

**Dong Lien Maritime S.A. Panama and  
Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2009 and 2008 and  
Independent Auditors' Report**

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Dong Lien Maritime S.A. Panama

We have audited the accompanying consolidated balance sheet of Dong Lien Maritime S.A. Panama (the "Corporation") and its subsidiaries as of June 30, 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation and subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Corporation and its subsidiaries for the six months ended June 30, 2008 were audited by other auditors whose report, dated August 15, 2008, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Dong Lien Maritime S.A. Panama and its subsidiaries as of June 30, 2009, and the results of their operations and their cash flows for the six months then ended, in conformity with the accounting principles generally accepted in the Republic of China.

*Deloitte & Touche*

August 11, 2009

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 consolidated 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, 2009 AND 2008**  
(In U.S. Dollars)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>										
Cash (Note 4)	\$ 113,538,677	21	\$ 53,424,099	13	Short-term bank loans (Notes 10 and 15)		\$ 4,755,345	1	\$ 9,836,843	2
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	-	-	Accounts payable		2,614,948	1	2,714,070	1
Accounts receivable (Note 2)	228,287	-	1,781	-	Accrued expenses		1,769,634	-	1,537,509	-
Other receivables - related parties (Note 14)	20,415,460	4	18,796,246	5	Other payables - related party (Note 14)		-	-	20,000,000	5
Inventories (Note 2)	2,885,230	-	2,839,597	1	Current portion of long-term bank loans (Notes 11 and 15)		23,777,570	4	16,394,844	4
Pledged time deposits - current (Notes 10 and 15)	1,499,000	-	6,600,000	2	Other current liabilities (Notes 2, 5 and 14)		1,468,090	-	2,633,597	1
Other current assets	3,615,497	1	5,137,165	1	Total current liabilities		34,385,587	6	53,116,863	13
Total current assets	142,182,151	26	86,893,638	22						
<b>INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>					
Financial assets at fair value through profit or loss - noncurrent (Notes 2 and 5)	-	-	2,000,000	1	Long-term bank loans (Notes 11 and 15)		204,789,164	38	137,883,113	35
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	-	-	1,000,000	-	<b>OTHER LIABILITIES</b>					
Held-to-maturity financial assets - noncurrent (Notes 2 and 6)	500,000	-	-	-	Guarantee deposits received		1,000	-	-	-
Financial assets carried at cost - noncurrent (Notes 2 and 8)	680,398	-	680,398	-	Total liabilities		239,175,751	44	190,999,976	48
Total investments	1,180,398	-	3,680,398	1	<b>STOCKHOLDERS' EQUITY</b>					
<b>PROPERTY AND EQUIPMENT, NET (Notes 2, 9 and 15)</b>	392,467,313	72	304,624,399	76	Capital stock - par value \$1, authorized and issued 851,392 shares in 2009 and 2008		851,392	-	851,392	-
<b>OTHER ASSETS</b>					Retained earnings		303,166,765	56	206,453,739	52
Refundable deposits - noncurrent	-	-	350,000	-	Total stockholders' equity		304,018,157	56	207,305,131	52
Deferred charges (Note 2)	2,164,046	1	2,756,672	1						
Pledged time deposits - noncurrent (Notes 11 and 15)	5,200,000	1	-	-	<b>TOTAL</b>		\$ 543,193,908	100	\$ 398,305,107	100
Total other assets	7,364,046	2	3,106,672	1						
<b>TOTAL</b>	\$ 543,193,908	100	\$ 398,305,107	100						

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

(With Deloitte & Touche audit report dated August 11, 2009)

