

SHIPBUILDING CONTRACT

for the construction of

..... VESSEL

Yard Hull No.

Between

Buying Company

as BUYER

and

Builder of China

as SHIPBUILDER or BUILDER

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PREAMBLE

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SHIPBUILDING CONTRACT

This Contract, made on (see page 48 herein) by and between a company to be nominated by BUYING Company, a corporation incorporated and existing under the laws of Germany with its principal office at,, (hereinafter called the „Buyer“), the party of the first part and its principal office, of P.R.China (hereinafter called the „Builder“), the party of the second part.

WITNESSETH

In consideration of the mutual covenants contained herein, the Builder agrees to build, launch, equip and complete (1) single screw Geared Motor Container Vessel of about, DWT with TEU loaded containers as described in Article 1 hereof (hereinafter called the „Vessel“) at the Builder’s Shipyard in, P.R.China and to deliver and sell the Vessel to the Buyer, and the Buyer agrees to accept delivery of and purchase from the Builder of the Vessel according to the terms and conditions hereinafter set forth. The Vessel shall be constructed, equipped and completed in accordance with first class international standard of Shipbuilding and Workmanship.

1. DESCRIPTION AND CLASS

(a) Description

One (1) VESSEL Type “.....” with cargo cranes having about DWT at the load line draft of abt. metres which shall be designated as the Builder’s Yard No. and shall be constructed, equipped and completed in accordance with the General Arrangement Plan (Status) and Specifications (.....) dated, updated) and Maker’s List dated on and signed on thereafter called the „Plans“ and „Specifications“ respectively signed simultaneously herewith, which shall constitute an integral part of this Contract although not attached herein.

The Plans and Specifications are intended to explain each other and anything shown on the Plans and not stipulated in the Specification or anything stipulated in the Specifications and not shown on the Plans shall be deemed and considered as if included in both. Should there be any inconsistencies or contradictions between the Plans and Specifications, the Specifications shall prevail. Should there be any inconsistencies or contradictions between this Contract and the Specifications, this Contract shall prevail.

(b) Classification, Rules and Regulations

(i) The Vessel shall be built in compliance with the current rules and regulations of Germanischer Lloyd (hereinafter called the „Classification Society“) to be classed Germanischer Lloyd + 100 A 5 E „, +MC E AUT and registered as Cyprus or Antigua or equivalent Flag. Vessel to be equipped in accordance with regulations of Classification Society and also to comply with the rules, regulations and requirements of other regulatory bodies as described in the Specifications.

(ii) The rules, regulations and requirements of the Classification Society and Flag are to include any additional rules or circulars that have been issued and are effective as of the date of signing of this Contract.

(iii) The Builder shall arrange with the Classification Society for the assignment by the Classification Society of a Representative or Representatives (herein after referred to as the „Classification Surveyor“) to the Vessel during construction. All fees and charges incidental to classification of the Vessel in compliance with the above specified rules, regulations and requirements of this Contract shall be for the account of the Builder. All major plans, materials and workmanship used in the construction of the Vessel shall be subject to inspection and test by the Classification Society in accordance with the rules and regulations of the Classification Society.

(iv) The decision of the Classification Society as to whether the Vessel complies with the regulations of the Classification Society shall be final and binding upon the Builder and the Buyer. The facilities, labour and materials necessary for the safe and convenient conduct of any inspection by the Classification Society shall be furnished by the Builder without charge.

(c) Principal Particulars and Dimensions of the Vessel

(i) The Basic dimensions of the Vessel shall be:

Length overall	Abt. Meter
Length between Perpendiculars	 Meter
Breadth moulded	 Meter
Depth (moulded)	 Meter
Loadline Draft	 Meter
Dead-weight at loadline draft of 8.50 M	 MT
Dead-weight on. 7.30 M	 MT

The above dimensions may be slightly modified by the Builder, who also reserves the right to make changes to the Specifications and Plans if found necessary to suit the local conditions and facilities of the Shipyard, the availability of materials and equipment, the introduction of improved production methods or otherwise, subject to the approval of the Buyer which the Buyer shall not withhold unreasonably and provided such modifications so not affect the guaranteed data/earning capacity of the Vessel.

- (ii) **The main propelling unit consists of one Two-Stroke-Slow-Speed-Marine -Diesel engine equipped with exhaust gas turbo charger having max. kW at RPM continuous rating.**

The Trial Speed at normal continuous output 90% MCR at a draught of M will be knots, subject to confirmation by further tank tests.

The trial speed will be ascertained under ballast condition at sea trial and will be projected to the design draught under consideration of the tank test results.

The speed trial shall be carried out in deep sea and calm weather with clean and smooth shell plating, with wind velocity not exceeding Beaufort 2.

Buyers have the right to repeat the speed test after delivery under the conditions as mentioned in Article 1 (c) (ii)(1.Para) within a period of 3 months in order to confirm the speed under loaded condition with clean underwater surface and in the same condition as at time of delivery of the Vessel to Buyers. The speed tests including power measurement shall be carried out on Buyer's expenses by an independent European Ship's Research institution in the presence of the Classification Society who shall commonly certify the measured speed under Contract conditions. The Builder shall be invited to participate on his own costs and have the right to get evidence of the conditions said in this paragraph by a divers inspection in clean waters on Buyers costs.

If the speed results proof that the Vessel does not conform with the conditions of Article 1(a) (ii), the price of the Vessel shall be reduced according to para 3(b) „insufficient speed“ and the Builder shall repay to the Buyer the amounts as mentioned in para 3 (b).

- (iii) The Vessel shall have a dead-weight of not less than Metric Tons on load line draft of abt. metres as calculated in accordance with the freeboard rules and the provisions of the Specifications. The actual dead-weight of the Vessel expressed in tonnes of 1.000 kilograms shall be determined in accordance with the rules of the Classification Society under the supervision of the Buyer's Representatives as hereinafter defined, the Classification Society and the Builder on the basis of the actual measurement of the light weight of the completed Vessel countersigned by Classification Society, and thereafter a certificate of dead-weight shall be issued by the Builder. The cost, if any, shall be for the account of the Builder.

The fuel consumption for the main engine shall not exceed 176g/Kwh + 5% tolerance at 85% MCR based on a calorific value of 42,700 KJ/kg at ISO ambient condition at test-bed trial, which results to about 37 t/day +5% tolerance based on 90% MCR. The above mentioned fuel consumption does not include any engine driven pump(s).

- (iv) **Container Stowing and loading capacity:**

The Container loading capacity of the Vessel shall not be less than TEU at 14 metric tons homogeneous weight each according to IMO A167 and A562 requirements.

- (d) **NATIONALITY OF THE VESSEL**

The Vessel shall be registered by the Buyer at its own cost and expense under the laws of its home port of Limassol, Cyprus, or Saint John, Antigua or another equivalent flag (which the Buyer shall choose not later than three months prior to launching of the Vessel) at the time of its delivery and acceptance hereunder.

- (e) **VIBRATION AND NOISE LEVEL**

In particular the Vessel shall be delivered free of abnormal vibrations for a Vessel of its size and construction, and the noise level to be according to the standard stipulated in the specification.

The Buyers have the right to order on their own cost vibration and noise level calculations with the Classification Society in advance. The Builder will give all necessary assistance, supply of drawings etc. for such calculations at the earliest stage.

In case that such calculations by the Classification Society result in recommendations, the Builder will fulfil these recommendations. Such recommendations shall be made only, once available to the Builder prior to steel cutting of the relevant parts of the Vessel, latest together with the returning of approved steel drawings from the Classification Society to the Builder.

(f) MAKER'S LIST

The Maker's List is an integral part of this Contract. Chinese licence makers as mentioned on the Maker's List are only allowed in case that they are fully licensed and the licensee has transferred updated know how and actual modern design and guarantees the interchange ability of the spare parts.

(End of Article)

2. CONTRACT PRICE

The Contract Price of the Vessel delivered to the Buyer at the Shipyard shall be United States Dollars Million Hundred Thousand (US\$--).

(hereinafter referred to as the „Contract Price“) plus any increases or less any decreases due to adjustment or modifications, if any, as set forth in this Contract. The Contract Price shall include payment for services for the inspection, tests, survey and classification of the Vessel rendered by the Classification Society and shall not include the cost of items to be supplied by the Buyer as stipulated in the Specifications. The Builder shall, however, undertake to install to the Vessel all of such Buyer's supplied articles without any extra cost to the Buyer, but the Buyer shall pay all charges and expenses, including the custom clearance fee, for transporting such Buyer's supplied articles into the Shipyard. The Contract Price also includes all costs and expenses for supplying all necessary drawings except those to be furnished by the Buyer in accordance with the Specifications.

(End of Article)

3. ADJUSTMENT OF CONTRACT PRICE

The Contract Price of the Vessel shall be adjusted as hereinafter set forth in the event of the following contingencies. It is hereby understood by both parties that any adjustment of the Contract Price as provided for in this Article is by way of liquidated damages and not by way of penalty.

(a) DELAYED DELIVERY

- (i) No adjustment shall be made, and the Contract Price shall remain unchanged for the first thirty days of delay in delivery of the Vessel (ending as of 12 o'clock midnight on the thirtieth day of delay) beyond the Delivery Date as defined and calculated in accordance with article 7 (a) hereof.**

- (ii) If delivery of the Vessel is delayed more than thirty days from the date upon which the delivery is due from the Builder under the terms of this Contract, then beginning at midnight of the thirtieth day after such due date, the Contract Price of the Vessel shall be reduced by deduction there from of liquidated damages in the following manner:

US\$ in the first sixty (60) days for each full day of delay after the first allowed 30 days and thereafter an amount of US\$.-- for each full day of the delay.

However, unless the parties agree otherwise, or unless the deliveries purposely delayed by the Builder, the total amount of deduction from the Contract Price owing to the delayed delivery shall not exceed the amount due to cover the delay of one hundred and eighty (180) days after the delivery date, i.e. maximum of US\$.-- .

