

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**DIMERCO EXPRESS CORPORATION  
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements**

**December 31, 2017 and 2016**

**(With Independent Auditors' Report Thereon)**

**Address: 11F, No. 160, Sec. 6, Min Chuan East Road, Taipei, Taiwan, R.O.C.**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the consolidated financial statements of Dimerco Express Corporation as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dimerco Express Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Dimerco Express Corporation

Chairman: Chien Yao-Huai

Date: March 15, 2018



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## Independent Auditor's Report

To the Board of Directors of Dimerco Express Corporation:

### Opinion

We have audited the consolidated financial statements of Dimerco Express Corporation and its subsidiaries and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to the section of other matters), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of certain subsidiaries. The financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors. The consolidated total assets for these subsidiaries amounted to \$1,299,859 and \$1,335,760 thousand as of December 31, 2017 and 2016, respectively, both constituted 31% of consolidated total assets, of each financial reporting date. Their net revenues for the years ended December 31, 2017 and 2016, amounted to \$5,012,689 and \$4,626,239 thousand, respectively, both constituted 29% of consolidated net revenues for the years then ended.



Dimerco Express Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion with other matter section.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this auditor's report are as follows:

#### **1. Revenue recognition**

Please refer to Note 4(n) "revenue and cost" for accounting policy related to revenue recognition, and Note 6(l) for the disclosure related to revenue of the consolidated financial statements.

Description of key audit matter:

The Group mainly generates revenue from providing service of air freight and ocean freight forwarding. Revenue is recognized when the goods are consigned for transportation based on each shipping term and the transportation fee can be reasonably determined. Since the delivering timing is different for each shipping term, the management of the Group needs to determine the accurate timing for revenue recognition. Therefore, the revenue recognition is considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

The key audit procedures performed by us and procedures noted in the audit instructions sent to the international accounting firm in cooperation with the R.O.C. accounting firm and other firm are as follows:

- Testing the effectiveness of the internal control over sales.
- Selecting a period of sales data from the system, and determining the completeness of the revenue recognition.
- Obtaining the list of top ten sales customers and sales data of the year, then performing test-of-detail by selecting samples from each month to evaluate the existence of the sales and the accuracy of the amount recognized, as well as the appropriateness of sales recognition.
- Obtaining the master airway bill provided by the airline and the summarize documents prepared by the Group, as well as selecting sample from the summarized documents to determine whether the related house airway bill have been recognized appropriately.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the timing of revenue recognition is appropriate.

#### **2. Cost accrual**

Please refer to Note 4(n) "revenue and cost" for accounting policy related to cost accrual and Note 6(m) for the disclosure related to cost of the consolidated financial statements.

Description of key audit matter:

The cost of the Group consists of local and international transportation cost. There is a risk in identifying the completeness of the accrual cost and the accuracy of the amount accrued. Therefore, the cost accrual is considered to be one of the key audit matters in our audit.



How the matter was addressed in our audit:

The key audit procedures performed by us and procedures noted in the audit instructions sent to the international accounting firm in cooperation with the R.O.C. accounting firm and other firm are as follow:

- Testing the effectiveness of the internal control over purchase.
- Performing test-of-detail by selecting the same samples in connection with the audit of top ten sales customers and the sales data of year from each month, and evaluate whether the related cost have been matched with the reconition of revenue and accrued appropriately.
- Sending confirmation letter for the ending balance of accounts payable. Selecting samples with significant amount from the reconciled documents between the Group and the airlines and vouching the subsequent payment to determine whether the costs accrued at the financial position date were reasonable.
- Performing purchase cut-off test of a period before and after the financial position date by vouching relevant documents of cost transactions to determine whether the timing of cost accrual is appropriate.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Chun-Hsiu Kuang and Po-Shu Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2018

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the Consolidated statement of financial position, financial performance and its 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets**

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
<b>Current assets:</b>								
1100 Cash and cash equivalents (note 6(a))	1,118,440	27	1,145,432	26	2100	545,400	13	504,285
1150 Notes receivable, net (note 6(b))	10,366	-	15,056	-	2322	5,934	-	6,286
1170 Accounts receivable, net (note 6(b))	2,132,672	51	2,038,707	48	2150	32,424	1	27,621
1412 Prepaid lease	1,293	-	1,409	-	2170	1,371,966	32	1,214,856
1470 Other current assets (notes 6(b), 8 and 9)	103,045	2	116,509	3	2230	22,092	1	26,406
	<u>3,365,816</u>	<u>80</u>	<u>3,317,113</u>	<u>77</u>	2399	<u>157,847</u>	<u>4</u>	<u>115,010</u>
<b>Non-current assets:</b>								
1543 Financial assets carried at cost—non-current	5,406	-	5,391	-		2,135,363	51	1,894,464
1551 Long-term investments under equity method (note 6(c))	19,142	-	36,143	1	2540	122,985	3	129,058
1600 Property, plant and equipment (notes 6(d), (f), 8 and 9)	633,305	15	678,047	16	2570	756	-	203
1805 Goodwill (note 6(e))	26,476	1	27,268	1	2640	47,316	1	48,759
1840 Deferred income tax assets (note 6(i))	40,424	1	45,837	1	2670	3,459	-	3,237
1920 Refundable deposits	67,612	2	64,400	2		174,516	4	181,257
1985 Long-term prepaid lease	46,489	1	52,047	1		2,309,879	55	2,075,721
1990 Other non-current assets (notes 6(b), (h), 8 and 9)	7,142	-	21,508	1		1,290,000	31	1,290,000
	<u>845,996</u>	<u>20</u>	<u>930,641</u>	<u>23</u>	3100	<u>26,118</u>	<u>1</u>	<u>29,200</u>
<b>Liabilities and Equity</b>								
<b>Current liabilities:</b>								
Short-term borrowings (notes 6(d), (f) and 8)								
Long-term borrowings—current portion (notes 6(d), (f) and 8)								
Notes payable								
Accounts payable								
Income tax payable								
Other current liabilities (note 6(n))								
<b>Non-Current liabilities:</b>								
Long-term borrowings (notes 6(d), (f) and 8)								
Deferred income tax liabilities (note 6(i))								
Accrued pension liabilities (note 6(h))								
Other non-current liabilities								
<b>Total liabilities</b>								
<b>Equity attributable to owners of parent (notes 6(c), (f) and (j)):</b>								
Common stock								
Capital surplus								
Retained earnings:								
Legal reserve								
Special reserve								
Unappropriated retained earnings								
Other equity interest:								
Foreign currency translation differences for foreign operations								
Treasury shares								
Total equity attributable to owners of parent								
Non-controlling interests								
Total equity								
<b>Total liabilities and equity</b>								
	<u>\$ 4,211,812</u>	<u>100</u>	<u>\$ 4,247,754</u>	<u>100</u>	2-3xxx	<u>\$ 4,211,812</u>	<u>100</u>	<u>\$ 4,247,754</u>
xxxx								

