of such product or, at Manufacturer's election, replace the defective product. MANUFACTURER MAKES NO WARRANTY TO DISTRIBUTOR WITH RESPECT TO THE PRODUCTS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Financial Policies

Distributor acknowledges the importance to Manufacturer of Distributor's sound financial operation and Distributor expressly agrees that it will:

A. Maintain and employ in connection with Distributor's business and operations under this Agreement such working capital and net worth as may be required to enable Distributor properly and fully to carry out and perform all of Distributor's duties, obligations and responsibilities under this Agreement;

B. Pay promptly all amounts due Manufacturer in accordance with terms of sale;



In addition to any other right or remedy to which Manufacturer may be entitled, shipments may be suspended at Manufacturer's discretion in the event that Distributor fails to promptly and faithfully discharge each and every obligation in this Section.

Relationship of the Parties

Distributor, its agents and employees shall, under no circumstances, be deemed employees, agents or representatives of Manufacturer. Distributor will not modify any of Manufacturer's Products without written permission from Manufacturer. Neither Distributor nor Manufacturer shall have any right to enter into any contract or commitment in the name of; or on behalf of the other, or to bind the other in any respect whatsoever.

Term and Termination

Unless earlier terminated as provided below, the term of this Agreement shall commence _____(date) and shall continue until _____(date). At the end of the term, the Agreement shall continue until terminated by either party on at least forty-five (45) days prior notice.

A. Manufacturer may terminate at any time by written notice given to Distributor not less than forty-five (45) days prior to the effective date of such notice in the event Manufacturer decides to terminate all outstanding distributor agreements for Manufacturer's Products and to offer a new or amended form of distributor agreement.

B. Manufacturer may terminate this Agreement upon notice to Distributor, upon any of the following events:

(1) failure of Distributor to fulfill or perform any one of the duties, obligations or responsibilities of Distributor in this Agreement, which failure is not cured with ten (10) days notice from Manufacturer;

(2) any assignment or attempted assignment by Distributor of any interest in this agreement or delegation of Distributors obligations without Manufacturer's written consent;

(3) any sale, transfer or relinquishment, voluntary or involuntary, by operation of law or otherwise, of any material interest in the direct or indirect ownership or any change in the management of Distributor;

(4) failure of Distributor for any reason to function in the ordinary course of business; or

(5) conviction in a court of competent jurisdiction of Distributor, or a manager, partner, principal officer or major stockholder of Distributor for any violation of law tending, in Manufacturer's



opinion, to affect adversely the operation or business of Distributor or the good name, goodwill, or reputation of Manufacturer, products of Manufacturer, or Distributor.

Obligations on Termination

On termination of this Agreement, Distributor shall cease to be an authorized distributor of Manufacturer and:

A. All amounts owing by Distributor to Manufacturer shall, notwithstanding prior terms of sale, become immediately due and payable;

B. All unshipped orders shall be cancelled without liability of either party to the other;

C. Distributor will resell and deliver to Manufacturer on demand, free and clear of liens and encumbrances, such of Manufacturer's Products and materials bearing Manufacturer's name as Manufacturer shall elect to repurchase, at a mutually agreed price, but not in excess of Manufacturer's current price to distributors for such products and materials, provided that Manufacturer shall not be obligated to pay Distributor for any item originally provided free of charge; and

D. Neither party shall be liable to the other because of such termination for compensation, reimbursement or damages on account of the loss of prospective profits or anticipated sales, or on account of expenditures, investments, lease or commitments in connection with the business or goodwill of Manufacturer or Distributor or for any other reason whatsoever growing out of such termination.

Assignment

Neither this Agreement nor any interest in this Agreement may be assigned by Distributor or Manufacturer without the prior express written approval of the other party.

Force Majeure

Except with respect to Distributor's payment and Manufacturer's rebate obligations, delays or failure of either party in the performance of its obligations hereunder shall be excused if and to the extent caused by circumstances beyond the reasonable control of the party affected.

Confidentiality

Distributor agrees that all microfiche film, video tapes, computer and CD disks, bulletins, catalogs, price lists, order forms and other documents and information furnished by Manufacturer with respect to Products, programs and services which are available from Manufacturer (the "Confidential Information") are Manufacturer's confidential proprietary



business information, which Distributor shall safeguard in the same manner as it safeguards its own confidential business information, and Distributor agrees not to divulge or display any of the Confidential Information other than in connection with Distributor's transaction with Manufacturer. The confidentiality obligations herein shall survive the termination of this Agreement.

Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the People's Republic of China.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this _____ day of _____.

Manufacturer

Distributor

Foshan Nanhai Sirac Air-Conditioning
Equipments Co., Ltd

By: _____

By: _____

Printed Name: Mr. Liu An

Printed Name: _____

Title: sss Export Manager

Title: _____