



CHINA PACIFIC PROPERTY INSURANCE COMPANY LIMITED

Head Office: in Shanghai

PRODUCT LIABILITY INSURANCE POLICY

Policy No. ANIB90007108Q000030G

Please read this Policy and the Schedule and make certain that they are in accordance with your requirements. In case of any discrepancy between the English translation and the original Chinese policy, the Chinese text shall prevail.

This Policy comprises mainly the Schedule, Scope of Cover, Exclusions, Treatment of Claim, Insured's Obligations, General Conditions and Special Provisions, including also the Proposal of Insurance together with its attachments as well as any additions to be made, from time to time, by the Company in the form of Endorsement.

WHEREAS THE INSURED named in the Schedule hereto has made to China Pacific Property Insurance Company Limited (hereinafter called "the Company") a written Proposal which together with any other statements made by the Insured for the purpose of this Policy is deemed to be incorporated herein and has paid to the Company the premium stated in the Schedule.

NOW THIS POLICY OF INSURANCE WITNESSES that subject to the terms and conditions contained herein or endorsed hereon the Company shall indemnify the Insured for the legal liability incurred by the Insured during the period of insurance stated in the Schedule in the manner and to the extent hereinafter provided.

Address: 95 Heyi Road, Ningbo
315000, China
Date of Issue: 21th Nov 2008
Place of Issue: 95 Heyi Road, Ningbo
315000, China
Tel: 0574-87261666 95500
Fax: 0574-87246016

China Pacific Property Insurance Company Limited
Ningbo Branch



Authorized Signature

Conditions

I. SCOPE OF COVER

The Company will indemnify the Insured in the manner and within the limit of liability specified in the Schedule against such sums as the Insured shall become legally liable to pay in respect of claims made against the Insured arising from bodily injury to or illness or death of or loss of or damage to property of one or more persons using, consuming or handling the insured products or goods, or of any other persons consequent upon an occurrence taking place in the territory of coverage within the period of insurance caused by products or goods manufactured or sold by the Insured stated in the Schedule.

In respect of any claim covered under this Policy, the Company shall in addition indemnify the Insured against the relevant legal costs payable by the Insured and other expenses incurred in the above mentioned occurrence with the prior written consent of the Company, but the total liability of the Company for the sums of compensation and the legal costs and expenses shall in no way exceed the limit of indemnity stated in the Schedule.

II. EXCLUSIONS

The Company shall not be liable for:

1. Liability assumed in accordance with any agreement between the Insured and other parties, unless such liability would have been attached to the Insured notwithstanding such agreement;
2. Liability assumed by the Insured under any Labour Law or Workmen's Compensation Statute;
3. Liability of the Insured to employees which is based on the relationship of Master and Servant;
4. Loss of or damage to the insured products;
5. Costs arising out of replacement or recall of the insured products;
6. Loss of or damage to property belonging to or held in care, custody or control of the Insured;
7. Bodily injury, illness or death or damage to property sustained by any person caused by products or goods manufactured or sold by the Insured in willful violation of any law;
8. Liability arising out of pollution of any kind or description whatsoever such as atmosphere, land and water caused by the insured products;
9. Liability for loss of or damage to the aircrafts or ships caused by the insured products;
10. Liability for any consequence arising directly or indirectly from war, warlike operation, hostilities, armed conflicts, terrorism, conspiracy insurrection, coup d'etat;
11. Liability for any consequence arising directly or indirectly from strike, riot, civil commotion or malicious acts;
12. Liability arising directly or indirectly from nuclear fission, nuclear fusion, nuclear weapon, nuclear material, nuclear radiation and radioactive contamination;

13. Fines, penalties, punitive or exemplary indemnities;
14. The deductibles stated in the Schedule or stipulated in the Policy to be born by the Insured.