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (note 6(l))	\$ 17,533,280	100	16,158,469	100
5000 Operating costs (notes 6(h) and (m))	<u>15,085,237</u>	<u>86</u>	<u>13,636,293</u>	<u>84</u>
5900 Gross profit from operations	<u>2,448,043</u>	<u>14</u>	<u>2,522,176</u>	<u>16</u>
6000 Operating expenses (notes 6(b), (d), (h), (j), (n) and 7):				
6100 Selling expenses	622,979	4	633,000	4
6200 Administrative expenses	<u>1,543,903</u>	<u>9</u>	<u>1,568,703</u>	<u>10</u>
Total operating expenses	<u>2,166,882</u>	<u>13</u>	<u>2,201,703</u>	<u>14</u>
6900 Net operating income	<u>281,161</u>	<u>1</u>	<u>320,473</u>	<u>2</u>
7000 Non-operating income and expenses (notes 6(c) and (o)):				
7010 Other income	9,688	-	19,891	-
7020 Other gains and losses	(16,138)	-	29,892	-
7050 Finance costs	(7,596)	-	(8,932)	-
7060 Share of loss of associates accounted for under equity method	<u>3,918</u>	<u>-</u>	<u>(16,446)</u>	<u>-</u>
Total non-operating income and expenses	<u>(10,128)</u>	<u>-</u>	<u>24,405</u>	<u>-</u>
7900 Profit from continuing operations before tax	271,033	1	344,878	2
7950 Less: Income tax expense (note 6(i))	<u>51,874</u>	<u>-</u>	<u>59,619</u>	<u>-</u>
8200 Profit for the year	<u>219,159</u>	<u>1</u>	<u>285,259</u>	<u>2</u>
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss (note 6(h))				
8311 Remeasurements of defined benefit plans	(1,298)	-	(6,156)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(1,298)</u>	<u>-</u>	<u>(6,156)</u>	<u>-</u>
8360 Other components of other comprehensive income that may be reclassified to profit or loss				
8361 Foreign currency translation differences for foreign operations	(253,392)	(1)	(52,195)	-
8399 Other components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that may be reclassified to profit or loss	<u>(253,392)</u>	<u>(1)</u>	<u>(52,195)</u>	<u>-</u>
8300 Other comprehensive income (loss), net of tax	<u>(254,690)</u>	<u>(1)</u>	<u>(58,351)</u>	<u>-</u>
8500 Total comprehensive income (loss)	<u>\$ (35,531)</u>	<u>-</u>	<u>226,908</u>	<u>2</u>
Profit attributable to:				
8610 Owners of parent	\$ 206,819	1	270,781	2
8620 Non-controlling interests	<u>12,340</u>	<u>-</u>	<u>14,478</u>	<u>-</u>
	<u>\$ 219,159</u>	<u>1</u>	<u>285,259</u>	<u>2</u>
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ (44,449)	-	220,321	2
8720 Non-controlling interests	<u>8,918</u>	<u>-</u>	<u>6,587</u>	<u>-</u>
	<u>\$ (35,531)</u>	<u>-</u>	<u>226,908</u>	<u>2</u>
Earnings per share (NT dollars) (note 6(k))				
9750 Basic earnings per share	<u>\$ 1.67</u>		<u>2.20</u>	
9850 Diluted earnings per share	<u>\$ 1.65</u>		<u>2.18</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent									
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total retained earnings	Foreign currency transition differences for foreign operations	Treasury shares	Non-controlling interests	Total equity
Balance at January 1, 2016	1,290,000	19,719	265,898	182,174	156,586	604,658	131,778	(105,024)	125,935	2,067,066
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	13,740	-	(13,740)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(125,460)	(125,460)	-	-	(5,043)	(130,503)
Other changes in capital surplus:										
Changes in equity of associates accounted under equity method	-	9,481	-	-	-	-	-	-	-	9,481
Profit for the year	-	-	-	-	270,781	270,781	-	-	14,478	285,259
Other comprehensive income (loss)	-	-	-	-	(4,069)	(4,069)	(46,391)	-	(7,891)	(58,351)
Total comprehensive income (loss)	-	-	-	-	266,712	266,712	(46,391)	-	6,587	226,908
Purchase of treasury shares	-	-	-	-	-	-	-	(919)	-	(919)
Balance at December 31, 2016	1,290,000	29,200	279,638	182,174	284,098	745,910	85,387	(105,943)	127,479	2,172,033
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	27,078	-	(27,078)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(248,490)	(248,490)	-	-	(4,984)	(253,474)
Other changes in capital surplus:										
Changes in equity of associates accounted under equity method	-	(9,481)	-	-	-	-	-	-	-	(9,481)
Profit for the year	-	-	-	-	206,819	206,819	-	-	12,340	219,159
Other comprehensive income (loss)	-	-	-	-	(1,298)	(1,298)	(249,970)	-	(3,422)	(254,690)
Total comprehensive income (loss)	-	-	-	-	205,521	205,521	(249,970)	-	8,918	(35,531)
Transferred treasury shares to employees	-	6,399	-	-	-	-	-	21,987	-	28,386
Balance at December 31, 2017	1,290,000	26,118	306,716	182,174	214,051	702,941	(164,583)	(83,956)	131,413	1,901,933

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2017 and 2016****(Expressed in Thousands of New Taiwan Dollars)**

	2017	2016
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 271,033	344,878
Adjustments:		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	42,105	51,888
Amortization expense	96	196
Provision for bad debt expense	1,752	7,179
Interest expense	7,596	8,932
Interest income	(1,985)	(5,785)
Dividend income	(97)	(107)
Cost of transferring treasury shares to employees	6,599	-
Share of loss (gain) of associates accounted under equity method	(3,918)	16,446
Gain on disposal of property, plan and equipment	(3,064)	(383)
Loss on disposal of investments	5,490	-
Unrealized foreign exchange loss	29,487	23,037
Amortization of long-term prepaid lease	1,323	1,402
Total adjustments to reconcile profit	<u>85,384</u>	<u>102,805</u>
Changes in operating assets and liabilities:		
<b>Changes in operating assets:</b>		
Notes receivable	4,690	(10,916)
Accounts receivable	(95,717)	(283,685)
Other current assets	13,464	6,232
Net defined benefit assets	-	288
Total changes in operating assets	<u>(77,563)</u>	<u>(288,081)</u>
<b>Changes in operating liabilities:</b>		
Notes payable	4,803	11,674
Accounts payable	157,110	199,530
Other current liabilities	42,469	(29,788)
Net defined benefit liability	(2,741)	(7,840)
Total changes in operating liabilities	<u>201,641</u>	<u>173,576</u>
Total changes in operating assets and liabilities	<u>124,078</u>	<u>(114,505)</u>
Total adjustments	<u>209,462</u>	<u>(11,700)</u>
Cash inflow generated from operations	480,495	333,178
Interest received	1,985	5,785
Dividends received	97	107
Interest paid	(7,596)	(8,932)
Income taxes paid	(50,222)	(62,188)
<b>Net cash provided by operating activities</b>	<u>424,759</u>	<u>267,950</u>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted under equity method	-	(4,340)
Proceeds from disposal of investments accounted under equity method	4,903	-
Acquisition of property, plant and equipment	(22,289)	(28,692)
Proceeds from disposal of property, plant and equipment	4,676	2,754
Decrease (increase) in refundable deposits	(3,212)	6,224
Decrease (increase) in other non-current assets	14,270	(15,517)
<b>Net cash used in investing activities</b>	<u>(1,652)</u>	<u>(39,571)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	62,000	20,886
Decrease in short-term loans	(20,885)	(39,370)
Proceeds from long-term debt	-	416
Repayments of long-term debt	(6,425)	(53,734)
Increase (decrease) in other non-current liabilities	222	(3,844)
Cash dividends paid	(253,406)	(128,591)
Payments to acquire treasury shares	-	(919)
Proceeds from transferred treasury shares	21,787	-
<b>Net cash provided by (used in) financing activities</b>	<u>(196,707)</u>	<u>(205,156)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(253,392)</u>	<u>(52,195)</u>
Net decrease in cash and cash equivalents	(26,992)	(28,972)
Cash and cash equivalents at beginning of year	1,145,432	1,174,404
Cash and cash equivalents at end of year	<u>\$ 1,118,440</u>	<u>1,145,432</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

DIMERCO EXPRESS CORPORATION (DIMITW) (originally named Dimerco Express (Taiwan) Corporation, changed in June 2012) was incorporated in August 1985 as a company limited by shares under the laws of the Republic of China (ROC). The consolidated entities in the consolidated financial statements include DIMITW and its subsidiaries (the Group). The Group is primarily engaged in the business of air freight forwarding, ocean freight forwarding, and customs brokerage service, and related investing activities, please refer to note 14.

**(2) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Directors and issued on March 15, 2018.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017. The differences between the current version and the previous version are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had financial assets measured at cost of \$5,406 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 will not have any significant impact on its assets, liabilities and equity.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)



## DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; an entity may also choose to apply this policy for trade receivables and contract assets with a significant financing component.

The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 will not have any significant impact to the Group's assets, liabilities and equity.

#### 3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

#### 4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

#### (ii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

#### (iii) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses and the calculation of future taxable income.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group estimated the application of IAS 12 on January 1, 2018 would not have any significant impact on its assets, liabilities and equity.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>· For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</li> <li>· A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> <li>· In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>· If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul>
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>· on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and</li> <li>· the effect of the asset ceiling is disregarded when calculating past service cost and gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.</li> </ul>

(Continued)



**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

**(a) Statement of compliance**

These consolidated annual financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC and SIC Interpretations endorsed by the R.O.C. Financial Supervisory Commission (hereinafter referred to as the IFRS endorsed by the FSC).

**(b) Basis of preparation**

**(i) Basis of measurement**

Except for accrued pension liability, which is recognized as the fair value of plan assets less the present value of the defined benefit obligations and the maximum amount allowed calculated in note 4(n), the consolidated financial statements have been prepared on a historical cost basis.

**(ii) Functional and presentation currency**

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations, including goodwill and adjustment of fair value upon acquisition, are translated to the Group's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's presentation currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

**(c) Basis of consolidation**

**(i) Principles of preparation of consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

## DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

(ii) List of subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at		Remarks
			December 31, 2017	December 31, 2016	
DIMITW	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	
DIMITW	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	
DIMITW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	
DIMITW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	
DIMITW	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMITW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	Note 2
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	Note 2
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	Note 2
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	Note 2
DIMGB	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	40.00 %	40.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	100.00 %	100.00 %	
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at		Remarks
			December 31, 2017	December 31, 2016	
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	Note 1
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	Note 1
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	Note 1
Holding	Dimerco Express (Australia) Pty Ltd (DIMAU)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	100.00 %	100.00 %	
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	
DIMUS	Dimerco Customs Brokerage Co. Ltd (DCBUS)	Brokerage service	100.00 %	100.00 %	
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	60.00 %	60.00 %	
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	
DIMPH	Peerless Express Forwarders Corp.	Global logistics service	39.99 %	- %	Note 1

Note 1: The Company owns less than 50% of the subsidiaries' voting stock, but the Company has control over the subsidiaries' financial and operating policies through agreement with other investors. Therefore, the Company includes the subsidiaries in the consolidated financial statements.

