

Order of the Deputy Prime Minister and Minister of Industry and New Technologies of the Republic of Kazakhstan #113 dated June 11th, 2010 regarding Rules on Concluding the Agreement on Industrial Assembly of Motor Vehicles with legal entities residents of the Republic of Kazakhstan.

In order to implement the decision of the Commission of the CU dated November 27, 2009 № 130 "On the unified customs tariff regulation of the Customs Union of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation" and in accordance with subparagraph 43) of paragraph 13 of the Provision on the Ministry of Industry and Trade of the Republic of Kazakhstan, approved by the Government of Kazakhstan on November 26, 2004 № 1237, I hereby order:

1. To approve the rules of the agreement on industrial assembly of motor vehicles.
2. Committee of Industry of the Ministry of Industry and New Technologies of the Republic of Kazakhstan arrange in accordance with the legislation state registration of the order with the Ministry of Justice of the Republic of Kazakhstan and its official publication in the media.
3. Assign enforcement of this Order to the Vice-Minister of Industry and New Technologies of the Republic of Kazakhstan N. Abdibekova
4. This Order comes into force from the date of its first official publication.

**Deputy Prime Minister -
Minister of Industry and New
Technologies of the Republic of Kazakhstan**

A. Issekeshev

**Rules
for Conclusion of the Agreement on Industrial Assembly of Motor Vehicles**

These rules are designed to implement the decision of the Commission of the CU #130 dated November 27, 2009 "On the Unified Customs Tariff Regulation of the Customs Union of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation" and in accordance with subparagraph 43) of paragraph 13 of the Provision on the Ministry of Industry and New Technology of the Republic of Kazakhstan, approved by the Government of the Republic of Kazakhstan #1237 dated November 26, 2004 and to determine the terms and conditions of the agreement on industrial assembly of motor vehicles under heading 8703 HS CU with legal entities of the Republic of Kazakhstan (hereinafter - Agreement).

1. General provisions

1. Agreement is a civil contract concluded between the Ministry of Industry and New Technologies (hereinafter - the authorized body) and a legal entity of the Republic of Kazakhstan (hereinafter - legal entity) in accordance with the civil law, ratified international treaties of the Republic of Kazakhstan and the present Rules in the form, as specified in the Annex to this Rules.

2. Following terms are used in this Rules:

auto components - parts, assemblies, components, materials, chemical and paint products needed for the production of motor vehicles;

industrial assembly of motor vehicles - a system of production based on a technological process providing project production capacity of at least 25,000 units a year in two-shift operation, which includes execution of the following technological operations:

welding, assembly and painting of the body;

installation of the a cabin equipment;

installation of the powertrain, steering mechanism, exhaust system;

installation of electrical equipment, suspension components;

installation of exterior elements;

conducting control tests of finished motor vehicles.

3. Under industrial assembly individual operations can be performed in conjunction with other Kazakhstan's legal entities.

4. The agreement is the basis (permission) for the customs declaration of auto components imported for industrial assembly of cars, and cars made with performance of manufacturing operations, referred to in paragraph 6 of the present Rules, in the positions of the Common Customs Tariff of the CU "for the industrial assembly of motor vehicles under headings 8701-8705, their components and assemblies.

2. Terms and conditions of the agreement

5. Mandatory terms and conditions of the agreement include:

existence of productive assets worth at least \$ 2 billion tenge in possession of a legal entity on the date of signing, and obligations of a legal entity in a period not exceeding 84 months from the signing of the agreement to:

launch industrial assembly of at least one model of motor vehicles under heading 8703 HS CU;

import components for industrial assembly originating from states not members of the CU, under positions of the common customs tariff "for the industrial assembly of motor vehicles under headings 8701-8705, their components and assemblies " in volumes not exceeding 70% of the total cost of components used for the production, including cost of the body, classified under heading 8707 HS CU.

6. At the same time, during the term of the Agreement before and after launching industrial assembly of certain car models, legal entity may produce other car models, upon performing the following technological operations:

installing and fixing of an engine, connecting stirring mechanisms to the engine;

installation of rear suspension;

installation of exhaust system;

Installation and connection of a battery and conducting of a test of the board electrical circuits;

installation of road wheels;

pumping of brake and coolant fluids;

inspection of the braking system;

control tests of finished motor vehicles.

