

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
AND
INDEPENDENT AUDITORS' REPORT

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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Independent Auditors' Report

The Board of Directors
Dong Lien Maritime S.A. (Panama)

We have audited the accompanying consolidated balance sheets of Dong Lien Maritime S.A. (Panama) and subsidiaries as of June 30, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the half-years then ended (expressed in U.S. dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and Republic of China generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dong Lien Maritime S.A. (Panama) and subsidiaries as of June 30, 2007 and 2006, and the results of their operations and their cash flows for the half-years then ended, in conformity with Republic of China generally accepted accounting principles.

August 20, 2007
Taipei, Taiwan, R.O.C.

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2007 AND 2006
(expressed in U.S. dollars)

ASSETS	June 30			
	2007		2006	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4(1))	\$ 67,025,470	20	26,200,356	9
Financial assets at fair value through profit or loss (Note 4(2))	1,501,781	-	1,000,000	-
Accounts receivable, net	89,785	-	127,055	-
Other accounts receivable—related party (Note 5)	2,250,105	1	3,406,741	1
Agency current accounts (Note 5)	8,787,119	3	9,291,922	3
Other financial assets—current	2,912,618	1	672,098	-
Inventories	2,397,922	1	2,344,828	1
Prepayments and other current assets (Note 5)	932,535	-	1,876,378	1
Restricted assets (Note 6)	408,333	-	-	-
	<u>86,305,668</u>	<u>26</u>	<u>44,919,378</u>	<u>15</u>
FUNDS AND INVESTMENTS				
Long-term investment under equity method (Note 4(3))	-	-	2,156,271	1
Financial assets carried at cost—noncurrent (Note 4(2))	680,398	-	1,141,688	-
	<u>680,398</u>	<u>-</u>	<u>3,297,959</u>	<u>1</u>
PROPERTY AND EQUIPMENT (Notes 4(4), 5 and 6)				
Vessel equipment	277,398,007	84	304,279,245	103
Leasehold improvements	-	-	101,791	-
Prepayments for business facilities	35,866,769	11	10,959,355	4
Less: accumulated depreciation	(73,627,643)	(22)	(72,860,211)	(25)
	<u>239,637,133</u>	<u>73</u>	<u>242,480,180</u>	<u>82</u>
OTHER ASSETS				
Deposits-out (Note 7(2))	500,000	-	3,000,000	1
Deferred charges	2,359,811	1	2,355,330	1
	<u>2,859,811</u>	<u>1</u>	<u>5,355,330</u>	<u>2</u>
TOTAL ASSETS	<u>\$ 329,483,010</u>	<u>100</u>	<u>296,052,847</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 1,913,910	1	1,564,706	1
Accrued expenses	1,315,065	-	1,448,799	-
Agency current accounts (Note 5)	111,774	-	609,840	-
Collections in advance and other current liabilities (Note 5)	2,332,914	1	1,655,050	1
Current portion of long-term loans (Note 4(5))	20,560,741	6	15,877,967	5
	<u>26,234,404</u>	<u>8</u>	<u>21,156,362</u>	<u>7</u>
LONG-TERM LIABILITIES				
Long-term loans (Note 4(5))	111,810,989	34	121,145,484	41
OTHER LIABILITIES				
Deposits-in	600	-	-	-
TOTAL LIABILITIES	<u>138,045,993</u>	<u>42</u>	<u>142,301,846</u>	<u>48</u>
STOCKHOLDERS' EQUITY				
Capital stock (Note 4(6))	\$ 40,851,392	12	60,851,392	21
Retained earnings	150,585,625	46	92,899,609	31
TOTAL STOCKHOLDERS' EQUITY	<u>191,437,017</u>	<u>58</u>	<u>153,751,001</u>	<u>52</u>
COMMITMENTS AND CONTINGENCIES (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 329,483,010</u>	<u>100</u>	<u>296,052,847</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE HALF-YEARS ENDED JUNE 30, 2007 AND 2006
(expressed in U.S. dollars)

	January 1 ~ June 30			
	2007		2006	
	Amount	%	Amount	%
Operating revenue, net	\$ 41,853,019	100	47,612,573	100
Operating costs	23,096,061	55	29,496,316	62
Operating gross profit	18,756,958	45	18,116,257	38
Operating expenses	400,691	1	526,709	1
Operating income	18,356,267	44	17,589,548	37
Nonoperating income				
Interest income	1,466,014	3	610,368	1
Investment gain—equity method (Note 4(3))	-	-	219,693	1
Cash dividends (Note 4(2))	228,000	1	266,380	1
Gain on disposal of property and equipment (Note 4(4))	7,877,343	19	865	-
Gain on sale of investments (Note 4(3))	5,077,012	12	-	-
Foreign exchange gain	543,260	1	-	-
Other income	367,875	1	651,155	1
	15,559,504	37	1,748,461	4
Nonoperating expenses				
Interest expense	3,311,591	8	3,452,266	7
Foreign exchange loss	-	-	1,209,529	3
Loss on valuation of financial liability	6,517	-	-	-
Other expenses	49,619	-	168,495	-
	3,367,727	8	4,830,290	10
Net income	\$ 30,548,044	73	14,507,719	31
Earnings per share (Note 4(7))	\$ 0.75		0.24	