Note 2: The Group incorporated a new subsidiary, Foreign Settlement Co., Ltd., in May 2016, where in DIMTW, DIMHK, DFSTW, and DFSHK owns 15%, 35%, 15% and 35%, respectively, of its shares.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In September 2016, DIMUS transferred all of its 20% ownership in FSC to DIMHK.

In September 2017, DIMAU increased capital by AUD1,650 thousands and 100% purchased by Holding.

In November 2017, DIMPH acquired 39.99% shares of Peerless Express Forwarders Corp. and the company was treated as subsidiary of the Group. Therefore, the company is included in the consolidated financial statements.

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

(i) The Group shall classify an asset as current when:

- 1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- 2) It holds the asset primarily for the purpose of trading;
- 3) It expects to realize the asset within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group shall classify all other assets as non-current.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) The Group shall classify a liability as current when:
- 1) It expects to settle the liability in its normal operating cycle;
  - 2) It holds the liability primarily for the purpose of trading;
  - 3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
  - 4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in banks, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

Time deposits with maturity of three months or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes. They are also readily convertible to fixed amount of cash, and are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets as loans to other parties and receivables, and financial assets carried at cost.

1) Loans to other parties and receivables

Loans to other parties and receivables are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans to other parties and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The fair value is the amount of expected future cash flows discounted to present value, other than those would be matured and collected in the short term.

(Continued)



**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements**

## 2) Financial assets carried at cost

Financial assets that are equity investments and have no active market and whose fair value cannot be measured are carried at cost, less any impairment loss. They are recorded under financial assets carried at cost.

Dividend income from equity investments is recognized on the date that the Group's right to receive payment is established (normally the ex-dividend date) and recorded under non-operating income and expense.

## 3) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant receivable are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expense.

(Continued)

## DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of liabilities or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contract and the definition of financial liabilities and equity instruments.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 2) Other financial liabilities

Other financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and included in non-operating income and expense.

##### 3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in non-operating income and expense.

##### 4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

#### (h) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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Investments in associates are accounted for under the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align their accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless its useful life and depreciation method are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. Land has an unlimited useful life and therefore is not depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	4~56 years
Transportation equipment	5 years
Office equipment	1~16 years
Lease improvement	2~6 years
Other equipment	2~6 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(j) Leases—lessee

The leases of the Group are operating leases. Those leased assets are not recorded in the consolidated balance sheet.

Payments made under an operating lease (not including insurance expense or maintenance cost) are recognized in profit or loss on a straight-line basis over the term of the lease. Any benefit provided by the lessor for the purpose of reaching the agreement is accounted for as a reduction of lease expense on a straight-line basis.

(k) Intangible assets—goodwill

(i) Recognition

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all business combinations that occurred after January 1, 2012 (inclusive). For those acquisitions that occurred prior to January 1, 2012, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets recognized at the date of acquisition is recognized as goodwill.

(ii) Measurement

Goodwill is measured at cost, less accumulated impairment losses.

Goodwill is not amortized. Instead, it is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. Impairment loss for goodwill cannot be reversed.

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(l) Impairment—non-derivative financial assets

Non-derivative financial assets except for deferred income tax assets are assessed at the end of each reporting period for whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If, and only if, the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

Recoverability of goodwill is required to be tested at least annually. An impairment loss is recognized if the recoverable amount is less than the carrying amount. Reversal of an impairment loss for goodwill in a future period is prohibited.

(m) Treasury stock

Under the cost method, the treasury stock account is debited for the cost of the Group's shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each type of repurchase according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

(n) Revenue and cost

Transportation income is recognized when the goods are consigned for transportation and the transportation fee can be reasonably determined.

Transportation cost which consists of air and ocean cost is accrued based on the invoice or quote price provided by the vendor, upon the time of income recognition.

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(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Previous-period unamortized service cost and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method (originally the projected settlement cost method). When the calculation results in a benefit to the Group, the asset recognized is limited to the total amount of the present value of economic benefits of any future refunds from the plan or reductions of contributions to the plan in the future.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset) comprise (1) actuarial gains and losses; (2) the return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (asset). The Group recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive income under retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(q) Income tax

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Temporary difference resulting from initial recognition of goodwill cannot be recognized as deferred income tax assets or liabilities.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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A deferred income tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Treasury stock should be deducted from outstanding shares. Stock dividends from retained earnings and capital surplus are adjusted retroactively as outstanding shares.

When computing diluted earnings per share, all potential shares are considered outstanding shares for the current period; therefore, both profit attributable to ordinary shareholders and outstanding shares should be adjusted for the impact of potential shares. Employee bonuses in the form of stock of the Company are accounted for as potential shares.

(s) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements. Neither are the information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

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**(6) Explanation of significant accounts****(a) Cash and cash equivalents**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash on hand	\$ 4,449	3,994
Checking accounts and savings accounts	1,077,287	1,114,107
Time deposits	36,704	27,331
Cash and cash equivalents in statement of cash flows	<u>\$ 1,118,440</u>	<u>1,145,432</u>

Please refer to note 6(p) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

**(b) Notes and accounts receivable**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Notes receivable	\$ 10,366	15,056
Accounts receivable	2,195,703	2,098,355
Other receivable (recorded under other current assets)	10,044	7,835
Overdue receivable	3,398	5,029
Less: allowance for doubtful accounts—accounts receivable	63,031	59,648
allowance for doubtful accounts—overdue receivable	3,398	5,029
	<u>\$ 2,153,082</u>	<u>2,061,598</u>

The Group has not provided the receivables as collateral or factored them for cash.

The aging analysis for receivables that were past due but not impaired is as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Past due 0~90 days	<u>\$ 91,011</u>	<u>76,114</u>

As of December 31, 2017 and 2016, the details of allowance for doubtful accounts—accounts receivable were as follows:

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ -	59,648	59,648
Impairment loss recognized	-	3,383	3,383
Balance at December 31, 2017	<u>\$ -</u>	<u>63,031</u>	<u>63,031</u>

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	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ -	54,001	54,001
Impairment loss recognized	-	5,647	5,647
Balance at December 31, 2016	<u>\$ -</u>	<u>59,648</u>	<u>59,648</u>

As of December 31, 2017 and 2016, the details of allowance of doubtful accounts—overdue receivables were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 5,029	-	5,029
Reversal	(1,631)	-	(1,631)
Balance at December 31, 2017	<u>\$ 3,398</u>	<u>-</u>	<u>3,398</u>

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 3,497	-	3,497
Impairment loss recognized	1,532	-	1,532
Balance at December 31, 2016	<u>\$ 5,029</u>	<u>-</u>	<u>5,029</u>

(c) Investments under equity method

A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates	<u>\$ 19,142</u>	<u>36,143</u>

(i) Associates

In 2016, Huahan (Shanghai) increased its capital by cash; however, the Group did not participate in the capital injection; therefore, the Group's ownership decrease from 49% to 46.06%. Please refer to note 6(j) for the capital surplus recongnized.

In March 2017, the Group disposed all of its ownership in Huahan (Shanghai) for cash of \$4,903 thousand. The Group reversed its capital surplus amounting to \$9,481 thousand and recognized a loss on disposal amounting to \$5,512 thousand.

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The details of significant associates are as follows:

Name of associate	Existing relationship with the Group	Main operating location / country of registration	Proportion of equity and voting rights	
			December 31, 2017	December 31, 2016
Huahan (Shanghai)	Electronic business platform for on-line forwarding transactions	China	- %	46.06 %

A summary of the financial information of the significant associate is as follows:

1) Summary of financial information of Huahan (Shanghai)

	December 31, 2017	December 31, 2016
Current assets	\$ -	14,009
Non-current assets	-	38,420
Current liabilities	-	(9,405)
Equity	\$ -	43,024
Equity attributable to the Group	\$ -	19,817
	<b>2017</b>	<b>2016</b>
Revenue	\$ -	10,475
Net loss on continuing operations	\$ -	(37,504)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$ -	(37,504)
Total comprehensive income (loss) attributable to the Group	\$ -	(22,766)
	<b>2017</b>	<b>2016</b>
Beginning equity of the associate attributable to the Group	\$ 19,896	30,381
Total comprehensive income (loss) of the associate attributable to the Group	-	(24,306)
Acquisition of associate	-	4,340
Disposal of associate	(19,896)	-
Other	-	9,481
Ending balance of the equity of the associate attributable to the Group	\$ -	19,896

2) Summary of individually non-significant associates recognized under the equity method

	December 31, 2017	December 31, 2016
Balance of non-significant associate's equity	\$ 19,142	16,247

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	2017	2016
Attributable to the Group:		
Income from continuing operations	\$ 3,918	6,320
Other comprehensive income	-	-
Total comprehensive income	\$ 3,918	6,320

## (ii) Collateral

As of December 31, 2017 and 2016, the investments in equity-accounted associates of the Group had not been pledged as collateral or restricted in any way.

