

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE

(HULL NO.)

BETWEEN

as BUYER

and

SHIPYARD

as SELLER

SHIPBUILDING CONTRACT

FOR

CONSTRUCTION OF ONE DEADWEIGHT (HULL NO.)

This CONTRACT, entered into this day of by and between , a corporation organized and existing under the Laws of , having its registered office at (hereinafter called the "Buyer") on one part; and Shipyard, a corporation organized and existing under the Laws of People's Republic of China, having its registered office at , the People's Republic of China (hereinafter called the "Seller")

WITNESSES

In consideration of the mutual covenants contained herein, the Seller agrees to build, launch, equip and complete at the Seller's Shipyard and to sell and deliver to the Buyer after completion and successful trial one (1) Vessel as more fully described in Article I hereof, to be registered under the flag of and the Buyer agrees to purchase and take delivery of the aforesaid Vessel from the Seller and to pay for the same in accordance with the terms and conditions hereinafter set forth.

ARTICLE I DESCRIPTION AND CLASS

1. DESCRIPTION:

The Vessel is a metric tons deadweight, at designed draft of meters (hereinafter called the "Vessel") of the class described below. The Vessel shall have the Seller's Hull No. and shall be

constructed, equipped and completed in accordance with the following "Specifications":

- (1) Specification (Drawing No.)
- (2) General Arrangement (Drawing No.)
- (3) Midship Section (Drawing No.)
- (4) Makers list (Drawing No.)

Attached hereto and signed by each of the parties to the Contract (hereinafter collectively called the "Specifications"), making an integral part hereof.

2. CLASS AND RULES

The Vessel, including its machinery and equipment, shall be constructed in accordance with the rules and regulations (hereinafter called the "Classification Society") and shall be distinguished in the record by the symbol of + , , , , and shall also comply with the rules and regulations as fully described in the Specifications.

The Seller shall arrange with the Classification Society to assign a representative or representatives (hereinafter called the "Classification Surveyor") to the Seller's Shipyard for supervision of the construction of the Vessel.

All fees and charges incidental to Classification and to comply with the rules, regulations and requirements of this Contract as described in the Specifications issued up to the date of this Contract as well as royalties, if any, payable on account of the construction of the Vessel shall be for the account of the Seller, except as otherwise provided and agreed herein. The key plans, materials and workmanship entering into the construction of the Vessel shall at all times be subject to inspections and tests in accordance with the rules and regulations of the Classification Society.

Decisions of the Classification Society as to compliance or noncompliance with Classification rules and regulations shall be final and binding upon the parties hereto.

3. PRINCIPAL PARTICULARS AND DIMENSIONS OF THE VESSEL

(a) Hull:

Length overall abt: . m

Length between perpendiculars . m

Breadth . m

Depth . m

Design Draft . m

(b) Propelling Machinery

The Vessel shall be equipped, in accordance with the Specifications, with type Main Engine.

4. GUARANTEED SPEED

The Seller guarantees that the trial speed, after correction, is to be not less than nautical miles per hour on the loaded condition stipulated in the Specification.

The trial speed shall be corrected for wind speed and shallow water effect. The correction method of the speed shall be specified in the Specifications.

5. GUARANTEED FUEL CONSUMPTION

The Seller guarantees that the fuel oil consumption of the Main Engine is not to exceed grams/ brake horse power/ hour at normal continuous output at shop trial based on diesel fuel oil having a lower calorific value of , kilocalories per kilogram.

6. GUARANTEED DEADWEIGHT

The Seller guarantees that the VESSEL is to have a deadweight of not less than, metric tons at the designed loaded draft of meters in sea water of 1.025 specific gravity.

The term, "Deadweight", as used in this Contract, shall be as defined in the Specifications.

The actual deadweight of the Vessel expressed in metric tons shall be based on calculations made by the Seller and checked by the Buyer, and all measurements necessary for such calculations shall be performed in the presence of the Buyer's supervisor (s) or the party authorized by the Buyer.

Should there be any dispute between the Seller and the Buyer and the Buyer in such calculations and/ or measurements, the decision of the Classification Society shall final.

7. SUBCONTRACT:

The Seller may, at its sole discretion and responsibility, subcontract any portion of the construction work of the Vessel to experienced subcontractors, but delivery and final assembly into the Vessel of any such work subcontracted shall be at the Seller's Shipyard. The Seller shall remain responsible for such subcontracted work.

8. REGISTRATION:

The Vessel shall be registered by the Buyer at its own cost and expense under the laws of at the time of delivery and acceptance thereof.

ARTICLE I CONTRACT PRICE & TREMS OF PAYMENT

1. CONTRACT PRICE:

The purchase price of the Vessel/7 is United States Dollars (US \$), net receivable by the Seller (hereinafter called the "Contract Price"), which is exclusive of the cost for the Buyer's Supplies as provided in Article V hereof, and shall be subject to upward or downward adjustment, if any, as hereinafter set forth in this Contract.

2. CURRENCY:

Any and all payments by the Buyer to the Seller under this Contract shall be made in United States Dollars.

3. TERMS OF PAYMENT:

The Contract Price shall be paid by the Buyer to the Seller in installments as follows:

(a) 1st Installment:

The sum of United States Dollars (US \$) , representing percent (%) of the Contract Price, shall become due and payable and be paid by the Buyer concurrently with this contract being signed and provided that Seller shall have submitted to the Buyer the Refund Guarantee in the form annexed hereto as Exhibit "A" issued by Bank of China, Beijing, the People's Republic of China, and provided further that the Seller shall have received the first class international bank's Letter of Guarantee in accordance with Paragraph 6 of this Article.

(b) 2nd Installment:

The sum of United States Dollars (US \$) , representing percent (%) of the Contract Price, shall become due and payable and be paid within three (3) bank business days after the cutting of the first steel plate of the Vessel in the Seller's workshop. The Seller shall notify with a telex or telefax notice to the Buyer stating that the 1st steel plate has been cut in its workshop and demand for payment of the installment as soon as the cutting of the steel is made.

(c) 3rd Installment:

The sum of United States Dollars (US \$), representing percent (%) of the Contract Price, shall become due and payable and be paid within three (3) bank business days after keel-laying of the first section of the Vessel. The keel-laying shall be notified by the Seller with a telex or telefax notice to the Buyer stating that the said keel-laying has been carried out. The Seller shall send to the Buyer a telex or telefax demand for payment of this installment as soon as the keel-laying is carried out.

(d) 4th Installment:

The sum of United States Dollars (US \$), representing percent (%) of the Contract Price, shall become due and payable and be paid within three (3) bank business days after launching of the Vessel. The launching of the Vessel shall be notified by the Seller with a telex or telefax notice to the Buyer stating that the launching of the Vessel has been carried out. The Seller shall send to the Buyer a telex or telefax demand for payment of this installment as soon as the Vessel is launched.

(e) 5th Installment (Payment upon Delivery of the Vessel):

The sum of United States Dollars (US \$), representing percent (%) of the Contract Price plus any increase or minus any decrease due to modifications and/ or adjustments of the Contract Price in accordance with provisions of the relevant Article hereof, shall become due and payable and be paid by the Buyer to the Seller concurrently with delivery of the Vessel. The Seller shall send to the Buyer a telex or telefax demand for this installment ten (10) days prior to the scheduled date of delivery of the Vessel.

4. METHOD OF PAYMENT

(a) 1st Installment:

The Buyer shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to the receiving bank nominated by the Seller, for credit to the account of the Seller, or through other receiving bank nominated by the Seller.

(b) 2nd Installment:

The Buyer shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to the receiving bank nominated by the Seller, for credit to the account of the Seller, or through other receiving bank to be nominated by the Seller from time to time and such nomination shall be notified to the Buyer at least 10 days prior to the due date for payment.

(c) 3rd Installment:

The Buyer shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to the receiving bank nominated by the Seller, for credit to the account of the Seller, or through other receiving bank to be nominated by the Seller from time to time and such nomination shall be notified to the Buyer at least 10 days prior to the due date for payment.

(d) 4th Installment:

The Buyer shall remit the amount of this installment in accordance with Article II, Paragraph 3 (a) by telegraphic transfer to the receiving bank nominated by the Seller, for credit to the account of the Seller, or through other receiving bank to be nominated by the Seller from time

to time and such nomination shall be notified to the Buyer at least 10 days prior to the due date for payment.

(e) 5th Installment (Payable upon delivery of the Vessel):

The Buyer shall, at least three (3) bank business days prior to the scheduled date of delivery of the Vessel, make an irrevocable cash deposit in the name of the Buyer with the bank nominated by the Seller, for a period of thirty (30) days and covering the amount of this installment (as adjusted in accordance with the provisions of this Contract), with an irrevocable instruction that the said amount shall be released to the Seller against presentation by the Seller to the said Bank, of a copy of the Protocol of Delivery and Acceptance signed by the Buyer's authorized representative and the Seller. Interest, if any, accrued from such deposit, shall be for the benefit of the Buyer.

If the delivery of the Vessel is not affected on or before the expiry of the aforesaid 30 days deposit period, the Buyer shall have the right to withdraw the said deposit plus accrued interest upon the expiry date. However, when the new scheduled Delivery Date is notified to the Buyer by the Seller, the Buyer shall make the cash deposit in accordance with the same terms and conditions as set out above.

5. PREPAYMENT:

The Buyer shall have the right to make prepayment of any and all installments before delivery of the Vessel, by giving to the Seller at least thirty (30) days prior written notice, without any price adjustment of the Vessel for such prepayment.

