

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
AND
INDEPENDENT AUDITORS' REPORT

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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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 December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the 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 "Rules Governing Auditing and Certification of Financial Statement 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 December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with Republic of China generally accepted accounting principles.

March 26, 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
DECEMBER 31, 2006 AND 2005
(expressed in U.S. dollars)

<u>ASSETS</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4(1))	\$ 32,216,672	11	27,097,972	10
Financial assets at fair value through profit or loss (Note 4(2))	2,000,000	1	3,000,000	1
Accounts receivable, net	63,940	-	568,335	-
Other accounts receivable— related party (Note 5)	3,095,520	1	89,878	-
Agency current accounts (Note 5)	10,469,909	3	7,424,072	3
Other financial assets— current	8,161,229	3	970,627	-
Inventories	2,251,028	1	1,998,224	1
Prepayments and other current assets	1,237,158	-	1,134,936	-
Restricted assets (Note 6)	720,667	-	491,667	-
	<u>60,216,123</u>	<u>20</u>	<u>42,775,711</u>	<u>15</u>
FUNDS AND INVESTMENTS				
Long-term investment under equity method (Note 4(3))	2,125,838	1	1,936,578	1
Financial assets carried at cost— noncurrent (Note 4(2))	680,398	-	1,418,803	-
	<u>2,806,236</u>	<u>1</u>	<u>3,355,381</u>	<u>1</u>
PROPERTY AND EQUIPMENT (Note 4(4), 5 and 6)				
Vessel equipment	293,237,968	96	291,918,731	103
Leasehold improvements	217,465	-	242,784	-
Prepayments for business facilities	19,638,399	6	7,110,378	2
Less: accumulated depreciation	(73,291,750)	(24)	(68,815,407)	(24)
	<u>239,802,082</u>	<u>78</u>	<u>230,456,486</u>	<u>81</u>
OTHER ASSETS				
Deposits-out (Note 7(2))	1,700,000	1	4,898,507	2
Deferred charges	1,160,923	-	2,484,107	1
	<u>2,860,923</u>	<u>1</u>	<u>7,382,614</u>	<u>3</u>
TOTAL ASSETS	<u>\$ 305,685,364</u>	<u>100</u>	<u>283,970,192</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 1,861,468	-	1,995,823	1
Accrued expenses	1,536,524	-	1,804,267	1
Agency current accounts (Note 5)	187,979	-	898,806	-
Collections in advance and other current liabilities (Note 5)	1,892,919	1	2,030,419	1
Current portion of long-term loans (Note 4(5))	14,805,155	5	18,440,528	6
	<u>20,284,045</u>	<u>6</u>	<u>25,169,843</u>	<u>9</u>
LONG-TERM LIABILITIES				
Long-term loans (Note 4(5))	124,512,346	41	119,556,202	42
OTHER LIABILITIES				
Unrealized gain on sale and leaseback	-	-	865	-
TOTAL LIABILITIES	<u>144,796,391</u>	<u>47</u>	<u>144,726,910</u>	<u>51</u>
STOCKHOLDERS' EQUITY				
Capital stock (Note 4(6))	40,851,392	14	60,851,392	21
Retained earnings	120,037,581	39	78,391,890	28
TOTAL STOCKHOLDERS' EQUITY	<u>160,888,973</u>	<u>53</u>	<u>139,243,282</u>	<u>49</u>
COMMITMENTS AND CONTINGENCIES (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 305,685,364</u>	<u>100</u>	<u>283,970,192</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 YEARS ENDED DECEMBER 31, 2006 AND 2005

(expressed in U.S. dollars)

	2006		2005	
	Amount	%	Amount	%
Operating revenue, net	\$ 94,228,024	100	102,058,303	100
Operating costs	57,289,140	61	56,580,134	55
Operating gross profit	36,938,884	39	45,478,169	45
Operating expenses	909,606	1	886,892	1
Operating income	36,029,278	38	44,591,277	44
Nonoperating income				
Interest income	1,338,126	1	625,921	1
Investment gain—equity method (Note 4(3))	414,260	1	523,919	1
Cash dividends (Note 4(2))	3,607,755	4	68,400	-
Gain on disposal of property and equipment (Note 4(4))	6,702,967	7	5,190	-
Foreign exchange gain	-	-	3,377,169	3
Other income	1,153,440	1	1,542,146	1
	13,216,548	14	6,142,745	6
Nonoperating expenses				
Interest expense	7,204,680	8	5,641,558	6
Loss on disposal of investment	-	-	10,811	-
Foreign exchange loss	6,049	-	-	-
Other expenses	389,406	-	182,928	-
	7,600,135	8	5,835,297	6
Net income	\$ 41,645,691	44	44,898,725	44
Earnings per share (Note 4(7))	\$ 0.79		0.74	