## DONG LIEN MARITIME S.A. PANAMA AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In U.S. Dollars)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)	\$ 53,216,616	100	\$ 59,155,880	100
OPERATING COSTS (Notes 12 and 14)	<u>32,717,541</u>	<u>62</u>	<u>29,420,848</u>	<u>50</u>
GROSS PROFIT	20,499,075	38	29,735,032	50
OPERATING EXPENSES (Notes 12 and 14)	<u>629,128</u>	<u>1</u>	<u>489,371</u>	<u>1</u>
OPERATING INCOME	<u>19,869,947</u>	<u>37</u>	<u>29,245,661</u>	<u>49</u>
NONOPERATING INCOME AND GAINS				
Interest income	496,937	1	1,234,545	2
Dividend income	419,765	1	114,000	-
Gain on disposal of property and equipment (Note 2)	-	-	18,593,355	31
Exchange gain, net (Notes 2 and 5)	3,450,882	6	1,737,643	3
Gain on valuation of financial assets, net (Notes 2 and 5)	-	-	1,349	-
Miscellaneous income (Note 13)	<u>3,876,837</u>	<u>7</u>	<u>259,941</u>	<u>1</u>
Total nonoperating income and gains	<u>8,244,421</u>	<u>15</u>	<u>21,940,833</u>	<u>37</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	2,127,969	4	3,287,953	6
Loss on valuation of financial liabilities, net (Notes 2 and 5)	14,503	-	205,901	-
Loss on valuation of financial assets, net (Notes 2 and 5)	117,000	-	-	-
Loss on sale of investments, net (Notes 2 and 5)	1,139	-	-	-
Miscellaneous expense	<u>66,050</u>	<u>-</u>	<u>297,801</u>	<u>-</u>
Total nonoperating expenses and losses	<u>2,326,661</u>	<u>4</u>	<u>3,791,655</u>	<u>6</u>
CONSOLIDATED NET INCOME	<u>\$25,787,707</u>	<u>48</u>	<u>\$47,394,839</u>	<u>80</u>
ATTRIBUTABLE TO:				
Stockholders of the parent	\$25,787,707	48	\$47,394,839	80
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$25,787,707</u>	<u>48</u>	<u>\$47,394,839</u>	<u>80</u>

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

(With Deloitte & Touche audit report dated August 11, 2009)

## DONG LIEN MARITIME S.A. PANAMA AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In U.S. Dollars)

	Capital Stock Issued and Outstanding		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		
BALANCE, JANUARY 1, 2009	851,392	\$ 851,392	\$ 284,379,058	\$ 285,230,450
Appropriation of the 2008 earnings				
Cash dividends	-	-	(7,000,000)	(7,000,000)
Consolidated net income for the six months ended June 30, 2009	<u>-</u>	<u>-</u>	<u>25,787,707</u>	<u>25,787,707</u>
BALANCE, JUNE 30, 2009	<u>851,392</u>	<u>\$ 851,392</u>	<u>\$ 303,166,765</u>	<u>\$ 304,018,157</u>
BALANCE, JANUARY 1, 2008	20,851,392	\$ 20,851,392	\$ 171,951,900	\$ 192,803,292
Capital reduction	(20,000,000)	(20,000,000)	-	(20,000,000)
Appropriation of the 2007 earnings				
Cash dividends	-	-	(12,893,000)	(12,893,000)
Consolidated net income for the six months ended June 30, 2008	<u>-</u>	<u>-</u>	<u>47,394,839</u>	<u>47,394,839</u>
BALANCE, JUNE 30, 2008	<u>851,392</u>	<u>\$ 851,392</u>	<u>\$ 206,453,739</u>	<u>\$ 207,305,131</u>

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

(With Deloitte & Touche audit report dated August 11, 2009)