The accompanying notes are an integral part of the consolidated financial statements.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE HALF-YEARS ENDED JUNE 30, 2007 AND 2006
(expressed in U.S. dollars)

	<u>Capital Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
January 1 ~ June 30, 2006			
Balance, January 1, 2006	\$ 60,851,392	78,391,890	139,243,282
Net income for January 1~June 30, 2006	-	14,507,719	14,507,719
Balance, June 30, 2006	\$ 60,851,392	92,899,609	153,751,001
January 1 ~ June 30, 2007			
Balance, January 1, 2007	\$ 40,851,392	120,037,581	160,888,973
Net income for January 1~June 30, 2007	-	30,548,044	30,548,044
Balance, June 30, 2007	\$ 40,851,392	150,585,625	191,437,017

The accompanying notes are an integral part of the consolidated financial statements.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE HALF-YEARS ENDED JUNE 30, 2007 AND 2006
(expressed in U.S. dollars)

	January 1 ~ June 30	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 30,548,044	14,507,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,720,105	7,429,831
Amortization	636,338	939,029
Transfer of deferred charge to operating expenses	47,258	-
Gain on disposal of property and equipment	(7,877,343)	(865)
Gain on sale of investments	(5,077,012)	-
Investment gain—equity method	-	(219,693)
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	501,069	2,000,000
Accounts receivable, net	(25,845)	441,280
Other accounts receivable—related party	845,415	-
Agency current accounts (debit)	1,682,790	(1,867,850)
Other financial assets—current	5,248,611	388,407
Inventories	(146,894)	(346,604)
Prepayments and other current assets	304,624	(741,442)
Accounts payable	52,442	(431,117)
Accrued expenses	(221,459)	(355,468)
Agency current accounts (credit)	(76,205)	(288,966)
Collections in advance and other current liabilities	439,995	(375,369)
Net cash provided by operating activities	33,601,933	21,078,892
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted assets	312,334	491,667
Purchases of property and equipment	(16,425,812)	(24,797,646)
Proceeds from repayment of long-term investment under equity method	-	277,115
Proceeds from sale of long-term investment under equity method	7,200,000	-
Proceeds from sale of property and equipment	17,790,000	2,000,000
Increase in deferred charges	(1,924,486)	(872,872)
Decrease in deposits-out	1,200,000	1,898,507
Net cash provided by (used in) investing activities	8,152,036	(21,003,229)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term loans	(6,945,771)	(973,279)
Increase in deposits-in	600	-
Net cash used in financing activities	(6,945,171)	(973,279)
Net increase (decrease) in cash and cash equivalents	34,808,798	(897,616)
Cash and cash equivalents, beginning of period	32,216,672	27,097,972
Cash and cash equivalents, end of period	\$ 67,025,470	26,200,356
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest (excluding capitalized interest)	\$ 3,337,322	3,588,121
Cash paid during the period for income tax	\$ -	-
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	\$ 20,560,741	15,877,967
Sale price of property and equipment	\$ -	5,406,741
Less: Other accounts receivable—related party, end of period	-	(3,406,741)
Proceeds from sale of property and equipment	\$ -	2,000,000

The accompanying notes are an integral part of the financial statements.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(amounts expressed in U.S. dollars, unless otherwise stated)

1. ORGANIZATION AND OPERATIONS

DONG LIEN MARITIME S.A. (PANAMA) (the Company) was established on September 28, 1979, in accordance with the Company Law of Panama. As of June 30, 2007, the Company and its subsidiaries owned twenty-two vessels: Babitonga (Great), Paragon, Best, Brave, Advance, Oceanic, Buenos Aires (Giant), Blossom, Royal, Shining, Brilliant, Sunny, Scan Bulker, Grand, Excellent, Honor, Noble SW (Bright), Superior, Genius, Nordana Mathilde, Luxury SW (Well) and Glaring.

The Company and its subsidiaries' main business scope includes

- (1) Shipping agency business.
- (2) Sea transportation and related businesses.
- (3) Ships and spare parts wholesale business.
- (4) Ships and spare parts retail trade business.
- (5) The Company may conduct any business that is not prohibited or restricted by laws and regulations.

The parent company: Shih Wei Navigation Co., Ltd.