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 YEARS ENDED DECEMBER 31, 2006 AND 2005
(expressed in U.S. dollars)

	<u>Capital Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2005	60,851,392	39,493,165	100,344,557
Cash dividends	-	(6,000,000)	(6,000,000)
Net income for 2005	-	44,898,725	44,898,725
Balance, December 31, 2005	60,851,392	78,391,890	139,243,282
Capital reduction	(20,000,000)	-	(20,000,000)
Net income for 2006	-	41,645,691	41,645,691
Balance, December 31, 2006	\$ 40,851,392	120,037,581	160,888,973

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 YEARS ENDED DECEMBER 31, 2006 AND 2005
(expressed in U.S. dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 41,645,691	44,898,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,858,383	13,556,550
Amortization	1,651,113	1,561,108
Transfer of deferred charge to operating expenses	30,661	
Gain on disposal of property and equipment	(6,702,967)	(5,190)
Investment gain—equity method	(414,260)	(523,919)
Loss on disposal of investment	-	10,811
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	1,000,000	(3,010,811)
Accounts receivable, net	504,395	240,297
Other accounts receivable—related party	(3,005,642)	(89,878)
Agency current accounts (debit)	(3,045,837)	(4,695,456)
Other financial assets—current	(7,190,602)	1,681,210
Inventories	(252,804)	(386,608)
Prepayments and other current assets	(102,223)	811,172
Accounts payable	(134,355)	592,651
Accrued expenses	(267,743)	199,816
Agency current accounts (credit)	(710,827)	356,999
Collections in advance and other current liabilities	(137,500)	(396,484)
Net cash provided by operating activities	37,725,483	54,800,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted assets	(229,000)	-
Sale of property and equipment	17,106,741	-
Purchases of property and equipment	(33,748,852)	(43,229,209)
Purchase of long-term investments	-	(820,406)
Proceeds from repayment of long-term investment under equity method	225,000	337,500
Proceeds from repayment of financial assets carried at cost	738,405	-
Increase in deferred charges	(1,218,355)	(2,328,288)
Decrease in deposits-out	3,198,507	5,294,999
Net cash used in investing activities	(13,927,554)	(40,745,404)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long-term loans	1,320,771	9,934,128
Cash dividends	-	(6,000,000)
Return of paid-in capital due to investee's reduction of capital	(20,000,000)	-
Net cash (used in) provided by financing activities	(18,679,229)	3,934,128
Net increase in cash and cash equivalents	5,118,700	17,989,717
Cash and cash equivalents, beginning of period	27,097,972	9,108,255
Cash and cash equivalents, end of period	\$ 32,216,672	27,097,972
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest (excluding capitalized interest)	\$ 7,276,117	5,414,854
Cash paid during the period for income tax	\$ -	-
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	\$ 14,805,155	18,440,528

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

DONG LIEN MARITIME S.A. (PANAMA) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 December 31, 2006, the Company and its subsidiaries owned twenty-four vessels: Babitonga (Great), Paragon, Best, Elegant, Brave, Advance, Oceanic, Buenos Aires (Giant), Blossom, Royal, Shining, Brilliant, Sunny, Scan Bulker, Grand, Excellent, Honor, Noble SW(Bright), Superior, Genius, Unicorn Brilliant, 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 December 31, 2006, the number of employees was 490.

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 year ended December 31, 2006, 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%	"

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 GLARING PESCADORES S.A. (PANAMA), VIGOR PESCADORES S.A. (PANAMA), TRUMP PESCADORES S.A. (PANAMA), FOURSEAS PESCADORES S.A. (PANAMA), HUGE PESCADORES S.A. (PANAMA), FAIR PESCADORES S.A. (PANAMA), FOREVER PESCADORES S.A. (PANAMA), ETERNITY PESCADORES S.A. (PANAMA) and FEDERAL PESCADORES S.A. (PANAMA) during 2006, 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 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.

(2) 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.

(3) 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.