# DONG LIEN MARITIME S.A. PANAMA AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In U.S. Dollars)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 25,787,707	\$ 47,394,839
Depreciation	8,808,703	7,080,030
Amortization	894,094	879,034
Loss on sale of investments, net	1,139	-
Loss (gain) on valuation of financial assets, net	117,000	(1,349)
Loss on valuation of financial liabilities, net	-	205,901
Gain on disposal of property and equipment	-	(18,593,355)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	1,883,642	1,349
Accounts receivable	106,071	293,599
Other receivables - related parties	1,154,086	604,139
Inventories	(570,228)	(9,678)
Other current assets	149,092	1,130,711
Accounts payable	(395,054)	1,096,177
Accrued expenses	(1,051)	(77,855)
Other current liabilities	<u>(759,012)</u>	<u>160,492</u>
Net cash provided by operating activities	<u>37,176,189</u>	<u>40,164,034</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of held-to-maturity financial assets	(500,000)	-
Acquisition of available-for-sale financial assets	-	(1,000,000)
Proceeds from disposal of property, equipment and deferred charges	-	29,850,000
Acquisition of property and equipment	(72,166,531)	(70,423,855)
Decrease in refundable deposits	-	50,000
Increase in deferred charges	(1,254,512)	(1,631,446)
Decrease (increase) in pledged time deposits	(4,059,000)	5,920,110
Decrease (increase) in other receivables - related parties	<u>394,769</u>	<u>(3,989,629)</u>
Net cash used in investing activities	<u>(77,585,274)</u>	<u>(41,224,820)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term bank loans	223,347	6,546,393
Increase (decrease) in long-term bank loans	47,097,855	(2,344,147)
Decrease in guarantee deposits received	(3,800)	(1,000)
Cash dividends	<u>(7,000,000)</u>	<u>(12,893,000)</u>
Net cash provided by (used in) financing activities	<u>40,317,402</u>	<u>(8,691,754)</u>
NET DECREASE IN CASH	(91,683)	(9,752,540)
CASH, BEGINNING OF PERIOD	<u>113,630,360</u>	<u>63,176,639</u>
CASH, END OF PERIOD	<u>\$ 113,538,677</u>	<u>\$ 53,424,099</u>

(Continued)

# DONG LIEN MARITIME S.A. PANAMA AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In U.S. Dollars)

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	2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 2,304,448</u>	<u>\$ 3,609,030</u>
NONCASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 23,777,570</u>	<u>\$ 16,394,844</u>
Return of paid-in capital due to investee's reduction of capital (classified under other payables - related party)	<u>\$ -</u>	<u>\$ 20,000,000</u>

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

(With Deloitte & Touche audit report dated August 11, 2009)

(Concluded)

# DONG LIEN MARITIME S.A. PANAMA AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

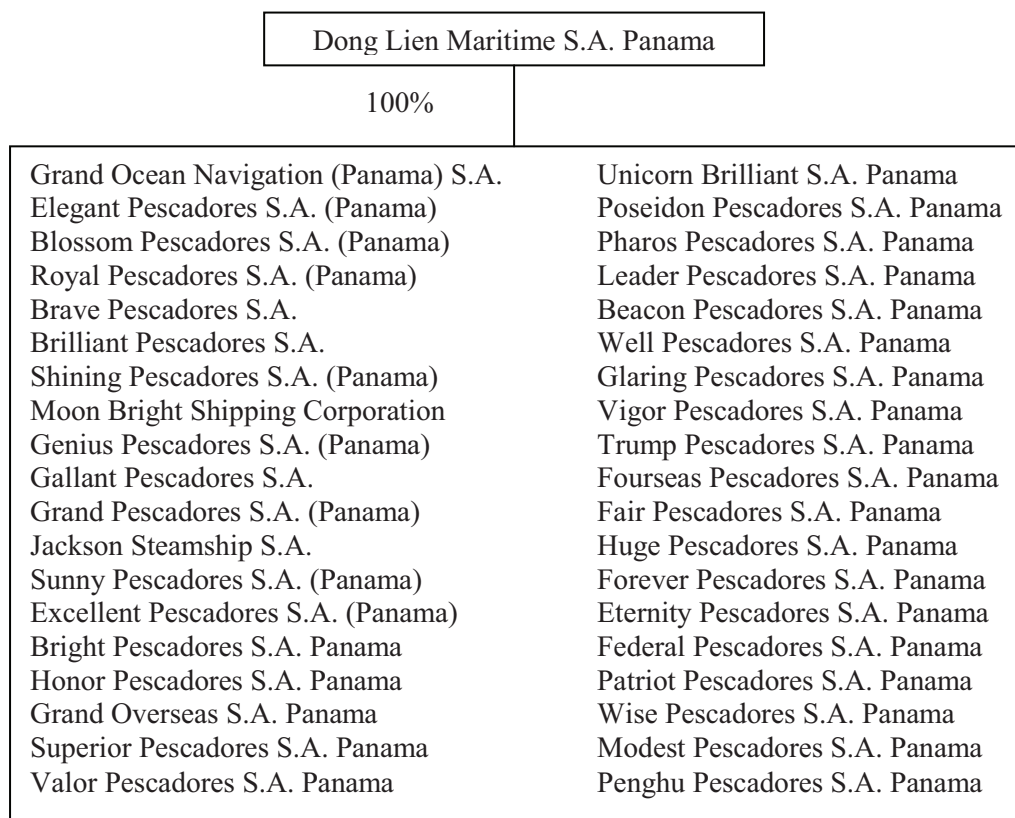
(In U.S. Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Dong Lien Maritime S.A. Panama (the "Corporation") was incorporated in September 1979 under the Company Act of Panama. The Corporation and subsidiaries mainly provide cargo shipping services, shipping agency, and sell, lease and build ships and their spare parts.