7. The agreement must define schedule for the annual implementation of the stages of the agreement and indicate the launch date of the production of motor vehicles, timeframes for establishing of welding, ainting and body assembly operations at the enterprise.

8. The agreement shall be concluded for a period of not more than eight (8) years with the possibility of extension for a period not exceeding ten (10) years from the date of expiry of the initial term of the agreement.

9. In case of adverse changes in the conditions of the present Rules (change of conditions and / or duration of preferences, conditions for application of the concept "industrial assembly", etc.) content of the agreement may not be changed.

3. The order of conclusion of the agreement

10. In order to conclude the agreement a legal entity must contact the authorized body.

11. Submit the following documents:

draft agreement;

draft schedule for the annual implementation of the stages of the agreement with indication of the launch date of the production of motor vehicles, timeframes for establishing of welding, painting and body assembly operations at the enterprise;

audited financial statements, confirming that the entity at the date of signing possess productive assets worth at least \$ 2 billion tenge in accordance with paragraph 5 of the present Rules.

12. The authorized body shall, within ten working days consider the documents submitted in accordance with paragraph 11 of the present Rules. In case of nonconformance of the submitted documents with the requirements of the present Rules, a reasoned refusal shall be sent to the legal entity with indication of the reasons for impossibility of conclusion of the agreement.

13. The agreement is concluded with the legal entity within 5 working days after consideration.

Annex
to the Rules for Conclusion of the Agreement
on Industrial Assembly of Motor Vehicles

Standard form

Agreement on Industrial assembly of motor vehicles of commodity position 8703 HS CU

Astana
city _____

(D/M/Y)
Present agreement is concluded
between _____

(name of the authorized body)
duly represented
by _____, acting
(Full name of the executive or acting person)
on the
grounds _____

(provision or order)
(hereinafter – authorized body)
and _____,
(name of the legal entity of the Republic of Kazakhstan)
duly represented by

_____, acting
(Full name of the executive or another authorized person)
On the
grounds _____ (hereinafter – the
Producer),

(charter or power of attorney)

Hereinafter referred to as the Parties.

Taking into account that:

1) The authorized body is empowered with the rights that are directly related to the negotiation and enforcement of this Agreement;

2) The authorized body and the Producer have agreed that the agreement will regulate their mutual rights and responsibilities in the while implementation of its conditions.

Authorized body and the Producer have entered into this agreement as follows.

1. Subject of the Agreement

1.1. The subject of this agreement is the interaction between the Parties for establishment and implementation of mutual commitments and guarantees in the production of motor vehicles under heading 8703 HS CU using the concept of "industrial assembly" in the Customs Union of Belarus, Kazakhstan and the Russian Federation within the Eurasian Economic Community (hereinafter - CU), aimed at the development of the domestic automobile industry, with the support of state of the Republic of Kazakhstan.

The term "industrial assembly" of motor vehicles implies a system of serial production based on technological process providing project production capacity of at least 25,000 units a year in two-shift operation, which includes the following operations:

- welding, painting and assembly of the body;
- installation of a cabin equipment compartment;
- installation of a powertrain, steering mechanism, exhaust system;
- installation of electrical equipment, suspension components;
- installation of exterior elements;
- conducting control tests of finished motor vehicles.

1.2. The agreement is the basis (permission) for the customs declaration of auto components imported for industrial assembly of cars, and cars made with performance of manufacturing operations, referred to in paragraph 2.3.2 of the present Rules, under the positions of the Common Customs Tariff of the CU "For the Industrial Assembly of Motor Vehicles under Headings 8701-8705, their Components and Assemblies".

auto components mean parts, assemblies, components, materials, chemical and paint products needed for the production of motor vehicles;

1.3. Partnership (cooperation) of the Parties is based on obligations of the Parties to:

1) ensure compliance of the Producer with the requirements to possess productive assets worth at least \$ 2 billion tenge in possession of a legal entity on the date of signing, and obligations of a legal entity in a period not exceeding 84 months from the signing of the agreement:

to launch industrial assembly of at least one model of motor vehicles under heading 8703 HS CU;

to import components for industrial assembly originating from states not members of the CU, under positions of the common customs tariff "For the Industrial Assembly of Motor Vehicles under Headings 8701-8705, their Components and Assemblies " in volumes not exceeding 70% of the total cost of components, used for the production, including the cost of the body, classified under heading 8707 HS CU.