- (iii) If the delay in the delivery of the Vessel continues for a period of more than two hundred and ten (180) days from the date upon which the delivery is due from the Builder under the terms of this Contract, then, in such event, and after such period has expired, the Buyer may, at its option, earliest within 7 banking days cancel this Contract by serving upon the Builder a notice of cancellation by telegram or telefax to be confirmed by a registered letter via airmail directed to the Builder at the address given in this Contract.

Such cancellation shall be effective as of the date the notice thereof is received by the Builder, and the Builder, upon receipt of such notice shall promptly refund telegraphically to the Buyer in United States Dollars all the instalments paid by the Buyer with interest of eight and one half per cent (9.5%) per annum . For compensation of losses due to cancellation as per Article 3 (iii) a lump sum of US\$ 400,000.- to be paid by Builders to the Buyers. The transfer and other bank charges of such refunds shall be for the Builder's account. The aforementioned refund by the Builder to the Buyer shall forthwith discharge all obligations, duties and liabilities of each of the parties to the other under this Contract, if the delay is not caused purposely.

The Builder may, at any time after the expiration of the aforementioned one hundred and eighty (180) days delay in delivery, if the Buyer has not served the notice of cancellation as above provided, demand in writing that the Buyer make an election, in which case the Buyer shall within twenty-one (21) days after such demand is received by the Buyer, either notify the Builder of its intention to cancel this Contract or consent to the delivery of the Vessel at an agreed future date. If the Buyer shall not make an election within twenty-one (21) days as provided hereinabove, the Buyer shall be deemed to have accepted such extension of the Delivery Date to the future Delivery Date indicated by the Builder.

It is agreed by the parties that if the Vessel is not delivered by such future date, the Buyer shall have the same right of acceptance or cancellation upon the same terms, as hereinabove provided.

- (iv) For the purpose of this Article, the Delivery of the Vessel shall be deemed to be delayed when and if the Vessel, after taking into full account extension of the Delivery Date by reason of permissible delays as provided in this Contract, is not delivered by the date upon which delivery is required under the terms of this Contract.**

(b) INSUFFICIENT SPEED

(i) The Contract Price of the Vessel shall not be affected or changed, if the actual speed, as determined by trial runs more fully described in Article 1. (c) (ii) and Article 6. hereof, is less than the speed required under the terms of this Contract and the Specifications provided such deficiency in actual speed is less than three-tenth (3/10) of one (1) knot below the required speed.

(ii) However, if such deficiency of actual speed three-tenth (3/10) or more of one (1) knot, the Contract price shall be reduced for each full one-tenth (1/10) of a knot of deficiency in speed as follows (but fractions of less than one-tenth (1/10) of a knot shall be disregarded):

- in case of deficiency of three-tenths (3/10), but below 4/10th of a knot a total sum of US\$
- in case of deficiency of four-tenth (4/10), but below 5/10th of a knot a total sum of US\$
- in case of deficiency of six-tenth (6/10), but below 7/10th of a knot a total sum of US\$
- in case of deficiency of seven-tenth (7/10), but below 8/10th of a knot a total sum of US\$

(iii) If the deficiency in actual speed of the Vessel is more than nine-tenths (8/10) or more knots below the speed guaranteed under this Contract , then the Buyer, at its option, may subject to the Builder's right to effect alterations or corrections on his own costs as provided in Article 6. (d) hereof cancel this Contract or may accept the Vessel with a maximum reduction as specified above of the Contract Price.

(c) EXCESSIVE FUEL CONNSUMPTION

- (i) The Contract Price shall not be affected or changed by reason of the fuel consumption of the Vessel's main engine, as determined by the engine manufacturer's shop trial as per the Specifications being more than the guaranteed fuel consumption of the Vessel's main engine. If such excess is not more than five per cent (5 %) over the guaranteed fuel consumption.
- (ii) However, commencing with and including an excess of five per cent (5 %) in the actual fuel consumption over the guaranteed fuel consumption of the Vessel's main engine, the Contract Price shall be reduced by the sum of US\$ 00) (United States Dollars Thousand) for each full one per cent (1 %) increase in fuel consumption above the said five per cent (5 %) increase in fuel consumption (fractions of one per cent shall be disregarded) up to a maximum of ten per cent (10 %) over the guaranteed fuel consumption of the Vessel's main engine.
- (iii) If such actual fuel consumption exceeds ten per cent (10 %) of the guaranteed fuel consumption of the Vessel's main engine, the Buyer, at its option, may, subject to the Builder's right to effect alterations or corrections on his own costs as specified in Article 6 (d) hereof, cancel this Contract or may accept the Vessel with a maximum reduction as specified in the above Contract Price.

(iv) The fuel consumption of the Vessel's main engine shall be determined by the result of the manufacturer's shop trial

(d) DEAD-WEIGHT BELOW CONTRACT REQUIREMENTS

(i) The Contract Price of the Vessel shall not be affected or changed, if actual dead-weight tonnage stated in the Specifications, determined as provided in this Contract Article 1. (c) and the Specifications, is below the dead-weight tonnage of 13,760 metric tons on full load line draft as stated in the Specification of abt. 8.50 metres required by this Contract and the Specifications by an amount of 300 metric tons or less.

However, should the actual dead-weight tonnage of the Vessel be more than 300 metric tons below the said required dead-weight tonnage, then the Contract Price of the Vessel shall be reduced for each full one metric ton (fractions of one metric ton shall be disregarded) of decreased dead-weight in excess of 300 metric tons by the sum of USD per metric ton.

(ii) If the deficiency in the dead -weight tonnage of the Vessel is more than 600 metric tons below the said contractual dead-weight tonnage, then the Buyer, at his opinion , may, subject to the Builder's rights to effect alterations or corrections as specified in Article 5. hereof, cancel this Contract or may accept the Vessel with a maximum reduction in the Contract Price at the rate given above.

(e) DEFICIENCY IN CONTAINER LOADING CAPACITY OF CONTAINERS WITH HOMOGENEOUS WEIGHT OF 14 METRIC TONNES EACH.

(i) The Contract Price shall not be affected or changed by reason of the container loading capacity of the Vessel, as determined in accordance with Article 1.(c) (iv), being less than the Container Loading Capacity if such deficiency is not more than twenty (20) TEU of the guaranteed Container Loading Capacity.

(ii) However, if such deficiency is more than twenty (20) thereof, then the Contract Price shall be decreased by deducting there from the amount of United States Dollars eighteen thousand (US\$) for each one TEU for deficiency over the aforesaid grace of twenty (20) TEU. However, the maximum reduction in the Contract Price shall in no event be more than the amount in the case of deficiency of forty five (45) TEU below the guaranteed Container loading Capacity.

(iii) In the event that such Deficiency in the Vessel's Container Loading Capacity is more than forty five (45) TEU, the Buyer, at his option, may, subject to the Builder's right to effect alterations or corrections as specified in Article 6. (d) hereof, cancel this Contract or may accept the Vessel with a maximum reduction as specified above of the Contract Price.

(f) CUMULATIVE DAMAGES

The deductions of the Contract Price as specified in each separate paragraph of this Article are independent of each other and cumulative and shall not affect or limit any rights of the parties pursuant to any other provision of this Contract.

(End of Article)

4. INSPECTION AND APPROVAL

(a) APPOINTMENT OF BUYER'S REPRESENTATIVE

The Buyer shall timely despatch to and maintain at the Shipyard, at its own cost, expense and risk one or more representatives (hereinafter called the „Buyer's Representative), who shall be duly accredited in writing by the Buyer to supervise adequately the construction by the Builder of the Vessel, her engines, her equipment and all accessories. Before the commencement of an item of work under this Contract, the Builder shall, whenever reasonably required, previously exhibit, furnish to, and within the limits of the Buyer's Representative's authority, secure the approval from the Buyer's Representative of any and all plans and drawings prepared in connection therewith.

Upon appointment of the Buyer's Representative, the Buyer shall notify the Builder in writing of the name and the scope of the authority of the Buyer's Representative.

(b) AUTHORITY OF BUYER'S REPRESENTATIVE

Such Buyer's Representative shall, at all time during working hours of the construction until delivery of the Vessel , have the right to inspect the Vessel, her engines, her equipment and all accessories, and all work in progress, or material utilised in connection with the construction of the Vessel, her engines, her equipment and accessories, wherever such work is being done or such materials are stored, for the purpose of determining that the Vessel, her engines, her equipment and accessories are being constructed in accordance with the terms of this Contract and/or the Specifications and Plans.

The Buyer's Representative shall, within the limits of the authority conferred upon him by the Buyer, make decisions or give advise to the Builder on behalf of the Buyer without undue delay on all matters arising out of, or in connection with, the construction of the Vessel.

The decision, approval or advise of the Buyer's Representative shall be deemed to have been given by the Buyer.

The Buyer's Representative shall notify the Builder in writing without undue delay of his discovery of any construction or materials, which he believes do not or will not conform to the requirements of the Contract and the Plans or the Specifications and likewise advise and consult with the Builder on all matters pertaining to the construction of the Vessel, as may be required by the Builder or as he may deem necessary.

However, if the Buyer's Representative fails to submit to the Builder within five (5) working days any such demand concerning alterations or changes with respect to the construction, arrangement or outfit of the Vessel , which the Buyer's Representative has examined,

inspected or attended at the test thereof under this Contract or the Specifications, the Buyer's Representative shall be deemed to have approved the same and shall be precluded from making any demand for alterations, changes or complaints with respect thereto at a later date.

The Builder shall give nine (9) days advance notice in writing to the Buyer's Representative and Buyer's head office together with Buyer's Representatives Acknowledgement of the date and the place for all main shop trials and major tests of the Vessel. Detailed procedures of the trials and the tests thereof shall be in accordance with the Specifications. Failure of Buyer's Representative's presence at such trials and tests after such due notice has been given to him shall be deemed to be a waiver of the Buyer's right to demand such alterations or changes after the trials and tests and inspections if such absence could not be avoided by the exercise of the Buyer's Representative's due diligence and/or unless the Buyer's Representative gives three (3) days advance notice of such absence, provided however, that failure of Buyer's Representative's presence shall not cause a proven delay in the delivery of the Vessel.

