

**DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004

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## **Independent Auditors' Report**

The Board of Directors and Stockholders  
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, 2005 and 2004, 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 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, 2005 and 2004, 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 16, 2005  
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.

**NC TAIWAN CO., LTD.**  
**BALANCE SHEETS**  
**JUNE 30, 2005 AND 2004**  
**(expressed in New Taiwan dollars)**

	June 30,			
	2005		2004	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 4)	\$ 79,212,752	22	5,944,806	3
Notes receivable—related party (Note 13)	138,289,869	38	1,107,196	1
Accounts receivable	98,700	-	18,900	-
Accounts receivable—related party (Note 13)	68,003,080	19	122,222,943	62
Inventories, net	1,129,240	-	87,653	-
Other receivables	11,438	-	767,270	-
Other receivables—related party (Note 13)	407,146	-	1,858,929	1
Prepayments	794,410	-	102,718	-
Deferred income tax assets—current (Note 10)	1,772,836	-	-	-
Other current assets	206,376	-	705,699	-
	<u>289,925,847</u>	<u>79</u>	<u>132,816,114</u>	<u>67</u>
<b>FIXED ASSETS (Note 5)</b>				
Machinery and equipment	65,648,029	18	54,165,891	27
Office equipment	12,731,734	3	8,275,145	4
Leasehold improvement	6,951,134	2	4,207,373	2
Other equipment	4,473,091	1	3,269,090	2
Less: Accumulated depreciation	( 26,472,955)	( 7)	( 6,927,098)	( 3)
Prepayments for equipment	2,833,809	1	2,353	-
	<u>66,164,842</u>	<u>18</u>	<u>62,992,754</u>	<u>32</u>
<b>INTANGIBLE ASSETS</b>				
Deferred pension cost (Note 12)	466,864	-	-	-
<b>OTHER ASSETS</b>				
Deferred charges	6,359,960	2	545,929	-
Guarantee deposits paid	3,328,647	1	2,092,820	1
	<u>9,688,607</u>	<u>3</u>	<u>2,638,749</u>	<u>1</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 366,246,160</u></b>	<b><u>100</u></b>	<b><u>198,447,617</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Bank loans (Note 6)	\$ 45,000,000	12	15,000,000	8
Notes payable	6,049,849	2	1,511,480	1
Notes payable—related party (Note 13)	1,557,756	-	-	-
Accounts payable	65,122	-	8,091,685	4
Accounts payable—related party (Note 13)	24,672,871	7	33,847,768	17
Income tax payable (Note 10)	7,186,942	2	-	-
Accrued expenses	20,726,750	6	38,695,855	19
Other payable—related party (Note 13)	7,719,479	2	111,000	-
Other payable—machinery and equipment	8,125,000	2	-	-
Advance receipts (Note 7)	46,031,373	13	14,267,491	6
Deferred gains	2,500,000	1	1,248,088	1
Other current liabilities	7,377,471	2	3,843,512	2
	<u>177,012,613</u>	<u>49</u>	<u>116,616,879</u>	<u>58</u>
<b>OTHER LIABILITIES</b>				
Accrued pension liabilities (Note 12)	585,911	-	-	-
Total Liabilities	<u>177,598,524</u>	<u>49</u>	<u>116,616,879</u>	<u>58</u>
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock (Note 8)	140,000,000	38	140,000,000	71
Accumulated profit and loss (Note 9)	48,647,636	13	( 58,169,262)	( 29)
Total Stockholders' Equity	<u>188,647,636</u>	<u>51</u>	<u>81,830,738</u>	<u>42</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>				
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 366,246,160</u></b>	<b><u>100</u></b>	<b><u>198,447,617</u></b>	<b><u>100</u></b>

**NC TAIWAN CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED JUNE 30, 2005 AND 2004**  
**(expressed in New Taiwan dollars)**