As of June 30, 2007, the number of employees was 435.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were compiled in accordance with generally accepted accounting principles of the Republic of China. The significant accounting policies and measurement basis were as follows:

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. For purposes of preparing the consolidated financial statements, all inter-company transactions between the Company and its subsidiaries have been eliminated.

- a. For the half-year ended June 30, 2007, the subsidiaries included in the consolidated financial statements were as follows:

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Subsidiary</u>	<u>Direct / Indirect Ownership Percentage</u>	<u>Main Business Scope</u>
FOURSEAS MARITIME S.A. (PANAMA)	100%	Primarily engaged in international transportation and shipping agency business
ELEGANT PESCADORES S.A. (PANAMA)	100%	"
BRAVE PESCADORES S.A.	100%	"
GRAND OCEAN NAVIGATION S.A. (PANAMA)	100%	"
JACKSON STEAMSHIP S.A. (PANAMA)	100%	"
BLOSSOM PESCADORES S.A. (PANAMA)	100%	"
ROYAL PESCADORES S.A. (PANAMA)	100%	"
SHINING PESCADORES S.A. (PANAMA)	100%	"
BRILLIANT PESCADORES S.A.	100%	"
SUNNY PESCADORES S.A. (PANAMA)	100%	"
GENIUS PESCADORES S.A. (PANAMA)	100%	"
GALLANT PESCADORES S.A. (PANAMA)	100%	"
GRAND PESCADORES S.A. (PANAMA)	100%	"
MOON BRIGHT SHIPPING CORP. (PANAMA)	100%	"
EXCELLENT PESCADORES S.A. (PANAMA)	100%	"
HONOR PESCADORES S.A. (PANAMA)	100%	"
BRIGHT PESCADORES S.A. (PANAMA)	100%	"
SUPERIOR PESCADORES S.A. (PANAMA)	100%	"
VALOR PESCADORES S.A. (PANAMA)	100%	"
GRAND OVERSEAS S.A. (PANAMA)	100%	"
UNICORN BRILLANTS S.A. (PANAMA)	100%	"
PHAROS PESCADORES S.A. (PANAMA)	100%	"
BEACON PESCADORES S.A. (PANAMA)	100%	"
POSEIDON PESCADORES S.A. (PANAMA)	100%	"
LEADER PESCADORES S.A. (PANAMA)	100%	"
WELL PESCADORES S.A. (PANAMA)	100%	"
GLARING PESCADORES S.A. (PANAMA)	100%	"
VIGOR PESCADORES S.A. (PANAMA)	100%	"
TRUMP PESCADORES S.A. (PANAMA)	100%	"
FOURSEAS PESCADORES S.A. (PANAMA)	100%	"
HUGE PESCADORES S.A. (PANAMA)	100%	"
FAIR PESCADORES S.A. (PANAMA)	100%	"
FOREVER PESCADORES S.A. (PANAMA)	100%	"
ETERNITY PESCADORES S.A. (PANAMA)	100%	"
FEDERAL PESCADORES S.A. (PANAMA)	100%	"
PATRIOT PESCADORES S.A. (PANAMA)	100%	"
MODEST PESCADORES S.A. (PANAMA)	100%	"
WISE PESCADORES S.A. (PANAMA)	100%	"
PENGHU PESCADORES S.A. (PANAMA)	100%	"

For purposes of preparing the consolidated financial statements, the debt, obligations and inter-company transactions between the Company and its subsidiaries have been eliminated.

- b. Change in investments in subsidiaries: The Company invested in PATRIOT PESCADORES S.A. (PANAMA), MODEST PESCADORES S.A. (PANAMA), WISE PESCADORES S.A. (PANAMA), and PENGHU PESCADORES S.A. (PANAMA) in the half-year ended June 30, 2007, and the Company has a 100% shareholding.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- c. Related information on the subsidiaries that are not included in the consolidated financial statements: None.
- d. Subsidiary's accounting half-year-end differs from the Company's: None.
- e. Subsidiary's accounting policies and controlling companies differ from the Company's: None.
- f. Special operating risk of foreign subsidiaries: None.
- g. Legal or contract restrictions on distribution of earnings of the subsidiaries: None.
- h. Method and duration of amortization of consolidated debit or credit: None.
- i. Other important items in the consolidated financial statements of subsidiaries: None.

(2) Accounting estimation

When preparing the financial reports, the Company will make necessary measurements, valuations and disclosures according to Republic of China generally accepted accounting principles. There could be some differences between certain assumptions and the actual results.

(3) Foreign currency transactions

The accounts of the Company are maintained in U.S. dollars. Foreign currency transactions except for derivative financial instruments are recorded in U.S. dollars at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing on the balance sheet dates. The resulting exchange differences are recorded as current gains and losses. Effective January 1, 2006, the Company adopted ROC Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates". Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NT dollars at foreign exchange rates ruling at the dates the fair value was determined.