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 debts investment without active 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. Available-for-sale financial assets: These are evaluated at fair value, and any changes are recorded as a separate component of stockholders' equity. If there is evidence of impairment, impairment loss should be recognized. If the impairment loss decreases subsequently, the decreased amount of impairment for equity financial instruments cannot be reversed. If the impairment loss on debt financial instruments decreases and is apparently related to events that occurred after the impairment, the decreased amount of impairment loss should be reversed and recognized in the accompanying consolidated statements of income.
- c. 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.
- d. Held-to-maturity financial assets: These will be evaluated at amortized cost. If there is evidence of impairment, impairment loss should be recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. But the reversed faced value cannot exceed the amortized cost.

The investments of the Consolidated Companies as of December 31, 2005, are classified into short-term investments and long-term investments, in accordance with their holding purposes. Investments are accounted for at acquisition cost and are evaluated at the lower of cost or market value. The market value used for publicly listed stocks is the average closing price of the last month of the period. The market value of open-end mutual funds is based on the net asset value of the mutual funds at the balance sheet date. Devaluation loss on long-term investments is recorded under stockholders' equity. Devaluation loss on short-term investments is recorded in the accompanying consolidated statements of income.

(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,

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

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.

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.

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

(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.

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 year ended of 2006. Please refer to Notes 4(2) and 4(8).

4. SUMMARY OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>2006</u>	<u>2005</u>
Cash advance	\$ 577,951	433,932
Bank deposits		
Savings accounts	1,591,413	1,930,718
Checking accounts	9,079	1,685
Foreign currency deposits	718,229	731,637
Time deposits	29,320,000	24,000,000
Total	<u>\$ 32,216,672</u>	<u>27,097,972</u>

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

(2) Financial assets

	<u>2006</u>	<u>2005</u>
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Beneficiary certificates – Franklin Templeton Global Bond fund	\$ 1,300,000	1,000,000
1 Year Absolute Return Notes on a Basket of Global Securities	200,000	-
9 Months Absolute Return Notes on a Basket of United States and European Securities	500,000	-
Re-Purchase Bond Fund issued by Bank SinoPac	-	2,000,000
Total	<u><u>\$ 2,000,000</u></u>	<u><u>3,000,000</u></u>
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	930,715
Investment in stock – LANDO CO., LTD. (original investment cost JPY 3,000,000)	26,798	26,798
Total	<u><u>\$ 680,398</u></u>	<u><u>1,418,803</u></u>

Derivative financial instruments:

The following is a summary of the derivative financial instruments as of December 31, 2006 and 2005:

Item	<u>2006</u>		<u>2005</u>	
	<u>Book Value</u>	<u>Nominal Principal</u>	<u>Book Value</u>	<u>Nominal Principal</u>
Derivative financial asset:				
Foreign option	\$ -	JPY 776,340,000	-	-
1 Year Absolute Return Notes on a Basket of Global Securities	200,000	200,000	-	-
9 Months Absolute Return Notes on a Basket of United States and European Securities	500,000	500,000	-	-
	<u><u>\$ 700,000</u></u>		<u><u>-</u></u>	-
Derivative financial liability:				
Foreign option	<u><u>\$ -</u></u>	1,200,000	<u><u>-</u></u>	-

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

- a. In accordance with interpretation (94) No. 16 of the ROC Accounting Research and Development Foundation, accounts of the Company's financial report for the year 2006 have been renamed in accordance with ROC Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". As of December 31, 2005, the originally accounted for short-term investment of \$3,000,000 was reclassified as financial assets at fair value through profit or loss—current of \$3,000,000, and the long-term investment under the cost method of \$1,418,803 was reclassified as financial assets carried at cost—noncurrent of \$1,418,803.
- b. Derivative financial asset—The Company purchased 1 Year Absolute Return Notes on a Basket of Global Securities, and 9 Months Absolute Return Notes on a Basket of United States and European Securities issued by CALYON Financial Products (Guernsey) Limited from Hua Nan Commercial Bank, Ltd. and the Land Bank of Taiwan, respectively, 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.
- c. Derivative financial liability—The Company and subsidiaries bought a 14-day foreign option with an assured rate in US dollars from Hua Nan Bank, Jin Sun International 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 will be converted to JPY, and the Company and subsidiaries can receive the exchange gain at the contract rate.
- d. 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. As of December 31, 2006, the Company had received \$461,290 for ETERNAL PESCADORES S.A. (PANAMA) because it liquidated and returned all capital. During 2006 and 2005, the Company received cash dividends of \$3,033,575 and \$68,400, respectively, from the investee company.
- e. 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, and the investee company returned \$277,115 to the Company during 2006. As of December 31, 2006, the Company had paid \$653,600. During 2006 and 2005, the Company received cash dividends of \$574,180 and zero, respectively, from the investee company.
- f. The Company invested in LANDO CO., LTD. during August 2005. As of December 31, 2006, the Company had 18.75% ownership and had paid \$26,798 (JPY 3,000,000).