The Builder shall comply with any such demand which is not contradictory to this Contract and the Plans or the Specifications, provided that any and all such demands by the Buyer's Representative with regard to construction, arrangement and outfit of the Vessel shall notify the Buyer's Representative of the names of the persons who are from time to time authorised by the Builder for this purpose.

It is agreed upon between the Buyer and the Builder that the modifications, alterations or changes and other measures necessary to comply with such demand may be effected at a convenient time and place at the Builder's reasonable discretion in view of the construction schedule of the Vessel.

In the event that the Buyer's Representative shall advise the Builder that he has discovered and believes the construction and materials do not or will

not conform to the requirements of this Contract and the Plans or the Specifications. And the Builder shall not agree with the views of the Buyer's Representative in such respect, either the Buyer or the Builder may either seek an opinion of the Classification Society or of a competent expert or institution to be mutually agreed upon or request arbitration in accordance with the provisions of Article 13. hereof.

The Classification Society or the competent expert or institution mutually agreed upon or the Arbitration Board shall determine whether or not a non-conformity with the provisions of this Contract, the Plans and the Specifications exist. If the Classification Society or the competent expert or institution mutually agreed upon or the arbitration Board enters a determination in favour of the Buyer, then the Builder shall make the necessary alterations or changes, in accordance with such determination.

If such alterations or changes cannot be made in time to meet the construction schedule for the Vessel, the Builder shall make fair and reasonable adjustment of the Contract Price in lieu of such alterations and changes. If the Classification Society or the competent expert or institution to be mutually agreed upon or the Arbitration Board enters a determination in favour of the Builder, then the time for delivery of the Vessel shall be extended for the period of delay in construction, if any, occasioned by such proceedings, and the Buyer shall compensate the Builder for the proven loss incurred by the Builder as a result of the dispute referred to herein.

(c) APPROVAL OF DRAWINGS

(i) The Builder shall submit the Buyer or Buyer's representative three copies of each of the plans and drawings as defined in the Specification to be submitted thereto for its approval at its address as set forth in Article 19. Hereof. The Buyer shall, within twenty-one (21) days after receipt thereof, return to the Builder one copy of such plans and drawings with the approval or comments, if any, of the Buyer. Approval of Plans etc. shall not affect the Builder's liability, hereunder.

(ii) When and if the Buyer's Representative shall have been sent by the Buyer to the Shipyard in accordance with Paragraph (a) of this Article, the Builder may submit the remainder, if any, of the plans and drawings in the agreed list to the Buyer's Representative for his approval, unless otherwise agreed upon between the Parties hereto. The Buyer's Representative shall, within seven (7) working days after receipt thereof, return to the Builder one copy of such plans and drawings with his approval or comments written thereon, if any. Approval by the Buyer's Representative of the plans and drawings duly submitted to him shall be deemed to be the approval by the Buyer.

(iii) In the event that the Buyer or the Buyer's Representative shall fail to return the plans and drawings to the Builder within the time limit as herein above provided, such plans and drawings shall be deemed to have been automatically approved without any comment. If the Buyer's comment on the plans and drawings that are returned to the Builder by the Buyer within the said time limit are not clearly specified or detailed, then the Buyer or the Buyer's Representative shall, within five (5) working days after receipt of Builder's written or telefax request, explain such unclear comments notwithstanding any provision in this Contract.

If the Buyer fails to explain such unclear comments within above five (5) working days, the Builder shall be entitled to place its own interpretation on such comments in implementing them.

(d) SALARIES AND EXPENSES

All salaries and expenses of the Buyer's Representative or any other person or persons employed by the Buyer hereunder shall be for the Buyer's account.

(e) RESPONSIBILITY OF THE BUILDER

(i) The Builder shall furnish the Buyer's Representative and the Buyer's Representative's assistant or assistants free of charge with suitably furnished office space at or in the immediate vicinity of the Shipyard together with international direct telephone and use of telefax facilities within the supervisors' office to enable the Buyer's Representative and/or

his assistant(s) to carry out their work under this Contract, but the actual costs of telephone and telefax communication shall be paid by the Buyer.

The Builder, his employees, agents and subcontractors at all times until delivery of the Vessel, shall arrange for them to have free and ready access to the Vessel, her equipment and accessories, and to any other place (except the areas controlled for the purpose of national security) where work is being done or materials are being processed or stores in connection with the construction of the Vessel including the premises of subcontractors.

The Buyer's Representatives or his assistant(s) or employees shall observe the work rules and regulations prevailing at the Builder's and its subcontractor's premises.

The Builder shall promptly provide to the Buyer's Representative and/or his assistant(s) and shall secure that its subcontractors shall promptly provide all such information as he or they may reasonably request in connection with the construction of the Vessel and her engines, equipment and machinery.

The Builder shall nominate a project manager and a duty project manager with good English knowledge in speaking and writing for easy communication for all daily works. Further on the Builder shall provide secretary service in writing in English and translation into Chinese for all necessary communication between the Supervisor, Buyer's Representative and the Builder.

(ii) The Buyer's Representative and his assistants shall at all time remain as the employees of the Buyer. The Builder shall not be liable to the Buyer or the Buyer's Representative or to his assistant or assistant(s) or to the Buyer's employees or agents for personal injuries, including death, during the time

they, or any of them, are on the Vessel or within the premises of either the Builder or his subcontractors, or are otherwise engaged in and about the construction of the Vessel, unless, however, such personal injuries, including death, are caused by gross negligence of the Builder, its subcontractors or its or their employees or agents.

The Builder shall not be liable to the Buyer for damages to, or destruction of property of the Buyer's Representative or his assistant(s) or to the Buyer's employees or agents, unless such damages, losses or destruction are caused by the gross negligence of the Builder, its sub- contractors or its or their employees or agents.

(iii) Any approval or participation during tests of Buyer's Representatives does not release the Builder from any of its obligations under this Shipbuilding Contract.

(f) RESPONSIBILITY OF THE BUYER

The Buyer shall undertake and assure that the Buyer's Representative shall carry out his duties hereunder in accordance with the normal international shipbuilding practise and in such way so as to avoid any unnecessary increase in building cost, delay in the construction of the Vessel and/or any major disturbance in the construction schedule of the Builder. If the Builder is of the opinion that the Buyer Representative is unsuitable and unsatisfactory for the proper progress of the Vessel's construction, the Builder shall give written notice to the Buyer hereof which will specify the reasons for such notice.

The Buyer shall investigate the situation by sending its Representative to the Shipyard if necessary, and if the Buyer considers that such Builder's notice is justified, the Buyer shall effect a replacement as soon as conveniently arrangeable.

(End of Article)

5. MODIFICATIONS, CHANGES AND EXTRAS

(a) How Effected

Minor modifications or changes to the specifications or Plans under which the Vessel is to be constructed may be made at any time hereafter by written agreement of the parties hereto.

- (i) The Builder may make minor changes to the Specifications or Plans, if found necessary for introduction of improved production methods or otherwise, provided that the Builder shall first obtain the Buyer's written approval which shall not be unreasonably withheld.**
- (ii) Any modification or change to the Specifications or Plans requested by the Buyer which does not affect the framework of the Specifications or Plans and also does not adversely affect the Builder's planning or program in relation to the Builder's other commitments shall be agreed to be the Builder if the Buyer agrees to adjustment of the Contract Price, dead-weight and/or container capacity, speed requirements, the Delivery Date and other terms and conditions of this Contract reasonably required as a result of such modification or change.**

The Builder has the right to continue construction of the Vessel on the basis of the Specifications and Plans until the Buyer has agreed to such adjustments. The Builder shall be entitled to refuse to make any alteration, change or modification of the Specifications and/or Plans requested by the Buyer if in the Builder's judgement the compliance with such request would cause an unreasonable disruption of the normal working schedule of the Shipyard.

The Builder however, agrees to exert its best efforts to accommodate such reasonable requests by the Buyer so that the said change and modification shall be made at a reasonable cost and within the shortest period of time possible.

The aforementioned agreement to modify and change the Specifications and Plans may be effected by exchange of letters or telefaxes confirmed by letter manifesting the agreement.

The letters and telefaxes exchanged by the parties pursuant to the foregoing shall constitute an amendment to this Contract and the Specification or Plans. Upon consummation of such an agreement to modify and change the Specifications or Plans, the Builder shall alter the construction of the Vessel in accordance therewith including any addition to, or deduction from the work performed in connection with such construction.

(b) SUBSTITUTION OF MATERIALS

In the event that any of the materials required by the Specifications or otherwise under this Contract or the construction of the Vessel can not be procured in time to effect delivery of the Vessel, or are in short supply though such materials are timely ordered, the Builder may, provided the Buyer so agrees in writing, supply other materials and equipment of the best available and like quality, capable of meeting the requirements of the Classification Society and the rules, regulations, requirements and recommendations with which the construction of the Vessel must comply. Other items from the makers list shall be given priority. Any agreement as to such substitution of materials shall be effected in the manner provided in Paragraph (a) of this Article.

(c) CHANGES IN CLASS AND RULES

If, after the date provided for in Article 1. (b) (ii) of this Contract, any requirements as to Class or as to the above specified rules and regulations with which the construction of the Vessel is required to comply are altered or changed by the Classification Society or bodies authorised to make such alterations and changes, the Builder upon receipt of due notice thereof, shall forthwith give notice thereof to the Buyer in writing.

Thereupon, within seven (7) working days after receipt of the said notice from the Builder, the Buyer shall advise the Builder as to the alterations and changes, if any, to be made on the Vessel which the Buyer, in its sole discretion, shall decide. The Builder shall not be obliged to comply with such alterations and/or changes if the Buyer fails to notify the Builder of its decision within the time limit stated above.

The Builder shall comply promptly with the said request of the Buyer, provided that the Builder and the Buyer shall first agree to:

- (i) any increase or decrease in the Contract Price of the Vessel that is occasioned by the cost of such compliance;
- (ii) any extension or advancement in the Delivery Date of the Vessel that is occasioned by such compliance;
- (iii) any other alterations in the terms of this Contract, or of the Specification or Plans, or both, if such compliance makes such alterations of the terms necessary.