If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity. The foreign currency financial statements of foreign subsidiaries and investees, which are accounted for by the equity method, are recorded in the functional currency. The translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as a cumulative translation adjustment, which is a separate component of stockholders' equity.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Classification as current and noncurrent assets and liabilities

Unrestricted cash or cash equivalents, assets held for the trading purposes, and assets that will be held short term and are expected to be converted to cash within 12 months from the balance sheet date are classified as current assets; otherwise, they are classified as noncurrent assets.

Liabilities due on demand within 12 months from the balance sheet date are classified as current liabilities; otherwise, they are classified as noncurrent liabilities.

(5) Asset impairment

Effective January 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Company assesses the cash-generating unit to which goodwill is allocated on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

(6) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, checking accounts, time deposits rescindable anytime, certificates of deposit, and cash equivalents. Cash equivalents are short-term investments which could be converted to cash anytime and which do not have a significant level of market risk related to potential interest rate changes, and include treasury bills, commercial paper, and banker's acceptances with maturities of three months or less at the date of purchase.

(7) Financial assets

The Consolidated Companies adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" commencing from January 1, 2006. Financial assets are classified into the following accounts: financial assets at fair value through profit or loss; available-for-sale financial assets; held-to-maturity financial assets; financial assets carried at cost; and bond portfolios with no active bond market.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Consolidated Companies adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount.

The financial instruments the Consolidated Companies held or issued are classified into the following accounts in accordance with the purpose of holding or issuing after the original recognition.

- a. Financial assets at fair value through profit or loss: The main purposes of the financial instruments are selling or repurchasing in the short term. Except for the derivatives that the Consolidated Companies held for hedging purposes and are considered to be effective, all derivatives should be classified into this account.
- b. Financial assets carried at cost: Equity investments which cannot be evaluated at fair value are booked at original cost. If there is evidence of impairment, impairment loss should be recognized, and the impairment amount cannot be reversed.

(8) Derivative financial instruments and hedging

The derivative financial instruments held by the Company are for hedging the risk of changes in foreign currency exchange rates and interest rates resulting from operational, financial and investment activities. The derivatives are recognized as financial instruments held for trading when they do not meet the criteria for hedge accounting.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based upon the collectibility of notes and accounts receivable and of other receivables. Bad debt expense depends on the Company's past collection experience, aging analysis, and consideration of internal control.

(10) Inventories

Inventories relate to the fuel for ships and are stated at the lower of cost or market value at year-end. When comparing the cost with the market value, the lump-sum method is adopted and replacement cost is used as the market value. Under transportation industry practice and the operating procedures of the Company, the physical stock-taking of year-end inventory is only performed for ships in harbor. For those ships which are not in harbor, the ship captains are responsible for the physical inventory observation.

(11) Long-term investment under equity method

Long-term equity investments in which the Company has over 20% ownership of voting shares, or less than 20% but has significant influence, are accounted for by the equity method.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The difference between selling price and carrying value is recorded as gain or loss on disposal of long-term equity investments. If there was capital surplus generated by long-term equity investments, it should be directly recorded as current gain or loss in proportion to the amount sold.

The Company not only assesses the value of investee companies using the equity method, but includes the financial statements of subsidiaries when preparing consolidated financial statements on June 30 and December 31 for every accounting year.

(12) Property and equipment, depreciation, and disposal gain (loss)

Property and equipment are stated at cost or cost plus incremental value from revaluation. Major additions, betterments and renewals, including related interest incurred up to the point when the fixed assets can be placed into service, are capitalized.

Depreciation of property and equipment is calculated by the straight-line method over the estimated useful lives as stipulated by the Navigation & Aviation Authorities in the following schedule.

Vessel equipment	8 to 25 years
Leasehold improvements	5 years

For property and equipment still in use after full depreciation, estimated salvage values may continue to be depreciated over their estimated remaining service lives.

Gains or losses on disposal of fixed assets are included in current income.

(13) Deferred charges

Deferred charges consist of unamortized major renovation costs and construction supervision costs of vessel equipment stated at cost, and are amortized using the straight-line method over a period of two to five years.

(14) Revenue recognition

Revenue is generally recognized when the earnings process is completed or virtually completed and revenue is realized or realizable and measurable. The relevant costs are recognized when the revenue is recognized.

(15) Earnings per share of common stock

The computation of basic earnings per share is based on the weighted-average number of outstanding ordinary shares. Stock dividends and new common stock issued through retained earnings, capital surplus, and employees' bonuses are included in the computation of outstanding shares retroactively.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

Starting from January 1, 2006, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement", and adopted SFAS No. 36, "Financial Instruments: Disclosure and Presentation". Such change in accounting principle had no effect on the consolidated income and earnings per share for the first half of 2006. Please refer to Notes 4(2) and 4(8).