6. SECURITY FOR PAYMENT OF INSTALLMENTS BEFORE DELIVERY:

The Buyer shall, concurrently when this Contract being signed, deliver to the Seller an irrevocable and unconditional Letter of Guarantee in the form annexed hereto as Exhibit "B" in favor of the Seller issued by a first class international bank (hereinafter called the "Guarantor") acceptable to Bank of China and the Seller. This guarantee shall secure the Buyer's Obligation for the Payment of all 2nd, 3rd and 4th installments of the Contract Price.

7. REFUNDS

All payments made by the Buyer prior to delivery of the Vessel shall be in the nature of advance to the Seller, and in the event this Contract is rescinded or canceled by the Buyer, all in accordance with the specific terms of this Contract permitting such rescission or cancellation, the Seller shall refund to the Buyer in United States Dollars the full amount of all sums already paid by the Buyer to the Seller under this Contract, together with interest (at the rate set out in respective provision thereof) from the respective payment date (s) to the date of remittance by telegraphic transfer of such refund to the account specified by the Buyer. As security to the Buyer, the Seller shall deliver to the Buyer, concurrently with this Contract being signed, a Refund Guarantee to be issued by the Bank of China, Head Office, Banking Department, Beijing, the People's Republic of China in the form as per Exhibit "A" annexed hereto.

However, in the event of any dispute between the Seller and the Buyer with regard to the Seller's obligation to repay the installment or installments paid by the Buyer and to the Buyer's right to demand payment from Bank of China, Head Office, under its, guarantee, and such dispute is submitted either by the Seller or by the Buyer for arbitration in accordance with Article VIII hereof or for appeal or appeals in accordance with the English laws, Bank of China

shall withhold and defer payment until the arbitration award between the Seller and the Buyer is published. Bank of China shall not be obligated to make any payment unless the arbitration award orders the Seller to make repayment and any right of appeal available to the Seller under English laws is waived or is not exercised by the Seller in accordance with English laws. If the Seller fails to honor the award or judgment, then Bank of China shall refund to the extent the arbitration award (or any court judgment) orders.

ARTICLE III ADJUSTMENT OF THE CONTRACT PRICE

The Contract Price of Vessel shall be subject to adjustments as hereinafter set forth. It is hereby understood by both parties that any reduction of the Contract Price is by way of liquidated damages and not by way of penalty.

1. DELIVERY

(a) No adjustment shall be made, and the Contract Price shall remain unchanged for the first thirty (30) days of delay in delivery of the Vessel beyond the Delivery Date as defined in Article VII hereof, then, in such event, beginning at twelve o'clock midnight of the thirtieth day after the date on which delivery is required under this Contract, the Contract Price of the Vessel shall be reduced by deducting there from the sum of United States Dollars (US \$) per day.

Unless the parties hereto agree otherwise, the total reduction in the Contract Price shall be deducted from the fifth installment of the Contract Price and in any event (including the event that the Buyer consents to take the Vessel at the later delivery date after the expiration of days delay of delivery as described in Paragraph 1 (c) of this Article) shall not be more than one hundred and () days at the above specified rate of reduction after the thirty (30) days allowance, that is United States Dollars (US \$) being the maximum.

(c) If the delay in the delivery of the Vessel continue for a period of () days (being the total of non-permissible delays and permissible delays) after the Delivery Date as defined in Article VII, then in such event, the Buyer may, at its option, rescind or cancel this Contract in accordance with the provisions of Article X of this Contract. The Seller may at any time after the expiration of the aforementioned () days, if the Buyer has not served notice of cancellation pursuant to Article X, notify the Buyer of the date upon which the Seller estimate the Vessel will be ready for delivery and demand in writing that the Buyer make an election, in which case the Buyer shall, within thirty (30) days after such demand is received by the Buyer, either notify the Seller of its decision to cancel this Contract, or consent to take delivery of the Vessel at an agreed future date, it being understood and agreed by the parties hereto that, if the Vessel is not delivered by such future date, the Buyer shall have the same right of cancellation upon the same terms, as hereinabove provided.

(d) For the purpose of this Article, the delivery of the Vessel shall not be deemed delayed and the Contract Price shall not be reduced when and if the Delivery Date of the Vessel is extended by reason of causes and provisions of Article V, VI, XI, XII and XIII hereof. The Contract Price shall not be adjusted or reduced if the delivery of the Vessel is delayed by reason of permissible delays as defined in Article XIII hereof.

(e) If the Seller notifies the Buyer by telex that the delivery of the Vessel shall be made earlier than the specified Delivery Date as defined in Article VII of the Contract and such notification being given not less than () months prior to the newly planned delivery date, be certain

amount of bonus shall be given by the Buyer to the Seller as follows:

In the event that the delivery shall be made within fifteen (15) days earlier than the specified Delivery Date the Contract Price shall remain unchanged. In the event that the delivery shall be made more than fifteen (15) days earlier than the specified Delivery Date, then a bonus shall be added to the Contract Price at a rate of United States Dollars (US \$) per day for each full day earlier than the 15th day earlier than the Delivery Date.

The total increase of the Contract Price for the earlier delivery shall be added to the fifth installment of the Contract Price, however, shall not be more than the sum of United States Dollars (US \$).

For the purpose of determining the increase of the Contract Price under this Paragraph 1(e), the Seller shall not be entitled to be bonus contemplated under Paragraph 1(e) of this Article for the period between the Delivery Date defined in Article VII and the date to which the delivery of the Vessel is extended by reason of the permissible delays.

(f) In the event that the Seller is unable to deliver the Vessel on the newly planned delivery date as declared, the Vessel can, nevertheless, be delivered by the Seller at a date after such declared newly planned date.

In such circumstances, and for the purpose of determining the liquidated damages to the Buyer (according to the provisions of Paragraph 1 (b) of this Article) and the Buyer's right to cancel or rescind this Contract (according to the provisions of Paragraph 1 (c) of this Article), the newly planned delivery date declared by the Seller shall not be in any way treated or taken as having substituted the original Delivery Date as defined in Article VII. The Buyer's aforesaid right for liquidated damages and to cancel or rescind this Contract shall be accrued, operated or exercised only to the extent as described in Paragraph 1(a), 1(b) and/ or 1(c) of Article III. In whatever circumstance, the Delivery Date as defined in Article VII (not the newly planned delivery date as declared by the Seller), shall be used to regulate, as so described in Paragraph 1(a), 1(b) and/ or 1(c) of Article III, the Buyer's right for liquidated damages and to rescind this Contract and the Seller's liability to pay the aforesaid liquidated damages resulting from the delay in delivery of the Vessel.

If the Vessel is actually delivered on a date after the newly planned date as declared by the Seller but before the Delivery Date as defined in Article VII, then a bonus shall nevertheless be accrued and paid to the Seller in accordance with Paragraph 1(e) of Article III.

2. INSUFFICIENT SPEED

(a) The Contract Price of the Vessel shall not be affected nor changed by reason of the actual speed (as determined by the Trial Run after correction according to the Specifications) being less than 0.3 of one knot below the guaranteed speed as specified in Paragraph 4 of Article I of this Contract.

(b) However, commencing with and including a deficiency of 0.3 of one knot in actual speed (as determined by the Trial Run after correction according to the Specifications) below the guaranteed as specified in Paragraph 4, Article I of this Contract, the Contract Price shall be reduced as follows:

In case of deficiency of less than 0.30 knot US \$

In case of deficiency

at or above 0.30 but below 0.40 knot US \$

at or above 0.40 but below 0.50 knot US \$

at or above 0.50 but below 0.60 knot US \$

at or above 0.60 but below 0.70 knot US \$

at or above 0.70 but below 0.80 knot US \$

at or above 0.80 but below 0.90 knot US \$

at or above 0.90 but below 1.00 knot US \$

(c) If the deficiency in actual speed (as determined by the Trial Run after correction according to the Specifications) of the Vessel upon the Trial Run, is more than 1.00 knot below the guaranteed speed of knots, then the Buyer may at its option reject the Vessel and rescind this Contract in accordance with provision of Article X of this Contract, or may accept the Vessel at a reduction in the Contract Price as above provided, by United States Dollars only (US \$) being the maximum.

3. EXCESSIVE FUEL CONSUMPTION

(a) The Contract Price of the Vessel shall not be affected nor changed if the actual fuel consumption of the Main Engine, as determined by shop trial in manufacturer's works, as per the Specifications, is greater than the guaranteed fuel consumption as specified and required under the provisions of this Contract and the Specifications if such actual excess is equal to or less than percent (%).

(b) However, if the actual fuel consumption as determined by shop trial is greater than percent (%) above the guaranteed fuel consumption then, the Contract Price shall be reduced by the sum of United States Dollars (US \$) for each full one percent (1%) increase in fuel consumption in excess of the above said percent (%) (fractions of one percent to be prorated).

(c) If as determined by shop trial such accrual fuel consumption of the Main Engine is more than the percent (10%) in excess of the guaranteed fuel consumption, i.e. the fuel consumption exceeds gram/ BHP/ hour, the Buyer may, at its option, reject the Vessel and rescind this Contract, in accordance with the provisions of Article X of this Contract or may accept the Vessel at a reduction in the Contract Price by United States Dollars (US \$) being the maximum.

4. DEADWEIGHT

(a) In the event there is a deficiency in the actual deadweight if the Vessel determined as provided in the Specifications, the Contract Price shall not be decreased if such deficiency is () metric tons or less below the guaranteed deadweight of metric tons at assigned designed draft.

(b) However, the Contract Price shall be decreased by the sum of United States Dollars (US \$) for each full metric ton of such deficiency being more than () metric tons.

(c) In the event that there should be a deficiency in the Vessel's actual deadweight which exceeds () metric tons below the guaranteed deadweight, the Buyer may, at its option, reject the Vessel and rescind Contract in accordance with the provisions of Article X of this Contract, or may accept the Vessel with reduction in the Contract Price in the maximum amount of United States Dollars (US \$).