## (d) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2017	\$ 186,853	574,160	45,495	145,460	67,701	59,844	1,079,513
Additions	-	-	6,501	12,649	2,864	275	22,289
Disposals	-	-	(10,866)	(3,857)	(2,102)	(787)	(17,612)
Effect of currency translation	(2,521)	(28,308)	(2,312)	(3,291)	(2,813)	(1,628)	(40,873)
Balance at December 31, 2017	\$ 184,332	545,852	38,818	150,961	65,650	57,704	1,043,317
Balance at January 1, 2016	\$ 187,340	593,625	55,318	150,415	66,600	69,583	1,122,881
Additions	-	-	170	14,947	6,756	6,819	28,692
Disposals	-	(239)	(7,855)	(13,048)	(3,075)	(13,691)	(37,908)
Effect of currency translation	(487)	(19,226)	(2,138)	(6,854)	(2,580)	(2,867)	(34,152)
Balance at December 31, 2016	\$ 186,853	574,160	45,495	145,460	67,701	59,844	1,079,513
Depreciation and impairment loss:							
Balance at January 1, 2017	\$ -	145,689	34,799	116,752	52,312	51,914	401,466
Depreciation	-	15,631	4,347	14,297	4,995	2,835	42,105
Disposal	-	-	(10,171)	(3,593)	(1,469)	(767)	(16,000)
Effect of currency translation	-	(7,846)	(1,650)	(2,828)	(2,479)	(2,756)	(17,559)
Balance at December 31, 2017	\$ -	153,474	27,325	124,628	53,359	51,226	410,012
Balance at January 1, 2016	\$ -	131,933	39,061	116,663	52,662	61,313	401,632
Depreciation	-	16,742	4,752	17,562	5,983	6,849	51,888
Disposal	-	(239)	(7,450)	(11,857)	(3,061)	(12,930)	(35,537)
Effect of currency translation	-	(2,747)	(1,564)	(5,616)	(3,272)	(3,318)	(16,517)
Balance at December 31, 2016	\$ -	145,689	34,799	116,752	52,312	51,914	401,466
Carrying value:							
December 31, 2017	\$ 184,332	392,378	11,493	26,333	12,291	6,478	633,305
December 31, 2016	\$ 186,853	428,471	10,696	28,708	15,389	7,930	678,047
January 1, 2016	\$ 187,340	461,692	16,257	33,752	13,938	8,270	721,249

Please refer to note 8 for the information on pledged property, plant and equipment as of December 31, 2017 and 2016.

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## (e) Intangible assets

The cost of the intangible assets of the Group in 2017 and 2016 was as follows:

	<u>Goodwill</u>
Balance at January 1, 2017	\$ 27,268
Effect of currency translation	<u>(792)</u>
Balance at December 31, 2017	<u>\$ 26,476</u>
Balance at January 1, 2016	\$ 27,437
Effect of currency translation	<u>(169)</u>
Balance at December 31, 2016	<u>\$ 27,268</u>

## (f) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

## (i) Short-term borrowings

	<u>December 31, 2017</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
		(%)	year	
Unsecured loans	NTD	1.07~1.10	2018	\$ 545,400
Total				<u>\$ 545,400</u>
	<u>December 31, 2016</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
		(%)	year	
Secured loans	NTD	2	2017	\$ 20,885
Unsecured loans	NTD	1.07~1.28	2017	<u>483,400</u>
Total				<u>\$ 504,285</u>

As of December 31, 2017 and 2016, the unused credit facilities of the Group's short-term borrowings amounted to \$197,670 thousand and \$255,275 thousand, respectively.

Please refer to note 6(p) for the information on the interest rate, foreign currency, and liquidity risk.

The Group has pledged certain assets against the loans; please refer to note 8 for additional information.

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## (ii) Long-term borrowings

	<b>December 31, 2017</b>			<b>Amount</b>
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	
	Secured loans	NTD	1.50~1.60	
Unsecured loans	NTD	1.30	2019	<u>89,250</u>
Total				<u>\$ 128,919</u>
Current				\$ 5,934
Non-current				<u>122,985</u>
Total				<u>\$ 128,919</u>

	<b>December 31, 2016</b>			<b>Amount</b>
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	
	Secured loans	NTD	1.60~1.81	
Secured loans	MYR	3.61	2017~2018	416
Unsecured loans	NTD	1.30~1.55	2018	89,250
Unsecured loans	PHD	9.55	2017	<u>174</u>
Total				<u>\$ 135,344</u>
Current				\$ 6,286
Non-current				<u>129,058</u>
Total				<u>\$ 135,344</u>

- (i) As of December 31, 2017 and 2016, the unused credit facilities of the Group's long-term borrowings amounted to \$60,750 thousand and \$60,750 thousand, respectively.

Please refer to note 6(p) for the information on the interest rate, foreign currency, and liquidity risk.

The Group has pledged certain assets against the loans; please refer to note 8 for additional information.

## (g) Operating leases— lessee

Non-cancellable rental payables of operating leases were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Less than one year	\$ 177,804	152,870
Between one and five years	<u>219,352</u>	<u>130,218</u>
	<u>\$ 397,156</u>	<u>283,088</u>

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

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(h) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Present value of defined benefit obligation	\$ 70,724	80,908
Fair value of plan assets	<u>(23,914)</u>	<u>(32,663)</u>
Net accrued pension liabilities	<u>\$ 46,810</u>	<u>48,245</u>
Recorded under:		
Accrued pension liabilities	<u>\$ 47,316</u>	<u>48,759</u>
Net defined benefit assets (Other non-current assets)	<u>\$ 506</u>	<u>514</u>

Domestic entities of the Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

Domestic entities of the Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. Foreign subsidiary allocates pension funds in accordance with the local regulations.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$23,914 thousand as of December 31, 2017. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit obligation at January 1	\$ 80,908	70,169
Current service costs and interest	1,718	1,618
Remeasurements of net defined benefit liability (asset)		
— Actuarial gains and losses arising from changes in financial assumptions	1,276	13,156
Benefits paid by the plan	(12,242)	(4,035)
Effect of movements in exchange rates	(936)	-
Defined benefit obligation at December 31	<u>\$ 70,724</u>	<u>80,908</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets, January 1	\$ (32,663)	(20,528)
Remeasurements of net defined benefit liability (asset)		
— Return on plan assets (excluding amounts included in net interest expense)	(963)	(408)
— Actuarial gains and losses arising from changes in financial assumptions	22	(7,000)
Contributions made	(3,258)	(8,762)
Benefits paid by the plan	12,242	4,035
Effect of movements in exchange rates	706	-
Fair value of plan assets, December 31	<u>\$ (23,914)</u>	<u>(32,663)</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Net interest on defined benefit liability (asset)	<u>\$ 755</u>	<u>1,210</u>
	<u>2017</u>	<u>2016</u>
Selling expenses	\$ 104	156
Administrative expenses	651	1,054
	<u>\$ 755</u>	<u>1,210</u>

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- 5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income (loss) for the years ended December 31, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Accumulated amount, January 1	\$ (15,463)	(9,307)
Recognized loss during the period	<u>(1,298)</u>	<u>(6,156)</u>
Accumulated amount, December 31	<u>\$ (16,761)</u>	<u>(15,463)</u>

- 6) Actuarial assumptions

The principal actuarial assumptions used to determine the present value of the defined benefit obligation on December 31, 2017 and 2016, were as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Discount rate	1.375~5.200%	1.375~5.200%
Future salary increase rate	2.000~3.000%	1.000~5.000%

The Group expects to make contributions of \$3,269 thousand to the defined benefit plans in the year following the reporting date of 2017.

The weighted average duration of the defined benefit obligation is 14 years to 20 years .

- 7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2017 and 2016, the impact on the present value of the defined benefit obligation arising from changes in principal actuarial assumptions was as follow:

	<u>Impact on defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2017		
Discount rate	\$ (1,271)	1,315
Future salary increase rate	1,296	(1,254)
December 31, 2016		
Discount rate	(1,618)	1,673
Future salary increase rate	1,649	(1,339)

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The above sensitivity analysis is analyzed based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for sensitivity analysis and calculation of net pension liability is the same.

The methods of measurement and the assumptions used for the sensitivity analysis are the same as for the previous year.

(ii) Defined contribution plans

Domestic entities of the Group contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

Foreign subsidiaries of the Group adopted defined contribution pension plans and made contributions based on the regulations set by the local authority and recognized the contributed amount as current year's expenses.