(End of Article)

6. TRIALS

(a) Notice

The Builder shall notify the Buyer in writing or by telefax confirmed in writing, at least twenty (20) days in advance of the time and place of the trial run of the Vessel. Such notice shall specify the port from which the Vessel will commence her trial run and approximate date upon which the trial run is expected to take place.

Such date shall be further confirmed by the Builder by seven (7) days advance telefax notice.

The Representatives of the Buyer, who are to witness the performance of the Vessel during such trial run, shall be present at such place on the date specified in such notice. Should such Representatives fail to be present after the Builder's due notice to the Buyer as provided above, the Builder shall be entitled to conduct such trial run with the presence of the Classification Surveyor only without the Representatives of the Buyer being present.

In such case, the Buyer shall be obliged to accept the Vessel on the basis of a certificate issued by the Builder and witnessed by Classification Surveyor that the Vessel, after the trial run, subject to alterations and corrections, if necessary, has been found to conform with the Specifications and this Contract and is satisfactory in all respects, provided the Builder first makes such corrections and alterations promptly.

In the event of unfavourable weather on the date specified for the trial run, the trial run shall take place on the first available day that weather conditions permit.

Any delay of the trial run caused by such unfavourable weather conditions shall also operate to extend the delivery date of the Vessel for the period of delay occasioned by such unfavourable weather conditions.

(b) HOW CONDUCTED

All expenses in connection with the trials and/or repeated trial(s) of the Vessel are to be for the account of the Builder, which, during the trials, is to provide at its own expense the necessary crew to comply with conditions of safe navigation.

The trials shall be conducted in the manner prescribed in this Contract and the Specifications and shall prove fulfilment of the performance requirements for the trials as set forth in the Specifications. The Builder shall be entitled to conduct preliminary sea trials, during which the propulsion plant shall be adjusted according to Builder's judgement notwithstanding any provisions of the Specifications. The Builder shall have the right to repeat any trial whatsoever as it deems necessary.

(c) CONSUMABLE STORES

The Builder shall load the Vessel with the required quantity of fuel oil, lubricating oil and greases, fresh water, and other stores necessary to conduct the trials as set forth in the Specifications. The necessary ballast (fuel oil, fresh water and such other ballast as may be required) to bring the Vessel to ballast draft, as specified in the Specifications, shall be applied and paid by the Builder. The fuel Oil, as well as lubricating Oil, shall be in accordance with the engine specifications. The Buyer shall have the option to supply lubricating Oil and greases for the conduct of the trials as well as for use before the delivery of the Vessel to the Buyer, and the Buyer shall decide and advise the Builder of supplier's name two (2) months before launching , provided that the supplier shall be acceptable to the makers of all the machinery. In case that the Buyer shall supply the aforesaid articles by himself to the Builder as per his option, the supplier shall be acceptable to the makers of the machinery. If such supplier for whatever reasons cannot be approved by the Builder, the Buyer to choose a different supplier, which price to be mutually agreed upon. Notwithstanding to the foregoing, fuel oil, lubricating oil, greases consumed, necessary for the engine filling, all tests and trial run(s)/preliminary trials/tests etc. are for the account of the Builder. The quantities of lubricating oils and greases remaining in the sumps and gear casings of the various components and necessary for compliance with the recommended running condition of the respective components belong to the engine filling. Any quantities above these necessary quantities stipulated above are to be paid by the Buyers.

(d) ACCEPTANCE OR REJECTION

- (i) Upon completion of sea trial, the Builder shall give the Buyer a notice by telefax confirmed in writing of the result of the sea trial, as and if the Builder considers that the result of sea trial indicates conformity of the Vessel to this Contract and the Specifications and Plans.**

The Buyer shall within three (3) days after completion of the sea trials notify the Builder in writing or by telefax confirmed in writing of its acceptance, qualified acceptance or rejection of the Vessel or of the details in respect of which the Vessel does not conform to the Specifications or Plans of this Contract.

If the Builder is in agreement with the Buyer's determination as to non-conformity, the Builder shall make such alterations or changes as may be necessary to correct such non-conformity and shall prove the fulfilment of the Contract and Specifications by such tests or trials as may be necessary.

The Buyer shall not be entitled to reject the Vessel by reason of any minor or insubstantial items judged from the point of view of international standard shipbuilding and shipping practice as not being in conformity with the Specifications, but in that case, the Builder shall not be released from the obligation to correct and/or remedy such minor or insubstantial items provided such items to be mutually agreed as soon as practicable after the delivery of the Vessel.

- (ii) If during any sea trial any breakdowns occur entailing interruption or irregular performance which can be repaired on board, the sea trial shall be continued after such repairs and be valid in all respects. However, if during the sea trial it becomes apparent that the Vessel or any part of her equipment requires alterations or correction, the Builder shall notify the Buyer promptly in writing or by telefax confirmed in writing to such effect and shall simultaneously advise the Buyer of the estimated additional time required for the necessary alterations or corrections to be made.**

The Buyer shall within three (3) days of receipt from the Builder of notice of completion of such alterations or corrections and after such further trials or test if necessary, notify the Builder in writing or by telefax confirmed in writing of its necessary acceptance or rejection of the Vessel. If all in accordance with the Specifications, Plans and the Contract, and shall not be entitled to reject the Vessel on such grounds until such time.

(e) EFFECT OF ACCEPTANCE OR REJECTION

The Buyer written or telefaxed notification or acceptance delivered to the Builder as above provided shall be final and binding insofar as conformity of the Vessel with the Specifications is concerned and shall preclude the Buyer from refusing formal delivery of the Vessel as hereinafter provided, if the Builder complies with all conditions of delivery as herein set forth and provided, in the case of qualified acceptance by the Buyer all requiring corrections have been corrected and any matters, which are noticed in the qualified acceptance are settled.

If the Buyer fails to notify the Builder of its acceptance or rejection of the Vessel as hereinabove provided, the Buyer shall be deemed to have accepted the Vessel.

(f) DISPOSITION OF SURPLUS CONSUMABLE STORES

Any fuel oil, unbrokeed lubrication oil, greases, fresh water or other consumable stores furnished and paid for by the Builder for trial runs remaining on board the Vessel at the time of acceptance of the Vessel by the Buyer may, if in good condition, be bought by the Buyer from the Builder at the Builder's actual invoice price for such supply in China and payment by the Buyer thereof shall be made at the time of delivery of the Vessel. If the Buyer supplies any fuel oil, lubricating oil and greases, the Builder shall pay the Buyer an amount for the consumed quantity of the same at the Buyer's purchase price thereof as soon as practicable after receipt of the Buyer's invoice, but latest within ten (10) days after delivery.

(End of Article)

7. DELIVERY

(a) TIME AND PLACE

The Vessel shall be delivered by the Builder to the Buyer at the area of Shanghai port, safely afloat, properly moored in free accessible waters and ready for ocean-going sailing on DD Month YYYY (herein called the „Delivery Date“) after completion of satisfactory trials and acceptance by the Buyer in accordance with the terms of Article 6. (d), except that, in the event of delays in delivery by the Builder due to causes which under the terms of this Contract permit extensions of the time for delivery, the aforementioned Delivery Date shall be extended accordingly. The Builder shall have the right to deliver the Vessel earlier than the Delivery Date stated above provided that Builder shall notify the Buyer in writing in due course of the revised Delivery Date before the launching of the Vessel.

(b) WHEN AND HOW EFFECTED

Provided that the Buyer concurrently with the delivery of the Vessel shall have fulfilled all of its obligations provided for in this Contract, delivery of the Vessel shall be forthwith effected upon acceptance thereof by the Buyer, as hereinabove provided by the current delivery by each of the parties hereto to the other of a PROTOCOL OF DELIVERY AND ACCEPTANCE acknowledging delivery of the Vessel by the Builder and acceptance thereof by the Buyer, which Protocol shall be prepared in triplicate and signed by each of the parties hereto.

(c) DOCUMENTS TO BE DELIVERED TO THE BUYER

Acceptance of the Vessel by the Buyer shall be conditional upon receipt by the Buyer from the Builder of the following duly authenticated documents which shall accompany the aforementioned Protocol of Delivery and Acceptance:

- (i) **PROTOCOL OF TRIALS** of the Vessel made pursuant to this Contract and the Specifications,
- (ii) **PROTOCOL OF INVENTORY** of the equipment of the Vessel including spare parts as specified in the Specifications,
- (iii) **PROTOCOL OF STORES AND CONSUMABLE NATURE**, such as all fuel oil, lubricating oil and fresh water remaining in tanks if their cost is charged to the Buyer, but not water or oils or greases in the machinery which are on board and delivered to the Buyer with the Vessel at the price set forth in Article 6 (f) hereof.
- (iv) **FINAL DRAWINGS AND PLANS** pertaining to the Vessel as stipulated in the Specifications, which shall be furnished to the Buyer at no additional cost.
- (v) **ALL CLEAN CERTIFICATES**
required to be furnished upon delivery of the Vessel pursuant to this Contract, the Specification and/or Plans and in accordance with the customary international shipbuilding practice, including:
 - **Builder's Certificate** (see also under legend of this Article)
 - **Classification Certificate for Hull and Machinery**
 - **Safety Construction Certificate**
 - **Safety Equipment Certificate**
 - **International Load line Certificate**
 - **Safety Radio Certificate**
 - **Deratisation Exemption Certificate**
 - **Various Certificates for Hull, Equipment and Machinery Parts as required by Regulatory Bodies**
 - **International Tonnage Certificate of Vessel's Nationality**
 - **Panama Tonnage Certificate**
 - **Suez Canal Tonnage Certificate**
 - **Potable Water Certificate**
 - **MARPOL 73/78 Annex I and IV**
 - **Dangerous Goods Certificate**
 - **Stability Booklet and Loading manual**

If any Certificate , Drawings, Plan, Diagram or other documents, referred to in this Article through no fault on the part of the Builder cannot be made up on delivery and if the absence thereof does not impede the navigation or management of the Vessel Provisional Certificate shall be acceptable by the Buyer provided the formal Certificate, Drawing, Plan, Diagram or other document be delivered as soon as practicable after delivery of the Vessel but before the expiration of temporary certificates.