The Corporation and its subsidiaries' investment relationship and percentage of ownerships of the consolidated financial statement of June 30, 2009 and 2008 are as follows.



As of June 30, 2009 and 2008, the Corporation and its subsidiaries had 583 and 486 employees, respectively.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these principles, the Corporation and its subsidiaries are required to make reasonable estimates and assumptions that affect the amounts of allowance for doubtful accounts, provision for loss on inventories, depreciation on property and equipment, amortization of deferred charges, and impairment loss on assets, etc. Actual results could differ from these estimates.

The significant accounting policies of the Corporation and its subsidiaries are summarized as follows:

### **Basis of Consolidation**

The consolidated companies are the Corporation's direct or indirect subsidiaries of which the Corporation holds more than 50% of their respective common shares and all other direct or indirect investees over which the Corporation has substantive control. All significant intercompany transactions or balances were eliminated during the consolidation.

### **Current and Noncurrent Assets and Liabilities**

Current assets included cash and those held primarily for trading purpose or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property and equipment are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

### **Financial Instruments at Fair Value Through Profit or Loss**

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation and its subsidiaries recognize a financial asset or a financial liability on its balance sheet when the Corporation and its subsidiaries become parties to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation and its subsidiaries have lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques; and derivatives - at values calculated using bank - quoted prices.

## **Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts**

Revenue is recognized when the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The related cost is recognized at the same time. The revenues from vessel leases are recognized over the contract periods. Cargo revenues are recognized when the cargos are transported to the port of discharge.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and its subsidiaries and the customers for service rendered in the normal course of business. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. The Corporation and its subsidiaries assess the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables, prior years' collectability of receivables and economic situation.

### **Inventories**

Inventory is vessel fuel. Before January 1, 2009, vessel fuel was stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value meant replacement cost. As stated in Note 3 to the financial statements, effective January 1, 2009, vessel fuel is stated at the lower of cost or net realizable value. Inventory write-downs are made by item.

### **Held-to-maturity Financial Assets**

Held-to-maturity financial assets are carried at amortized cost. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, and derecognition bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Available-for-sale financial assets consist of derivatives, and their fair values at the balance sheet date are determined at their quoted prices in an active market, or if they have no quoted market prices, the estimates made through certain valuation techniques.

### **Financial Assets Carried at Cost**

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are measured at their original cost. Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property and equipment are capitalized as part of the cost of those assets. Major additions, replacements and betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follows: vessel equipment, 3 to 25 years. Property and equipment still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost and accumulated depreciation of property and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the period of disposal.

### **Deferred Charges**

Deferred charges, mainly the costs of vessel-overhaul, are initially recorded at cost and amortized using the straight-line method over 2 to 3 years.