	<u>January 1~June 30, 2005</u>		<u>January 1~June 30, 2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenue, net (Note 13)	\$ 354,562,638	100	139,520,450	100
Operating costs	<u>236,796,479</u>	<u>67</u>	<u>90,666,041</u>	<u>65</u>
Operating gross profit	<u>117,766,159</u>	<u>33</u>	<u>48,854,409</u>	<u>35</u>
Operating expenses				
Selling expenses	17,548,425	5	50,690,666	36
Administrative expenses	<u>27,790,149</u>	<u>8</u>	<u>36,725,940</u>	<u>26</u>
	<u>45,338,574</u>	<u>13</u>	<u>87,416,606</u>	<u>62</u>
Operating income (loss)	<u>72,427,585</u>	<u>20</u>	<u>( 38,562,197)</u>	<u>( 27)</u>
Nonoperating income				
Interest income	41,382	-	35,893	-
Foreign exchange gain	514,534	-	-	-
Gains on inventory value recoveries	2,948,803	1	-	-
Other income	<u>1,490</u>	<u>-</u>	<u>6,026,955</u>	<u>4</u>
	<u>3,506,209</u>	<u>1</u>	<u>6,062,848</u>	<u>4</u>
Nonoperating expenses				
Interest expense	432,678	-	38,397	-
Foreign exchange losses	-	-	1,660	-
Inventory retirement losses	<u>4,082,920</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>4,515,598</u>	<u>1</u>	<u>40,057</u>	<u>-</u>
Income (loss) before income tax	71,418,196	20	( 32,539,406)	( 23)
Income tax expense (Note 10)	<u>17,700,000</u>	<u>5</u>	<u>6,391,967</u>	<u>5</u>
Net income (loss)	<u>\$ 53,718,196</u>	<u>15</u>	<u>( 38,931,373)</u>	<u>( 28)</u>
			<u>Before income tax</u>	<u>After income tax</u>
Earnings (loss) per share (Note 11)	<u>\$ 5.10</u>	<u>3.84</u>	<u>( 2.32)</u>	<u>( 2.78)</u>

**NC TAIWAN CO., LTD.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED JUNE 30, 2005 AND 2004**  
(expressed in New Taiwan dollars)

	<u>Capital stock</u>	<u>Accumulated profit and loss</u>	<u>Total</u>
<b>January 1~June30, 2004</b>			
Balance, January 1, 2004	\$ 140,000,000	( 19,237,889)	120,762,111
Net loss for January 1~ June 30, 2004	-	( 38,931,373)	( 38,931,373)
Balance, June 30, 2004	<b>\$ 140,000,000</b>	<b>( 58,169,262)</b>	<b>81,830,738</b>
<b>January 1~June30, 2005</b>			
Balance, January 1, 2005	\$ 140,000,000	( 5,070,560)	134,929,440
Net income for January 1~ June 30, 2005	-	53,718,196	53,718,196
Balance, June 30, 2005	<b>\$ 140,000,000</b>	<b>48,647,636</b>	<b>188,647,636</b>

**NC TAIWAN CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED JUNE 30, 2005 AND 2004**  
(expressed in New Taiwan dollars)