(d) In the event that the actual deadweight of the Vessel is in excess of the guaranteed deadweight of metric tons at assigned designed draft, the Contract Price shall not be

increased for the first () metric tons in excess of the guaranteed deadweight of metric tons. However, the Contract Price shall be increased by the sum of United States Dollars (US \$) for each full metric ton of the excess being more than () metric tons.

The total increase of the Contract Price for the increase of the deadweight shall be added to the fifth installment of the Contract Price, however, shall not be more than the sum of United States Dollars (US \$).

5. EFFECT OF RESCISSION

It is expressly understood and agreed by the parties hereto that in any case as stated herein, if the Buyer rescinds this Contract pursuant to any provision under this Article, the Buyer, save its rights and remedy set out in Article X hereof, shall not be entitled to any liquidated damages or compensation whether described above or otherwise.

ARTICLE IV SUPERVISION AND INSPECTION

1. APPOINTMENT OF THE BUYER'S SUPERVISOR

The Buyer shall send in good time to and maintain at the Seller's Shipyard, at the Buyer's own cost and expense, one or more representative(s) who shall be duly accredited in writing by the Buyer (such representative(s) being hereinafter collectively and individually called the "Supervisor") to supervise and survey the construction by the Seller of the Vessel, her engines and accessories. The Seller hereby warrants that, the necessary visa for the Supervisor to enter China will be issued in order to demand and without delay provided that the Supervisor meets with the rules, regulations and Laws of the People's Republic of China. The Buyer undertakes to give the Seller adequate notice for the application of visa.

2. APPROVAL OF PLANS AND DRAWINGS

The parties hereto shall, within () days after signing of this Contract, mutually agree a list of all the plans and drawing, which are to be sent to the Buyer for approval (hereinafter called "the List"). Before arrival of the Supervisor at the Seller's Shipyard, the plans and drawings specified in the List shall be sent to the Buyer, and the Buyer shall, within () days after receipt thereof (excluding mailing time), return such plans and drawings submitted by the Seller with approval or remarks, if any.

Concurrently with the arrival of the Supervisor at the Seller's Shipyard, the Buyer shall notify the Seller in writing, stating the authority which the said Supervisor shall have, with regard to the Supervisor can, on behalf of the Buyer, approve or disapprove, as the case may be, which of the plans and drawings specified in the List but not yet been sent to the Buyer, nevertheless in line with the Supervisor's authority. The Supervisor shall, within () days after receipt thereof, return those plans and drawing with approval or remarks, if any. Unless notification is given to the Seller by the Supervisor or the Buyer of approval or disapproval of any plans and drawings within the above designated period of time for each, case, the said plans and drawings shall be deemed to have been automatically approved.

The plans and drawings approved by the Buyer or Supervisors shall be final, and any alteration thereof shall be regarded as modification specified in Article V of this Contract.

3. SUPERVISION AND INSPECTION BY THE SUPERVISOR

The necessary inspection of the Vessel, its machinery, equipment and outfitting shall be carried out by the Classification Society, and/ or inspection team of the Seller throughout the

entire period of construction in order to ensure that the construction of the Vessel is duly performed in accordance with the Contract and Specifications.

The Supervisor shall have, at all times until delivery of the Vessel, the right to attend tests according to the mutually agreed test list and inspect the Vessel, her engines, accessories and materials at the Seller's Shipyard, its subcontractors or any other place where work is done or materials stored in connection with the Vessel. In the event that the Supervisors discovers any construction or material or workmanship which does not or will not confirm to the requirements of this Contract and the Specifications, the Supervisor shall promptly give the Seller a notice in writing as to such nonconformity, upon receipt of which the Seller shall correct such non-conformity if the Seller agrees with the Buyer. However the Buyer undertakes and assures the Seller that the Supervisor shall carry out his inspections in accordance with the agreed inspection procedure and schedule and usual shipbuilding practice and in a way as to minimize any increase in building costs and delays in the construction of the Vessel.

The Seller agree to furnish free of charge the Supervisor with office space, and other reasonable facilities according to Seller's practice at, or in the immediate vicinity of the Seller's Shipyard. At all times, during the constructions of the Vessel until delivery thereof, the Supervisor shall be given free and ready access to the Vessel, her engines and accessories, and to any other place where the work is being done, or the materials are being processed or stored, in connection with the construction of the Vessel, including the yards, workshops, stores of Seller, and the premises of subcontractors of the Seller, who are doing work, or storing materials in connection with the Vessel's construction. The travel expenses for the said access to Seller's subcontractors outside of (city) shall be at Buyer's account. The transportation within (city) shall be provided to the Supervisor by the Seller.

4. LIABILITY OF THE SELLER

The Supervisor engaged by the Buyer under this Contract shall at all times be deemed to be in the employ of the Buyer. The Seller shall be under no liability whatsoever to the Buyer, or to the Supervisor or the Buyer's employees or agents for personal injuries, including death, during the time when they, or any of them, are on the Vessel, or within the premises of either the Seller or its subcontractors, or are otherwise engaged in and about the construction of the Vessel, unless, however, such personal injuries, including death, were caused by gross negligence of the Seller, or of any of the Seller's employees or agents or subcontractors of the Seller. Nor shall the Seller be under any liability whatsoever to the Buyer for damage to, or loss or destruction of property in China of the Buyer or of the Supervisor, or of the Buyer's employees or agents, unless such damage, loss or destruction was caused by gross negligence of the Seller, or of any of the employees, or agents or subcontractors of the Seller.

5. SALARIES AND EXPENSES

All salaries and expenses of the Supervisor, or any other employees employed by the Buyer under this Article, shall be for the Buyer's account.

6. REPORT OF PROGRESS

The Buyer is entitled to require the Seller to report the condition of progress as to the construction of the Vessel whenever the Buyer requires during the construction of the Vessel.

7. REPLACEMENT OF SUPERVISOR

The Seller has the right to request the Buyer in writing to replace any of the Supervisors who is deemed unsuitable and unsatisfactory for the proper progress of the Vessel's construction together with reasons. The Buyer shall investigate the situation by sending its representative to the Seller's yard, if necessary, and if the Buyer considers that such Seller's request is justified, the Buyer shall effect the replacement as soon as possible.

ARTICLE V MODIFICATION CHANGES AND EXTRAS

1. HOW EFFECTED

The Specifications and Plans in accordance with which the Vessel is constructed, may be modified and/ or changed at any time hereafter by written agreement of the parties hereto, provided that such modifications and/ or changes or an accumulation thereof will not, in the Seller's reasonable judgment, adversely affect the Seller's other commitments and provided further that the Buyer shall assent to adjustment of the Contract Price, time of delivery of the Vessel and other terms of this Contract, if any, as hereinafter provided. Subject to the above, the Seller hereby agree to exert their best efforts to accommodate such reasonable requests by the Buyer so that the said changes and/ or modifications may be made at a reasonable cost and within the shortest period of time which is reasonable and possible. Any such agreement for modifications and/ or changes shall include an agreement as to the increase or decrease, if any, in the Contract Price of the Vessel together with an agreement as to nay extension or reduction in the time of delivery, providing to the Seller additional securities satisfactory to the Seller, or any other alterations in this Contract, or the Specification occasioned by such modifications and/ or changes. The aforementioned agreement to modify and/ or to change the Specifications may be effected by an exchange of duly authenticated letters or telex, manifesting such agreement. The letters and telexes exchanged by the parties hereto pursuant to the foregoing shall constitute an amendment of the Specifications under which the Vessel shall be built, and such letters and telexes shall be deemed to be incorporated into this Contract and the Specifications by reference and made a part hereof. Upon consummation of the agreement to modify and/ or to change the Specifications, the Seller shall alter the construction of the Vessel in accordance therewith, including any additions to, or deductions from, the work to be performed in connection with such construction. If due to whatever reasons, the parties fail to agree on the adjustment of the Contract Price or extension of time of delivery or providing additional security to the Seller or modification of any terms of this Contract which are necessitated by such modifications and/ or changes, then the Seller shall have no obligation to comply with the Buyer's request for any modification and/ or changes.

2. CHANGES IN RULES AND REGULATIONS

(1) If, after the date of signing this Contract, any requirement as to the rules and regulations as specified in this Contract and the Specifications to which the construction of the Vessel is required to conform, are altered or changed by the Classification Society or the other regulatory bodies authorized to make such alterations or changes, the Seller and/ or the Buyer, upon receipt of the notice thereof, shall transmit such information in full to each other in writing, whereupon within () days after receipt of the said notice by the Buyer from the Seller or vice versa, the Buyer shall instruct the Seller in writing as to the alterations or changes, if any, to be made in the Vessel which the Buyer in its sole discretion, shall decide. The Seller shall

promptly comply with such alterations or changes, if any in the construction of the Vessel, provided that the Buyer shall first agree.

(a) As to any increase or decrease in the Contract Price of the Vessel that is occasioned by the cost for such compliance; and/ or

(b) As to any extension in the time for delivery of the Vessel that is necessary due to such compliance; and/ or

(c) As to any increase or decrease in the guaranteed deadweight and speed of the Vessel, if such compliance results in increased or reduced deadweight and speed, and/ or

(d) As to any other alterations in the terms of this Contract or of Specifications or both, if such compliance makes such alterations of the terms necessary.

(f) If the price is to be increased, then, in addition, as to providing to the Seller additional securities satisfactory to the Seller.

Agreements as to such alterations or changes under this Paragraph shall be made in the same manner as provided above for modifications and/ or changes of the Specifications and/ or Plans.