### **Impairment of Assets**

If the recoverable amount of an asset (mainly property and equipment and deferred charges) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

### **Foreign-currency Transactions**

Non-derivative foreign-currency transactions are recorded in U.S. dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets that are carried at cost continue to be stated at exchange rates at trade dates.

## Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2008 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 2009.

### 3. ACCOUNTING CHANGES

#### Accounting for Inventories

On January 1, 2009, the Corporation and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are inventories are stated at the lower of cost or net realizable value and are written down to net realizable value by item, except when the grouping of similar or related items is appropriate and write-downs of inventories; and any reversal of write-downs is recorded as cost of goods sold for the period. This accounting change had no material effect on these consolidated financial statements for the six months ended June 30, 2009.

### 4. CASH

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Checking accounts and demand deposits	\$ 5,135,495	\$ 6,969,758
Time deposits	<u>108,403,182</u>	<u>46,454,341</u>
	<u>\$ 113,538,677</u>	<u>\$ 53,424,099</u>

### 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Financial assets at FVTPL - current		
Financial assets held for trading - current		
Overseas listed shares	<u>\$ -</u>	<u>\$ 1,781</u>
Financial assets at FVTPL - noncurrent		
Financial assets designated as at FVTPL - noncurrent		
Structured notes	<u>\$ -</u>	<u>\$ 2,000,000</u>
Financial liabilities held for trading - current (classified under other current liabilities)		
Currency option contracts	<u>\$ 3,000</u>	<u>\$ -</u>

The Corporation and its subsidiaries used currency option contracts in the six months ended June 30, 2009 and 2008 to manage exposures due to exchange rate fluctuations. These contracts were classified as financial assets held for trading and were measured at fair value because the hedge accounting requirement does not apply to them.

Outstanding foreign currency option contracts as of June 30, 2009 were as follows:

<u>June 30, 2009</u>	<b>Contract Amount</b>	<b>Exercise Price</b>	<b>Maturity Date</b>
Sell USD call option	USD1,000,000	JPY99/USD1	2009.07.06
Sell USD call option	USD1,000,000	JPY99/USD1	2009.07.06

On financial assets held for trading, there were net (losses) gains (US\$1,139) and US\$1,349 in the six months ended June 30, 2009 and 2008, respectively. Net gains on financial liabilities held for trading for the six months ended June 30, 2009 and 2008 were US\$36,452 and US\$439,178, respectively.

Net loss on financial assets designated as at FVTPL was US\$117,000 in the six months ended June 30, 2009.

## 6. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Bond investments - Deutsche Bank Aktiengesellschaft	<u>\$ 500,000</u>	<u>\$ -</u>

The Corporation bought three-year corporate bonds issued by Deutsche Bank Aktiengesellschaft, with face value of US\$500,000 on June 4, 2009 and with coupon interest rate of 3%. Interest is calculated annually. The principal is fully repayable on the maturity date.

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Structured notes - USD 10Y NC6m Callable CMS Range Accrual Note	<u>\$ -</u>	<u>\$ 1,000,000</u>

## 8. FINANCIAL ASSETS CARRIED AT COST

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Overseas unlisted common stocks		
Harmony Success S.A.	\$ 653,600	\$ 653,600
Lando Co., Ltd. (original investment cost: ¥3,000,000)	<u>26,798</u>	<u>26,798</u>
	<u>\$ 680,398</u>	<u>\$ 680,398</u>

The above equity investments, which had no quoted prices in an active market and of which fair values could not be reliably measured, were carried at cost.