2) guarantee by the authorized body to uphold the terms and conditions of the agreement with the Producer during production of motor vehicles under heading 8703 HS CU using the concept of "industrial assembly".

2. Obligations of the Parties

2.1. The Producer undertakes:

2.1.1. In the period not exceeding 84 months from the signing of the agreement:

to launch industrial assembly of at least one model of motor vehicles under heading 8703 HS CU;

to import components for industrial assembly originating from states not members of the CU, under positions of the common customs tariff "For the Industrial Assembly of Motor Vehicles under Headings 8701-8705, their Components and Assemblies " " in volumes not exceeding 70% of the total cost of components, used for the production, including the cost of the body, classified under heading 8707 HS CU.

2.1.2. Carry out implementation of the stages of the agreement in accordance with the schedule, which is an integral part of this agreement.

2.1.3. Prior to April 1 of each calendar year, following the reporting year, submit to the authorized body and customs authorities, in which the customs declaration of imported goods is carried out, the following documents in the form established by the authorized body:

information about the execution of the schedule of implementation of the stages of the agreement;

information about the volumes of output and a report on the number of produced cars and other vehicles with indication of the amount, model, body type, engine type, type of transmission, exterior colors;

report on auto components, produced in countries not members of the CU, actually imported to the territory of the Republic of Kazakhstan and used in industrial assembly of motor vehicles;

report on unused auto components, produced in countries not members of the CU, actually imported to the territory of the Republic of Kazakhstan;

financial statements for the year.

2.2. Authorized body, within its competence, undertakes:

2.2.1. not to change the terms of the agreement in the event of changes to the Rules of Conclusion of the Agreement on Industrial Assembly of Motor Vehicles under Heading 8703 HS CU, that would adversely change the terms of this Agreement (the change of conditions and / or the term of the preferences, the conditions for eligibility to the concept of "industrial assembly" and so on).

2.3. The producer has the right to:

take any action, not inconsistent with the terms of the agreement and the legislation of the Republic of Kazakhstan for the implementation of his commitments;

2.3.2. At the same time, during the term of the Agreement before and after launching industrial assembly of certain car models, the Producer may produce other car models, upon performing the following technological operations:

installing and fixing of an engine, connecting stirring mechanisms to the engine;

installation of rear suspension;

installation of exhaust system;

Installation and connection of a battery and conducting of a test of the board electrical circuits;

installation of road wheels;

pumping of brake and coolant fluids;

inspection of the braking system;

control tests of finished motor vehicles.

2.4. Authorized body has the right to:

2.4.1. determine conditions and the order of conclusion, conclude and register agreements;

2.4.2. Carry out monitoring of the implementation of the agreement and request necessary information;

2.4.3. Develop and submit for approval to the Government of the Republic of Kazakhstan proposals for introduction of additional measures of the state to support the Producers engaged in the production in the "industrial assembly" mode;

2.4.4. Other rights provided under the provisions of the authorized body and the laws of the Republic of Kazakhstan.

3. Fulfillment of obligations by the Producer over model range, production of which is carried out in "industrial assembly" mode

3.1. The Producer, before the expiration of 84 months from the date of signing of the agreement, shall provide to the authorized body Act of Commissioning of Production Facilities for Welding, Painting and Assembly of the Body.

3.2. The Producer, within 80 months from the date of signing of the agreement, shall send to the authorized body a draft List of Auto Components Imported and Classified by the positions of the Common Customs Tariff of the CU "for Industrial Assembly of Motor Vehicles of Headings 8701-8705, their Components and Assemblies " (hereinafter - the List) as well as two copies the List signed by the Producer.

3.3. The authorized body shall consider the draft List within 30 (thirty) days from the date of its receipt and send back to the Manufacturer a signed List or motivated refusal to sign.

3.4. Upon expiration of 84 months from the date of signing of the agreement classification of auto components under the positions of the of the Common Customs Tariff of the CU "for Industrial Assembly of Motor Vehicles under Headings 8701-8705, their Components and Assemblies " for the models, production of which is in the "industrial assembly" mode applies only for auto parts that are in the List.