III. TREATMENT OF CLAIM

1. In the event of any claim coverable under this Policy:

1.1 No admission, rejection, offer, promise, payment or indemnity shall be made on given by or on behalf of the Insured or his representative without the written consent of the Company. And the Company shall be entitled, if it so desires, to take over and conduct in the name of the Insured the defence or settlement of any claim;

1.2 The Company shall be entitled, at its own expense and for its own benefit, to lodge in the name of the Insured any claim for indemnity against any persons. Without the written consent of the Company, the Insured shall not accept the payment or arrangement of indemnity in respect of the loss or damage offered by any party held responsible for such loss or damage and shall not abandon the right of recovery from such party, otherwise the Insured shall be liable for any consequence arising therefrom;

1.3 The Company shall have full discretion to conduct any proceedings or settle any claim, and the Insured shall give all such information and assistance as the Company may require.

2. Bodily injury to or illness or death of or damage to property of more than one person arising from same lot of products or goods manufactured, sold due to the same cause shall be considered as resulting from one occurrence.

3. The time of validity of a claim under this insurance shall not exceed a period of two years counting from the date of loss.

IV. INSURED'S OBLIGATIONS

The following Obligations shall be strictly fulfilled by the Insured and his representative:

1. The Insured and his representative, when applying for insurance shall make true answers or descriptions to the questions in the Proposal and Questionnaire or to any other questions raised by the Company.

2. The Insured and his representative shall pay to the Company in due course the agreed premium in the manner as provided in the Schedule and Endorsements.

3. Upon expiration of this insurance, the Insured shall furnish in writing with a statement of actual gross receipts by products or goods manufactured, sold by the Insured during the currency of this insurance as basis for calculating the actual premium. In the event the actual premium is more than the deposit premium, the Insured shall pay the difference to the Company, if less, the Company will refund the difference to the Insured, But in no case the a premium shall be less than the minimum premium as required.

The Company shall have the right to require the Insured at any time within the insurance period a statement of the entire amount of the total sales of products or goods manufactured, sold by the Insured during any specified part of the said period. The Company shall also have the right to

authorize their representative to examine the books and records of the Insured and to verify the above relevant figures.

4. In the event of any occurrence which gives or might give rise to a claim under this Policy, the Insured or his representatives shall:

4.1 Notify the Company immediately and, within seven (7) days or any further period as may be agreed by the Company in writing, furnish a written report to indicate the course, probable reason and extent of loss or damage;

4.2 Immediately give notice to the Company in writing whenever having knowledge of any impending prosecution in connection with any accident for which there may be liability under this Policy, and forward to the Company every letter writ, summons or process or other court documents on receipt thereof ;

4.3 Furnish all such information and documentary evidence as the Company may require for supporting the claim.

5. If discovery of a defect in any products or goods insured shall indicate or suggest that similar defect exists in other products or goods insured, the Insured shall, at his own expense, investigate and rectify forthwith the defect in such other products or goods. Otherwise, all loss or damage arising out of the said defect shall be borne by the Insured.

V. GENERAL CONDITIONS

1. Policy Effect

The due observance and fulfillment of the terms and conditions of this Policy in so far as they relate to anything to be done or complied with by the Insured shall be a condition precedent to any liability of the Company under this Policy.

2. Policy Voidance

This Policy shall be voidable in the event of misrepresentation, misdescription or non-disclosure made by the Insured or his representative in any material particular in respect of this insurance.

3. Risk Change

3.1. In the event the Insured manufactures, and/or sells a new product or products or there is any material change in chemical composition of any product or products insured hereunder during the period of insurance, the Insured shall give the Company a notice in writing within ten (10) days from the date of manufacture and sale thereof to the Company, and a suitable additional premium shall be paid at the request of the Company, otherwise this insurance shall not extend to cover such product or products.

3.2. Unless its continuance be admitted by the Company in writing, this Policy shall be automatically terminated if:

3.2.1 The insurable interest of the Insured is lost;

3.2.2 The risk of loss or damage is increased.

After termination of the Policy, the premium shall be refunded to the Insured calculated on pro

rate daily basis for the period from the date of termination to the date of expiry.