4. SUMMARY OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30	
	2007	2006
Cash advance	\$ 462,166	453,723
Bank deposits		
Savings accounts	491,192	996,377
Checking accounts	9,560	23,614
Foreign currency deposits	7,812,552	724,532
Time deposits	58,250,000	24,002,110
Total	\$ 67,025,470	26,200,356

(2) Financial assets

	June 30	
	2007	2006
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Beneficiary certificates — Franklin Templeton	\$ 1,300,000	1,000,000
Global Bond fund		
1 Year Absolute Return Notes on a Basket of	200,000	-
Global Securities		
Investment in stock — WUYI INTERNATIONAL	1,781	-
PHARMACEUTICAL CO. (HK)		
Total	\$ 1,501,781	1,000,000
Financial assets carried at cost — noncurrent		
Investment in stock — ETERNAL		
PESCADORES S.A. (PANAMA)	\$ -	461,290
Investment in stock — HARMONY SUCCESS		
S.A. (PANAMA)	653,600	653,600
Investment in stock — LANDO CO., LTD.		
(original investment cost: JPY 3,000,000)	26,798	26,798
Total	\$ 680,398	1,141,688

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Derivative financial instruments:

The following is a summary of the derivative financial instruments as of June 30, 2007 and 2006:

Item	June 30			
	2007		2006	
	Book Value	Nominal Principal	Book Value	Nominal Principal
Derivative financial asset:				
Equity-linked notes	\$ -	1,003,694	-	-
1 Year Absolute Return Notes on a Basket of Global Securities	200,000	200,000	-	-
Forward contract	-	JPY 2,698,250	-	-
	<u>\$ 200,000</u>		<u>-</u>	-
Derivative financial liability:				
Equity-linked notes	\$ -	JPY 52,981,867	-	-
Foreign option	6,500	3,000,000	-	-
	<u>\$ 6,500</u>		<u>-</u>	-

- a. Derivative financial asset—The Company purchased 1 Year Absolute Return Notes on a Basket of Global Securities issued by CALYON Financial Products (Guernsey) Limited from Hua Nan Commercial Bank, Ltd. during 2006. CALYON Financial Products (Guernsey) Limited will pay the Noteholder the larger of 3% annually or the participation rate multiplied by the minimum absolute value of the stock performance rate if the Company holds the above Notes to the maturity date.
- b. Derivative financial asset and liability—The Company and subsidiaries bought a 14-day foreign option with an assured rate in US (JPY) dollars from Hua Nan Bank, Jin Sun International Bank, Taiwan Cooperative Bank and Mega International Commercial Bank. If the current rate according to Reuters TKFE is higher than (or equal to) the contract rate at the option expiration date, the contract amount in US dollars (JPY) will be converted to JPY (US dollars), and the Company and subsidiaries can receive the exchange gain at the contract rate.
- c. The Company invested in ETERNAL PESCADORES S.A. (PANAMA) during 2002. This company was established for the purpose of owning a newly built vessel—Pescadores Bulker. Stockholders of this company paid the construction price and related expenses in installments according to the shareholding percentages. In March 2004, the vessel construction was completed. During the second half of 2006, the Company had received \$461,290 for ETERNAL PESCADORES S.A. (PANAMA) because it liquidated and returned all capital. During the first half of 2006, the Company received cash dividends of \$34,200 from the investee company.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- d. The Company invested in HARMONY SUCCESS S.A. (PANAMA) during May 2003. The Company had 19% ownership. The main purpose of establishing the investee company was to own a newly built vessel – Golden KIKU. Stockholders of this investee company paid the construction price and related expenses in installments according to the shareholding percentages. In September 2005, the vessel construction was completed. As of June 30, 2007, the Company had paid \$653,600. During the first half of 2007 and 2006, the Company received cash dividends of \$228,000 and \$232,180, respectively, from the investee company.
- e. The Company invested in LANDO CO., LTD. during August 2005. As of June 30, 2007, the Company had 18.75% ownership and had paid \$26,798 (JPY 3,000,000).