- (vi) **DECLARATION OF WARRANTY** of the Builder that the Vessel is delivered to the Buyer free and clear of any liens, claims, charges, mortgages or other encumbrances upon the Buyer's title thereto and in particular, that the Vessel is absolutely free of all burdens in the nature of imposts, taxes or charges imposed by the prefecture or country of the port of delivery, as well as of all liabilities of the Builder to its subcontractors, employees and crew and of all liabilities arising from the operation of the Vessel in sea trial, or otherwise prior to delivery except as otherwise provided under this Contract (see also under legend to this Article).
- (vii) **INVOICE**
Builder to submit to the Buyer a commercial invoice
- (viii) **BILL OF SALE** (see also under legend of this Article)
The Builder to submit to the Buyer the Bill of Sale transferring title in the Vessel from the Builder in accordance with Buyer's registration requirements.
- (ix) one model of the Vessel scale 1:100 on a clear varnished hard wooden basement plate of min. 3,5 cm thickness and covered by a glass made box bearing Vessel's name and port of registry and painted in its original colours to be delivered to the ship at time of delivery. Or, in Buyers option, send this model to Buyers office by mail, securely packed according to the advice of the Buyer's supervisors. This model also to have a plate made of brass with the ship's name, Shipyard, delivery month and year and the Vessel's dimensions.
- (d) **TITLE AND RISK**
Title and risk shall pass to the Buyer upon delivery of the Vessel being effected as stated above.

It is being expressly understood that, until such delivery is effected, the Vessel and equipment thereof, including equipment supplied by the Buyer or his supplier(s) are except as provided for in Article 12. (b) at the entire risk of the Builder including but not confined to risks of war, insurrection and seizure by Governments or Authorities, whether Chinese or foreign, and whether at war or at peace. Notwithstanding the provisions of this Clause the title to the material and equipment supplied by the Buyer shall remain with the Buyer.

(e) REMOVAL OF THE VESSEL

The Buyer shall take possession of the Vessel immediately upon delivery thereof and, if so requested by the Builder, shall remove the Vessel from the mooring place provided by the shipyard within seven (7) days , after delivery thereof is effected. If Buyer fails to remove the Vessel from the premise of the Shipyard's mooring place within aforesaid seven (7) days, in such event, the Buyer shall pay to the Builder the reasonable mooring charges of the Vessel and loss and damage incurred by the Builder.

The Builder will give free of charge customary assistance such as mooring crew, crane etc. when the Vessel leaves the wharf.

(Legend to this Article):

The documents marked with this note shall be notarially attested (signature and authorisation of the signing person) and also legalised by the consul of the appropriate flag registering country of the Buyer.

(end of article)

8. DELAYS AND EXTENSIONS OF TIME (FORCE MAJEURE)

(a) CAUSE OF DELAY

The agreed Delivery Date is subject to an actual case of Force Majeure reservations. If, at any time either the construction of the Vessel or any performance required under the provisions of this Contract and the Specifications is, or may be delayed, due to proven war, acts of state or Government, blockade, revolution, insurrection, mobilisation, civil commotion, riots, freight embargoes, sabotage, acts of god, plague or other epidemics,

quarantines, earthquakes, tidal waves, typhoons, hurricanes, or by destruction of the shipyard or works of the Builder or its subcontractors, or of the Vessel or any part thereof, by fire flood, or other causes beyond the control of the Builder, each of which contingencies being deemed to be included in the term „Force Majeure“ as used in this Contract, then in the event of delays due to any of such causes, the time for delivery of the Vessel under this Contract shall be extended by the number of days lost to the Builder by such causes. In the case of a temperature in excess of 38 degree, the time lost shall count on an hourly basis and accumulated, this temperature measured on the open area of the Shipyard site.

Delay on account of Force Majeure as provided in this Article shall be understood to be permissible delays and are to be distinguished from non-permissible delays on account of which the Contract price of the Vessel is to adjusted or the Vessel may be rejected as
provided in Article 3 hereof.

(b) NOTICE OF DELAYS

As soon as possible after commencement of any delay on account of which the Builder claims that it is entitled under this Contract to an extension of the Delivery Date of the Vessel excluding delays due to an arbitration the Builder shall advise the Buyer in writing or telefax confirmed in writing of the date such delay commenced and the details of the reasons hereof, and its estimated duration of the probable delay in the delivery of the Vessel and shall supply the Buyer if reasonably available with evidence to justify the claimed delay- As soon as possible, but at least within three (3) working days after such delay ends, the Builder shall likewise advise the Buyer by telefax confirmed in writing of the date that such delay ended, and specify the period of time which the Builder claims the Delivery Date should be extended by reason of such delay.

Failure of the Buyer to object to the Builder's notification of any claim for extension of the date for delivery of the Vessel within fourteen (14) days after receipt by the Buyer of such notification shall be deemed to be a waiver by the Buyer of its rights to object to such extension.

Failure by the Builder to comply with the provisions above shall cause the Builder to lose its rights to claim for the permissible delay for the period of such delay.

(C) RIGHT TO CANCEL FOR EXCESSIVE DELAY

If the total accumulated time of all permissible and non-permissible delays aggregate two hundred and ten (210) days or more, the Buyer may at any time thereafter cancel the Contract by giving a written notice of cancellation to this Builder.

Exclude from these accumulated times are the following:

- (i) delays due to decision by Classification Society and arbitration as per Article 13 hereof and / or:**
- (ii) delays due to the Buyer's default of a nature which under the terms of this Contract permit extension of the time for delivery and / or:**
- (iii) delays due to modifications and changes under article 5 and / or:**
- (iv) delays in delivery of the Buyer's supplied items and / or:**
- (v) delays due to disagreement as mentioned in Article 4 (b)**

Such cancellation shall be effective as of the date of notice thereof is received by the Builder, upon receipt or such notice and upon the Buyer's demand shall refund in accordance with the provisions of Article 10 (b) hereof all payments made to the Builder by the Buyer. The aforementioned refund by the Builder together with interest as provided in Article 10 (h) shall forthwith discharge all further obligations, duties and liabilities of each of the Parties hereto the other under this Contract except that the Builder remains responsible for Buyer's supplies in Builder's custody for a period to be mutually agreed which in any case shall not be longer than thirty (30) days - see Clause 12 (b)

If the Buyer has not cancelled this Contract as above provided, the Builder may, at any time after expiration of the accumulated time of the aforementioned delays notify the Buyer of the earliest realistic date upon which the Builder estimated the Vessel will be ready for delivery and demand in writing that the Buyer make an election either to cancel this Contract or to consent to the delivery of the Vessel at such a future date in which case the Buyer shall, within fourteen (14) days after receipt of such demand, make and notify the Builder of such election. If the Buyer elects to consent to the delivery of the Vessel at such a future date:

(i) such future date shall become the contractual Delivery Date for the purposes of this Contract and shall be subject to extension by reason of permissible delay the Buyer shall have the same right of cancellation upon same terms as hereinabove provided

(ii) If the Vessel is not delivered by such revised contractual Delivery Date (as extended by reason of permissible delays) the Buyer shall have the same right of cancellation upon the same terms as hereinabove provided.

(d) DELAY OF BUYER'S SUPPLIED ARTICLES

In the event the Buyer's supplied articles and the necessary installation drawings and instruction books necessary for designing and the working drawings relative to the said articles are not delivered to the Builder within the time limits agreed between the Builder and the Buyer, then the Delivery Date of the Vessel shall be extended by such period as the Builder can prove that the delivery of the Vessel was unavoidably delayed as a result of the delay in the said Buyer's supplied articles provided that the Builder shall have the right to deliver the Vessel without installing such delayed articles notwithstanding any other stipulation of the Contract,

(e) DEFINITION OF PERMISSIBLE DELAYS

Delays on account of the foregoing causes shall be understood to be permissible delays, and are to be distinguished from non-permissible, unauthorised delays on account of which the Contract Price of the Vessel is subject to adjustment as provided in Article 3 hereof.

(End of Article)

9. WARRANTY OF QUALITY

(a) GUARANTEE OF DESIGN, MATERIAL AND WORKMANSHIP

The Builder, for the period of twelve (12) months from the date of delivery of the Vessel to the Buyer, guarantees the Vessel and all parts and equipment thereof that are manufactured or furnished by the Builder under this Contract against all defects which are directly due to faulty design, defective materials, construction, miscalculation and/or poor workmanship, provided the reasons for such defects have existed at the time of delivery of the Vessel and have not been caused by perils of the sea, rivers or navigation, or by normal wear and tear, overloading, improper loading or stowage, normal corrosion due to wear and tear of the materials, fire or wilful neglect.

The Builder will be responsible for all machinery or parts of machinery and all constructions which are supplied by subcontractors and will guarantee the above mentioned for a period of twelve (12) months on the basis as specified in this Paragraph or for such period as the manufacturer thereof may provide.

(b) NOTICE OF DEFECTS

The Buyer, or its duly authorised Representative, will notify the Builder in writing, or by telefax confirmed in writing, as soon as possible after discovery of any defect for which a claim is to be made under this guarantee.

The Buyer's written notice shall include full particulars as to the nature of the defect, and the estimated extent of the damage caused thereby but excluding consequential damage as hereinafter provided and same is sent in writing by the Buyer to the Builder prior to the expiry date of the guarantees with reference to the exact stamp sealed date. The Builder will be under no obligation with respect to this guarantee, in respect of any claim for defects discovered beyond the expiry date of the guarantee, unless notice of such defects is received by the Builder not later than thirty (30) days after such expiry date. Telex or telefax advise within thirty (30) days that a claim is forthcoming will be sufficient compliance with the requirement as to time.