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

(3) Long-term investment under equity method

<u>2006</u>	<u>Share</u>	<u>Amount</u>	<u>Ownership</u>
EUROASIA II INC., PANAMA (original investment cost \$1,022,173)	45	<u>\$ 2,125,838</u>	45%
<u>2005</u>			
EUROASIA II INC., PANAMA (original investment cost \$1,022,173)	45	<u>\$ 1,936,578</u>	45%

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. Investment gain (loss) recognized for 2006 and 2005 based on the audited financial statements with unqualified opinion issued by both of the investee companies' independent auditors are detailed below:

<u>Investee company</u>	<u>2006</u>	<u>2005</u>
	<u>Investment gain (loss)</u>	<u>Investment gain (loss)</u>
EUROASIA II INC., PANAMA	\$ 414,260	519,811
EUROASIA III INC., PANAMA	-	4,108
Total	<u>\$ 414,260</u>	<u>523,919</u>

Note: The Company received the return of capital of \$225,000 and \$375,000 from the long-term investments in EUROASIA II INC., PANAMA due to its decrease in capital in 2006 and 2005, respectively.

(4) Property and equipment

<u>2006</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
	Vessel equipment	\$ 293,237,968	73,204,410
Leasehold improvements	217,465	87,340	130,125
Prepayments for business facilities	19,638,399	-	19,638,399
Total	<u>\$ 313,093,832</u>	<u>73,291,750</u>	<u>239,802,082</u>

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

<u>2005</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Vessel equipment	\$ 291,918,731	68,666,203	223,252,528
Leasehold improvements	242,784	149,204	93,580
Prepayments for business facilities	7,110,378	-	7,110,378
Total	\$ 299,271,893	68,815,407	230,456,486

- 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. The entire sales price was received during 2006.
- b. The Company's subsidiary MOON BRIGHT SHIPPING CORP. (PANAMA) disposed of the vessel FEDERAL and its equipment at a sales price of \$11,700,000 in November 2006. The gain on disposal of the vessel and its equipment was \$6,702,102.

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

	<u>2006</u>	<u>2005</u>
Secured loans	\$ 139,317,501	137,996,730
Less: Current portion	(14,805,155)	(18,440,528)
Net amount	\$ 124,512,346	119,556,202

The Company provided certain fixed assets as collateral for the above secured loans. The loans bore interest of 0.8619% ~ 6.990% and 1.125% ~ 6.993% for 2006 and 2005, respectively.

(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 December 31, 2006 and 2005, 40,851,392 and 60,851,392 shares, respectively, were issued and outstanding with par value of \$1 per share.

(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 years ended December 31, 2006 and 2005, was 52,518,059 and 60,851,392, respectively.

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

(8) Disclosure of financial instrument information

a. Information on fair value of financial instruments

As of December 31, 2006 and 2005, the information on the fair value of the Company's financial assets and liabilities was as detailed below:

Non-Derivative Financial Instruments	2006		2005	
	Book Value	Fair value	Book Value	Fair value
Financial Assets				
Cash and cash equivalents	\$32,216,672	32,216,672	27,097,972	27,097,972
Financial assets at fair value through profit or loss – current	1,300,000	1,405,119	3,000,000	2,984,920
Other accounts receivable – related party	3,095,520	3,095,520	89,878	89,878
Accounts receivable, net	63,940	63,940	568,335	568,335
Agency current accounts (debit)	10,469,909	10,469,909	7,424,072	7,424,072
Other financial assets – current	8,161,229	8,161,229	970,627	970,627
Restricted assets	720,667	720,667	491,667	491,667
Financial assets carried at cost – noncurrent	680,398	-	1,418,803	-
Deposit-out	1,700,000	1,700,000	4,898,507	4,898,507
Financial Liabilities				
Accounts payable	1,861,468	1,861,468	1,995,823	1,995,823
Accrued expenses	1,536,524	1,536,524	1,804,267	1,804,267
Agency current accounts (credit)	187,979	187,979	898,806	898,806
Long-term loans	139,317,501	139,317,501	137,996,730	137,996,730
Other current liabilities	66,949	66,949	64,511	64,511
Derivative Financial Instruments				
Financial Assets				
Foreign options	-	15,049	-	-
1 Year Absolute Return Notes on a Basket of Global Securities	200,000	196,020	-	-
9 Months Absolute Return Notes on a Basket of United States and European Securities	500,000	486,100	-	-
Financial Liabilities				
Foreign options	-	13,571	-	-