(3) Long-term investment under equity method

June 30, 2006	Share	Amount	Ownership
EUROASIA II INC., PANAMA	45	\$ 2,156,271	45%
(original investment cost \$1,022,173)			

The Company invested in EUROASIA II INC., PANAMA and EUROASIA III INC., PANAMA in 2003. The companies were established for the purpose of owning two newly built vessels – Bianco Pescadores and Hull No. 10369. The payments for the vessels' construction and related expenses were made in installments according to the shareholding percentages of both investee companies, but EUROASIA III INC., PANAMA transferred all of the assets and liabilities and equity accounts to EUROASIA II INC., PANAMA during July 2005. The Company also transferred the investment of \$6,180 in EUROASIA III INC., PANAMA to EUROASIA II INC., PANAMA. As of June 30, 2006, the Company had a 45% shareholding of EUROASIA II INC., PANAMA, and had paid \$1,022,173 for EUROASIA II INC., PANAMA. Investment gain recognized for the first half of 2007 and 2006 based on the audited financial statements with unqualified opinion issued by the investee companies' independent auditors is detailed below:

Investee company	January 1 ~ June 30	
	2007	2006
	Investment gain	Investment gain
EUROASIA II INC., PANAMA	\$ -	219,693

Note: The Company disposed of all long-term investment in EUROASIA II INC., PANAMA at a sales price of \$7,200,000 in March 2007. As of June 30, 2007, the entire sales price was received. The gain on disposal of investment was \$5,074,162.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Property and equipment

June 30, 2007	Cost	Accumulated Depreciation	Net Amount
Vessel equipment	\$ 277,398,007	73,627,643	203,770,364
Leasehold improvements	-	-	-
Prepayments for business facilities	35,866,769	-	35,866,769
Total	\$ 313,264,776	73,627,643	239,637,133

June 30, 2006	Cost	Accumulated Depreciation	Net Amount
Vessel equipment	\$ 304,279,245	72,814,530	231,464,713
Leasehold improvements	101,791	45,679	56,112
Prepayments for business facilities	10,959,355	-	10,959,355
Total	\$ 315,240,391	72,860,211	242,480,180

- a. The Company's subsidiary GALLANT PESCADORES S.A. disposed of the vessel GALLANT and its equipment to SHIH WEI NAVIGATION CO., LTD. at a sales price of \$5,406,741 in April 2006. The gain on disposal of the vessel and its equipment was \$0. As of June 30, 2007, the entire sales price was received.
- b. The Company's subsidiary, UNICORN BRILLIANT PESCADORES S.A. (PANAMA), disposed its own vessel "Unicorn Brilliant" at a sale price of US\$12,500 thousand during January 2007. During the first half 2007, the Company received all of the sale price. The gain on disposal of the vessel was US\$5,076 thousand.
- c. The Company's subsidiary, ELEGANT PESCADORES S.A. (PANAMA), disposed its own vessel "Elegant" at a sale price of US\$5,290 thousand during February 2007. During the first half 2007, the Company received all of the sale price. The gain on disposal of the vessel was US\$2,801 thousand.

(5) Long-term loans/Current portion of long-term loans

	June 30	
	2007	2006
Secured loans	\$ 132,371,730	137,023,451
Less: Current portion	(20,560,741)	(15,877,967)
Net amount	\$ 111,810,989	121,145,484

The Company provided certain fixed assets as collateral for the above secured loans. The loans bore interest of 1.180% ~ 6.880% and 0.862% ~ 7.876% for the first half of 2007 and 2006, respectively.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Capital stock

The Company was established on September 28, 1979, with registered capital of \$1,600,000. In 1997 and 1998, capital increase for cash amounted to \$19,000,000 and \$17,000,000, respectively. In 2000, 2002 and 2004, capital was increased by issuance of additional stock to offset payables to related party of \$12,754,296 and \$3,597,096 and for cash amounting to \$6,900,000, respectively. In July 2006, the Company returned capital of \$20,000,000 to stockholders.

As of June 30, 2007 and 2006, 40,851,392 and 60,851,392 shares, respectively, were issued and outstanding with par value of \$1 per share.

On July 11, 2007, the board of directors' meeting passed a resolution that the Company would return capital of \$20,000,000 to stockholders.

(7) Earnings per share

Earnings per share are calculated based on the weighted-average number of shares outstanding during each period. The weighted-average number of shares outstanding for the half-years ended June 30, 2007 and 2006, was 40,851,392 and 60,851,392, respectively.

(8) Disclosure of financial instrument information

a. Information on fair value of financial instruments

The company's non-derivative financial instruments include cash, cash equivalents, accounts receivable (payable), other financial assets—current, restricted assets, other financial liabilities, and accrual expense, whose fair values were estimated by book value on the balance sheet date. Because such financial instruments will become due shortly, their face value should be a reasonable basis for estimating their fair value.