(2) If, due to whatever reasons, the parties fail to agree on the adjustment of the Contract Price or extension of the time for delivery or increase or decrease of the guaranteed speed and deadweight or providing additional security to the Seller or any alternation of the terms of this Contract, if any, then the Seller shall be entitled to proceed with the construction of the Vessel in accordance with, and the Buyer shall continue to be bound by, the terms of this Contract and Specifications without making any such alterations or changes.

3. SUBSTITUTION OF MATERIALS AND/ OR EQUIPMENT

In the event that any of the materials and/ or equipment required by the Specifications or otherwise under this Contract for the construction of the Vessel cannot be procured in time to effect delivery of the Seller, the Seller may, provided the Seller shall provide adequate evidence and the Buyer so agrees in writing, supply the materials and/ or equipment of the equivalent quality, capable of meeting the requirements of the Classification Society and of the rules, regulations, requirements and recommendations with which the construction of the Vessel must comply.

4. BUYER'S SUPPLIED ITEMS

The Buyer shall deliver to the Seller at its shipyard the items as specified in the Specifications which the Buyer shall supply on its account by the time designated by the Seller. Should the Buyer fail to deliver to the Seller such items within the time specified, the delivery of the Vessel shall automatically be extended for a period of such delay, provided such delay in delivery of the Buyer's supplied items shall affect the delivery of the Vessel. In such event, the Buyer shall pay to the Seller all losses and damages sustained by the Seller due to such delay in the delivery of the Buyer's supplied items and such payment shall be made upon delivery of the Vessel.

Furthermore, if the delay in delivery of the Buyer's supplied items should exceed () days, the Seller shall be entitled to proceed with construction of the Vessel without installation of such items in or onto the Vessel, without prejudice to the Seller's right hereinabove provided, and the Buyer shall accept the Vessel so completed.

The Seller shall be responsible for storing and handling of the Buyer's supplies as specified in the Specifications after delivery to the Seller and shall install them on board the Vessel at the Seller's expenses. Upon arrival of such shipment of the Buyer's supplied items, both parties shall undertake a joint unpacking inspection. If any damages are found to be not suitable for installation, the Seller shall be entitled to refuse to accept the Buyer's supplied items.

ARTICLE VI TRIALS

1. NOTICE

The Buyer and the Supervisor shall receive from the Seller at least thirty (30) days notice in advance and seven (7) days definite notice in advance and seven (7) days definite notice in advance in writing or by telex confirmed in writing, of the time and place of the Vessel's sea trial as described in the Specifications (hereinafter referred to as "the Trial Run") and the Buyer and the Supervisor shall promptly acknowledge receipt of such notice. The Buyer's representatives and/ or the Supervisor shall be on board the Vessel to witness such Trial Run, and to check upon the performance of the Vessel during the same. Failure of the Buyer's representatives to be present at the Trial Run of the Vessel, after due notice to the Buyer and the Supervisor as provided above, shall have the effect to extend the date for delivery of the Vessel by the period of delay caused by such failure to be present. However, if the Trial Run is delayed more than seven (7) days by reason of the failure of Buyer's representatives to be present after receipt of due notice as provided above, then in such event, the Buyer shall be deemed to have waived its right to have its representatives on board the Vessel during the Trial Run, and the Seller may conduct such Trial Run without the Buyer's representatives being present, and in such case the Buyer shall be obliged to accept the Vessel on the basis of a certificate jointly signed by the Seller and the Classification Society certifying that the Vessel, after Trial Run subject to minor alterations and corrections as provided in this Article, if any, is found to conform to the Contract and Specifications and is satisfactory in all respects. The Seller hereby warrants that the necessary visa for the Buyer's representatives to enter China will be issued in order on demand and without delay otherwise the Trial Run shall be postponed until after the Buyer's representatives have arrived at the Seller's Shipyard and any delays as result thereof shall not count as a permissible delay under Article VIII thereof.

However, should the nationalities and other personal particulars of the Buyer's representatives be not acceptable to the Seller in accordance with its best understanding of the relevant rules, regulations and/ or Laws of the People's Republic of China then prevailing, then the Buyer shall, on the Seller's telex demand, affect replacement of all or any of them immediately.

Otherwise the Delivery Date as stipulated in Article VII hereof shall be extended by the delays so caused by the Buyer. In the event of unfavorable weather on the date specified for the Trial Run, the same should take place on the first available day thereafter that the weather condition permit. The parties hereto recognize that the weather conditions in Chinese waters in which the Trial Run is to take place are such that great changes in weather may arise momentarily and without warning and, therefore, it is agreed that if during the Trial Run of the Vessel, the weather should suddenly become unfavorable, as would have precluded the continuance of the Trial Run, the Trial Run of the Vessel shall be discontinued and postponed until the first favorable day next following, unless the Buyer shall assent by telex and confirm in writing of its

acceptance of the Vessel on the basis of the Trial Run made prior to such sudden changes in weather conditions. In the event that the Trial Run is postponed because of unfavorable weather conditions, such delay shall be regarded as a permissible delay, as specified in Article VIII hereof.

2. HOW CONDUCTED

(a) All expense in connection with Trial Run of the Vessel are to be for the account of the Seller, who, during the Trial Run and when subjecting the Vessel to Trial Run, is to provide, at its own expense, the necessary crew to comply with conditions of safe navigation. The Trial Run shall be conducted in the manner prescribed in the Specifications and shall prove fulfillment of the performance required for the Trial Run as set forth in the Specifications.

The course of Trial Run shall be determined by the Seller and shall be conducted within the trial basin equipped with speed measuring facilities.

(b) The Seller shall provide the Vessel with the required quantities of water, fuel oil and greases with exception of lubrication oil and hydraulic oil which shall be supplied by the Buyer for the conduct of the Trial Run of Trial Runs as prescribed in the Specifications. The fuel oil and greases supplied by the Seller, and lubricating oil and hydraulic oil supplied by the Buyer shall be in accordance with the applicable engine Specifications, and the cost of the quantities of water, fuel oil, lubricating oil, hydraulic oil and greases consumed during the Trial Run or Trial Runs shall be for the account of the Seller.

3. TRIAL LOAD DRAFT

In addition to the supplies provided by the Buyer in accordance with sub-paragraph (b) of the preceding Paragraph 2 hereof, the Seller shall provide the Vessel with the required quantity of fresh water and other stores necessary for the conduct of the Trial Run. The necessary ballast (fresh and sea water and such other ballast as may be required) to bring the Vessel to the trial load draft as specified in the Specifications, shall be for the Seller's account.

4. METHOD OF ACCEPTANCE OF REJECTION

(a) Upon notification of the Seller of completion of the Trial Run of the Vessel, the Buyer or the Buyer's Supervisor in writing shall within six (6) business days thereafter, notify the Seller by telex confirmation in writing of its acceptance of the Vessel or of its rejection of the Vessel together with the reasons therefore.

(b) However, should the result of the Trial Run indicate that the Vessel or any part thereof including its equipment does not confirm to the requirements of this Contract and Specifications, then the Seller shall investigate with the Supervisor the cause of failure and the proper steps shall be taken to remedy the same and shall make whatever corrections and alterations and/ or re-trial run or runs as may be necessary without extra cost to the Buyer, and upon notification by the Seller of completion of such alteration of corrections and/ or re-trial or re-trials, the Buyer shall, within six (6) business days thereafter, notify the Seller by telex confirmed in writing of its acceptance of its Vessel or of the rejection of the Vessel together with the reason therefore on the basis of the alterations and corrections and/ or re-trial or re-trials by the Seller.

(c) In the event that the Buyer fails to notify the Seller by telex confirmed in writing of its acceptance of rejection of the Vessel together with the reason therefore within six (6) business

days period as provided for in the above sub-paragraph (a) and (b), the Buyer shall be deemed to have accepted the Vessel.

(d) Any dispute arising among the parties hereto as to the result of any Trial Run of further tests or trials, as the case may be, of the Vessel shall be solved by reference to arbitration as provided in Article XIII hereof.

(e) Nothing herein shall preclude the Buyer from accepting the Vessel with its qualifications and/ or remarks following the Trial Run and/ or further tests or trials as aforesaid and the Seller shall be obliged to comply with and/ or remove such qualifications and/or remarks (if some qualifications and/ or remarks are acceptable to the Seller) at the time before effecting delivery of the Vessel to the Buyer under this Contract.

5. DISPOSITION OF SURPLUS CONSUMABLE STORES

Should any amount of fuel oil, fresh water, or other consumable stores furnished by the Seller for the Trial Run or Trial Runs remain on board the Vessel at the time of acceptance thereof by the Buyer, the Buyer agrees to buy the same from the Seller at the current market price at the port of delivery thereof, and payment by the Buyer shall be effected as provided in Article II 3 (f) and 4 (f) of this Contract.

The Buyer shall supply lubricating oil and hydraulic oil for the purpose of the Trial Runs at its own expensed and the Seller will reimburse for the amount of lubricating oil and hydraulic oil actually consumed for the said Trail Run or Trial Runs at the original price incurred by the Buyer and payment by the Seller shall be effected as provided in Article II 3 (f) and 4 (f) of this Contract.

6. EFFECT OF ACCEPTANCE

The Buyer's acceptance of the Vessel by written or telex notification sent to the Seller, in accordance with the provisions set out above, shall be final and binding so far as confirmation of the Vessel to this Contract and the Specifications is concerned, and shall preclude the Buyer from refusing formal delivery by the Seller of the Vessel, as hereinafter provided, if the Seller complies with all other procedural requirements for delivery as hereinafter set forth.