4. Policy Cancellation

This Policy may be canceled at any time at the request of the Insured in writing or at the option of the Company by giving a fifteen (15) days prior notice to the Insured. In the former case the Company shall retain a premium calculated on short term rate basis for the time the Policy has been in force while in the latter case such premium shall be calculated on pro rata daily basis.

5. Forfeit of Benefit

If the claim is in any respect fraudulent, or if any fraudulent means or devices are used by the Insured or his representative to obtain any benefit under this Policy or if any loss or damage is occasioned by the intentional act or in the connivance of the Insured or his representatives, then in any of these cases, all the rights and benefits of the Insured under this Policy shall be forfeited, and all consequent losses arising therefrom including the amount of claim paid by the Company shall be indemnified by the Insured.

6. Reasonable Inspection

The representative of the Company shall at any suitable time be entitled to attend the site and inspect or examine the risk exposure of buildings, machinery, equipments, working process and products or goods of the Insured. For this purpose, the Insured shall provide full assistance and all details and information required by the Company as may be necessary for the assessment of the risk. The above mentioned inspection or examination shall in no circumstances be held as any admission to the Insured by the Company.

In the event of any defect or danger being apparent to the Company's inspector, the Company may give notice in writing to the Insured and thereupon all liability of the Company in respect thereof or arising therefrom shall be suspended until the same be cured or removed to the satisfaction of the Company.

7. Double Insurance

Should any loss, damage, expenses or liability recoverable under the Policy be also covered by any other insurance, the Company shall only be liable to pay or contribute his proportion of the claim irrespective as to whether the other insurance is arranged by the Insured or other on his behalf, or whether any indemnification is obtainable under such other insurance.

8. Subrogation

Where a third party shall be held responsible for the loss or damage covered under this Policy, the Insured shall, whether being indemnified by the Company or not, take all necessary measures to enforce or reserve the right of recovery against such third party, and upon being indemnified by the Company, subrogate to the Company all the right of recovery, transfer all necessary documents to and assist the Company in pursuing recovery from the responsible party.

9. Dispute

All disputes under this insurance arising between the Insured and the Company shall be settled through friendly negotiations. Where the two parties fail to reach an agreement after negotiations, such dispute shall be submitted to arbitration or to court for legal actions. Unless otherwise agreed, such arbitration or legal action shall be carried out in the place where the defendant is domiciled.

VI. SPECIAL PROVISIONS

The special provisions shall be applied to all parts of this Policy and shall override the other terms and conditions of this Policy if any conflict arises.

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Schedule

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1. Name and Address of the Insured:

1.1.1 The Insured: Ningbo Heyu International Trading Co.,Ltd.

1.1.2 Address: Room 09, 15 Floor, Building A1,Modern Times, No.203 Lantian Road, Ningbo,China

1.2.1 The Insured: Dintec Plumbing Co., Ltd.

1.2.2 Address: Room 09, 15 Floor, Building A1,Modern Times, No.203 Lantian Road, Ningbo,China

1.3.1 The Insured: Ningbo By-Dream Trading Co.,Ltd.

1.3.2 Address: Room 09, 15 Floor, Building A1,Modern Times, No.203 Lantian Road, Ningbo,China

2. Nature of Business:

Manufacturing and trading

3. Product:

Valves, Fittings, Mixer Taps, Pipes & Plumbing Accessories

4. Territory of Coverage:

Worldwide (excluding USA & Canada)

5. Limits of Indemnity :

5.1 Limit of Indemnity for Any One Accident: USD500,000.00(Including The Relevant Legal Costs)

5.2 Aggregate Limit during the period of Insurance: USD1,000,000.00(Including The Relevant Legal Costs)

6. Deductibles

Deductibles (any one accident): USD5,000 or 10% of adjusted loss, whichever is greater.