In addition to the above, the information on the fair value of the Company's other financial assets and liabilities as of June 30, 2007 and 2006, was as detailed below:

Non-Derivative Financial Instruments	June 30, 2007			June 30, 2006		
	Book Value	Fair Value		Book Value	Fair Value	
		Based on quoted market prices	Determined by using valuation techniques		Based on quoted market prices	Determined by using valuation techniques
Financial Assets						
Financial assets at fair value through profit or loss — current	\$ 1,501,781	1,682,130	-	1,000,000	1,028,681	-
Financial assets carried at cost — noncurrent	680,398	Refer to (iii) below	-	1,141,688	Refer to (iii) below	-
Deposits-out	500,000	-	500,000	3,000,000	-	3,000,000
Financial Liabilities						
Long-term loans	132,371,730	-	132,371,730	137,023,451	-	137,023,451

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Derivative Financial Instruments	June 30, 2007			June 30, 2006		
	Book Value	Fair Value		Book Value	Fair Value	
		Based on quoted market prices	Determined by using valuation techniques		Based on quoted market prices	Determined by using valuation techniques
Financial Assets						
Equity-linked notes	-	-	6,011	-	-	-
1 Year Absolute Return Notes on a Basket of Global Securities	200,000	201,400	-	-	-	-
Forward contract	-	-	757,183	-	-	-
Financial Liabilities						
Equity-linked notes	-	-	4,800	-	-	-
Foreign option	6,500	-	26,090	-	-	-

- b. Methods and assumptions used by the Company and its subsidiaries for determination of the fair value of financial instruments are as follows:
- i. The fair value of financial instruments is estimated based upon their face value stated on the balance sheet. Because such financial instruments will become due shortly, their face value should be a reasonable basis for estimating their fair value. This method is applicable to cash and cash equivalents, accounts receivable, agency current accounts (debit), other financial assets – current, restricted assets, financial assets – current, deposits-out, accounts payable, accrued expenses, agency current accounts (credit), and other current liabilities.
 - ii. Financial assets at fair through profit or loss – current: If available, fair value of marketable securities is the market price; otherwise, financial or other information is used to estimate fair value. The estimates and assumptions of the valuation techniques adopted by the Company are identical to those adopted by other market participants.
 - iii. Financial assets carried at cost – noncurrent: Because the market value of the financial assets – noncurrent is not available, it is impossible to estimate their fair values.
 - iv. It is hard to identify the maturity date of deposits-out and impossible to estimate the fair value, so the face value should be a reasonable basis for estimating the fair value.
 - v. Long-term loans: Interest expenses of long-term loans are computed using annual floating rates, and the book value of the long-term loans is equal to their fair value. If the appointed rate is fixed, the fair value of the long-term loans is estimated by the present value of expected cash flow. For loans whose maturity dates are close to each other, the discount rates are similar.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- c. For the financial assets provided by the Company as collateral as of June 30, 2007 and 2006, please refer to Note 6.

- d. As of June 30, 2007 and 2006, the financial assets exposed to the fair value risk due to interest rate variation were \$58,250,000 and \$24,002,110, respectively; the financial assets exposed to the cash flow risk due to interest rate variation were \$8,303,744 and \$1,720,909, respectively; the financial liabilities exposed to the cash flow risk due to interest rate variation were \$132,371,730 and \$137,023,451, respectively.

e. Financial risk

i. Market risk

The equity securities held by the Company and subsidiaries are categorized as financial assets at fair value through profit or loss. The valuation of those assets is according to fair value; therefore, the Company and subsidiaries are exposed to the risk of market value in the equity securities market.

ii. Credit risk

The Company's major clients are the owners of large amounts of commodities or agencies for long-term leasing of vessels. In order to reduce credit risk, the Company regularly evaluates its customers' financial position. However, the Company usually does not require collateral from its customers. For the amount of endorsement guarantees as of June 30, 2007 and 2006, please refer to Note 7(2).

iii. Liquidity risk

The capital and operating funds of the Company are sufficient to perform all current contractual obligations; therefore, there is no liquidity risk.

iv. Cash flow risk arising from interest rate change

The Company's long-term loan carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rate and thereby influences the Company's future cash flow. If the market interest rate rises 1%, the Company's cash outflow would increase \$1,323,717 in the future.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. RELATED-PARTY TRANSACTIONS

(1) Related-party accounts

<u>Name of related party</u>	<u>Relationship with the Company</u>
SHIH WEI NAVIGATION CO., LTD.	Parent company
HARMONY SUCCESS S.A. (PANAMA)	The company's president was an immediate family member of the Company's chairman
FORTUNATE MARITIME S.A. (PANAMA)	Same parent company

(2) Significant transactions with related parties

a. Purchases

<u>Name of related party</u>	<u>January 1~June 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
SHIH WEI NAVIGATION CO., LTD.	\$ 1,722,725	7	2,002,529	7

b. Other accounts receivable—related party

<u>Name of related party</u>	<u>June 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
SHIH WEI NAVIGATION CO., LTD.	\$ -	-	3,406,741	100
FORTUNATE MARITIME S.A. (PANAMA)	2,250,105	100	-	-
	\$ 2,250,105	100	3,406,741	100

c. Prepayments and other current assets

<u>Name of related party</u>	<u>June 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
SHIH WEI NAVIGATION CO., LTD.	\$ -	-	807,997	43

d. Agency current accounts (asset account)