(c) REMEDY OF DEFECTS

- (i) The Builder shall remedy, at its expense, any defects against which the Vessel is guaranteed under this Article, by making all necessary repairs or replacements at the Shipyard or elsewhere as provided for in (ii) herein below.**
- (ii) However, if it is impractical or beyond economic's logic (which shall include, but not be limited to, an emergency) to bring the Vessel to the Shipyard, the Buyer may cause the necessary repairs or replacements to be made elsewhere which is deemed by the Buyer, with the consent of the Builder which shall not be unreasonably withheld, to be suitable for the purpose, provided that, in such event, the Builder may, forward or supply replacement parts or materials to the Vessel, unless forwarding or supplying thereof to the Vessel would impair or delay the operation or working schedule of the Vessel.**

In the event that the Buyer proposes to cause the necessary repairs or replacements to be made to the Vessel at any shipyard or works other than the Builder, the Buyer shall first (but in all events as soon as reasonably possible) give the Builder notice in writing or by telefax confirmed in writing of the time and place such repairs will be made, and if the Vessel is not thereby delayed or her operation or working schedule is not thereby impaired, the Builder shall have the right to verify by its own representative(s) the nature and extent of the defects complained of.

The Builder shall, in such case, promptly advise the Buyer by telefax, after such examination has been completed, of its acceptance or rejection of the defects as ones that are covered by the guarantee herein provided. Upon the Builder's acceptance of the defects as justifying remedy under this Article, or upon award of the arbitration so determining, the Builder shall immediately pay to the Buyer an amount equal to the reasonable cost of making the same repairs or replacement in a shipyard near by the final chosen shipyard used for the repair.

- (iii) In the event that it is necessary to forward a replacement for a defective part under this guarantee, the Builder shall forward same by sea, road or rail freight at its expenses. However, in case such replacement is urgently required and will cause delay to the operation of the Vessel, the Builder shall send such replacement by air.
- (iv) For any parts and/or workmanship repaired or replaced under this clause, the Builder shall give for such replacement or repaired parts and /or workmanship a guarantee of a further period of twelve (12) month.

However, the Builder's guarantee for such repairs or replacements shall not be for a period in excess of eighteen (18) months from the delivery date of the Vessel in any case.

- (v) In any event, the Vessel shall be taken at the Buyer's cost and responsibility to the place elected, ready in all respects for such repairs or replacements.
- (vi) Any dispute under this Article shall be referred to arbitration in accordance with the provisions of Article 13 thereof.

(d) EXTENT OF THE BUILDER'S LIABILITY

The Builder shall be under no obligation with respect in defects discovered after the expiration of the period of guarantee specified above. In no event shall the Builder be liable for any consequential loss, damages or expenses occasioned by or connected with any defect, not for a loss of time in operating the Vessel due to repairs caused by any defect.

The Builder shall under no circumstances be liable for defects in the Vessel, or any part of equipment thereof caused by perils of the sea, rivers or navigation, or normal wear and tear, or free of accidents at sea or elsewhere, wilful neglect. The liability of the Builder provided for in this Article shall be limited to defects directly caused by faulty design, defective materials, construction miscalculation and/or poor workmanship, as above provided.

The Builder shall not be obliged to repair, not be liable for damage to the Vessel or any part of the equipment thereof, which after delivery of the Vessel, is caused other than by the defects of the nature specified in Article 9 (a).

(e) RETRIEVAL OF REPLACED EQUIPMENT/PARTS

The Builder reserves the option to retrieve at the Builder's cost any of the replaced equipment/parts in case the defects are remedied in accordance with the provisions in this Article.

(f) GUARANTEE ENGINEER

The Builder may at the request of the Buyer appoint a Guarantee Engineer to serve on the Vessel as its Representative for a period of three (3) months from the date the Vessel is delivered, however, if the Buyer and the Builder shall deem it necessary to keep the Guarantee Engineer on the Vessel for a longer period, then he shall remain on board the Vessel after the said three (3) months, but not longer than twelve (12) months from the delivery of the delivery of the Vessel.

The Buyer and its employees shall give such Guarantee Engineer full co-operation in carrying out his duties as the Representative of the Builder on board the Vessel.

The Buyer shall accord the Guarantee Engineer treatment comparable to the Vessel's Chief Engineer, and shall provide board and lodging at no cost to the Builder or the Guarantee Engineer, but taking into account the limited cabin space on board.

While the Guarantee Engineer is on board the Vessel, the Buyer shall pay to the Guarantee Engineer the sum of US\$ 1.500,-- per month, the expenses of this repatriation to China by air upon termination of his service and expenses, if any, of his medical and hospital care in the Vessel's hospital.

(g) FULFILMENT GUARANTEE

As a security for the Buyers the Builders shall supply a security at time of Buyers paying the last instalment on delivery, which to is further stipulated in Article 10 (i)I herein.

(End of Article)

10. PAYMENT

(a) CURRENCY

All payments under this Contract shall be made in United States Dollars (US\$).

(b) TERMS OF PAYMENT

The following instalments of the Contract Price shall be paid by the Buyer to the Builder :

1. instalment:

X,X % (seven and one half percent) of the Contract Price as per Article 2 herein shall be payable not later than 7 (seven) banking days after effectiveness of the Contract. As a security for the 2. instalment, the Buyers' shall provide the Builders' with an irrevocable first class Bank Guarantee within 1(one) month after receipt of the 1st instalment.

2. instalment:

X,X % (seven and one half percent) of the Contract Price as per Article 2 herein shall be payable not later than 7 (seven) banking days after steel cutting of the Vessel, but not earlier than 17 months before contractual delivery.

3. instalment:

X,X % (ten percent) of the Contract Price as per Article 2 herein shall be payable not later than 7 (seven) banking days after keel laying of the Vessel but not earlier than 13 months before contractual delivery.

4. instalment:

X,X % (fifteen percent) of the Contract Price as per Article 2 herein shall be payable not later than 7 (seven) banking days after launching of the Vessel.

5. instalment:

X,X % (sixty percent) of the Contract Price as per Article 2 herein shall be paid on delivery of the Vessel.

In the event that a payment shall be made on delivery the following procedure shall apply :

The Buyer shall, at least seven (7) days prior to the scheduled delivery date of the Vessel, either cause a prime bank acceptable to the Builder to issue an irrevocable letter of credit in favour of the Builder through, or make cash deposit with the Builder's bank, covering the amount of this instalment as adjusted, available or releasable to the Builder against a signed copy of the Protocol of Delivery and Acceptance of the Vessel.

No payment under this Contract shall be delayed or withheld by the Buyer on account of any dispute or disagreement of whatever nature arising between the parties hereto.

c) EXPENSES

All expenses and bank charges on Buyer's side for remitting payments shall be for account of the Buyers except all expenses and charges of (Builder's) receiving bank and/or its corresponding bank.

(d) DEMAND FOR PAYMENT

At least fourteen (14) days prior to the date on which any payment shall fall due hereunder, with the exception of the initial payment, the Builder shall notify the Buyer by telex or telefax of the date such payment shall become due.

The Buyer shall immediately acknowledge receipt of such notification by telex or telefax to the Builder, and make payment as set forth in this Article.

If the Builder fails to receive the Buyer's said acknowledgement within five (5) days after sending the aforementioned notification, the Builder shall promptly telex or telefax to the Buyer a second notification of similar import.

The Buyer shall immediately acknowledge by telex or telefax receipt of the foregoing second notification regardless of whether or not the first notification was acknowledged as aforesaid.

(e) PAYMENT PRIOR TO DELIVERY

The payments made by the Buyer to the Builder prior to delivery of the Vessel shall constitute advances to the Builder, If the Vessel is rejected by the Buyer or this Contract is cancelled by the Buyer in accordance with the terms of this Contract, or except in the case of rescission or cancellation of this Contract by the Builder under the provisions of Article 11 hereof, , if this Contract is terminated, cancelled or rescinded by the Buyer or the Builder, or both of them in accordance with the terms of this Contract, the Builder shall forthwith refund to the Buyer in the currency agreed in Article 10 (a), the full amount of the total sums paid by the Buyer to the Builder in advance of delivery together with interest thereon as herein provided.

The transfer and other bank charges of such refund shall be for the Builder's account.

The interest rate of the refund, as above provided, shall be eight and one half per cent (8,5%) per annum, and nine and one half (9,5%) in case of refund according to Article 3 (a) iii per annum from the day following the date of receipt by the Builder of the pre-delivery instalment(s) to the date of remittance by telegraphic transfer of such refund provided, however, that if the cancellation of this Contract by the Buyer is based upon delays due to Force Majeure or other causes beyond the control of the Builder as provided for in Article 8 hereof, titled 'DELAYS AND EXTENSION OF TIME (FORCE MAJEURE)', then, in such event, the interest rate of refund as provided in this Paragraph shall be six and a half per cent (6,5%) per annum from the date of each payment.

(f) REFUND IN CASE OF TOTAL LOSS OF THE VESSEL

If there is total loss or a constructive total loss of the Vessel prior to delivery thereof, the Builder shall proceed according to the mutual agreement of the parties hereto either to :

(aa) refund to the Buyer the full amount of the total sums paid by the Buyer to the Builder under this provisions of Article 10. (b) of this Contract together with interest thereon at a rate of eight and one half per cent (8,5%) per annum from the day following the date of receipt by the Builder from the Buyer of such Delivery Instalment(s) to the date of telegraphic transfer by the Builder to the Buyer of the refund; or

(bb) build another Vessel in place of the Vessel so lost and deliver it under this Contract to the Buyer, provided that the Parties hereto shall have agreed in writing to a reasonable time for the delivery of such Vessel in place of the lost Vessel.

(g) RETURN OF THE BUYER'S SUPPLIES

If pursuant to the provisions of this Contract the Builder is required to refund to the Buyer the instalments paid by the Buyer to the Builder, the Builder shall return to the Buyer all of the Buyer's supplies not incorporated into the Vessel and pay to the Buyer an amount equal to the cost to the Buyer of those supplies incorporated into the Vessel.