## 9. PROPERTY AND EQUIPMENT

	<u>June 30</u>	
	2009	2008
<u>Cost</u>		
Vessel equipment	\$ 410,051,137	\$ 339,403,835
Prepayments for equipment	<u>68,074,171</u>	<u>44,230,911</u>
	478,125,308	383,634,746
<u>Accumulated depreciation</u>		
Vessel equipment	<u>(85,657,995)</u>	<u>(79,010,347)</u>
	<u>\$ 392,467,313</u>	<u>\$ 304,624,399</u>

Information on capitalized interest was as follows:

	<u>Six Months Ended June 30</u>	
	2009	2008
Capitalized interest	\$ 214,272	\$ 572,621
Capitalized rates	1.21%-1.80%	3.37%-5.72%

## 10. SHORT-TERM BANK LOANS

	<u>June 30</u>	
	2009	2008
Bank credit bank loans: Due in November 2009, 1.41% interest per annum in 2009; due in November 2008, 3.4% interest per annum in 2008	\$ 3,290,450	\$ 3,290,450
Secured bank loans: ¥140,000,000, due in April 2010, 1.275% interest per annum	1,464,895	-
Secured bank loans: Due in April 2009, 3.15% interest per annum	<u>-</u>	<u>6,546,393</u>
	<u>\$ 4,755,345</u>	<u>\$ 9,836,843</u>

U.S. certificates of deposit were used as collaterals for the above secured bank loans.

## 11. LONG-TERM BANK LOANS

	<u>June 30</u>	
	2009	2008
a. Eight-year secured bank loans: US\$136,652,365 and ¥ 631,927,742 in 2009 and US\$88,624,418 and ¥1,733,200,000 in 2008 with interest rate from 1.36% to 2.74% and from 1.73% to 4.42%, respectively; repayable in 32 quarterly installments between August 2011 and March 2017	\$ 143,264,563	\$ 104,773,905
b. Ten-year secured bank loans: Interest rate at 1.51% to 1.94%; repayable in 40 quarterly installments until December 2018	24,165,000	-

(Continued)

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
c. Secured bank loans: US\$17,439,457 and ¥436,250,000 in 2009 and US\$11,602,138 in 2008 with interest rate of 1.21% to 1.33% and of 3.51%, respectively; repayable in 32 quarterly installments from the date on which the final loan is granted	\$ 22,004,174	\$ 11,602,138
d. Seven-year secured bank loans: 1.80% to 2.20% interest and 3.64% to 4.31% interest in 2009 and 2008, respectively; repayable in 28 quarterly installments from March 2011 to May 2012	10,421,005	21,193,745
e. Seven-year secured bank loans: 1.31% interest; repayable in 28 quarterly installments due in August 2015	9,357,145	-
f. Three-year secured bank loans: US\$4,250,000 and ¥ 203,929,090 with interest rates of 1.26% to 1.46%; repayable in 12 quarterly installments from September 2011 to November 2011	6,383,819	-
g. Fifteen-quarter secured bank loans: 2.10% interest and 4.31% interest in 2009 and 2008, respectively; repayable in 15 quarterly installments until September 2011	5,269,366	5,964,227
h. Five-year secured bank loans: 1.41% interest and 3.43% to 3.64% interest in 2009 and 2008, respectively; repayable in 20 quarterly installments until August 2011	3,997,500	4,907,500
i. Four-year secured bank loans: 1.30% to 1.93% interest and 3.39% to 3.62% interest in 2009 and 2008, respectively; repayable in 16 quarterly installments from April 2010 to November 2011	3,704,162	5,836,442
Less: Current portion	<u>(23,777,570)</u>	<u>(16,394,844)</u>
	<u>\$ 204,789,164</u>	<u>\$ 137,883,113</u> (Concluded)

Vessel equipment and the common stock of Valor Pescadores S.A. Panama were used as collaterals for the above loan (b); vessel equipment and the common stock of Grand Overseas S.A. Panama for loan (d); vessel equipment for other secured bank loans.