The Group's pension costs under the defined contribution method were \$88,603 and \$85,114 for 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(i) Income tax

(i) Income tax expenses

The amounts of income tax expense (benefits) for 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current income tax expense (benefits)		
Current period	\$ 45,707	70,805
Adjustment for prior periods	<u>201</u>	<u>(8,134)</u>
	<u>45,908</u>	<u>62,671</u>
Deferred income tax expense (benefits)		
Origination and reversal of temporary differences	<u>5,966</u>	<u>(3,052)</u>
Income tax expense from continuing operations	<u>\$ 51,874</u>	<u>59,619</u>

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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Reconciliation of income tax expense (benefit) and profit before tax for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Profit excluding income tax	\$ <u>271,033</u>	<u>344,878</u>
Income tax using the Company's domestic tax rate	\$ 46,076	58,629
Effect of tax rates in foreign jurisdiction	(4,391)	(9,599)
Dividend income	(16)	(18)
Non-deductible expenses	7,189	15,813
Tax-exempt income	(5,134)	(3,816)
Underestimate (overestimate) of prior year's income tax expense	201	(8,134)
Others	<u>7,949</u>	<u>6,744</u>
Total	<u>\$ 51,874</u>	<u>59,619</u>

- (ii) Deferred income tax assets and liabilities— recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2017 and 2016 were as follows:

Deferred income tax assets:

	<u>Defined benefit plans</u>	<u>Tax losses</u>	<u>Unrealized foreign exchange</u>	<u>Allowance for doubtful accounts</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2017	\$ 15,764	1,947	352	21,260	6,514	45,837
Recognized in profit or loss	(5,101)	5,565	2,597	(6,651)	(1,823)	(5,413)
Balance at December 31, 2017	<u>\$ 10,663</u>	<u>7,512</u>	<u>2,949</u>	<u>14,609</u>	<u>4,691</u>	<u>40,424</u>
Balance at January 1, 2016	\$ 17,210	1,561	-	16,738	8,084	43,593
Recognized in profit or loss	(1,446)	386	352	4,522	(1,570)	2,244
Balance at December 31, 2016	<u>\$ 15,764</u>	<u>1,947</u>	<u>352</u>	<u>21,260</u>	<u>6,514</u>	<u>45,837</u>

Deferred income tax liabilities:

	<u>Defined benefit plans</u>	<u>Unrealized foreign exchange</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2017	\$ -	-	(203)	(203)
Recognized in profit or loss	(289)	-	(264)	(553)
Balance at December 31, 2017	<u>\$ (289)</u>	<u>-</u>	<u>(467)</u>	<u>(756)</u>
Balance at January 1, 2016	\$ -	(415)	(596)	(1,011)
Recognized in profit or loss	-	415	393	808
Balance at December 31, 2016	<u>\$ -</u>	<u>-</u>	<u>(203)</u>	<u>(203)</u>

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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Details of the abovementioned tax losses are listed below:

1) Australia

<b>Year of loss</b>	<b>Amount</b>	<b>Year of expiration</b>
2017	\$ <u><u>118</u></u>	No expiry date

Unit: AUD (thousands)

2) China

<b>Year of loss</b>	<b>Amount</b>	<b>Year of expiration</b>
2017	\$ <u><u>5,855</u></u>	2022

Unit: CNY (thousands)

(iii) Examination and approval

The tax returns of DIMTW have been examined by the tax authorities through 2015.

Upon examination on the certified tax return of year 2015, the tax authorities and the Company had differences in the aspects of its employees working overseas, wherein the tax authorities determined that the Company should pay additional tax of \$973 thousand. The Company had filed an appeal on this matter.

(iv) Integrated income tax information

Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Unappropriated earnings of 1997 and before	(Note)	-
Unappropriated earnings of 1998 and after	(Note)	<u>284,098</u>
		<u><u>284,098</u></u>
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Balance of imputation credit account	(Note)	<u>1,812</u>
	<b>2017 (estimated)</b>	<b>2016 (actual)</b>
Imputation tax credit ratio of earnings for residents of ROC	(Note)	<u>1.57 %</u>

Effective on January 1, 2015, the imputation tax credit of dividends or earnings distributed to individual shareholders who are residents of the ROC was adjusted to half of the original amount. Furthermore, the imputation tax credit of dividends or earnings distributed to individual shareholders resulting from the 10% surtax on unappropriated earnings was also adjusted to half of the original amount.

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Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system. The information presented above is for reference only.

(j) Capital and other equity

(i) Common stock

As of December 31, 2017 and 2016, the total value of the authorized ordinary shares both amounted to \$1,680,000, with a par value of \$10 per share, totalling 168,000 thousand shares.

The issued common stock of the Group was as follows:

	Unit: thousand shares	
	2017	2016
Balance at January 1 (Balance at December 31 ((at NTD10 per share))	129,000	129,000

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2017 and 2016, were as follows:

	December 31, 2017	December 31, 2016
Additional paid in capital	\$ 15,357	15,357
Changes in equity of associates accounted under equity method	-	9,481
Gain on sale of property, plant and equipment	28	28
Difference between consideration and carrying amount of subsidiaries acquired	4,334	4,334
Treasury share transactions	6,399	-
	\$ 26,118	29,200

In accordance with the ROC Company Act, realized capital reserves can be distributed as cash dividends. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital each year shall not exceed a certain percent of the actual share capital amount. Share premiums can only be reclassified as share capital once a year, and cannot be reclassified in the year of a capital injection by cash.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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(iii) Retained earnings

DIMTW's articles of incorporation stipulate that its net earnings from the current year shall first be used to pay income tax, offset prior years' deficits (including adjustments to unappropriated earnings) and provide 10% as legal reserve, unless the accumulated amount of legal reserve is equal to or over the amount of common stock; then, accrue or reverse the special reserve in accordance with the regulations or rules of authority. The remainder, along with the beginning balance of unappropriated earnings (including the adjustments to unappropriated earnings) is subject to the stockholders' approval for the distribution.

In addition, to maintain the stockholders' return on investment, to accommodate the operating cycles, and to strengthen the financial structure of the Company, the following factors were taken into consideration for dividend distribution:

- 1) the future expansion needs of the Company;
- 2) maintaining a stable earnings per share level of the Company;
- 3) the cash flows and operating results.

Furthermore, considering that the Company is in a constant growth stage in its business cycle, there will be needs for expansion and working capital in the next few years. However, cash dividends may not be less than 10%.

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company has not incurred any loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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3) Earnings distribution

The appropriations of earnings for years 2016 and 2015 as dividends to stockholders that were approved by stockholders during their meetings on June 8, 2017, and June 8, 2016, respectively, were as follows:

	2016		2015	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common stockholders:				
Cash	\$ 2.00	<u>248,490</u>	1.02	<u>125,460</u>

The related information can be obtained from the Market Observation Post System.

(iv) Treasury stock

The information on stock bought back by DIMTW to reward employees is as follows:

	Unit: thousand shares	
	2017	2016
Balance at January 1	6,000	5,940
Purchase of stock	-	60
Transferred to employees	(1,245)	-
Balance at December 31	<u>4,755</u>	<u>6,000</u>

In accordance with the Company's policy on transferring treasury shares to its employees, setting March 31, 2017 as the grant date for evaluating the fair value, the Company transferred 1,245 thousand shares of treasury shares for cash to its employees amounting to \$21,787 thousand, and recognized a cost of share-based payment amounting to \$6,599 thousand, which was recorded under operating expenses. The cost of purchased of the transferred treasury shares was \$21,987 thousand, in which the Company recognized its capital surplus of \$6,399 thousand. As of December 31, 2017, all the share-based payment options were exercised.

As of December 31, 2017 and 2016, the Company held treasury shares amounting to \$83,956 thousand and \$105,943 thousand, respectively. According to Securities and Exchange Act regulations, the number of shares of treasury stock is not allowed to exceed 10% of the number of shares issued. Moreover, the total value of treasury stock is not allowed to exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. During the 2017 and 2016, DIMTW was in compliance with the Securities and Exchange Act.

According to Securities and Exchange Act regulations, treasury stock cannot be pledged. Until the treasury stock is transferred, it does not carry any shareholder rights.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share in 2017 and 2016, was as follows:

(i) Basic earnings per share

	<u>2017</u>	<u>2016</u>
Net income attributable to ordinary shareholders of the Company	\$ <u>206,819</u>	<u>270,781</u>
Weighted-average number of ordinary shares	<u>123,938</u>	<u>123,000</u>
Basic earnings per share (in NT dollars)	\$ <u>1.67</u>	<u>2.20</u>

(ii) Diluted earnings per share

	<u>2017</u>	<u>2016</u>
Net income attributable to ordinary shareholders of the Company	\$ <u>206,819</u>	<u>270,781</u>
Weighted-average number of ordinary shares (basic)	123,938	123,000
Impact of potential common shares		
Effect of employee stock bonus	<u>1,066</u>	<u>1,097</u>
Weighted-average number of ordinary shares (diluted)	<u>125,004</u>	<u>124,097</u>
Diluted earnings per share (in NT dollars)	\$ <u>1.65</u>	<u>2.18</u>

(l) Revenue

The details of the Group's revenue for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Air transportation revenue	\$ 7,800,214	7,470,520
Ocean transportation revenue	6,339,228	5,955,409
Other revenue	<u>3,393,838</u>	<u>2,732,540</u>
	\$ <u>17,533,280</u>	<u>16,158,469</u>

(m) Cost

The details of the Group's cost for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Air transportation cost	\$ 6,916,131	6,325,058
Ocean transportation cost	5,579,557	5,200,760
Other cost	<u>2,589,549</u>	<u>2,110,475</u>
	\$ <u>15,085,237</u>	<u>13,636,293</u>

The cost listed above include accrual costs which had already arranged with the vendors to deliver the product but yet to receive invoices.

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's articles, the Company should contribute no less than 5% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when it has realized profit for the year. Such profit means profit before income tax without deducting the employees' compensation and directors' and supervisors' remuneration. However, if the Company has accumulated deficits (including adjustments to unappropriated earnings), the profit should be reserved to offset the deficit. The amount of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. The payment for director and supervisors' remuneration is must be in the form of cash.

For the years ended December 31, 2017 and 2016, the Company estimated its employees' compensation were \$18,551 thousand and \$19,491 thousand, respectively, and the estimated amounts of directors' and supervisors' remuneration were \$5,565 thousand and \$5,847 thousand, respectively. The estimated amounts mentioned above are calculated as the net profit before tax, excluding employee compensation and directors' and supervisors' remuneration, of each period multiplied by the percentage of employee compensation and directors' and supervisors' remuneration as specified in the Company's articles. The estimations are recorded under operating expenses in 2017 and 2016. The information mentioned above can be accessed on the Market Observation Post System. There were no differences between the actual amounts of remuneration to employees, directors and supervisors distributed for the years 2016 and 2015, and the estimated amounts in the financial statements.

(o) Non-operating income and expenses

(i) Other income

The details of the Group's other income for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 1,985	5,785
Dividend income	97	107
Other	<u>7,606</u>	<u>13,999</u>
	<u>\$ 9,688</u>	<u>19,891</u>

(ii) Other gains and losses

The details of the Group's other gain and losses for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Gain (loss) on foreign exchange	\$ (4,798)	31,486
Losses on disposal of investments	(5,490)	-
Gain on disposal of property, plant and equipment	3,064	383
Others	<u>(8,914)</u>	<u>(1,977)</u>
	<u>\$ (16,138)</u>	<u>29,892</u>

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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(iii) Finance costs

The details of the Group's finance costs for the years ended December 31, 2017 and 2016, were as follows:

	<b>2017</b>	<b>2016</b>
Interest expenses	\$ <b>7,596</b>	<b>8,932</b>

(p) Financial instruments

(i) Credit risk

There was no customer concentration related to the Group's operating revenue at December 31, 2017 and 2016.

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2017 and 2016, the maximum amount exposed to credit risk amounted to \$3,349,197 and \$3,293,436, respectively.

2) Concentration of credit risk

The Group's operating revenue was not concentrated on any group of customers in 2017 and 2016.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2017</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 545,400	551,318	2,959	548,359	-	-	-
Long-term loans	128,919	132,360	307	6,241	96,957	19,625	9,230
Notes payable	32,424	34,424	34,424	-	-	-	-
Accounts payable	1,371,966	1,371,966	1,371,966	-	-	-	-
	<b>\$ 2,078,709</b>	<b>2,090,068</b>	<b>1,409,656</b>	<b>554,600</b>	<b>96,957</b>	<b>19,625</b>	<b>9,230</b>
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Short-term loans	\$ 504,285	510,384	3,049	507,335	-	-	-
Long-term loans	135,344	141,087	399	6,684	98,438	18,909	16,657
Notes payable	27,621	27,621	27,621	-	-	-	-
Accounts payable	1,214,856	1,214,856	1,214,856	-	-	-	-
	<b>\$ 1,882,106</b>	<b>1,893,948</b>	<b>1,245,925</b>	<b>514,019</b>	<b>98,438</b>	<b>18,909</b>	<b>16,657</b>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>December 31, 2017</b>			
Financial assets:			
Monetary items:			
USD	\$ 8,463	29.7330	251,635
Financial liabilities:			
Monetary items:			
USD	\$ 10,932	29.7330	325,037
<b>December 31, 2016</b>			
Financial assets:			
Monetary items:			
USD	\$ 7,525	32.3870	247,347
Financial liabilities:			
Monetary items:			
USD	\$ 5,750	32.3870	186,225

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, and trade and other receivables that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against the USD as of December 31, 2017 and 2016, would have increased or decreased the net profit by \$2,202 thousand and \$1,834 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(4,798) thousand and \$31,486 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by \$6,743 thousand and \$6,396 thousand for the years ended December 31, 2017 and 2016, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value information — categories and fair value of financial instruments

The management of the Group believes the book value of all assets and liabilities at amortized cost in the financial statements to be a reasonable approximation of fair value.

(q) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note has information on risk exposure and the objectives, policies, and process of risk measurement and management. For detailed information, please refer to the related note on each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The management is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Board of Directors oversees how the management monitors whether risk is in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's receivables in 2017 and 2016 are not concentrated on any group of customers.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed regularly. For those customers who fail to meet the Group's benchmark creditworthiness, transactions can only be done on a prepayment basis.

If the Group retains the rights to the products that have already been sold, the Group shall also have the right to require collateral if payment has not been received. The Group does not require any collateral for accounts receivable and other receivables.

The Group has established an allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar asset groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since the Group's contractually obligated counterparties are banks and financial institutions with good credit, there are no compliance issues, and therefore, there is no significant credit risk.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Guarantees and endorsements

The policy allows the Group to provide a financial guarantee to its subsidiaries which DIMTW holds over 50% of equity interest. Please refer to note 13 for detailed information on the Group as of December 31, 2017 and 2016.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), US Dollar (USD), Malaysian Ringgit (MYR), and China Yuan (CNY). The currencies used in these transactions are the NTD, MYR, USD, and CNY.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the NTD, HKD, PHP, and AUD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group adopts a policy of ensuring borrowing interest rate is close to market interest rate and reviewing interest rate interval with banks periodically.

Due to the fluctuation in market interest rate is little, the radiance of interest rate will not cause material cash flow risk.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The target of return on capital of the Group is between 5% and 20%.

As of December 31, 2017, there were no changes in the Group's capital management approach.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant related-party transactions: none.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 43,735	42,193
Post-employment benefits	1,038	1,188
Share-based payment	<u>689</u>	<u>-</u>
	<u>\$ 45,462</u>	<u>43,381</u>

(Continued)



**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Restricted certificates of deposit (other current assets)	Guarantee for the Group's logistics operations	\$ 997	-
Restricted certificates of deposit (other non-current assets)	Guarantee for customs	3,000	3,000
Restricted certificates of deposit (other non-current assets)	Guarantee for the Group's logistics operations	660	13,615
Property, plant and equipment:			
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	156,092	156,092
Buildings	Guarantee for long-term and short-term borrowings and the Group's logistics operations	31,159	32,720
Transportation equipment	Guarantee for long-term borrowings	-	578
		<u>\$ 191,908</u>	<u>206,005</u>

**(9) Commitments and contingencies**

- (a) The Group provided certificates of deposit, land, and buildings as collateral to the banks for the performance of freight forwarding contracts in 2017 and 2016. As of December 31, 2017 and 2016, the guarantees from the banks were \$149,639 thousand and \$140,245 thousand, respectively, and the used amounts were \$116,801 thousand and \$104,502 thousand, respectively.
- (b) As of December 31, 2017 and 2016, the Group had outstanding letters of credit totaling \$44,639 thousand and \$35,244 thousand, respectively. As of December 31, 2017 and 2016, the guarantees recorded for customs duty were \$8,442 thousand and \$4,814 thousand, respectively.
- (c) The consolidated subsidiary DFS was sued by a customer who originally had a business transaction with DIMUS. The lawsuit concerns damage to a product that was delivered. DFS claimed that it was neither engaged with the customer nor the one who delivered the product. Furthermore, DIMUS had no negligence in delivering the product. Therefore, the Company claimed that the lawsuit and compensation requested by the customer did not comply with the law. The District Court had ruled that DFS should compensate the customer \$7,602 thousand plus annual interest of 5% from March 5, 2011, until the compensation was settled. However, DFS was not satisfied with the ruling and filed an appeal. In June 2016, the High court ruled the case in DFS's favor. The customer was dissatisfied with the result and appealed to the Supreme Court. The Supreme Court ruled the case in DFS's favor and the case was closed.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) In 2014, a customer of the consolidated subsidiary, DIMHK, has an unclaimed shipment. After notifying the customer and unable to collect the storage fee from the customer in April 2014, DIMHK held an auction and sold the shipment in June 2014. In June 2016, the customer sued DIMHK for selling the shipment without the customer's consent and claimed for the compensation of USD1,414 thousand. Shenzhen Qianhai Cooperation Zone People's Court held the first hearing of the case in October 2016; and the case is still under litigation.