(h) DISCHARGE OF THE PARTIES' OBLIGATIONS

The refund provided in the foregoing paragraph (f) by the Builder to the Buyer shall forthwith discharge all obligations, duties and liabilities of each of the parties hereto to the other except the claims either party may have against the other party, if any, under this Contract. Any and all refunds or payments due to the Buyer under this Contract shall be effected by telegraphic transfer to the account specified by the Buyer.

(i) METHOD OF PAYMENT

1st Instalment :

Not later than 7 (seven) banking days after effectiveness of the Contract, the Buyer shall remit the amount of the Instalment by telegraphic transfer to the Builder's Bank, for the account of the Builder. This payment shall be effected upon receipt of a Refundment Guarantee according to para (j) of this Article. The Builder to inform the Buyer about their Bank and their bank account before effectiveness of this Contract.

The Buyer within one (1) month after Contract effectiveness to provide the Builder with an irrevocable Letter of Guarantee for the 2nd Instalment issued by Buyer's Bank. This Letter of Guarantee to be returned immediately after receipt of the 2nd Instalment.

2nd Instalment:

Upon receipt of a cable or telefax notice from the Builder accompanied by a respective confirmation of Germanischer Lloyd that steel cutting for this Vessel has commenced, within 7 (seven) banking days the Buyer shall remit the amount of the instalment by telegraphic transfer for the above mentioned account of the Builder.

3rd Instalment :

Upon receipt of a cable or a telefax notice from the Builder accompanied by a respective confirmation of Germanischer Lloyd that keel laying for this Vessel has commenced, within seven (7) banking days the Buyer shall remit the amount of the instalment by telegraphic transfer for the above mentioned account of the Builder.

4th Instalment :

Upon receipt of a cable or a telefax notice from the Builder accompanied by a respective confirmation of Germanischer Lloyd that launching of this Vessel has taken place, within 7(seven) banking days the Buyer shall remit the amount of the instalment by telegraphic transfer for the above mentioned account of the Builder.

5th Instalment :

The Buyer shall, at least seven (7) days prior to the scheduled delivery date of the Vessel, either cause a prime bank acceptable to the Builder to issue an irrevocable letter of credit in favour of the Builder as per Article 10 above, negotiable against a second Original of the Protocol of Delivery, or make cash deposit with an international first class Builder's Bank in Frankfurt or New York, in favour of the Builder covering the amount of this instalment as adjusted, available or releasable to the Builder against a signed copy of the Protocol of Delivery and Acceptance of the VESSEL as set forth in Article 7 (b) hereof.

Upon payment of the last instalment (delivery) Builders to supply an irrevocable Bank Guarantee covering an amount of US\$,-- for eventual Guarantee claims remedied in accordance with Article 9 (c) (ii) of this Contract. This Guarantee shall be valid for 13 months. The wording of such Guarantee is attached hereto.

(j) REFUNDMENT AND PERFORMANCE GUARANTEE

As securities for refundment of all predelivery instalments specified in this Article, the Builder shall, prior to the effectiveness of the Contract, execute a Letter of Guarantee by Bank, Beijing, or another Bank approved by the Buyer and Buyers's financing Bank. This Guarantee shall cover the amount of all predelivery instalments plus interest stipulated in Article 3 of this contract. The validity of this Guarantee shall be 90 days more, than the cancellation date stipulated in Article 3 a).

As a performance security for the Buyer's compensation as per Article 3 a (iii) the Builder shall issue a Bank Guarantee from the same bank covering the amount stipulated in this Article.

(End of Article)

11. DEFAULT BY THE BUYER

(a) DEFINITION OF DEFAULT

The Buyer shall be deemed to be in default under this Contract in the following cases :

(i) If any of the instalments when due and payable before delivery of the Vessel is not paid by the Buyer to the Builder as provided in Article 10. hereof; or

(ii) If the Buyer fails to issue an Irrevocable Letter of Credit in favour of the Builder, or make cash deposit with the Builder's Bank as specified in Article 10 (b) hereof; or

(iii) If the Buyer refuses to accept the Vessel or do not make payment due upon the delivery of the Vessel while the Vessel is ready for delivery to the Buyer as specified in Article 7; or

(iv) If the Buyer is in material default in any of his obligations as per Article 4. (f) of this Contract and the Buyer will continue this material default after having received written notice of the Builder hereof.

In the event that the Buyer is in default of any of its obligations under this Contract, the Builder is entitled to and shall have the following rights, powers and remedies as the Builder may have elsewhere in this Contract and/or at law, at equity or otherwise.

(b) EFFECT OF BUYER'S DEFAULT ON OR BEFORE THE DELIVERY OF THE VESSEL

If the Buyer shall be in default of its obligations as provided in Paragraph (a) hereinabove under this Contract, then :

- (i) The Delivery Date of the Vessel shall be extended automatically for the actual period of such default and the Builder shall not be obliged to pay any liquidated damages for the delay in delivery of the Vessel caused thereby.
- (ii) The Buyer shall pay to the Builder interest at the rate of eight and one half per cent (8,5%) per annum in respect of the instalment payment so in default for the whole period of default commencing with the first day of default and lasting to the date of actual receipt by the Builder of the full amount of such instalment:
- (iii) In any event of default by the Buyer, the Buyer shall also pay all proven charges and expenses, excluding consequential damages, incurred by the Builder in consequence of such default.
- (iv) If the Buyer is in default in payment of any of the instalment(s) due and payable prior to or simultaneously with the delivery of the Vessel, the Builder shall, by telefax, confirmed in writing, notify the Buyer to that effect, and the Buyer shall upon receipt of such notification, forthwith acknowledge by telefax confirmed in writing to the Builder that such notification has been received, In the said default of the Buyer continues for a period of fifteen (15) days after the Builder's notification to the Buyer of such default, the Builder may, at its option, rescind this Contract by serving upon the Buyer a telefax notice of rescission, confirmed in writing.
- (v) In the event of cancellation or rescission of this Contract as provided above, the Builder shall have full right either to complete or not to complete the Vessel as it deems fit, and to sell the Vessel at public or private sale on such terms and conditions as the Builder thinks fit without being answerable for any loss or damage occasioned to the Buyer thereby. In any event, the Builder shall have to prove that he acted during the transaction in a professional manner and exercised due diligence in obtaining the best possible price.

In the event of the sale of the Vessel in its completed state, the proceeds of sale received by the Builder shall be applied firstly to payment of all expenses attending such sale and otherwise incurred by the Builder as a result of the Buyer's default, and then to payment of all unpaid instalments and/or unpaid balance of the Contract Price and interest on such instalment at the inters rate as specified in the relevant provisions set out above from the respective due dates thereof to the date of application.

In the event of the of the Vessel in its incomplete state, the proceeds of sale received by the Builder shall be applied firstly to all expenses attending such sale and otherwise incurred by the Builder as a result of the Buyer's default, and then to payment of all costs of construction of the Vessel less the instalments so retained by the Builder.

In either of the above events of sale, if the proceeds of sale exceeds the total of the amounts to which such proceeds are to be applied as aforesaid, the Builder shall promptly pay the excesses to the Buyer without interest and without obtaining any commission, provided, however, that the amount of each payment to the Buyer shall in no event exceed the total amount of instalments already paid by the Buyer and the cost of the Buyer's supplies, if any.

In any event the liability of the Buyer is limited to the instalments already paid.

(End of article)

12. BUYER'S SUPPLIES

(a) RESPONSIBILITY OF THE BUYER

The Buyer shall, at its own risk and expenses, supply/arrange all of the Buyer's supplies, as specified in the Specifications, to the Builder at the Shipyard in proper condition ready for installation and in accordance with the time schedule to be furnished by the Builder to meet the building schedule of the Vessel. Such schedule to be advised by the Builder within two (2) month after this Contract becomes effective according to Article 20.

In order to facilitate the installation of the Buyer's supplies by the Builder, the Buyer shall furnish the Builder with the relevant plans, instruction books, test reports and all test certificates required by the Builder and shall cause the Representatives of the makers of these Articles, if necessary, to give the Builder any advice, instruction or assistance which the Builder may reasonably require in the installation or adjustment thereof at the Shipyard all without cost or expense to the Builder.

The Buyer shall be liable for any expense incurred by the Builder for repair of the Buyer's supplied items, if any, due to defective design or materials, poor workmanship or performance or due to damage in transit.

Should the Buyer fail to deliver to the Builder such items within the time schedule referred to sub-clause (a) of this Article, the Delivery Date of the Vessel shall automatically be extended to the extent that such delay in delivery shall affect the delivery of the Vessel.

In such event, the Buyer shall pay to the Builder all proven losses sustained by the Builder due to such delay in the delivery of the Buyer's supplies and

such payment shall be made upon delivery of the Vessel, provided, however, that the Builder shall promptly has given the Buyer written notice of any delay in delivery of the Buyer's supplies as soon as the delay occurs which might give rise to a claim by the Builder under this Paragraph.

Furthermore, if the delay in delivery of the Buyers supplies should exceed thirty (30) days from the date specified by the Builder, the Builder shall be entitled to proceed with construction of the Vessel without installation of such items (regardless of their nature or importance to the Buyer or Vessel) in or on the Vessel without prejudice to the Builder's right hereinabove provided, and the Buyer shall accept the Vessel so completed.

(b) RESPONSIBILITY OF THE BUILDER

The Builder shall be responsible for storing in suitable storage, which has appropriate proof against weather, dust and theft, safe-keeping and handling the Buyer's supplies which the Builder is required to install on board the Vessel under the Specification after delivery of such supplies to the Shipyard, and shall install such supplies on board the Vessel at the Builder's expense.

However, the Builder shall not be responsible for the quality, performance or efficiency of any equipment included in the Buyer's supplies and is under no obligation with respect to the guarantee of such equipment against any defects caused by poor quality, performance or efficiency of the Buyer's supplies provided that the Builder or its subcontractor install the equipment properly, as per instructions given by maker.

If any Buyer's supplies are lost or damaged while in the custody of the Builder, the Builder shall, if the loss or damage is due to negligence on its part, be responsible for such loss or damage.