ARTICLE VII DELIVERY

1. TIME AND PLACE

The Vessel shall be delivered safely afloat by the Seller to the Buyer at the Seller's Shipyard, in accordance with the Specifications and with all Classification and Statutory Certificates and after completion of Trial Run (or, as the case may be, re-trial or re-trials) and acceptance by the Buyer in accordance with the provisions of Article VI hereof on or before , 20 provided that, in the event of delays in the construction of the Vessel or any performance required under this Contract due to causes which under the terms of the Contract permit extension of the time for delivery, the aforementioned time for delivery of the Vessel shall be extended accordingly. The aforementioned date or such date to which delivery is extended pursuant to the terms of this Contract is hereinafter called the "Delivery Date".

2. WHEN AND HOW EFFECTED

Provided that the Buyer and the Seller shall each have fulfilled all of their respective obligations as stipulated in this Contract, delivery of the Vessel shall be effected forthwith by the concurrent delivery by each of the parties hereto, one to the other, of the Protocol of

Delivery and Acceptance, acknowledging delivery of the Vessel by the Seller and acceptance thereof by the Buyer, which Protocol shall be prepared in quadruplicate and executed by each of the parties hereto.

3. DOCUMENTS TO BE DELIVERED TO THE BUYER

Upon acceptance of the Vessel by the Buyer, the Seller shall deliver to the Buyer the following documents (subject to the provision contained in Article V 2 hereof) which shall accompany the aforementioned Protocol of Delivery and Acceptance:

- (a) Protocol of Trials of the Vessel made by the Seller pursuant to the Specifications.
- (b) Protocol of Inventory of the equipment the Vessel including spare part and the like, all as specified in the Specifications, made by the Seller.
- (c) Protocol of Stores of Consumable Nature made by the Seller referred to under Paragraph 5 of Article VI hereof.
- (d) Finished Drawing and Plans pertaining to the Vessel as stipulated in the Specifications, made by the Seller.
- (e) Protocol of Deadweight and Inclining Experiment, made by the Seller.
- (f) All Certificates required to be furnished upon delivery of the Vessel pursuant to this Contract and the Specifications which shall be:

Certificates shall be issued by relevant Authorities or Classification Society. The Vessel shall comply with the above rules and regulations which are in force at the time of signing this Contract. All the certificates shall be delivered in one (1) original to the Vessel and two (2) copies to the Buyer.

If the full term certificate or certificates are unable to be issued at the time of delivery by the Classification Society or any third party other than the Seller. Then the provisional certificate or certificates as issued by the Classification Society or the third party other than the Seller with the full term certificates to be furnished by the Seller after delivery of the Vessel and in any event before the expiry of the provisional certificates shall be acceptable to the Buyer.

(g) Declaration of Warranty issued by the Seller that the Vessel is delivered to the Buyer free and clear of any liens, charges, claims, 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 province or country of the port of delivery, as well as of all liabilities of the Seller to its sub-contractors, employees and crews and/ or all liabilities arising from the operation of the Vessel in Trial Run or Trial Runs, or otherwise, prior to delivery.

(h) Commercial Invoice made by the Seller.

(i) Bill of Sale made by the Seller.

4. TITLE AND RISK

Title to and risk of the Vessel shall pass to the Buyer only upon delivery thereof. As stated above, it being expressly understood that, until such delivery is affected, title to the Vessel, and her equipment, shall remain at all times with the Seller and are at the entire risk of the Seller.

5. REMOVAL OF VESSEL

The Buyer shall take possession of the Vessel immediately upon delivery and acceptance

thereof, and shall remove the Vessel from the premise of the Seller with seven (7) days after delivery and acceptance thereof is affected. The Buyer shall not remove the Vessel from the premise of the Seller within the aforesaid seven (7) days then, in such event, without prejudice to the Seller's right to require to remove the Vessel immediately at any time thereafter, if the Buyer shall pay to the Seller the reasonable mooring charges of the Vessel.

6. TENDER OF THE VESSEL

If the Buyer fails to take delivery of the Vessel after completion thereof according to this Contract and the Specifications without justified reason, the Seller shall have the right to tender the Vessel for delivery after compliance with all procedural requirements as above provided.

ARTICLE VIII DELAYS&EXTENSION OF TIME FOR DELIVERY

1. CAUSE OF DELAY

If, at any time before actual delivery, either the construction of the Vessel or any performance required hereunder as prerequisite of delivery of the Vessel, is delayed due to war, blockade, revolution, insurrection, mobilization, civil commotions, riots, strikes, sabotage, lockouts, local temperature higher than 35 degree centigrade, Acts of God or the public enemy, plague or other epidemics, quarantines, prolonged failure or restriction of electric current from an outside source, freight embargoes, if any, earthquakes, tidal waves, typhoons, hurricanes, storms or other causes beyond the control of the Seller or of its sub-contractors, as the case may be, or by force majeure of any description, whether of the nature indicated by the foregoing or not, or by destructions of the

Seller or works of the Seller or its sub-contractors, or of the Vessel or any part thereof, by fire, flood, or other cause beyond the control of the Seller or its sub-contractors as the case may be, or due to the bankruptcy of the equipment and/ or material supplier or suppliers then, in the event of delay due to the happening or any of the aforementioned contingencies, the Seller shall not be liable for such delay and the time for delivery of the Vessel under this Contract shall be extended without any reduction in the Contract Price for a period of time which shall not exceed the total accumulated time of all such delays, subject nevertheless to the Buyer's right of cancellation under Paragraph 3 of this Article and subject however to all relevant provisions of this Contract which authorize and permit extension of the time of delivery of the Vessel.

2. NOTICE OF DELAY

Within seven (7) days from the date of commencement of any delay on account of which the Seller claims that it is entitled under this Contract to an extension of the time for delivery of the Vessel, the Seller shall advise the Buyer by telex confirmed in writing, of the date such delay commenced, and the reasons thereof.

Likewise within seven (7) days after such delay ends, the Seller shall advise the Buyer in writing or by telex confirmed in writing, of the date such delay ended, and also shall specify the maximum period of the time by which the date for delivery of the Vessel is extended by reason of such delay. Failure of the Buyer to acknowledge of Seller's notification of any claim for extension of the Delivery Date within thirty (30) days after receipt by the Buyer of such notifications, shall be deemed to be a waiver by the Buyer of its right to object of such

extension.

3. RIGHT TO CANCEL FOR EXCESSIVE DELAY

If the total accumulated time of all permissible delays and non-permissible delays aggregate to days or more, excluding delays due to arbitration as provided for in Article VIII hereof or due to default in performance by the Buyer, or due to delays in delivery of the Buyer's supplied items, and excluding delays due to causes which, under Article V, VI, XI, and XII hereof, permit extension or postponement of the time for delivery of the Vessel, then in such event, the Buyer may in accordance with the provisions set out herein cancel this Contract by serving upon the Seller telexed notice of cancellation which shall be confirmed in writing and provisions of Article X of this Contract shall apply. The Seller may, at any time, after the accumulated time of the aforementioned delays justifying cancellation by the Buyer as above provided for, demand in writing that the Buyer shall make an election, in which case the Buyer shall, within thirty (30) days after such demand is received by the Buyer either notify the Seller of its intention to cancel, or consent to an extension of the time for delivery to an agreed future date, it being understood and agreed by the parties hereto that if any further delay occurs on account of causes justifying cancellation as specified in this Contract, the Buyer shall have the same right of cancellation upon the same terms as hereinabove provided.

4. DEFINITION OF PERMISSIBLE DELAY

Delays on account of such causes as provided for in Paragraph 1 of this Article, but excluding any other extensions of a nature which under the terms of this Contract permit postponement of the Delivery Date, shall be understood to be (and are herein referred to as) permissible delays, and are to be distinguished from non-permissible delays on account of which the Contract Price of the Vessel is subject to adjustment as provided for Article III hereof.

ARTICLE IX WARRANTY OF QUALITY

1. GUARANTEE OF MATERIAL AND WORKMANSHIP

The Seller for a period of twelve (12) months following delivery to the Buyer of the Vessel, guarantees the Vessel, her hull and machinery and all parts and equipment hereof that are manufactured or furnished or supplied by the Seller and/ or its sub-contractors under this Contract including material, equipment (however excluding any parts for the Vessel which have been supplied by or on behalf of the Buyer) against all defects which are due to defective materials, and/ or poor workmanship.

2. NOTICE OF DEFECTS

The Buyer shall notify the Seller in writing, or by telex confirmed in writing, as promptly as possible, after discovery of any defect or deviations for which a claim is made under this guarantee. The Buyer's written notice shall describe the nature of the defect and the extent of the damage caused thereby. The Seller shall have no obligation under this guarantee for any defects discovered prior to the expiry date of the guarantee, unless notice of such defects, is received by the Seller not later than thirty (30) days after such expiry date. Telexed advice with brief details explaining the nature of such defect and extent of damage within thirty (30) days after such expiry date and that a claim is forthcoming will be sufficient compliance with requirements as to time.

3. REMEDY OF DEFECTS

The Seller shall remedy at its expense any defects, against which the Vessel or any part of the equipment thereof is guaranteed under this Article by making all necessary repairs and/ or replacement. Such repairs and/ or replacement will be made by the Seller.

However, if it is impractical to make the repair by the Seller, and if forwarding by the Seller of replacement parts, and materials can not be accomplished without impairing or delaying the operation or working of the Vessel, then, in any such event, the Buyer shall, cause the necessary repairs or replacements to be made elsewhere at the discretion of the Buyer provided that the Buyer shall first and in all events, will, as soon as possible, give the Seller notice in writing, or by telex 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 is not thereby delayed, or her operation or working is not thereby impaired, the Seller shall have the right to verify by its own representative(s) or that of Classification Society the nature and extent of the defects complained of. The Seller shall, in such cases, promptly advise the Buyer, by telex, after such examination has been completed, of its acceptance or rejection of the defects as ones that are subject to the guarantee herein provided. In all minor cases, the Guarantee Engineer, as hereinafter provided for, will act for and on behalf of the Seller.