7. Period of Insurance:

365 Days, From 25th Nov 2008 to 24th Nov 2009

8. Premium Rate:

2.0‰

9. Total Premium:

FIVE THOUSAND EIGHT HUNDRED AND EIGHTY DOLLARS(USD5,880.00)

10. Min. Premium:

FIVE THOUSAND DOLLARS(USD5,000.00)

11. Trigger:

Claim Made Basis Clause

12. Jurisdiction:

Worldwide Jurisdiction(excluding USA & Canada)

13. Special Provisions:

The special provisions shall be applied to all parts of this Policy and shall override the other terms and conditions of this Policy if any conflict arises.

13.1 Products Recall/Guarantee Exclusion

The Company will not indemnify the insured:

- a. in respect of the failure of a product or part thereof to perform the function for which it was intended;
- b. in respect of loss of or damage to the products;
- c. for the replacement costs of the products;
- d. to make any refund of the payment received for the product.

13.2 Batch Clause

It is hereby declared and agreed that all claims made against the Insured during the policy period and arising from the same cause shall be deemed as one accident and as having been made against the Insured during the policy year in which the first claim was made against the Insured or the first notice given by the Insured to the Insurer to the effect that there would be such possibility of a claim being made against the Insured.

13.3 Asbestos Exclusion

It is hereby understood and agreed that this contract shall not apply to and does not cover any actual or alleged liability whatsoever for any claim or claims in respect of loss or losses directly or indirectly arising out of, resulting from or in consequence of asbestos in whatever form or quantity.

13.4 Pollution Absolution Exclusion

This Insurance does not apply to:

(1) " Bodily injury " , " personal injury " or " property damage " which arises out of or would not have occurred in whole or in part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.

(2) Any loss, cost or expense arising out of any:

(a) Request, demand, or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(b) Claim or suit by or on behalf of a governmental authority or others for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means one or more solid, liquid, gaseous or thermal irritants or contaminants, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.

This exclusion applies whether or not such injury or damage may be included within

the " products / completed operations hazard " .

13.5 Silica Exclusion

This policy does not apply to Silica or silica-related dust:

- a. bodily injury arising in whole or in part, out of the actual, alleged, threatened or suspected inhalation of, or ingestion of, silica or silica-related dust.
- b. Property damage arising, in whole or in part, out of the actual, alleged, threatened or suspected inhalation of, or ingestion of, silica or silica-related dust.
- c. Any loss, cost or expense arising, in whole or in part, out of the abating, testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating or disposing of, or in any way responding to or assessing the effects of silica or silica-related dust, by any insured or by any other person or entity.

Definition:

Silica means silicon dioxide (occurring in crystalline, amorphous and impure forms), silica particles, silica dust or silica compounds.

Silica-related dust means a mixture or combination of silica and other dust or particles.

13.6 Claim Made Basis Clause

It is hereby agreed and amended:

- 1、 This insurance apply to " bodily injury " and " property damage " resulting from an occurrence which first commences on and after the retroactive date desiquated in the schedule, only if:
 - (1) A claim for damage because of " bodily injury " and " property damage " is first made in writing against any insured during the Policy period and
 - (2) Any insured did not know or could not have reasonably foreseen such occurrence at the effective date of this Policy.
- 2、 As used in this endorsement:
 - (1) " A CLAIM " by a person or organization seeking damage will be deemed to have been made when written notice of such claim is received by any insured or by the Company, whichever comes first;
 - (2) " ALL CLAIM " for damage because of " bodily injury " to the same person as a result of an occurrence, will be deemed to have been made at the time the first of those claims is made against any insured;
 - (3) " ALL CLAIM " for damage because of " property damaged " causing loss to the same person or organization as a result of an occurrence, will be deemed to have made at the time the first of those claim is made against any insured.

13.7 Worldwide (excluding USA & Canada) Jurisdiction Clause

It is hereby declared and agreed that the indemnity provided under this Policy shall exclude the following:

Any enforceable judgments in respect of litigation arbitration (third party vs. insured of this policy), which are obtained from any court arbitrator of competent jurisdiction in USA & Canada.

The jurisdiction issue in respect of dispute under this insurance arising between the Insured and the Company shall apply to this insurance Clause 5 General Condition Section 9 Dispute.