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

- 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. 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.
 - v. Above-mentioned derivative financial assets recognized as financial assets at fair value through profit or loss — current: Derivative financial liabilities are recognized as financial liabilities at fair value through profit or loss — current. The fair values of derivative financial instruments, which include unrealized gains or losses on unsettled contracts, are determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.
- c. For the financial assets provided by the Company as collateral as of December 31, 2006 and 2005, please refer to Note 6.

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

- d. The fair value of financial assets and liabilities evaluated based on quoted market prices or other valuation techniques by the Company were as follows:

	2006		2005	
	Based on quoted market prices	Determined by using valuation techniques	Based on quoted market prices	Determined by using valuation techniques
Financial Assets				
Cash and cash equivalents	\$ -	32,216,672	-	27,097,972
Financial assets at fair value through profit or loss—current	2,102,288	-	2,984,920	-
Other accounts receivable—related party	3,095,520	3,095,520	89,877	89,877
Accounts receivable, net	-	63,940	-	568,335
Agency current accounts (debit)	-	10,469,109	-	7,424,072
Other financial assets—current	-	8,161,229	-	970,627
Restricted assets	-	720,667	-	491,667
Deposit-out	-	1,700,000	-	4,898,507
Financial Liabilities				
Account payable	-	1,861,468	-	1,995,823
Accrued expenses	-	1,536,524	-	1,804,267
Agency current accounts (debit)	-	187,979	-	898,806
Long-term loans	-	139,317,501	-	137,996,730
Other current liabilities	-	66,949	-	64,511

- e. As of December 31, 2006 and 2005, the financial assets exposed to the fair value risk due to interest rate variation were \$29,320,000 and \$24,000,000, respectively; the financial liabilities exposed to the cash flow risk due to interest rate variation were \$139,317,501 and \$137,996,730, respectively.

- f. 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.

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

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 December 31, 2006 and 2005, 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 \$1,393,175 in the future.

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
WISDOM MARINE LINES S.A.	"
FORTUNATE MARITIME S.A. (PANAMA)	Same parent company

(2) Significant transactions with related parties

a. Purchases

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
SHIH WEI NAVIGATION CO., LTD.	<u>\$ 3,939,611</u>	<u>7</u>	<u>4,323,072</u>	<u>8</u>

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

b. Other accounts receivable—related party

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
WISDOM MARINE LINES S.A.	\$ -		89,878	100
FORTUNATE MARITIME S.A. (PANAMA)	3,095,520	100	-	-
	<u>\$ 3,095,520</u>	<u>100</u>	<u>89,877</u>	<u>100</u>

c. Agency current accounts (asset account)

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
SHIH WEI NAVIGATION CO., LTD.	\$ 10,469,909	100	7,424,072	100

d. Agency current accounts (liability account)

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
SHIH WEI NAVIGATION CO., LTD.	\$ -		898,806	100
FORTUNATE MARITIME S.A. (PANAMA)	187,979	100	-	-
	<u>\$ 187,979</u>	<u>100</u>	<u>898,806</u>	<u>100</u>

e. Operating expenses

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
SHIH WEI NAVIGATION CO., LTD.	\$ 138,345	15	148,013	17

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

<u>Name of related party</u>	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
HARMONY SUCCESS S.A.(PAMANA)	\$ 48,894	3	-	-

- g. The Company's subsidiary GALLANT PESCADORES S.A. (PAMANA) 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.