(End of Article)

13. ARBITRATION

(a) DECISION BY THE CLASSIFICATION SOCIETY

If any technical dispute or any difference shall arise between the parties hereto with regard to this Contract or the Specifications, the parties may by mutual agreement refer the dispute to the Classification Society or to such other expert as may be mutually agreed between the parties hereto and whose decision shall be final, conclusive and binding upon the parties hereto.

(b) PROCEEDINGS OF ARBITRATION

In the event that the parties hereto do not agree to settle a dispute according to Paragraph (a) hereof, such dispute shall be referred to arbitration as hereinafter provided.

Either party may demand arbitration of any such dispute or difference by giving a written notice to the other party.

Arbitration shall be held in London, and the arbitration proceeding shall be governed by the rules of London Maritime Arbitration Association (LMAA). Any demand for arbitration by either of the parties hereto shall state specifically the question or questions as to which such party is demanding arbitration.

Within twenty (20) calendar days after receipt of the notice of such demand for arbitration the other party shall in turn appoint an arbitrator.

The two (2) arbitrators so appointed shall select a third arbitrator or if the two (2) arbitrators are unable to agree upon the third arbitrator within twenty (20) days after appointment of the second arbitrator, either of said two (2) arbitrators may apply to the President of the LMAA, to appoint the third arbitrator, and the three (3) arbitrators shall constitute the board of arbitration (hereinafter called the "Arbitration Board") for the settlement of the question or questions.

If a party fails to appoint an arbitrator as aforementioned within twenty (20) days following receipt of notice of demand for arbitration by the other party, the party failing to appoint an arbitrator shall be deemed to have accepted and appointed, as its own arbitrator, the arbitrator appointed by the party demanding arbitration and the arbitration shall proceed before this sole arbitrator who alone in such event shall constitute the Arbitration Board.

The award of the Arbitration Board made hereunder shall be final, conclusive and binding upon the parties hereto and judgement thereon may be entered in any court having jurisdiction for enforcement thereof.

(c) WORK TO CONTINUE DURING ARBITRATION

To the maximum extent possible, work under this Contract shall continue during the arbitration of any dispute.

(d) EXPENSES OF ARBITRATION

The Arbitration Board shall determine in its award which party shall bear the expenses of the arbitration, or the proportion of such expenses which each party shall bear, the fees and charges of the Arbitration Board nevertheless shall be the obligation of both parties whether or not the Arbitration Board shall have directed that any one party shall pay all or part thereof in the first instance, Notwithstanding the foregoing, each party shall bear the expenses of presenting its own witnesses and evidence to the Arbitration Board.

(e) ALTERATION OF DELIVERY OF THE VESSEL

In the event of the arbitration of any dispute or disputes arising or occurring prior to delivery to or acceptance by the Buyer of the Vessel, the award by the Arbitration Board of the said dispute or disputes shall include a finding as to whether or not the contractual Delivery Date of the Vessel should as a result of such dispute be in any way altered.

(f) ENTRY IN COURT

Judgement on an award by the Arbitration Board may be entered in any court of competent jurisdiction for enforcement thereof.

(End of Article)

14. SUCCESSOR AND ASSIGNS

(a) ASSIGN BY THE BUYER

(i) The Builder agrees that prior to delivery of the Vessel, the Contract may, with the prior written agreement of the Builder, which the Builder may only withhold, if the Builder can prove that such assignment shall have severe detrimental effect, be transferred to and title be taken by another company. In the event of any assignment pursuant to the terms of this Contract, the Assignee, its successors and assigns shall succeed to all of the rights and obligations of the Buyer herein under.

(ii) The Builder herewith agrees that prior to delivery of the vessel, the contract may be assigned to buyers financing bank for financing purposes.

(b) ASSIGN BY THE BUILDER

The Builder shall have the right to assign this Contract at any time after the effective date thereof, provided that prior written agreement is obtained from the Buyer.

(End of Article)

15. TAXES, DUTIES AND REGISTRATION

(a) TAXES

All taxes, if any, incurred in or levied by Chines Government in connection with this Contract shall be borne by the Builder, except that taxed for Buyer's supplies inside China borne by the Buyer. All taxes, incurred or levied outside China in connection with this Contract shall be borne by the Buyer, but the taxes for the purchase of articles for the construction of the Vessel by the Builder shall be borne by the Builder.

(b) DUTIES

All duties and/or expenses, imposed when and if the Buyer's supplies to into China, shall be borne by the Buyer. The Builder shall use all reasonable endeavour to avoid the Buyer being imposed by any duties and/or expenses inside China.

(c) REGISTRATION

The Buyer shall bear all costs and expenses incurred in connection with the registration of the Vessel under the flag of operation.

(End of Article)

16. PATENTS, TRADEMARKS AND COPYRIGHTS

(a) Machinery and equipment of the Vessel, whether made or furnished by the Builder under this Contract may bear the patent numbers, trademarks or trade names of the manufacturers. The Builder shall defend and save harmless the Buyer from all liabilities or claims for or on account of the use of any patents, copyrights or design of any nature or kind or for the infringement thereof including any unpatented invention made or used in the performance of this Contract and also for any costs and expenses of litigation, if any, in connection therewith. No such liability or responsibility shall be with the Builder with regard to components and/or equipment and/or design supplied by the Buyer. Nothing contained herein shall be construed as transferring any patent or trademark rights or copyright in equipment covered by this Contract, and all such rights are hereby expressly reserved to the true and lawful owners thereof.

(b) BUILDER' RIGHTS ON GENERAL PLANS, SPECIFICATIONS AND WORKING DRAWINGS

The Builder retains all rights with respect to the Specifications, Plans and working drawings, technical descriptions, calculations, test result and other data, information and documents concerning the design and construction of the Vessel and the Buyer, their employees including technical consultant(s) appointed by Buyer undertake therefore not to disclose the same or divulge any information contained therein to any third parties, without the prior written consent of the Builder, excepting where it is necessary for usual operation, repair and maintenance of the Vessel

(End of Article)

17. INSURANCE

Until delivery the Vessel as well as all appurtenances (machinery, equipment, outfit) and components and all materials and articles to be used therein or installed in or upon the Vessel shall be at the risk of the Builder and the Builder shall at its own expense insure the same from keel-laying and items of Buyer's supply from time to time delivered to the Shipyard until delivery of the Vessel is carried out and while undergoing acceptance trials in marine accordance with the Trials Schedule against the usual marine perils. Such insurance shall be against usual Builder's risks at terms and conditions corresponding to ITC, London, Terms. Such insurance shall be in an amount corresponding to the value of items of Buyer's supply delivered as aforesaid together with whichever shall be the greater of

(i) the value of the items, all appurtenances, components, all materials and articles supplied from time to time by the Buyer and used therein, or

(ii) the total of the instalments of the Contract Price hereinafter mentioned already paid together with interest thereon calculated at the rate of eight and one half per cent (8,5%) per annum from the respective dates on which such instalments have been paid.

Insurance shall be effected by the Builder with first class Chinese insurers and the Builder shall provide the Buyer with a certified copy of all insurance policies in English language on issue of same in which the Builder shall be the insured, and insurance shall be payable to the Builder covering all terms and conditions stipulated in such insurance policies.

Should the Vessel, parts, machinery, material, equipment, appurtenances and outfits be damaged during construction or while undergoing acceptance trials or otherwise and should such damage not constitute the Vessel an actual total loss or

constructive or arranged or compromised total loss this Contract shall in no case be invalidated but the Builder shall at its own expense make good such damage to the satisfaction of the Classification Society and to the reasonable satisfaction of the Buyer, within a time limit mutually agreed upon. The Builder's obligation to insure the Vessel hereunder shall cease and terminate forthwith upon delivery thereof and acceptance by the Buyer.

(End of Article)

18. INTERPRETATION

This Contract has been prepared in English and shall be executed in triplicate and in such number of additional copies as may be required by either party respectively. The Parties hereto agree that the validity and interpretation of this Contract and of each Article and part thereof shall be governed by the laws of England.

(End of Article)

19. NOTICE

Any and all notices, requests, demands, instructions, certificates, advices and communications in connection with this Contract shall be written in English language, sent by telefax and confirmed by registered air mail and shall be deemed to be given when first received whether by registered mail or telefax, The Yard has sufficient English speaking engineers/foremen or interpreter during the entire construction period. They shall be addressed as follows unless and until otherwise advised :

To the Builder:

.....
; Phone: +000000000000; Fax: +000000000000

To the Buyer :

.....
; Phone: +000000000000; Fax: +000000000000

The said notice shall become effective upon receipt of the letter or telefax communication by the receipt thereof. Where a notice by telefax is concerned which is required to be confirmed by letter, then, unless the Contract or the relevant Clause of this Agreement otherwise requires, the notice shall become effective upon receipt of the telefax.

20. EFFECTIVENESS OF THIS CONTRACT

This Contract shall become effective after the date of execution hereof by the Buyer and the Builder and after the following subjects are lifted and settled down by both parties hereof not later than thirty (30) days after the date of execution hereof:

- 1.) Subject of Approval of the wording of the Refundment Guarantee (as per Article 10 (j)) and the irrevocable Builder's Guarantee (as per Article 10 (i)) by Buyer's Bank.**
- 2.) Buyer having confirmed in writing receipt of the Refundment Guarantee (being approved by the Buyer's bankers) via tested telex via Buyer's Bank, Germany. This Refundment Guarantee to be issued not later than 21 days after para 1.) of this Article has been confirmed by Buyers.**
- 3.) This Contract is subject to Buyer's partners approval, which to be lifted latest
.....**

(End of Article)

21. EXECLUSIVENESS

This Contract shall constitute the only and entire agreement between the Parties hereto, and unless otherwise expressly provided for in this Contract, all other agreements, oral or written, made and entered into between the Parties prior to the execution of this Contract shall be null and void.

IN WITNESS whereof, the Parties hereto have caused this Contract to be duly executed on the date and year below written.

Contract Date:

**BUYER:
For and on behalf of**

signed on:

**BUILDER:
SHIPYARD**

signed on: