



华泰保险经纪有限公司

HUATAI INSURANCE AGENCY & CONSULTANT SERVICE LTD.

Circular

Date: 21 July 2010

Subject: Pipeline Explosion Hit Dalian Port, China on 16 July
2010

Accident Brief

Since a pipeline explosion and fire hit the Xingang port, Dalian, which is one of the major ports in China, during a tanker offloading on July 16th, spilling around 1,500 tonnes of crude oil into the sea to leave a slick covering 183 sq km (71 sq miles), according to state news agency Xinhua, container operations had returned to normal, and shipping lanes were open after temporary restrictions following the accident were lifted at 5 p.m. local time (0900 GMT) on Tuesday. But imports of oil were still restricted or at a standstill. Officials said oil and dry bulk shipping would not return to normal until the end of the week.

After the “7.16 fire/ explosion”, according to domestic media, the amount of crude oil which leaked into the sea area is not ascertained, but was reported to be about 1500 tons and the affected sea area reached hundreds of square km. The main ports of Dalian including Beiliang, Dayaowan, Xingang(Dalian), Ore Terminal, Heshangdao and Liaoyu are affected.

About 24 specialist clean-up vessels, together with a total of 800 fishing boats, were using dispersants, absorbents and oil-eating bacteria to clear up the slick. With nearly a third of the oil now collected, it will take at least another four to five days to complete the operations, Xinhua news agency quoted Luan Yuxuan, deputy director of Dalian's Oceanic and Fishery Administration, as saying.

Now, though the port is not declared close, traffic control is ordered, and we learned that about 80-90 % of the berths are stopped, as the oil leakage extended to the channels and the adjacent sea area of Dalian port. And the oil cleaning is reported to be completed in 7- 10 days.

Investigation Progress

Regarding the fire/explosion investigation, the latest emergent notice/publication issued by the Ministry of Transport addressed to relevant MSA of all levels with view to avoiding similar incidents and ensuring safe operation of receiving/discharging oil cargo, mentioned that the incident happened at about 1820 hrs on 16 July 2010, (BJT), during discharging operation from a tanker at Dalian Xingang, when the land pipeline(s) of the shore tank exploded at the time of adding activator, which caused the fire and led to the leakage of crude oil into the sea.

Regarding the cause of the incident, we noted from media coverage, there is no clear conclusion about the cause of the fire / explosion yet; anyway, the tanker, which stayed at the port at the material time, is now regarded as irrelevant to the fire / explosion, and has been allowed to depart Dalian. As requested by the tanker's owners/Club, our Dalian office assisted in this incident.

Recommendation to Owners

We learned and have been reported that some vessels at the berths /adjacent shipyards suffered from oil stains. As all attention is now focused on the oil cleaning in recent few days, MSA or other of government organs for the time being may have no time to deal with the vessels' stains caused by the oil leakage.

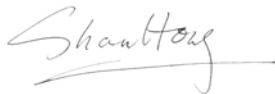
Under the circumstances, we have recommendations as follows for the reference of our clients and their members/assured,

1. All types of vessels had better avoid calling Dalian port before completion of the oil cleaning/ at least in the further 7-10 days unless necessary. Owners/charterers had better try to negotiate /discuss with relevant parties to change the loading/destination port from Dalian to Bayuquan or Jinzhou, even Qingdao or Ningbo or so.
2. To the vessels which are currently at Dalian, we suggest that:
 - (1) appoint competent surveyor to record/preserve the vessel's condition (on a strictly WP basis), witness the clean-up operations, brief the background of the matter, in order to record that the oil stains pollution is not from the vessel, and assist the Master in issuing a protest to the port authority and obtain the port' signature if possible.

- (2) while waiting for the cleaning (due to the traffic control), proper protest or advice to next voyage/charterer had better to be made asap.
- (3) it is prudent and advisable for vessels to be cleaned of any oil stains before departing Dalian, though available clean-up team may be very difficult to locate because almost all the clean-up force has been mobilized by the government into cleaning of the sea area. In case owners decide to arrange the crew to clean the oil stains, please be reminded MSA's prior approval will need to be obtained.

Hope the above is of assistance. Any query you may have or assistance you may need, please feel free to contact us or our Dalian office.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Shan Hong", with a horizontal line underneath.

Shan Hong
Assistant President