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

h. As of December 31, 2006 and 2005, 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

i. As of December 31, 2006 and 2005, SHIH WEI NAVIGATION CO., LTD. (PANAMA) provided endorsement guarantees amounting to US\$211,379 thousand and US\$140,452 thousand, respectively; SHIH WEI NAVIGATION CO., LTD. (PANAMA) had issued guarantee notes for endorsement guarantees and cargo transportation which amounted to \$522,325 and \$558,188, respectively.

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 December 31, 2006 and 2005:

	2006	2005
Vessel equipment (net book value)	\$ 216,953,649	222,430,758
Restricted assets	720,667	491,667
Prepayment for business facilities	5,459,964	-
Total	\$ 223,134,280	222,922,425

7. COMMITMENTS AND CONTINGENCIES

- (1) The construction agreements for vessels signed by the subsidiaries of the Company amounted to JPY31,769,700 thousand and US\$26,000 thousand as of December 31, 2006, and JPY7,511,400 thousand as of December 31, 2005. The Company had paid JPY2,405,836 thousand as of December 31, 2006, and JPY784,100 thousand as of December 31, 2005 (recorded as prepayments for business facilities).
- (2) As of December 31, 2006, the purchase agreements for vessels signed by the subsidiaries of the Company were as follows:

<u>Signed Date</u>	<u>Sellers</u>	<u>Buyers</u>	<u>Vessel's name</u>	<u>Price</u>	<u>Delivery Date</u>
2006/11/13	ELEGANT PESCADORES S.A. (PANAMA)	SALT LINE CO., S.A. & NIPPON SHIO KAISO, LTD.	ELEGANT PESCADORES	USD 5,290,000	2007/02/02
2006/12/25	UNICORN BRILLIANT S.A. (PANAMA).	VIETNAM NATIONAL SHIPPING LINES	UNICORN BRILLIANT	USD12,500,000	2007/01/22

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

- (3) As of December 31, 2006 and 2005, the Company had signed significant operating lease contracts for cargo transportation as follows:

<u>2006</u>			
<u>Vessel Name</u>	<u>Contracting Party</u>	<u>Period Covered</u>	<u>Deposits-out amount</u>
FODAS	FODAS MARITIME S.A.	2002 ~ 2010	\$ 1,200,000
ID COMMANDER	ID SHIPPING A/S	2002 ~ 2011	500,000
Total			<u>\$ 1,700,000</u>

<u>2005</u>			
<u>Vessel Name</u>	<u>Contracting Party</u>	<u>Period Covered</u>	<u>Deposits-out amount</u>
FODAS	FODAS MARITIME S.A.	2002 ~ 2010	\$ 1,200,000
MAJESTIC	MAJESTIC PESCADORES S.A.	2002 ~ 2010	1,200,000
GLARING	FORTUNATE TRANSPORT S.A.	2003 ~ 2008	1,848,507
ID COMMANDER	ID SHIPPING A/S	2002 ~ 2011	650,000
Total			<u>\$ 4,898,507</u>

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

- (4) An employee named Shau-ching Tsai of the Company's subsidiary BRIGHT PESCADORES S.A. (PANAMA) was careless in maintaining a crane. Consequently, a cable of the machine broke because of long-term abrasion and caused a steel plate to drop. It struck and killed the victim, Yun-yu Wu. On November 21, 2005, the victim's mother filed a claim in the Keelung District Court that the Company's parent company SHIH WEI NAVIGATION CO., LTD. should pay compensation of NT\$4,447 thousand. The Keelung District Court adjudged that Shau-Ching Tsai was careless in causing Yun-yu Wu's death, and because the Company's subsidiary was the employer of Shau-ching Tsai, the Company's parent company should pay compensation of NT\$3,437 thousand. However, the Company's parent company disagreed with the ruling of the Keelung District Court and decided to appeal to the Taiwan High Court. It was mutually agreed by the two parties that the full and final settlement amounted to NT\$2,100 thousand. All of the indemnity has been paid by the PNI insurance company to Shau-Ching Tsai's family members.

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

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

	2006			2005		
	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	7,905,671	-	7,905,671	6,825,857	-	6,825,857
Insurance	-	-	-	-	-	-
Retirement	-	-	-	-	-	-
Others	2,777,005	-	2,777,005	2,187,399	-	2,187,399
Depreciation	14,858,383	-	14,858,383	13,556,550	-	13,556,550
Depletion	-	-	-	-	-	-
Amortization	1,651,113	-	1,651,113	1,561,108	-	1,561,108