	<u>January 1 ~ June 30, 2005</u>	<u>January 1 ~ June 30, 2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 53,718,196	( 38,931,373)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	10,483,461	5,891,430
Amortization	1,484,352	95,376
Gains on inventory value recoveries	( 2,948,803)	-
Changes in assets and liabilities:		
Notes receivable (including related parties)	( 65,191,187)	( 1,107,196)
Accounts receivable (including related parties)	( 744,871)	( 122,241,843)
Inventories	1,870,787	( 87,653)
Other receivables (including related parties)	655,123	( 747,488)
Prepayments	1,634,095	3,173,610
Deferred income tax assets (including current and non-current)	10,510,126	6,391,967
Other current assets	( 111,671)	1,494,193
Notes payable (including related parties)	569,288	( 11,133,300)
Accounts payable (including related parties)	( 18,914,095)	8,091,685
Income tax payable	7,186,942	-
Accrued expenses	( 4,401,711)	27,370,891
Other payable—related party	1,521,358	26,160,460
Advance receipts	( 1,981,319)	14,267,491
Deferred gains	2,500,000	1,248,088
Other current liabilities	( 3,214,829)	3,386,031
Accrued pension liabilities	12,503	-
Net cash used in operating activities	<u>( 5,362,255)</u>	<u>( 76,677,631)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	( 7,175,193)	( 48,474,667)
Increase in deferred charges	( 26,415)	( 92,254)
Increase in guarantee deposits paid	( 1,205,827)	( 515,876)
Net cash used in investing activities	<u>( 8,407,435)</u>	<u>( 49,082,797)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in bank loans	<u>30,000,000</u>	<u>15,000,000</u>
Net cash provided by financing activities	<u>30,000,000</u>	<u>15,000,000</u>
<b>Increase (decrease) in cash and cash equivalents</b>	16,230,310	( 110,760,428)
<b>Cash and cash equivalents, beginning of period</b>	<u>62,982,442</u>	<u>116,705,234</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 79,212,752</u>	<u>5,944,806</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	<u>\$ 330,348</u>	<u>38,397</u>
Cash paid during the period for income tax	<u>\$ 3,160</u>	<u>3,061</u>
<b>INVESTING ACTIVITIES WITH PARTIAL EFFECT ON CASH FLOWS:</b>		
Total purchases of fixed assets	\$ 14,273,789	45,315,965
Add: Beginning balance of payable	1,026,404	3,158,702
Less: Ending balance of payable	( 8,125,000)	-
Cash flow for fixed asset purchases	<u>\$ 7,175,193</u>	<u>48,474,667</u>

**NC TAIWAN CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTD)**

(8) Service expense (listed in operating costs)

Name of related party	January 1~June 30, 2005	January 1~June 30, 2004
Gamania Digital Entertainment Co., Ltd.	\$ 1,696,965	-

The service expense was paid monthly and charged by the numbers of the processing cases.

(9) Others

The Company entered into the “Lineage II Game License Agreement” with its related party NCsoft Corporation. The Company was granted a license to use the Lineage II game software and to market, distribute, and operate the Lineage II game service in Taiwan, the Republic of China, and Hong Kong, SAR. The license fee that should be paid to NCsoft Corporation is charged at a certain percentage of the game’s sales. For the periods ended June 30, 2005 and 2004, the license fee paid to NCsoft Corporation amounted to \$163,291,931 and 35,731,993, respectively.

**14. MAJOR COMMITMENTS AND CONTINGENCIES**

- (1) The Company’s total contracts for purchase of fixed assets amounted to \$10,128,570 (without VAT) as of June 30, 2005, of which \$2,833,809 (without VAT) had been paid as of June 30, 2005.
- (2) As of June 30, 2004, promissory notes issued for loans amounted to \$15,000,000.
- (3) The Company contracted with related parties Gamania Digital Entertainment Co., Ltd. and NCsoft Corporation; please refer to Note 13.

**15. OTHER**

As of June 30, 2005 and 2004, the Company’s employee, depreciation and amortization expenses were as follows:

	January 1 ~ June 30, 2005			January 1 ~ June 30, 2004		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee expense						
Payroll	31,989,682	16,261,274	48,250,956	7,495,153	24,414,266	31,909,419
Insurance	2,268,859	726,285	2,995,144	476,435	189,101	665,536
Pension	502,283	206,377	708,660	-	-	-
Other	1,713,900	1,771,543	3,485,443	-	1,740,748	1,740,748
Depreciation	7,832,424	2,651,037	10,483,461	2,324,214	3,567,216	5,891,430
Amortization	15,378	1,468,974	1,484,352	-	95,376	95,376