## 12. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>Six Months Ended June 30, 2009</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel			
Payroll	\$ 6,246,866	\$ -	\$ 6,246,866
Others	<u>1,302,118</u>	<u>-</u>	<u>1,302,118</u>
	<u>\$ 7,548,984</u>	<u>\$ -</u>	<u>\$ 7,548,984</u>
Depreciation	<u>\$ 8,808,703</u>	<u>\$ -</u>	<u>\$ 8,808,703</u>
Amortization	<u>\$ 891,824</u>	<u>\$ 2,270</u>	<u>\$ 894,094</u>

	<b>Six Months Ended June 30, 2008</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel			
Payroll	\$ 4,910,659	\$ -	\$ 4,910,659
Others	<u>1,379,045</u>	<u>-</u>	<u>1,379,045</u>
	<u>\$ 6,289,704</u>	<u>\$ -</u>	<u>\$ 6,289,704</u>
Depreciation	<u>\$ 7,080,030</u>	<u>\$ -</u>	<u>\$ 7,080,030</u>
Amortization	<u>\$ 866,368</u>	<u>\$ 12,666</u>	<u>\$ 879,034</u>

### 13. INDEMNIFICATION INCOME

The subsidiaries entered into vessel leasing agreements with other companies and received rental revenue. Since the other companies canceled agreements, subsidiaries received indemnification income and recognized as miscellaneous income for the six months ended June 30, 2009.

### 14. RELATED PARTY TRANSACTIONS

- a. Related parties and their relationships with the Corporation

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Shih Wei Navigation Co., Ltd. (Shih Wei)	Parent company
Fortunate Maritime S.A. Panama (Fortunate)	Same parent company
Harmony Success S.A. Panama (Harmony)	The chairman is a second-degree relative of the Corporation's chairman

- b. Significant related party transactions

	<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>
1) Purchases		
Shih Wei	<u>\$ 5,179,469</u>	<u>\$ 2,921,383</u>
2) Operating expense		
Shih Wei	<u>\$ 114,621</u>	<u>\$ 81,671</u>
3) Other receivables - related parties		
Agency current accounts		
Shih Wei	\$ 3,328,209	\$ 6,604,807
Fortunate	<u>1,771,038</u>	<u>134,309</u>
	<u>\$ 5,099,247</u>	<u>\$ 6,739,116</u>

	<u>Six Months Ended June 30</u>	
	2009	2008
4) Other payables - related party		
Capital return payables		
Shih Wei	\$ <u>                    -</u>	\$ <u>20,000,000</u>
Other payables (classified under other current liabilities)		
Harmony	\$ <u>                    -</u>	\$ <u>48,894</u>
5) Financing to related parties was as follows:		

	<u>Six Months Ended June 30, 2009</u>			
Related Party	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Fortunate	\$ 15,710,982	\$ 12,590,241	-%	\$ -
Shih Wei	2,725,972	<u>2,725,972</u>	-%	<u>-</u>
		<u>\$ 15,316,213</u>		<u>\$ -</u>

	<u>Six Months Ended June 30, 2008</u>			
Related Party	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Shih Wei	\$ 12,185,622	\$ 11,890,458	-%	\$ -
Fortunate	336,274	<u>166,672</u>	-%	<u>-</u>
		<u>\$ 12,057,130</u>		<u>\$ -</u>

## 15. MORTGAGED OR PLEDGED ASSETS

The following assets had been mortgaged or pledged as collaterals for bank guarantee and loans:

	<u>June 30</u>	
	2009	2008
Vessel equipment, net	\$ 310,837,806	\$ 231,412,441
Prepayment for vessel equipment	37,496,201	16,730,028
Pledged time deposits	<u>6,699,000</u>	<u>6,600,000</u>
	<u>\$ 355,033,007</u>	<u>\$ 254,742,469</u>

## 16. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Corporation and its subsidiaries as of June 30, 2009 were as follows:

- a The Corporation provide a guarantee amounting to NT\$93,000,000 on the unused bank loans credit lines of Shih Wei Navigation Co., Ltd.

- b. The Corporation and its subsidiaries entered into vessel construction contracts with shipbuilding companies amounted to ¥ 39,947,700,000 and US\$26,000,000. As of June 30, 2009, ¥ 7,175,330,000 and US\$1,600,000 have been paid.