(10) **Losses Due to Major Disasters: None**

(11) **Subsequent Events**

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets would increase by \$1,524 thousand.

(12) **Other**

The following is a summary statement of employee benefits, depreciation and amortization expenses by function:

By function	Year ended December 31, 2017			Year ended December 31, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	82,523	1,026,685	1,109,208	92,167	999,660	1,091,827
Labor and health insurance	5,417	111,241	116,658	7,062	100,177	107,239
Pension	527	88,831	89,358	1,056	85,268	86,324
Others	7,928	353,026	360,954	15,374	300,512	315,886
Depreciation	-	42,105	42,105	-	51,888	51,888
Amortization	-	96	96	-	196	196

(Continued)

## DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

##### (i) Loans extended to other parties

Unit: thousand dollars

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period		Actual usage amount during the period (Note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Limitation on fund financing (Note 2)
					Ending balance	28,006 (USD942)							Name	Value		
1	HOLDING	DIMTW	Accounts receivable from related parties	Yes	31,525	28,006 (USD942)	28,006 (USD942)	-	(2)	-	Operating capital	-	-	-	177,052	708,208
2	FSC	DIMTW	Accounts receivable from related parties	Yes	121,199	119,551	119,551	-	(2)	-	Operating capital	-	-	-	177,052	708,208
3	DFSTW	DIMTW	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-	-	-	177,052	708,208

Note 1: Purpose of fund financing for the borrower:

- (1) Business between the two parties.
- (2) Funds required for operations.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of financing provided to others cannot exceed 40% of the Company's stockholders' equity, and the maximum financing provided to an individual counterparty cannot exceed 10% of the Company's stockholders' equity.

Note 3: The amounts were eliminated in the consolidated financial statements.

Note 4: USD:NT\$=1:29.733.

##### (ii) Guarantees and endorsements for other parties

No.	Name of company	Counter-party of guarantee or endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	DIMTW	DIMMY	3	258,000	11,128	11,128	11,128	11,128	0.63 %	516,000	Y	N	N
0	DIMTW	DIMSG	3	258,000	29,894	23,839	23,839	23,839	1.35 %	516,000	Y	N	N
0	DIMTW	DIMVN	3	258,000	11,094	3,568	3,568	3,568	0.20 %	516,000	Y	N	N
0	DIMTW	DIMVN & DIMTH	3	258,000	2,411	1,008	1,008	1,008	0.06 %	516,000	Y	N	N
0	DIMTW	DIMGR	3	258,000	31,975	14,569	14,569	14,569	0.82 %	516,000	Y	N	N

Note 1: Relationship with the Company are listed as below:

- (1) An entity having business relationship with DIMTW
- (2) A subsidiary in which DIMTW holds directly over 50% of equity interest
- (3) An investee in which DIMTW and its subsidiaries holds over 50% of equity interest
- (4) An investor who directly or indirectly holds over 50% of equity interest of DIMTW.
- (5) An entity that has provided guarantees to DIMTW, and vice versa, due to contractual agreements.
- (6) An investee in which DIMTW conjunctly invested with other investor, and for which DIMTW has provided guarantee/endorsement in proportion to its shareholding percentage.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of guarantee and endorsement provided to others cannot exceed 40% of the Company's issued capital, while the guarantee and endorsement for an individual counterparty cannot exceed 20% of the Company's issued capital.

##### (iii) Information regarding securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with the security issuer	Recorded account	Ending balance				Maximum investment in 2017	Remarks
				Number of shares	Book value	Holding percentage	Market value (note)		
DIMTW	Global Sky Express Taiwan Ltd.		Financial assets carried at cost non-current	10,000	100	1.00 %	100	100	
DIMTW	Evergreen Air Cargo Service Corporation		Financial assets carried at cost non-current	29,000	290	0.02 %	290	290	
DIMSG	Burwill Holdings Ltd.		Financial assets measured at cost non-current	22,000	19	-	19	19	
DIMSG	Stanford Land		Financial assets measured at cost non-current	5,000	38	-	38	39	
DIMSG	Straits Continental Logistics Co. Ltd.		Financial assets measured at cost non-current	39,800	2,902	19.90 %	2,902	2,902	
DIMMY	FL Network		Financial assets measured at cost non-current	-	2,057	-	2,057	2,057	

Note: Due to lack of quoted prices, the fair value of financial assets carried at cost non-current are the net equity or book value of the investment as of the financial position date.

##### (iv) Accumulated holding amount of a single security in excess of NT\$300 million or 20% of the paid-in capital: None.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (v) Acquisition of real estate in excess of NT\$300 million or 20% of the paid-in capital: None.
- (vi) Disposal of real estate in excess of NT\$300 million or 20% of the paid-in capital: None.
- (vii) Sales to or purchases from related parties in excess of NTD100 million or 20% of DIMTW's issued share capital: None
- (viii) Receivables from related parties in excess of NT\$100 million or 20% of the paid-in capital

Name of related party	Counter-party	Relationship	Balance of receivables from related party (note 3)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
FSC	DIMTW	Subsidiary	167,123 (Note 1)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	- %	-		-	-

Note 1: Loan from the subsidiary of \$119,551 and other receivable of \$47,572.

Note 2: Paid on behalf of DIMTW.

Note 3: The amount was eliminated in the consolidated financial statements.

- (ix) Financial derivative instrument transactions: None.
- (x) Business relationships and significant intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with counter-party (Note 2)	Transaction details			Percentage of total consolidated revenue or total assets
				Account name	Amount (Notes 3 and 4)	Terms of trading	
0	DIMTW	DIMSG	1	Accounts receivable—related parties	11,891	Negotiated	0.28 %
0	DIMTW	DIMUS	1	Accounts receivable—related parties	16,309	Negotiated	0.39 %
0	DIMTW	DIMHK	1	Accounts payable—related parties	10,633	Negotiated	0.08 %
0	DIMTW	DIMCN	1	Accounts receivable—related parties	9,510	Negotiated	0.23 %
0	DIMTW	DIMCN	1	Accounts payable—related parties	8,113	Negotiated	0.19 %
0	DIMTW	DIMCN	1	Freight revenue—received on behalf	62,010	Negotiated	0.35 %
0	DIMTW	DIMSG	1	Freight revenue—received on behalf	61,535	Negotiated	0.35 %
0	DIMTW	DIMHK	1	Freight revenue—received on behalf	28,589	Negotiated	0.16 %
0	DIMTW	ZJDCN	1	Freight revenue—received on behalf	22,253	Negotiated	0.13 %
0	DIMTW	DIMUS	1	Freight revenue—received on behalf	75,710	Negotiated	0.43 %
0	DIMTW	DIMMY	1	Freight revenue—received on behalf	22,621	Negotiated	0.13 %
0	DIMTW	DIMNL	1	Freight revenue—received on behalf	16,545	Negotiated	0.09 %
0	DIMTW	DIMTH	1	Freight revenue—received on behalf	10,025	Negotiated	0.06 %
0	DIMTW	DIMCN	1	Freight expense—deduction of freight revenue	(87,981)	Negotiated	0.50 %
0	DIMTW	DIMSG	1	Freight expense—deduction of freight revenue	(41,707)	Negotiated	0.24 %
0	DIMTW	DIMHK	1	Freight expense—deduction of freight revenue	(61,908)	Negotiated	0.35 %
0	DIMTW	ZJDCN	1	Freight expense—deduction of freight revenue	(28,268)	Negotiated	0.16 %
0	DIMTW	DIMUS	1	Freight expense—deduction of freight revenue	(94,790)	Negotiated	0.54 %
0	DIMTW	DIMKR	1	Freight expense—deduction of freight revenue	(23,287)	Negotiated	0.13 %
0	DIMTW	DIMMY	1	Freight expense—deduction of freight revenue	(15,081)	Negotiated	0.09 %
0	DIMTW	DIMNL	1	Freight expense—deduction of freight revenue	(22,305)	Negotiated	0.13 %

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with counter-party (Note 2)	Transaction details			Percentage of total consolidated revenue or total assets
				Account name	Amount (Notes 3 and 4)	Terms of trading	
0	DIMTW	DIMTH	1	Freight expense—deduction of freight revenue	(7,958)	Negotiated	0.05 %
1	FSC	DIMTW	2	Accounts receivable—related parties	167,123	Negotiated	3.97 %
1	FSC	DIL	3	Accounts receivable—related parties	216,717	Negotiated	5.15 %
2	HOLDING	DIMTW	2	Accounts receivable—related parties	28,006	Negotiated	0.66 %
3	FSCHK	DIMCN	3	Sales revenue	16,132	Negotiated	0.09 %
3	FSCHK	DIMHK	3	Sales revenue	27,228	Negotiated	0.16 %
3	FSCHK	ZJDCN	3	Sales revenue	20,049	Negotiated	0.11 %
3	FSCHK	DIMUS	3	Sales revenue	45,574	Negotiated	0.26 %
3	FSCHK	DIMMY	3	Sales revenue	11,935	Negotiated	0.07 %
3	FSCHK	DFSCN	3	Sales revenue	48,468	Negotiated	0.28 %
3	FSCHK	DFSTW	3	Sales revenue	8,102	Negotiated	0.05 %
3	FSCHK	DFSHK	3	Sales revenue	11,677	Negotiated	0.07 %
3	FSCHK	DIMTH	3	Sales revenue	7,011	Negotiated	0.04 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents lateral transactions.