3.5. The cost of auto components, included in the List, should not exceed 70% of the total cost of auto components, used for the production, including the cost of the body, classified by heading 8707 HS CU.

3.6. The manufacturer shall be entitled to import auto components not included in the List, using current rates of import duties by their classification on commodity codes of HS CU, which are not in the heading "for the Industrial Assembly of Motor Vehicles of Headings 8701-8705, their Components and Assemblies."

4. Responsibilities of the Parties

4.1. For any failure or improper fulfillment of obligations and guarantees the Parties shall bear responsibility in accordance with the laws of the Republic of Kazakhstan.

4.2. In case of detection of inappropriate use of auto components, authorized body or customs authority no later than 10 calendar days shall send a notice to a legal entity informing about detection of inappropriate use of auto components. Legal entity, in the manner prescribed by the customs legislation of the Republic of Kazakhstan, shall make payments of customs duties along with the imposed fine on the auto components, the use of which did not correspond to the purposes of their importation. Otherwise, the agreement shall be terminated and the permission to import automotive components under in the positions of the common customs tariff "for the

Industrial Assembly of Motor Vehicles of Headings 8701-8705, their Units and Aggregates" shall be canceled.

4.3. In case of non-performance or improper performance with respect to other requirements of the agreement, authorized body shall send a written notice to the Producer, specifying the violations and demanding to eliminate those violations in one month time.

Failure to eliminate or improper elimination of violations provides grounds for termination of the agreement in the manner provided by the civil legislation of the Republic of Kazakhstan.

5. Force majeure

5.1. None of the Parties shall be liable for failure to fulfill any obligation under this Agreement if such failure or delay in fulfillment is due to force majeure.

5.2. The force majeure includes military conflicts, natural disasters (fires, major accidents, impaired communication, etc.) and other extraordinary and unavoidable circumstances under given conditions.

5.3. At full or partial suspension of work under the agreement due to force majeure, changes shall be made in the schedule of stages implementation under the agreement with terms for the implementation extended for the duration of force majeure.

5.4. In case of occurrence of force majeure circumstances, the Party suffered from them, within 15 working days from the date of occurrence shall notify the the other Party by providing a written notice specifying the start date of the event and a description of force majeure.

5.5. In the event of force majeure, the Parties shall immediately hold talks to find a solution to the situation and use all means to minimize the effects of such circumstances.

6. Confidentiality

6.1. Parties, in accordance with the laws of the Republic of Kazakhstan shall observe confidentiality requirements in respect of all documents, information and records relating to the implementation works of this agreement during its term.

6.2. None of the Parties, without written consent of the other Party, shall disclose information relating to the content of the agreement, or any other information that is confidential and related to the implementation of the provisions of this Agreement, unless:

- 1) information is used in the course of a court trial;
- 2) information is shared with third parties, which provide services to one of the parties under agreement, provided that such third party undertakes to respect confidentiality requirements of such information and use it only for the purposes identified by the Parties and during specified period of time;
- 3) information is provided to a bank or other financial institution, from which the Party receives funds within funding agreement, provided that such bank or financial institution is committed to respect confidentiality of such information;
- 4) information is given tax or other authorized bodies of the Republic of Kazakhstan, who have access to any information, including those covered by bank secrecy, related to any bank accounts of the Producer, including the ones opened with foreign banks outside the Republic of Kazakhstan.

7. Settlement of disputes

7.1. Any dispute between the Parties concerning interpretation or application of this Agreement shall be settled by a way of consultations and negotiations.

7.2. Unresolved disputes shall be settled in court in accordance with the laws of the Republic of Kazakhstan.

8. Final provisions, entry into force and termination of the Agreement

8.1. This agreement is for a period of not more than eight (8) years with the possibility of extension for a period not exceeding ten (10) years from the date of expiry of the initial term of the agreement.

8.2. Content of the agreement can not be changed in the event of enactment of legal acts of the Authorized Body, which will adversely change the terms of this Agreement.

8.3. This Agreement is governed by and in accordance with the laws of the Republic of Kazakhstan.

8.4. Concluded in the city of Astana " ____ " _____ 2010, in (____) copies in the Kazakh and Russian languages having equal legal force, one (1) copy for each Party. In case of disagreement in the interpretation of this agreement, the parties refer to the text in Russian.

Signatures