## 17. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments

	June 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative Instruments</u>				
Assets				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 1,781	\$ 1,781
Financial assets at fair value through profit or loss - noncurrent	-	-	2,000,000	2,000,000
Held-to-maturity financial assets - noncurrent	500,000	500,000	-	-
Financial assets carried at cost - noncurrent	680,398	-	680,398	-
Refundable deposits	-	-	350,000	350,000
Pledged time deposits - noncurrent	5,200,000	5,200,000	-	-
Liabilities				
Long-term bank loans (including current portion)	228,566,734	228,566,734	154,277,957	154,277,957
Guarantee deposits received	1,000	1,000	-	-
<u>Derivative Instruments</u>				
Assets				
Forward contract	-	-	-	1,533
Structured notes (classified as financial assets at FVTPL - noncurrent and available-for-sale financial assets)	-	-	3,000,000	2,954,276
Liabilities				
Equity-linked notes	-	-	-	21,874
Currency options contract	3,000	179	-	-

- b. Methods and assumptions used in determining fair values of financial instruments

- 1) The balance sheet carrying amounts of cash, accounts receivable, other receivables - related parties, pledged time deposits - current, short-term bank loans, accounts payable, accrued expenses, and other payables - related party, which were not included in the assets mentioned above, approximate fair value because of their short maturities.

- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets with an active market, the fair value is based on quoted market prices. For those financial instruments without an active market, the fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with those generally used by other market participants for instrument pricing.
  - 3) For financial assets carried at cost, the fair value cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost; thus, their fair value is not presented.
  - 4) For refundable deposits, pledged time deposits - noncurrent and guarantee deposits received, their future receipt, settlement or payment term are uncertain; thus, their fair value is their book value.
  - 5) For long-term bank loans, their fair value is estimated using the present value of future cash flows discounted at interest rates the Corporation and its subsidiaries may obtain for similar loans (e.g., similar maturities).
- c. As of June 30, 2009 and 2008, financial assets exposed to fair value interest rate risk were \$500,000 and \$2,000,000, respectively, financial liabilities exposed to fair value interest rate risk were both \$3,290,450. Financial assets exposed to cash flow interest rate risk were \$1,000,000 as of June 30, 2008. As of June 30, 2009 and 2008, financial liabilities exposed to cash flow interest rate risk were \$230,031,629 and \$160,824,350, respectively.

d. Financial risks

1) Market risk

Financial instruments at fair value through profit or loss are held by the Corporation and its subsidiaries for trading in active markets. Hence, the Corporation and its subsidiaries are exposed to market risks as a result of price fluctuations. The Corporation and its subsidiaries run a control system to mitigate this risk, and management does not anticipate any material loss due to this risk.

The Corporation and its subsidiaries also hold foreign-currency assets, liabilities and currency option contracts. Hence, the Corporation and its subsidiaries are exposed to market risks as a result of exchange rate fluctuations. The Corporation and its subsidiaries run a control system and monitor the exchange rate fluctuations to reduce market risks.

2) Credit risk

The Corporation and its subsidiaries are exposed to credit risk on counter-parties' default on contracts. However, the amount of the Corporation and its subsidiaries' maximum exposure to credit risk on its financial instruments is equal to the book value. In addition, the Corporation and its subsidiaries transact only with selected financial institutions and corporations with good credit ratings. Thus, management does not anticipate any material losses on default on contracts.

3) Liquidity risk

The Corporation and its subsidiaries' operating funds are deemed sufficient to meet their cash flow demand; thus, liquidity risk is not considered significant.

In addition, the Corporation and its subsidiaries' financial instruments at fair value through profit or loss are publicly traded in an active market and can readily be sold in the market at their approximate fair values. However, because they also have financial assets that are carried at cost and held-to-maturity financial assets, they have significant liquidity risks because these assets do not have quoted market prices in an active market.

#### 4) Cash flow interest rate risk

The Corporation and its subsidiaries' short-term and long-term loans are floating-rate loans. Effective interest rates and future cash flows of the Corporation and its subsidiaries will fluctuate as a result of changes in market interest rate.