Note 3: Only an amount over \$7,000 shall be disclosed.

Note 4: The amount was eliminated in the consolidated financial statements.

(b) Information on investees

The following is the information on investees for the year 2017 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Maximum investment in 2017	Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				December 31, 2017	December 31, 2016	Shares	Ratio of shares	Book value (note 2)				
DIMTW	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	117,526	15,444	35,558	35,558	
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	670,800	164,845	74,503	74,503	
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	303,622	108,362	(17,528)	(15,093)	
DIMTW	DIL	British Virgin Is	Holding company	472,313	472,313	(Note 1)	100 %	2,019,814	472,313	75,086	75,086	
DIMTW	FSC	British Virgin Is	Settlement center	315	315	10,000	20 %	202,918	315	(7,292)	(1,458)	
DIMTW	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	51,445	236	207,152	31,072	
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	58,388	235	207,152	31,072	
DIL	DIMUS	U.S.A	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	325,369	238,686	28,471	28,471	
DIL	DIMGB	U.K	Global air and ocean freight forwarder	(5,624)	(5,624)	100,000	100 %	186,460	(5,624)	(3,681)	(3,681)	
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	31,496	23,904	(17,528)	(2,435)	
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	427,348	300,000	99 %	1,161,239	427,348	52,734	52,734	
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	315,251	-	(4)	(4)	
DIMUS	DCBUS	U.S.A	Brokerage service	13,532	13,532	1,000	100 %	27,561	13,532	(1,037)	(1,037)	
DIMHK	FSC	British Virgin Is	Settlement center	617	617	10,000	40 %	598	617	(7,292)	(2,918)	
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	2,090	2,090	(Note 1)	75 %	4,616	2,090	1,119	839	
DIMHK	FSCHK	Hong Kong	Settlement center	550	550	17,500	35 %	136,239	550	207,152	72,504	
DIMSG	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	318	(7,292)	(1,458)	
DIMSG	DIMIN	India	Global air and ocean freight forwarder	5,303	5,303	960,000	60 %	9,713	5,303	682	409	
DIMGB	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	318	(7,292)	(1,458)	
HOLDING	DIMMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	103,942	65,516	3,452	3,452	
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	3,029	1,592	167	167	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	36,721	7,642	2,150	1,053	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	24,492	4,026	9,388	3,754	

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**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Maximum investment in 2017	Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				December 31, 2017	December 31, 2016	Shares	Ratio of shares	Book value (note 2)				
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(4,977)	16,460	(12,201)	(12,201)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	27,846	19,386	7,760	7,760	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	61,204	15,646	2,778	2,778	
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	7,238	11,644	(15,619)	(15,619)	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	318,273	25,393	83,595	83,587	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	37,779	41,076	(2,357)	(2,357)	
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	21,336	15,840	2,170	2,170	
DFSHK	FSCHK	Hong Kong	Settlement center	566	566	17,500	35 %	136,239	566	207,152	72,504	
DIMMY	Danau Muhibbah Sdn Bhd	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	2,621	-	-	
DIMPH	Peerless Express Forwarders Corp.	Philippines	Trucking service	954	-	4,000,000	40 %	954	954	295	118	

Note 1: The company was established as a limited company.

Note 2: The amount was eliminated in the consolidated financial statements.

(c) Information on investment in mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information

Unit: thousand dollars

Name of investee in Mainland China	Main businesses	Issued capital	Method of investment (Note 1)	Beginning remittance balance-accumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance-accumulative investment (amount) from Taiwan	Net income (losses) of investee	Direct / Indirect shareholdings or investments (%) in the Company	Maximum investment in 2017	Current investment income and losses (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Invested amount	Returned amount							
ZID	Global air and ocean freight forwarder	54,928	(2)	26,819 (USD902)	-	-	26,819 (USD902)	3,353	75 %	-	2,515	134,109	-
DILSHA	Logistics & warehousing	5,970	(2)	5,947 (USD200)	-	-	5,947 (USD200)	(17,900)	99 %	-	(17,900)	(16,611)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	(14,593)	100 %	-	(14,593)	234,045	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	2,761	100 %	-	2,761	3,600	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	6,749	100 %	-	6,749	118,596	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	-	(3,165)	100 %	-	(3,165)	17,456	-
Yuhang Int'l Logistics (Dalian) Co. Ltd.	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	14,220	25 %	-	3,918	19,142	-
Huahan (Shanghai)	Electronic business platform for on-line forwarding transactions	88,235	(2)	-	-	-	-	-	- %	-	-	-	-

Note 1: The method of investment is divided into the following three methods:

- (1) Investing directly in Mainland China
- (2) Through transferring the investment to third-region existing companies then investing in Mainland China. (through Bermuda and British Virgin Islands).
- (3) Other methods.

Note 2: Other than Yuhang Int'l Logistics (Dalian) Co., Ltd. and Huahan (Shanghai), the inter-company transactions within the Company, such as operating income / expense, payable / receivable, investment / equity and investment gain / loss under the equity method, have been eliminated upon consolidation.

Note 3: The financial statements was audited by an international accounting firm in cooperation with the R.O.C. accounting firm.

(ii) Limitation on investment in Mainland China

Unit: thousand dollars

Company name	Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note2)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note2)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 1)
DIMTW	32,766 (USD1,102)	71,359 (USD2,400)	1,062,312

Note 1: It represents 60% of the Company's net equity.

Note 2: USD:NT\$=1:29.733.

(iii) Significant transactions

Please refer to note 13(a) for transactions with investees in Mainland China for the year ended December 31, 2017. All transactions were eliminated upon consolidation.

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information**

**(a) General information**

There are three service departments which should be reported: Asia department, Americas department, and Europe department.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed. Segments adopt the same accounting policies as those listed in note 4. Segment income is evaluated based on income before tax and is used as the basis for performance evaluation.

**(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments**

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation but does not include income tax expense and any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that of the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Information on reportable segments and reconciliation for the Group is as follows:

	2017				
	Asia	Americas	Europe	Adjustments and eliminations	Total
Revenue:					
From customers other than the parent company and subsidiaries	\$ 12,692,367	4,129,524	711,389	-	17,533,280
From the parent company and subsidiaries	229,596	-	-	(229,596)	-
Total revenue	<u>\$ 12,921,963</u>	<u>4,129,524</u>	<u>711,389</u>	<u>(229,596)</u>	<u>17,533,280</u>
Reportable segment profit	<u>\$ 218,528</u>	<u>70,013</u>	<u>(17,508)</u>	<u>-</u>	<u>271,033</u>
	2016				
	Asia	Americas	Europe	Adjustments and eliminations	Total
Revenue:					
From customers other than the parent company and subsidiaries	\$ 11,538,778	3,957,654	662,037	-	16,158,469
From the parent company and subsidiaries	282,839	-	-	(282,839)	-
Total revenue	<u>\$ 11,821,617</u>	<u>3,957,654</u>	<u>662,037</u>	<u>(282,839)</u>	<u>16,158,469</u>
Reportable segment profit	<u>\$ 246,659</u>	<u>86,606</u>	<u>11,613</u>	<u>-</u>	<u>344,878</u>

(Continued)

**DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES**  
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In 2017 and 2016, inter-segment revenues of \$229,596 and \$282,839 respectively, should be eliminated from total revenue.

(c) Geographic information

The Group solely provides freight forwarding service. Please refer to the segment information for the revenue. Non-current assets are classified by geographic location.

<u>Geographical information</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Asia	\$ 609,764	644,256
Americas	99,038	117,130
Europe	444	355
Total	<u>\$ 709,246</u>	<u>761,741</u>

Non-current assets include property, plant and equipment, intangible assets, and other assets. They do not include financial instruments, deferred income tax assets, and pension plan assets.

(d) Information about major customers

For the years 2017 and 2016, the Group had no major customer who constituted 10% or more of the net sales.