<u>Name of related party</u>	<u>June 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
SHIH WEI NAVIGATION CO., LTD.	\$ 8,787,119	100	9,291,922	100

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

e. Agency current accounts (liability account)

Name of related party	June 30			
	2007		2006	
	Amount	%	Amount	%
SHIH WEI NAVIGATION CO., LTD.	\$ 97,811	88	609,840	100
FORTUNATE MARITIME S.A. (PANAMA)	13,963	12	-	-
	\$ 111,774	100	609,840	100

f. Other accounts payable — related party (recorded as other current liabilities)

Name of related party	June 30			
	2007		2006	
	Amount	%	Amount	%
HARMONY SUCCESS S.A. (PANAMA)	\$ -	-	48,894	3
	\$ -	-	48,894	3

g. Operating expenses

Name of related party	January 1~June 30			
	2007		2006	
	Amount	%	Amount	%
SHIH WEI NAVIGATION CO., LTD.	\$ 72,977	18	69,574	13
	\$ 72,977	18	69,574	13

h. The Company's subsidiary GALLANT PESCADORES S.A. (PANAMA) disposed of the vessel GALLANT and its equipment to SHIH WEI NAVIGATION CO., LTD. at a sales price of \$5,406,741 in April 2006, and the gain on disposal of the vessel and its equipment was \$0. The entire sales price was received during 2006.

i. As of June 30, 2007 and 2006, the Company had significant contracts as follows:

Contract Title	Contracting Party	Period Covered	Contents
Management Contract	SHIH WEI NAVIGATION CO., LTD. (PANAMA)	No expiration date after delivery of the vessel; should notify 60 days prior to contract termination	The Company agent for management of the vessel

j. As of June 30, 2007 and 2006, SHIH WEI NAVIGATION CO., LTD. (PANAMA) provided endorsement guarantees amounting to US\$194,599 thousand and US\$137,023 thousand, respectively; SHIH WEI NAVIGATION CO., LTD. (PANAMA) had issued guarantee notes for endorsement guarantees and cargo transportation which amounted to NT\$492,708 thousand and NT\$534,965 thousand respectively.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. PLEDGED ASSETS

The following is a summary of the assets provided by the Company as collateral to financial institutions for secured loans as of June 30, 2007 and 2006:

	June 30	
	2007	2006
Vessel equipment (net book value)	\$ 199,845,050	219,910,566
Restricted assets	408,333	-
Prepayment for business facilities	20,483,648	-
Total	\$ 220,737,031	219,910,566

7. COMMITMENTS AND CONTINGENCIES

- (1) The construction agreements for vessels signed by the subsidiaries of the Company amounted to JPY 31,887,700 thousand and US\$26,000 thousand as of June 30, 2007, and JPY 17,845,000 thousand as of June 30, 2006. The Company had paid JPY 4,291,913 thousand as of June 30, 2007, and JPY 1,230,175 thousand as of June 30, 2006 (recorded as prepayments for business facilities).
- (2) As of June 30, 2007 and 2006, the Company had signed significant operating lease contracts for cargo transportation as follows:

June 30, 2007			
Vessel Name	Contracting Party	Period Covered	Deposits-out amount
ID COMMANDER	ID SHIPPING A/S	2002 ~ 2011	\$ 500,000
June 30, 2006			
Vessel Name	Contracting Party	Period Covered	Deposits-out amount
FODAS	FODAS MARITIME S.A.	2002 ~ 2010	\$ 1,200,000
MAJESTIC	MAJESTIC PESCADORES S.A.	2002 ~ 2010	1,200,000
ID COMMANDER	ID SHIPPING A/S	2002 ~ 2011	600,000
Total			\$ 3,000,000

The above rental expenses of operating lease contracts for cargo transportation were valued daily (365 days in a year) and paid monthly.

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. SUMMARY OF EMPLOYEE EXPENSES, DEPRECIATION, DEPLETION AND AMORTIZATION

	January 1 ~ June 30, 2007			January 1 ~ June 30, 2006		
	O p e r a t i n g c o s t	O p e r a t i n g e x p e n s e	T o t a l	O p e r a t i n g c o s t	O p e r a t i n g e x p e n s e	T o t a l
Employee expenses						
Payroll	\$ 3,649,946	-	3,649,946	3,843,390	-	3,843,390
Insurance	-	-	-	-	-	-
Retirement	-	-	-	-	-	-
Others	1,001,514	-	1,001,514	1,254,159	-	1,254,159
Depreciation	6,720,105	-	6,720,105	7,429,831	-	7,429,831
Depletion	-	-	-	-	-	-
Amortization	636,338	-	636,338	939,029	-	939,029