In any circumstances as set out below, the Seller shall immediately pay to the Buyer in United States Dollars by telegraphic transfer the actual cost for such repairs or replacements including forwarding charges, or at the average cost for making similar repairs or replacements including forwarding charges as quoted by a leading shipyard each in Japan, South Korea and Singapore, whichever is lower:

- (a) Upon the Seller's acceptance of the defects as justifying remedy under this Article, or
- (b) If the Seller neither accepts nor rejects the defects as above provided, nor request arbitration within thirty (30) days after its receipt of the Buyer's notice of defects.

Any dispute shall be referred to arbitration in accordance with the provisions of Article XIII hereof.

4. EXTENT OF THE SELLER'S LIABILITY

The Seller shall have no obligation and/ or liabilities with respect to defects discovered after the expiration of the period of guarantee specified above.

The Seller shall be liable to the Buyer for defects and damages caused by any of the defects specified in Paragraph 1 of this Article provided that such liability of the Seller shall be limited to damage occasioned within the guarantee period specified in Paragraph 1 above. The Seller shall not be obliged to repair, or to be liable for, damages to the Vessel, or to any part of the equipment thereof, due to ordinary wear and tear or caused by the defects other than those specified in Paragraph 1 above, nor shall there be any Seller's liability hereunder for defects in the Vessel, or any part of the equipment thereof, caused by fire or accidents at sea or elsewhere, or mismanagement, accidents, negligence, or willful neglect, on the part of the Buyer, its employees or agents including the Vessel's officers, crew and passengers, or any persons on or doing work on the Vessel other than the Seller, its employees, agents or sub-contractors. Likewise, the Seller shall not be liable for defects in the Vessel, or the equipment or any part thereof, due to repairs or replacement which made by those other than the Seller and/ or their sub-contractors.

Upon delivery of the Vessel to the Buyer, in accordance with the terms of the Contract, the Seller shall thereby and thereupon be released of all responsibility and liability whatsoever and howsoever arising under or by virtue of this Contract (save in respect of those obligations to the Buyer expressly provided for in this Article IX) including without limitation, any responsibility or liability for defective workmanship, materials or equipment, design or in respect of any other defects whatsoever and any loss or damages resulting from any act, omission or default of the Seller. Neither CSTC nor the Seller shall, in any circumstances, be liable for any consequential loss or special loss, or expense arising from any cause whatsoever including, without limitation, loss of time, loss of profit or earnings or demurrage directly from any commitments of the Buyer in connection with Vessel. The Guarantee provided in this Article and the obligations and the liabilities if the Seller hereunder are exclusive and in lieu of and the Buyer hereby waives all other remedies, warranties, guarantees or liabilities, express or implied, arising by Law or otherwise (including without limitation any obligations of the Seller with respect to fitness, merchantability and consequential damages) or whether or not occasioned by the Seller's negligence. This guarantee shall be extended, altered or varied except by a written instrument signed by the duly authorized representatives of the Seller, and the Buyer.

5. GUARANTEE ENGINEER

The Seller shall appoint one or two Guarantee Engineer(s) to serve the Vessel as the Seller's representative(s) for a period of twelve (12) months from the delivery of the Vessel. The Buyer, and its employees, shall give such guarantee Engineer(s) full co-operation in carrying out his/ their duties as the representative(s) of the Seller on board the Vessel. The Buyer shall accord the Guarantee Engineer(s) the treatment comparable to the Vessel's Chief Engineer, and shall provide him with accommodation and subsistence at no cost to the Seller and/ or the Guarantee Engineer(s).

The Buyer shall pay to the Guarantee Engineer(s) the sum of United States Dollars only (US \$) per month to cover his/ their miscellaneous expenses including wages and also the Buyer shall pay the expense of repatriation to Beijing, the People's Republic of China by air upon termination of his/ their service, the expense of his/ their communications with the Seller when made in performance of his/ their duties as the Guarantee Engineer(s) and the expense, if any, of his/ their medical and hospital care. The Buyer, its successor(s) and/ or assign(s), shall be liable to and indemnify the Seller and/ or the Guarantee Engineer(s) and/ or the Seller for personal injuries, including death and damages to, or loss or destruction of property of the Guarantee Engineer(s), if such death, injuries, damages, loss and / or destruction were caused by gross negligence or willful misconduct of the Buyer, its successor(s) and/ or assign(s) or its employees and/ or agents.

Pertaining to the detailed particulars of this Paragraph, and agreement will be made according to this effect between the parties hereto upon delivery of the Vessel.

ARTICLE X CANCELLATION, REJECTION AND RESCISSION BY THE BUYER

1. All payments made by the Buyer prior to the delivery of the Vessel shall be in the nature of advance to the Seller. In the event the Buyer shall exercise its right of cancellation and/ or rescission of this Contract under and pursuant to any of the provisions of this Contract

specifically permitting the Buyer to do so, then the Buyer shall notify the Seller in writing or by telex confirmed in writing, and such cancellation and/ or rescission shall be effective as of the date the notice thereof is received by the Seller

2. Thereupon the Seller shall refund in United States Dollars immediately to the Buyer the full amount of all sums paid by the Buyer to the Seller on account of the Vessel, unless the Seller disputes the Buyer's cancellation and/ or recession by instituting arbitration in accordance with Article X III. If the Buyer's cancellation or recession of this Contract is disputed by the Seller by instituting arbitration as aforesaid, then no refund shall be made by the Seller, and the Buyer shall not be entitled to demand repayment from Bank of China under its guarantee, until the arbitration award between the Buyer and the Seller or, in case of appeal or appeal by the Seller on the arbitration award or any court orders, by the final court order, which shall be in favor of the Buyer, declaring the Buyer's cancellation and/ or rescission justified, is made and delivered to the Seller by the arbitration tribunal or final competent London Court having jurisdiction on the dispute. In the event of the Seller is obliged to make refund, the Seller shall pay the Buyer interest in United States Dollars at the rate of percent (%) if the cancellation or rescission or rescission of the Contract is exercised by the Buyer for the delay of aggregate () days in accordance with the provision of Paragraph 3 of Article VIII or/ by the events described in Article III 1(c), 2(c),3(c) or 4(c) hereof, however in the event of total loss as described in Article X, IV of this Contract, then, no interest will be refunded on the amount required herein to be refunded to the Buyer, computed from the respective dates when such sum were received by Bank of China, New York Branch or any such other bank account as nominated by the Seller pursuant to Article II 4(b) or 4(d) from the Buyer to the date of remittance by telegraphic transfer of such refund to the Buyer by the Seller.

3. Upon such refund by the Seller to the Buyer, all obligations, duties and liabilities of each of the parties hereto the other under this Contract shall be forthwith completely discharged.

ARTICLE XI BUYER'S DEFAULT

1. DEFINITION OF DEFAULT

The Buyer shall be deemed in default of its obligation under the Contract if any of the following events occurs:

- (a) The Buyer fails to pay the Second or Third or Fourth installment to the Seller when any such installment becomes due and payable under the provisions of Article II hereof and provided the Buyer shall have received the Seller's demand for payment in accordance with Article II hereof, or
- (b) The Buyer fails to pay the fifth installment to the Seller in accordance with Paragraph 3(e) and 4(e) of Article II hereof provided the Buyer shall have received the Seller's demand for payment in accordance with Article II hereof; or
- (c) The Buyer fails to take delivery of the Vessel, when the Vessel is duly tended for delivery by the Seller under the provisions of Article VII hereof.

2. NOTICE OF DEFAULT

If the Buyer is in default of payment or in performance of its obligations as provided hereinabove, the Seller shall notify the Buyer to that effect by telex after the date of occurrence of the default as per Paragraph 1 of this Article and the Buyer shall forthwith acknowledge by

telex to the Seller that such notification has been received. In case the Buyer does not give the aforesaid telex acknowledgement to the Seller within three (3) calendar days it shall be deemed that such notification has been duly received by the Buyer.

3. INTEREST AND CHARGE

(a) If the Buyer is in default of payment as to any installment as provided in Paragraph 1(a) and/ or 1(b) of this Article, the Buyer shall pay interest on such installment at the rate of percent (%) per annum for a period of 15 days from the due date thereof and thereafter at the rate of percent (%) per annum until the date of the payment of the full amount, including all aforesaid interest. In case the Buyer shall fail to take delivery of the Vessel when required to as provided in Paragraph 1(c) of this Article, the Buyer shall be deemed in default of payment of the fifth installment and shall pay interest thereon at the same rate as aforesaid from and including the day on which the Vessel is tendered for delivery by the Seller, as provided in Article VII Paragraph 7 hereof.

(b) In any event of default by the Buyer under 1(a) or 1(b) or 1(c) above, the Buyer shall also pay all costs, charges and expenses incurred by the Seller in consequence of such default.

4. DEFAULT BEFORE DELIVERY OF THE VESSEL

(a) If any default by the Buyer occurs as defined in Paragraph 1(a) or 1(b) or 1(c) of this Article, the Delivery Date shall at the Seller's option, be postponed for a period of continuance of such default by the Buyer.

(b) If any such default as defined in Paragraph 1(a) or 1(b) or 1(c) of this Article committed by the Buyer continues for a period of fifteen (15) days, then, the Seller shall have all following rights and remedies;

(i) The Seller may, at its option, cancel or rescind this Contract, provided the Seller has notified the Buyer of such default pursuant to Paragraph 2 of this Article, by giving notice of such effect to the Buyer by telex confirmed in writing. Upon receipt by the Buyer of such telex notice of cancellation or rescission, all of the Buyer's Supplies shall forthwith become the sole property of the Seller, and the Vessel and all its equipment and machinery shall be at the sole disposal of the Seller for sale or otherwise; and

(ii) In the event of such cancellation or rescission of this Contract, the Seller shall be entitled to retain any installment or installments of the Contract Price paid by the Buyer to the Seller on account of this Contract; and

(iii) (Applicable to any Buyer's default defined in 1(a) of this Article) The Seller shall, without prejudice to the Seller's right to recover from the Buyer the 5th installment, interest, costs and/ or expenses by applying the proceeds to be obtained by sale of the Vessel in accordance with the provisions set out in this Contract, have the right to declare all unpaid 2nd, 3rd and 4th installments to be forthwith due and payable, and upon such declaration, the Seller shall have the right to immediately demand the payment of the aggregate amount of all unpaid 2nd, 3rd and 4th installments from the Guarantor in accordance with the terms and conditions of the guarantee issued by the guarantor.

5. SALE OF THE VESSEL

(a) In the event of cancellation or rescission of this Contract as above provided, the Seller shall have full right and power either to complete or not to complete the Vessel at it deems fit, and to

sell the Vessel at a public or private sale on such terms and conditions as the Seller thinks fit without being answerable for any loss or damage occasioned to the Buyer thereby.

In the case of sale Vessel, the Seller shall give telex or written notice to the Buyer.

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

(c) In the event of the sale of the Vessel in its incomplete state, the proceeds of sale received by the Seller shall be applied firstly to all expenses attending such sale and otherwise incurred by the Seller as a result of the Buyer's default, and then to payment of all costs of construction of the Vessel (such costs of construction, as herein mentioned, shall include but are not limited to all costs of labor and/ or prices paid or to be paid by CSTC and/ or the Seller for the equipment and/ or technical design and/ or materials purchased or to be purchased, installed and/ or to be installed on the Vessel) and/ or any fees, charges, expenses and/ or royalties incurred and/ or to be incurred for the Vessel less the installments so retained by the Seller, and compensation to the Seller for a reasonable sum of loss of profit due to the cancellation or rescission of this Contract.

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

(e) If the proceed of sale are insufficient to pay such total amounts payable as aforesaid, the Buyer shall promptly pay the deficiency to the Seller upon request.

ARTICLE XII INSURANCE

1. EXTENT OF INSURANCE COVERAGE

From the time of keel-laying of the first section of the Vessel until the same is completed, delivered to and accepted by the Buyer, the Seller shall, at its own cost and expense, keep the Vessel and all machinery, materials, equipment, appurtenances and outfit, delivered to the Buyer for the Vessel or built into, or installed in or upon the Vessel, including, the Buyer's Supplies, fully insured with first class Chinese insurance companies for Seller's risk.

The amount of such insurance coverage shall, up to the date of delivery of the Vessel, be in an amount at least equal to, but not limited to, the aggregate of the payments made by the Buyer to the Seller including the value of the Buyer's Supplies. The policy referred to hereinabove shall be taken out in the name of the Seller and all losses under such policy shall be payable to the Seller.

2. APPLICATION OF RECOVERED AMOUNT

(a) Partial Loss:

In the event the Vessel shall be damaged by any insured cause whatsoever prior to acceptance and delivery thereof by the Buyer and in the further event that such damage shall

not constitute an actual or a constructive total loss of the Vessel, the Seller shall apply the amount recovered under the insurance policy referred to in Paragraph 1 of this Article to the repair of such damage satisfactory to the Classification Society and other institutions or authorities as described in the Specifications without additional expenses to the Buyer, and the Buyer shall accept the Vessel under this Contract if completed in accordance with this Contract and Specifications.

(b) Total Loss:

However, in the event that the Vessel is determined to be an actual or constructive total loss, the Seller shall either:

(i) By the mutual agreement between the parties hereto, proceed in accordance with terms of this Contract, in which case the amount recovered under said insurance policy shall be applied to the reconstruction and/ or repair of the Vessel's damages and/ or reinstallation of Buyer's Supplies without additional expenses to the Buyer, provided the parties hereto shall have first agreed in writing as to such reasonable extension of the Delivery Date and adjustment of other terms of this Contract including the Contract Price as may be necessary for the completion of such reconstruction; or

(ii) If due to whatever reasons the parties fail to agree on the above, then refund immediately to the Buyer the amount of all installments paid to the Seller under this Contract without interest together with recovered amount for Buyer's supplies onboard, whereupon this Contract shall be deemed to be canceled and all rights, duties, liabilities and obligations of each of the parties to the other shall terminate forthwith.

Within thirty (30) days after receiving telex notice of any damage to the Vessel constituting an actual or a constructive total loss, the Buyer shall notify the Seller in writing or by telex of its agreement or disagreement under this sub-paragraph. In the event the Buyer fails to so notify the Seller, then such failure shall be construed as disagreement on the part of the Buyer. This Contract shall be deemed as rescinded and cancelled and the Buyer receives the refund as hereinabove provided and the provisions hereof shall apply.

3. TERMINATION OF THE SELLER'S OBLIGATION TO INSURE

The Seller's obligation to insure the Vessel hereunder shall cease and terminate forthwith upon delivery thereof to and acceptance by the Buyer.

ARTICLE XIII DISPUTES AND ARBITRATION

1. ARBITRATION CLAUSE

Any dispute arising from or in connection with this contract shall be submitted to China Maritime Arbitration Commission (CMAC) for arbitration which shall be conducted in accordance with the Commission's arbitration rules in effect at the time of applying for arbitration. The arbitral award is final and binding upon both parties.

2. ALTERATION OF DELIVERY TIME

In the event of reference to arbitration of any dispute arising out of matters occurring prior to delivery of the Vessel, the Seller shall not be entitled to extend the Delivery Date as defined in Article VII hereof and the Buyer shall not be entitled to postpone its acceptance of the Vessel on the Delivery Date or on such newly planned time of delivery of the Vessel as declared by the Seller. However, if the construction of the Vessel is affected by any arbitration proceeding,

the Seller shall then be permitted to extend the Delivery Date as defined in Article VII and the decision or the award shall include a finding as to what extent the Seller shall be permitted to extend the Delivery Date.

ARTICLE XIV RIGHT OF ASSIGNMENT

Neither of the parties hereto shall assign this Contract to any other individual, firm, company or corporation unless prior consent of the other party is given in writing.

ARTICLE XV TAXES AND DUTIES

1. TAXES

All costs for taxes including stamp duties, if any, incurred in connection with this Contract in the People's Republic of China shall be born by the Seller. Any taxes and/ or duties imposed upon those items or services procured by the Seller in the People's Republic of China or elsewhere for the construction of the Vessel shall be born by the Seller.

2. DUTIES

The Seller shall indemnify the Buyer for, and hold it harmless against, any duties imposed in the People's Republic of China upon materials and equipment which under the terms of this Contract and/ or the Specifications will, or may be, supplied by the Buyer from the abroad for installation in the Vessel as well as any duties imposed in the People's Republic of China upon running stores, provisions and supplies furnished by the Buyer from abroad to be stocked on board the Vessel and also from the payment of export duties, if any, to be imposed upon the Vessel as a whole or upon any of its parts or equipment. Any tax or duty other than those described hereinabove, if any, shall be borne by the Buyer.

ARTICLE XVI PATENTS, TRADEMARKS AND COPYRIGHTS

The machinery and equipment of the Vessel may bear the patent number, trademarks or trade names of the manufacturers. The Seller shall defend and save harmless the Buyer from patent liability of Claims of patent infringement of any nature or kind, including costs and expenses for, or on account of any patented or patentable invention made or used in the performance of this Contract and also including cost and expense of litigation, if any.

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. Notwithstanding any provisions contained herein to the contrary, the Seller's obligation under this Article should not be terminated by the passage of any specified period of time.

The Seller's indemnity hereunder does not extend to equipment or parts supplied by the Buyer to the Seller if any.

ARTICLE XVII NOTICE

Any and all notices and communications in connection with this Contract shall be addressed as follows:

To the Buyer:

Address:

Telex No.:

Telefax No.:

To the Seller: (Shipyard)

Address:

Telex No.:

Telefax No.:

Any change of address shall be communicated in writing by registered mail by the party making such change to the other party and in the event of failure to give such notice of change, communications addressed to the party at their last known address shall be deemed sufficient.

Any and all notices, requests, instructions, advices and communications in connection with this Contract shall be deemed to be given at and shall become effective from, the time when the same is delivered to the address of the party to be served provided, however, that registered airmail shall be deemed to be delivered ten (10) days after the date of dispatch, express courier service shall be deemed to be delivered five (5) days after the date of dispatch, and telex acknowledge by the answerbacks shall be deemed to be delivered upon dispatch.

Any and all notices, communications, Specifications and drawings in connection with this Contract shall be written in the English language and each party hereto shall have no obligation to translate them into any other language.

ARTICLE XVIII EFFECTIVE DATE OF CONTRACT

This Contract shall become effective upon fulfillment of all the following conditions:

- (1) Due execution of this Contract and the Specifications; and
- (2) Receipt by the Seller of the first installments in accordance with Paragraph 3(a) and 4(a) of Article II of this Contract; and
- (3) Receipt by the Seller of a Letter of Guarantee in the form annexed hereto as Exhibit B issued by a first class international bank acceptable to Bank of China and the Seller in accordance with Article II Paragraph 6 hereof.
- (4) Receipt by the Buyer of a Refund Guarantee in the form annexed hereto as Exhibit A issued by Bank of China, Head Office Banking Department in accordance with Article II Paragraph 7 hereof.

ARTICLE XIX INTERPRETATION

1. LAW APPLICABLE

The parties hereto agree that the validity and interpretation of this Contract and of each Article and part hereof be governed by and interpreted in accordance with the Laws of .

2. DISCREPANCIES

All general language or requirements embodied in the Specifications are intended to amplify, explain and implement the requirements of this Contract. However, in the event that any language or requirement so embodied in the Specifications permit an interpretation inconsistent with any provision of this Contract, then in each and every such event the applicable provisions of this Contract shall govern. The Specifications and plans are also intended to explain each other, and anything shown on the plans and not stipulated in the Specifications or stipulated in the Specifications and not shown on the plans, shall be deemed and considered as if embodied in both. In the event of conflict between the Specifications and plans, the Specifications shall govern. However, with regard to such inconsistency or

contradiction between this contract and the Specifications as may later occur by any change or changes in the Specifications agreed upon by and among the parties hereto after execution of this Contract, then such change or changes shall govern.

3. DEFINITION

In absence of stipulation of "banking day(s)" or "business day(s)", the "day" shall be taken as "calendar days".

In WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed on the day and year first above written.

The Buyer:

Name:

Title:

Witness:

The Seller: Shipyard

Name:

Title:

Exhibit "A":

IRREVOCABLE LETTER OF GUARANTEE NO.

To:

Dear Sirs, Date:

Irrevocable Letter of Guarantee No.

At the request of (hereinafter called "the Seller") and in consideration of your agreeing to pay the Seller the installments before delivery of the Vessel under the Contract concluded by and amongst you, and the Seller dated , 20 for the construction of one (1) Metric Tons Deadweight to be designated as Hull No. (hereinafter called "the Contract"), we, the undersigned, do hereby guarantee repayment to you by the Seller of an amount up to but not exceeding a total amount of United States Dollars only (US \$) representing the first installment of the Contract Price of the Vessel, United States Dollars Only (US \$), the third installment of the Contract Price of the Vessel, United States Dollars only (US \$) and fourth installment of the Contract Price of the Vessel, United States Dollars only (US \$), as you may have paid to the Seller under the Contract prior to the delivery of the Vessel, if and when the same or any part thereof becomes repayable to you from the Seller in accordance with the terms (Article X or Article XII 2(b) of the Contract. Should the Seller fail to make such repayment, we shall pay you the amount the Seller ought to pay with no if cancellation of the Contract is exercised by you for the delay caused by permissible delays,) or together with an interest at the rate of percent () per annum the cancellation of the Contract is exercised by you for the delay of aggregate () days in accordance with the provisions of Paragraph 3 of Article VIII or by the event described in Article III 1(c), 2(c), 3(c) or 4(c) of the Contract, otherwise at the rate of percent () per annum within thirty (30) business days after our receipt of the relevant written demand from you for repayment.

However, in the event of and dispute between you and the Seller in relation to:

(1) Whether the Seller shall be liable to repay the installment or installments paid by you and
(2) Consequently whether you shall have the right to demand payment from us, and such disputes is submitted either by the Seller or by you for arbitration in accordance with Article X III of the Contract, or for appeal or appeals in accordance the English Laws shall be entitled to withhold and deter payment until the arbitration award is published. We shall not be obligated to make any payment to you unless the arbitration award orders the Seller to make repayment and any right of appeal available to the Seller under English Laws is waived or is not exercised by the Seller in accordance with English Laws. If the Seller fails to honor the award or judgment, then we shall refund to you to the extent the arbitration award (or any court judgment) orders but not exceeding the aggregate amount of this guarantee plus the interest described above.

The said repayment shall be made by us in United States Dollars.

This Letter of Guarantee shall become effective from the time of the actual receipt of the first installment by the Seller from you and the amounts effective under this Letter of Guarantee shall correspond to the total payment actually made by you from time to time under the Contract prior to the delivery of the Vessel. However, the available amount under this Letter of Guarantee shall in no event exceed above mentioned amount actually paid to the Seller, together with interest calculated, as described above at percent () or, percent () per annum, as the case may be for the period commencing with the date of receipt by the Seller of the respective installment to the date of repayment thereof.

This Letter of Guarantee shall remain in force until the Vessel has been delivered to and accepted by you or refund has been made by the Seller or ourselves, or until (being thirty (30) days after the Delivery Date as defined in Article VII of the Contract), whichever occurs earlier, after which you are to return it to us by airmail for cancellation.

However, in the event that:

(I) Construction of the Vessel is continuing but has not been completed, this guarantee shall be extended to expire on (being () days after the Delivery Date as defined in Article VII of the Contract) or, if it occurs earlier, on delivery of the Vessel to you as provided in the Contract; or
(II) There exists arbitration or appeal between you and Seller for such matter as described in the above, then the validity of this guarantee shall be automatically extended until the date falling on the thirtieth (30th) calendar day after the arbitration award of court order is published.

This Letter of Guarantee is governed by the Laws of China.

For Bank of China

Exhibit "B"

IRREVOCALBE LETTER OF GUARANTEE
FOR THE 2ND, 3RD, AND 4TH INSTALLMENTS

Bank

To: Shipyard Date:

Dear Sirs,

(1) In consideration of your entering into a Ship Sale Contract dated ("the Shipbuilding Contract") with as the buyer ("the Buyer") for the construction of one (1) Metric Tons Deadweight Known as Shipyard's Hull No. ("the Vessel"), we, hereby IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as the primary obligor and not merely as the surety, the due and punctual payment by the Buyer of each and all of the 2nd, 3rd and 4th installments of the Contract Price amounting to a total sum of United States Dollars as specified in (2) below.

(2) The installments guaranteed hereunder, pursuant to the terms of the Shipbuilding Contract, comprise the 2nd installment in the amount of US Dollars payable by the Buyer within three (3) New York banking days after cutting the first steel plate in your Seller's workshop, the third installment in the amount of US Dollars payable by the Buyer within three (3) banking days after keel-laying of the first section of the Vessel, and the 4th installment in the amount US Dollars days after launching of the Vessel.

(3) We also IRREVOCABLY, ABSOLUTELY and UNCONDITIONALLY guarantee, as primary obligor and not merely as surely, the due and punctual payment by the Buyer of interest on each installment guaranteed hereunder at the rate of percent () per annum from and including the first day after the date of installment in default until the date of full payment by us of such amount guaranteed hereunder.

(4) In the event that the Buyer fails to punctually pay any installment guaranteed hereunder or the Buyer fails to pay any interest thereon, and any such default continues for a period of fifteen (15) days, then, upon receipt by us of your first written demand, we shall immediately pay to you or your assignee all unpaid 2nd, 3rd and 4th installments, together with the interest as specified in Paragraph (3) hereof, without requesting you to take any or further action, procedure or step against the Buyer or with respect to any other security which you may hold.

(5) We hereby agree that at your option this Guarantee and the undertaking hereunder shall be assignable to and of so assigned shall insure to the benefit or any 3rd party designated by you or bank as your assignee as if any such third party or bank were originally named herein.

(6) Any payment by us under this Guarantee shall be made in the United States Dollars by telegraphic transfer to bank, as receiving bank nominated by you for credit to the account of you with bank or through other receiving bank to be nominated by you from time to time, in favor of you or your assignee.

(7) Our obligations under this guarantee shall not be affected or prejudiced by any dispute between you as the Seller and the Buyer under the Shipbuilding Contract or by the Seller's delay in the construction and/ or delivery of the Vessel due to whatever causes or by any variation or extension of their terms thereof or by any security or other indemnity now or hereafter held by you in respect thereof, or by any time or indulgence granted by you or any other person in connection therewith, or by any invalidity or then forcibility of the thereof, or by any act, omission, fact or circumstances whatsoever, which could or might, but for the foregoing, diminish in any way our obligations under this Guarantee.

(8) Any claim or demand shall be in writing signed by one of your officers and may be served on us either by hand or by post and if sent by post to (or such other address as we may notify to you in writing), or by telex (telex No:) via Bank of China, with confirmation in writing.

(9) This Letter of Guarantee shall come into full force and effect upon delivery to you of this Guarantee and shall continue in force and effect until the Vessel is delivered to and accepted by the Buyer and the Buyer shall have performed all its obligations for taking delivery thereof or until the full payment of all 2nd, 3rd and 4th installments together with the aforesaid interest by the Buyer or us, whichever first occurs.

(10) The maximum amount, however, that we are obliged to pay to you under this Guarantee shall not exceed the aggregate amount of US Dollars being an amount equal to the sum of:

(a) All the 2nd, 3rd and 4th installments guaranteed hereunder in the total amount of United States Dollars (US\$); and

(b) Interest at the rate of percent () per annum of the installment for a period of sixty (60) days in the amount of United States Dollars (US\$).

(11) All payments by us under this Guarantee shall be made without any set-off or counter-claim and without deduction or withholding for or on account of taxes, duties, or charges whatsoever unless we are compelled by law to deduct or withhold the same. In the latter event we shall make the minimum deduction or withholding permitted and will pay such additional amounts as may be necessary in order that the net amount received by you after such deductions or withholdings shall equal the amount which would have been received had no such deduction or withholding been required to be made.

(12) This Letter of Guarantee shall be governed by the Laws of England. We hereby submit to the non-exclusive jurisdiction of the English courts for the purposes of any legal action or proceedings in connection herewith in England.

(13) This Letter of Guarantee shall have expired as aforesaid, you will return the same to us without any request or demand from us.

(14) IN WITNESS WHEREOF, we have caused this Letter of Guarantee to be executed and delivered by our duly authorized representative the day and year above written.

Very Truly yours

By: