

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

**DIMERCO EXPRESS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2018 and 2017**

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

Telephone: (02)2796-3660

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors
Dimerco Express Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of the Dimerco Express Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2018 and 2017, as well as the changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,242,455 thousand and \$1,165,608 thousand, constituting 29% of consolidated total assets; and the total liabilities amounting to \$421,682 thousand and \$301,661 thousand, constituting 18% and 14% of the consolidated total liabilities at June 30, 2018 and 2017, respectively; as well as the total comprehensive income (loss) amounting to \$7,564 thousand, \$73,932 thousand, \$61,319 thousand and \$32,042 thousand, constituting 4%, 88%, 31% and (32)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2018 and 2017, respectively.



Furthermore, as stated in Note 6(d), the other equity accounted investments of the Group in its investee companies of \$22,778 thousand and \$18,610 thousand at June 30, 2018 and 2017, respectively, and its equity in net earnings on these investee companies of \$1,150 thousand, \$(5) thousand, \$1,678 thousand and \$365 thousand for the three months and six months ended June 30, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months ended June 30, 2018 and 2017, as well as its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Dimerco Air Forwarders (HK) Ltd., subsidiaries of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Dimerco Air Forwarders (HK) Ltd., is based solely on the review report of another auditor. The financial statements of Dimerco Air Forwarders (HK) Ltd. reflect total assets amounting to \$535,003 thousand and \$506,118 thousand, constituting 13% and 12% of consolidated total assets at June 30, 2018 and 2017, respectively, and total revenues amounting to \$421,915 thousand, \$401,988 thousand, \$853,006 thousand and \$818,891 thousand, constituting 10% of consolidated total revenues for the three months and six months ended June 30, 2018 and 2017.

KPMG

Taipei, Taiwan (Republic of China)
August 6, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2018 and 2017

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2018, December 31, and June 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 1,274,826	30	1,118,440	27	1,120,846	28
1150 Notes receivable, net (note 6(c))	10,630	-	10,366	-	6,752	-
1170 Accounts receivable, net (note 6(c))	1,969,175	46	2,132,672	51	1,939,259	48
1412 Prepaid lease	1,325	-	1,293	-	1,325	-
1470 Other current assets (notes 8 and 9)	117,328	3	103,045	2	122,611	3
	<u>3,373,284</u>	<u>79</u>	<u>3,365,816</u>	<u>80</u>	<u>3,190,793</u>	<u>79</u>
Non-current assets:						
1517 Financial assets at fair value through other comprehensive income	5,477	-	-	-	-	-
1543 Financial assets carried at cost – non-current	-	-	5,406	-	5,312	-
1551 Long-term investments under equity method (note 6(d))	22,778	1	19,142	-	18,610	-
1600 Property, plant and equipment (notes 6(e), (f), 8 and 9)	641,946	15	633,305	15	641,960	16
1805 Goodwill (note 6(f))	26,747	1	26,476	1	26,691	1
1840 Deferred income tax assets	39,749	1	40,424	1	44,648	1
1920 Refundable deposits	71,749	2	67,612	2	64,453	2
1985 Long-term prepaid lease	46,987	1	46,489	1	48,282	1
1990 Other non-current assets (notes 6(c), 8 and 9)	8,224	-	7,142	-	8,249	-
	<u>863,657</u>	<u>21</u>	<u>845,996</u>	<u>20</u>	<u>858,205</u>	<u>21</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (notes 6(c), (g) and 8)	\$ 59,984	1	122,985	3	125,980	3
Financial liabilities at fair value through profit or loss – current (note 6(b))	562	-	756	-	498	-
Long-term borrowings – current portion (notes 6(c), (g) and 8)	46,091	1	47,316	1	48,540	1
Notes payable	5,095	-	3,459	-	3,150	-
Accounts payable	111,732	2	174,516	4	178,168	4
Income tax payable	2,286,840	54	2,309,879	55	2,207,452	54
Other current liabilities (note 6(n))	2,175,108	52	2,135,363	51	2,029,284	50
	<u>2,990</u>	<u>-</u>	<u>2,611</u>	<u>-</u>	<u>2,611</u>	<u>-</u>
Non-Current liabilities:						
Long-term borrowings (notes 6(c), (g) and 8)	\$ 327,398	8	306,716	7	306,716	8
Deferred income tax liabilities	182,174	4	182,174	4	182,174	4
Accrued pension liabilities	163,113	4	214,051	5	103,264	3
Other non-current liabilities	672,685	16	702,941	16	592,154	15
	<u>(89,100)</u>	<u>(2)</u>	<u>(164,583)</u>	<u>(4)</u>	<u>(106,057)</u>	<u>(3)</u>
Total liabilities	<u>1,290,000</u>	<u>30</u>	<u>1,290,000</u>	<u>31</u>	<u>1,290,000</u>	<u>32</u>
Equity attributable to owners of parent (note 6(k)):						
Common stock	31,805	1	26,118	1	26,118	1
Capital surplus						
Retained earnings:						
33xx Legal reserve	327,398	8	306,716	7	306,716	8
3310 Special reserve	182,174	4	182,174	4	182,174	4
3320 Unappropriated retained earnings	163,113	4	214,051	5	103,264	3
3350 Other equity interest:						
34xx Foreign currency translation differences for foreign operations						
3410 Treasury shares	(52,963)	(1)	(83,956)	(2)	(83,956)	(2)
3500 Total equity attributable to owners of parent	1,852,427	44	1,770,520	42	1,718,259	43
36xx Non-controlling interests	97,674	2	131,413	3	123,287	3
	<u>1,950,101</u>	<u>46</u>	<u>1,901,933</u>	<u>45</u>	<u>1,841,546</u>	<u>46</u>
Total liabilities and equity	<u>\$ 4,236,941</u>	<u>100</u>	<u>4,211,812</u>	<u>100</u>	<u>4,048,998</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2018 and 2017

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

	For the three months ended June 30				For the six months ended June 30				
	2018		2017		2018		2017		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(m))	\$ 4,223,839	100	4,097,557	100	8,143,884	100	8,134,455	100
5000	Operating costs (note 6(i))	<u>3,597,602</u>	<u>85</u>	<u>3,524,823</u>	<u>86</u>	<u>6,918,128</u>	<u>85</u>	<u>7,013,778</u>	<u>87</u>
5900	Gross profit from operations	<u>626,237</u>	<u>15</u>	<u>572,734</u>	<u>14</u>	<u>1,225,756</u>	<u>15</u>	<u>1,120,677</u>	<u>13</u>
6000	Operating expenses (notes 6(c), (e), (i), (k), (n) and 7):								
6100	Selling expenses	172,455	4	163,160	4	349,564	4	329,522	4
6200	Administrative expenses	343,450	9	313,395	8	701,805	9	644,089	8
6450	Expected credit loss for bad debt expense	<u>16,457</u>	<u>-</u>	<u>14,295</u>	<u>-</u>	<u>28,995</u>	<u>-</u>	<u>15,225</u>	<u>-</u>
	Total operating expenses	<u>532,362</u>	<u>13</u>	<u>490,850</u>	<u>12</u>	<u>1,080,364</u>	<u>13</u>	<u>988,836</u>	<u>12</u>
6900	Net operating income	<u>93,875</u>	<u>2</u>	<u>81,884</u>	<u>2</u>	<u>145,392</u>	<u>2</u>	<u>131,841</u>	<u>1</u>
7000	Non-operating income and expenses (notes 6(d) and (o)):								
7010	Other income	1,775	-	49	-	4,327	-	3,908	-
7020	Other gains and losses	9,893	-	(4,384)	-	12,704	-	(6,459)	-
7050	Finance costs	(1,905)	-	(1,788)	-	(3,848)	-	(3,766)	-
7060	Share of gain (loss) of associates accounted for under equity method	<u>1,150</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>1,678</u>	<u>-</u>	<u>365</u>	<u>-</u>
	Total non-operating income and expenses	<u>10,913</u>	<u>-</u>	<u>(6,128)</u>	<u>-</u>	<u>14,861</u>	<u>-</u>	<u>(5,952)</u>	<u>-</u>
7900	Net income before tax	104,788	2	75,756	2	160,253	2	125,889	1
7950	Less: Income tax expense (note 6(j))	<u>30,330</u>	<u>-</u>	<u>23,036</u>	<u>1</u>	<u>35,636</u>	<u>-</u>	<u>29,953</u>	<u>-</u>
	Net income	<u>74,458</u>	<u>2</u>	<u>52,720</u>	<u>1</u>	<u>124,617</u>	<u>2</u>	<u>95,936</u>	<u>1</u>
8300	Other comprehensive income (loss):								
8360	Other components of other comprehensive income that may be reclassified to profit or loss								
8361	Foreign currency translation differences for foreign operations	106,403	2	30,856	1	73,950	1	(196,838)	(2)
8399	Other components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that may be reclassified to profit or loss	<u>106,403</u>	<u>2</u>	<u>30,856</u>	<u>1</u>	<u>73,950</u>	<u>1</u>	<u>(196,838)</u>	<u>(2)</u>
8300	Other comprehensive income (loss), net of tax	<u>106,403</u>	<u>2</u>	<u>30,856</u>	<u>1</u>	<u>73,950</u>	<u>1</u>	<u>(196,838)</u>	<u>(2)</u>
8500	Total comprehensive income (loss)	<u>\$ 180,861</u>	<u>4</u>	<u>83,576</u>	<u>2</u>	<u>198,567</u>	<u>3</u>	<u>(100,902)</u>	<u>(1)</u>
	Profit attributable to:								
8610	Owners of parent	\$ 72,138	2	51,840	1	118,424	2	94,734	1
8620	Non-controlling interests	<u>2,320</u>	<u>-</u>	<u>880</u>	<u>-</u>	<u>6,193</u>	<u>-</u>	<u>1,202</u>	<u>-</u>
		<u>\$ 74,458</u>	<u>2</u>	<u>52,720</u>	<u>1</u>	<u>124,617</u>	<u>2</u>	<u>95,936</u>	<u>1</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 179,260	4	81,277	2	193,907	3	(96,710)	(1)
8720	Non-controlling interests	<u>1,601</u>	<u>-</u>	<u>2,299</u>	<u>-</u>	<u>4,660</u>	<u>-</u>	<u>(4,192)</u>	<u>-</u>
		<u>\$ 180,861</u>	<u>4</u>	<u>83,576</u>	<u>2</u>	<u>198,567</u>	<u>3</u>	<u>(100,902)</u>	<u>(1)</u>
	Earnings per share (NT dollars) (note 6(l))								
9750	Basic earnings per share	\$ <u>0.58</u>		<u>0.42</u>		<u>0.95</u>		<u>0.77</u>	
9850	Diluted earnings per share	\$ <u>0.57</u>		<u>0.42</u>		<u>0.94</u>		<u>0.76</u>	

See accompanying notes to consolidated financial statements.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and 2017
 (Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity attributable to owners of parent	
	Share capital	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares		Non-controlling interests
Ordinary shares	1,290,000	29,200	279,633	182,174	284,098	745,910	85,387	-	85,387	(105,943)	127,479	2,172,033
	-	-	27,078	-	(27,078)	-	-	-	-	-	-	-
	-	-	-	-	(248,490)	(248,490)	-	-	-	-	-	(248,490)
	-	(9,481)	-	-	-	-	-	-	-	-	-	(9,481)
	-	-	-	-	94,734	94,734	-	-	-	-	1,202	95,936
	-	-	-	-	-	-	(191,444)	-	(191,444)	-	(5,394)	(196,838)
	-	-	-	-	94,734	94,734	(191,444)	-	(96,710)	-	(4,192)	(100,902)
	-	6,399	-	-	-	-	-	-	21,987	-	-	28,386
	1,290,000	26,118	306,716	182,174	103,264	592,154	(106,057)	-	(83,956)	-	123,287	1,841,546
	1,290,000	26,118	306,716	182,174	214,051	702,941	(164,583)	-	(83,956)	-	131,413	1,901,933
	-	-	20,682	-	(20,682)	-	-	-	-	-	-	-
	-	-	-	-	(148,680)	(148,680)	-	-	-	-	-	(148,680)
	-	-	-	-	118,424	118,424	-	-	-	-	6,193	124,617
	-	-	-	-	118,424	118,424	75,483	-	75,483	-	(1,533)	73,930
	-	-	-	-	118,424	118,424	75,483	-	75,483	-	4,660	198,567
	-	-	-	-	-	-	-	-	-	-	(38,399)	(38,399)
	-	5,687	-	-	-	-	-	-	-	-	-	36,680
	1,290,000	31,805	327,398	182,174	163,113	672,685	(89,100)	-	(89,100)	(52,963)	27,674	1,950,101

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Changes in equity of associates accounted under equity method

Net income

Other comprehensive income

Total comprehensive income

Transferred treasury shares to employees

Balance at June 30, 2017

Balance at January 1, 2018

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Net income

Other comprehensive income

Total comprehensive income

Changes in ownership interests in subsidiaries

Transferred treasury shares to employees

Balance at June 30, 2018

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$ 160,253	125,889
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	21,601	22,478
Amortization expense	44	56
Expected credit loss/ Provision for bad debt expense	28,995	15,225
Net loss on financial assets or liabilities at fair value through profit or loss	2,900	-
Interest expense	3,848	3,766
Interest income	(2,210)	(698)
Dividend income	(35)	(29)
Cost of transferring treasury shares to employees	5,967	6,599
Share of gain of associates accounted under equity method	(1,678)	(365)
Loss on disposal of property, plant and equipment	41	37
Loss on disposal of investments	-	5,512
Unrealized foreign exchange loss (gain)	(8,998)	24,756
Amortization of long-term prepaid lease	642	667
Total adjustments to reconcile profit	<u>51,117</u>	<u>78,004</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(264)	8,304
Accounts receivable	134,502	84,223
Other current assets	(14,283)	(5,116)
Total changes in operating assets	<u>119,955</u>	<u>87,411</u>
Changes in operating liabilities:		
Notes payable	(3,623)	(2,713)
Accounts payable	(157,222)	(21,663)
Other current liabilities	(11,241)	(87,703)
Net defined benefit liability	(1,225)	(219)
Total changes in operating liabilities	<u>(173,311)</u>	<u>(112,298)</u>
Total changes in operating assets and liabilities	<u>(53,356)</u>	<u>(24,887)</u>
Total adjustments	<u>(2,239)</u>	<u>53,117</u>
Cash inflow generated from operations	158,014	179,006
Interest received	2,210	698
Dividends received	35	29
Interest paid	(3,848)	(3,766)
Income taxes paid	(14,730)	(20,320)
Net cash provided by operating activities	<u>141,681</u>	<u>155,647</u>
Cash flows from investing activities:		
Acquisition of investments accounted under equity method	(1,830)	-
Proceeds from disposal of investments accounted under equity method	-	4,903
Acquisition of property, plant and equipment	(22,620)	(8,659)
Proceeds from disposal of property, plant and equipment	174	804
Increase in refundable deposits	(4,137)	(53)
Decrease (increase) in other non-current assets	(1,126)	13,198
Increase in restricted time deposits	-	(986)
Net cash provided by (used in) investing activities	<u>(29,539)</u>	<u>9,207</u>
Cash flows from financing activities:		
Increase in short-term loans	90,000	-
Decrease in short-term loans	(50,700)	(10,885)
Repayments of long-term debt	(62,956)	(3,417)
Increase (decrease) in other non-current liabilities	1,636	(87)
Treasury shares sold to employees	30,713	21,787
Change in non-controlling interests	(38,399)	-
Net cash provided by (used in) financing activities	<u>(29,706)</u>	<u>7,398</u>
Effect of exchange rate changes on cash and cash equivalents	<u>73,950</u>	<u>(196,838)</u>
Net increase (decrease) in cash and cash equivalents	156,386	(24,586)
Cash and cash equivalents at beginning of period	<u>1,118,440</u>	<u>1,145,432</u>
Cash and cash equivalents at end of period	<u>\$ 1,274,826</u>	<u>1,120,846</u>

See accompanying notes to consolidated financial statements.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2018 and 2017

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

(1) Company history

DIMERCO EXPRESS CORPORATION (DIMTW) (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 DIMTW 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.

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

The consolidated financial statements were reported to the Board of Directors and issued on August 6, 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, 2018. 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>
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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(c).

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Investments under equity method	Financial assets carried at cost (note 1)	5,406	FVOCI	5,406
Trade and other receivables	Loans and receivables (note 2)	2,143,038	Amortized cost	2,143,038

Note1: As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Note2: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of financial assets carried at cost (IAS 39)	\$ 5,406	(5,406)	-	-	-	-
Financial assets carried at cost to FVOCI	-	5,406	-	-	-	-
Total	<u>\$ 5,406</u>	<u>-</u>	<u>-</u>	<u>5,406</u>	<u>-</u>	<u>-</u>
Amortized cost						
Beginning balance of notes receivable and account receivable	\$ 2,143,038	-	-	2,143,038	-	-

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(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.

(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.

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

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 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's discounting rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouse and factory facilities. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can either apply the standard using the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (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 17 "Insurance Contracts"	January 1, 2021

The Group assessed that the above IFRSs may not be relevant to The Group.

(4) Summary of significant accounting policies

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2017.

- (a) Statement of compliance

These consolidated 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 IAS 34 *Interim Financial Reporting* endorsed by the FSC, and do not present all the disclosures required for a complete set of annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Statements, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

- (b) Basis of consolidation

The principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2017. For related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2017.

Subsidiaries included in the consolidated financial statements are as follows:

<u>Investor</u>	<u>Name of subsidiary</u>	<u>Primary business</u>	<u>Percentage of ownership by DIMTW, directly or indirectly, at</u>			<u>Remarks</u>
			<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>	
DIMTW	Dimerco Interational Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	100.00 %	
DIMTW	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	100.00 %	

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at			Remarks
			June 30, 2018	December 31, 2017	June 30, 2017	
DIMTW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
DIMTW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	86.11 %	Note 2
DIMTW	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
DIMTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
DIMGB	Foreign Settlement Co., Ltd. (FSC)	Settlement center	- %	20.00 %	20.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	60.00 %	40.00 %	40.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	13.89 %	Note 2
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	37.50 %	100.00 %	100.00 %	Note 2
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	75.00 %	Note 2
FSCHK	Dimerco Express (U.K.) Ltd (DIMGB)	Global logistics services	62.50 %	- %	- %	
GMS	Dimerco Express Phil. Inc (DIMPH)	Global logistics services	60.01 %	- %	- %	
GMS	Diversified International Logistics Service Company Ltd	Global logistics services	100.00 %	- %	- %	
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	49.00 %	Notes 1 and 2

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at			Remarks
			June 30, 2018	December 31, 2017	June 30, 2017	
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	48.99 %	Notes 1 and 2
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	39.99 %	Note 2
Holding	Dimerco Express (Australia) Pty Ltd (DIMAU)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DIMUS	Dimerco Customs Brokerage Co. Ltd (DCBUS)	Brokerage service	100.00 %	100.00 %	100.00 %	Note 2
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	60.00 %	60.00 %	60.00 %	Note 2
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	100.00 %	Note 2
DIMPH	Peerless Express Forwarders Corp.	Global logistics service	39.99 %	39.99 %	- %	Notes 1 and 2

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: It is an insignificant subsidiary, and its financial statements have not been reviewed.

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.

In May 2018, FSCHK participated in the capital increase of DIMGB with the amount of GBP500 thousands.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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In May 2018, GMS acquired 60.01% shares of DIMPH from non-controlling interests. Therefore, DIMPH became fully owned by the Group.

In May 2018, Diversified International Logistics Service Company Ltd was incorporated and fully owned by GMS; therefore, became a subsidiary of the Group.

(c) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and refundable deposits).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

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12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(ii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(d) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Freight Forwarding

The Group provides air freight forwarding, ocean freight forwarding and custom brokerage services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

(e) Employee benefits

The pension cost in the consolidated financial statements was calculated and disclosed on a year to date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one time event.

(f) Income tax

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as current tax expense .

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation, and recognized directly in equity or other comprehensive income as tax expense.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the interim consolidated financial statements is in conformity with IAS 34 “Interim Financial Reporting” endorsed by FSC. The standard requires management to make judgments, estimations 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.

During the preparation of the interim consolidated financial statements, the management adopts similar method used in accounting policy judgements and assumptions which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2017.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand	\$ 5,888	4,449	4,637
Checking accounts and savings accounts	1,153,202	1,077,287	1,087,159
Time deposits	<u>115,736</u>	<u>36,704</u>	<u>29,050</u>
Cash and cash equivalents in statement of cash flows	<u>\$ 1,274,826</u>	<u>1,118,440</u>	<u>1,120,846</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) Financial assets and liabilities at fair value through profit or loss

	<u>June 30, 2018</u>
Financial liabilities held for trading:	
Derivative instruments not used for hedging	<u>\$ 2,900</u>

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of June 30, 2018 and December 31, 2017, the Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

Forward contracts:

	<u>June 30, 2018</u>		
	<u>Contract amount (thousand)</u>	<u>Currency</u>	<u>Nominal amount</u>
Forward contracts	\$ (2,900)	USD	2,500

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

As of December 31 and June 30, 2017, the Group did not use any derivative financial instrument not use for hedging.

(c) Notes and accounts receivable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Notes receivable	\$ 10,630	10,366	6,752
Accounts receivable	2,060,771	2,195,703	2,013,729
Overdue receivable	3,828	3,398	5,432
Less: allowance for doubtful accounts — accounts receivable	91,596	63,031	74,470
allowance for doubtful accounts — overdue receivable	3,828	3,398	5,432
	<u>\$ 1,979,805</u>	<u>2,143,038</u>	<u>1,946,011</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on June 30, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of June 30, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,585,114	1%	18,113
1 to 30 days past due	411,848	7%	29,525
31 to 60 days past due	31,355	45%	14,414
61 to 90 days past due	7,275	60%	4,365
91 to 365 days past due	15,031	100%	15,031
More than 366 days	13,976	100%	13,976
	<u>\$ 2,064,599</u>		<u>95,424</u>

As of December 31 and June 30, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
1 to 90 days past due	\$ 91,011	12,061

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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The movement in the allowance for notes and accounts receivable was as follows:

	For the six months ended <u>June 30, 2018</u>	For the six months ended June 30, 2017		<u>Total</u>
		Individually assessed impairment	Collectively assessed impairment	
Balance on January 1, 2018 and 2017 per IAS 39	\$ 66,429	5,029	59,648	64,677
Adjustment on initial application of IFRS 9	-			
Balance on January 1, 2018 per IFRS 9	66,429			
Impairment loss recognized	28,995	403	14,822	15,225
Balance on June 30, 2018 and 2017	<u>\$ 95,424</u>	<u>5,432</u>	<u>74,470</u>	<u>79,902</u>

(d) Investments under equity method

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Associates	\$ <u>22,778</u>	<u>19,142</u>	<u>18,610</u>

(i) Associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Balance of individually insignificant associate's equity	\$ <u>22,778</u>	<u>19,142</u>	<u>18,610</u>

	For the three months ended June 30		For the six months ended June 30	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Attributable to the Group:				
Income from continuing operations	\$ 1,150	(5)	1,678	365
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 1,150</u>	<u>(5)</u>	<u>1,678</u>	<u>365</u>

(ii) Collateral

As of June 30, 2018, December 31 and June 30, 2017, the investments in equity-accounted associates of the Group had not been pledged as collateral or restricted in any way.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(iii) The unreviewed financial statements of investments accounted for using equity method

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(e) 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, 2018	\$ 184,332	545,852	38,818	150,961	65,650	57,704	1,043,317
Additions	-	-	700	3,483	15,449	2,988	22,620
Disposals	-	-	(2,218)	(844)	(16,574)	(22)	(19,658)
Effect of currency translation	705	7,491	410	876	708	1,159	11,349
Balance at June 30, 2018	<u>\$ 185,037</u>	<u>553,343</u>	<u>37,710</u>	<u>154,476</u>	<u>65,233</u>	<u>61,829</u>	<u>1,057,628</u>
Balance at January 1, 2017	\$ 186,853	574,160	45,495	145,460	67,701	59,844	1,079,513
Additions	-	-	-	7,408	1,251	-	8,659
Disposals	-	-	(613)	(755)	(943)	(637)	(2,948)
Effect of currency translation	(1,834)	(24,684)	(2,142)	(4,239)	(2,734)	(3,262)	(38,895)
Balance at June 30, 2017	<u>\$ 185,019</u>	<u>549,476</u>	<u>42,740</u>	<u>147,874</u>	<u>65,275</u>	<u>55,945</u>	<u>1,046,329</u>
Depreciation and impairment loss:							
Balance at January 1, 2018	\$ -	153,474	27,325	124,628	53,359	51,226	410,012
Depreciation	-	7,780	2,285	6,450	3,608	1,478	21,601
Disposal	-	-	(2,056)	(921)	(16,444)	(22)	(19,443)
Effect of currency translation	-	2,396	292	744	246	(166)	3,512
Balance at June 30, 2018	<u>\$ -</u>	<u>163,650</u>	<u>27,846</u>	<u>130,901</u>	<u>40,769</u>	<u>52,516</u>	<u>415,682</u>
Balance at January 1, 2017	\$ -	145,689	34,799	116,752	52,312	51,914	401,466
Depreciation	-	7,854	2,237	8,355	1,806	2,226	22,478
Disposal	-	-	(547)	(631)	(295)	(634)	(2,107)
Effect of currency translation	-	(6,626)	(1,649)	(3,595)	(2,353)	(3,245)	(17,468)
Balance at June 30, 2017	<u>\$ -</u>	<u>146,917</u>	<u>34,840</u>	<u>120,881</u>	<u>51,470</u>	<u>50,261</u>	<u>404,369</u>
Carrying value:							
January 1, 2018	<u>\$ 184,332</u>	<u>392,378</u>	<u>11,493</u>	<u>26,333</u>	<u>12,291</u>	<u>6,478</u>	<u>633,305</u>
June 30, 2018	<u>\$ 185,037</u>	<u>389,693</u>	<u>9,864</u>	<u>23,575</u>	<u>24,464</u>	<u>9,313</u>	<u>641,946</u>
June 30, 2017	<u>\$ 185,019</u>	<u>402,559</u>	<u>7,900</u>	<u>26,993</u>	<u>13,805</u>	<u>5,684</u>	<u>641,960</u>
January 1, 2017	<u>\$ 186,853</u>	<u>428,471</u>	<u>10,696</u>	<u>28,708</u>	<u>15,389</u>	<u>7,930</u>	<u>678,047</u>

Please refer to note 8 for the information on pledged property, plant and equipment as of June 30, 2018, December 31 and June 30, 2017.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(f) Intangible assets

The cost of the intangible assets of the Group in 2018 and 2017 was as follows:

	<u>Goodwill</u>
Balance at January 1, 2018	\$ 26,476
Effect of currency translation	<u>271</u>
Balance at June 30, 2018	<u>\$ 26,747</u>
Balance at January 1, 2017	\$ 27,268
Effect of currency translation	<u>(577)</u>
Balance at June 30, 2017	<u>\$ 26,691</u>

(g) 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>June 30, 2018</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
		(%)	year	
Unsecured loans	NTD	1.02~1.07	2018	<u>\$ 584,700</u>
	<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	<u>\$ 545,400</u>
	<u>June 30, 2017</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
		(%)	year	
Secured loans	NTD	1.70	2017	\$ 10,000
Unsecured loans	NTD	1.07~1.20	2017	<u>483,400</u>
Total				<u>\$ 493,400</u>

As of June 30, 2018, December 31 and June 30, 2017, the unused credit facilities of the Group's short-term borrowings amounted to \$194,852 thousand, \$197,670 thousand and \$112,432 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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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Long-term borrowings

June 30, 2018				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.50	2018~2024	\$ 36,713
Unsecured loans	NTD	1.30	2019	<u>29,250</u>
Total				<u><u>\$ 65,963</u></u>
Current				\$ 5,979
Non-current				<u>59,984</u>
Total				<u><u>\$ 65,963</u></u>
December 31, 2017				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.50~1.60	2018~2024	\$ 39,669
Unsecured loans	NTD	1.30	2019	<u>89,250</u>
Total				<u><u>\$ 128,919</u></u>
Current				\$ 5,934
Non-current				<u>122,985</u>
Total				<u><u>\$ 128,919</u></u>
June 30, 2017				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.60	2017~2024	\$ 42,603
Unsecured loans	NTD	1.30	2018	89,250
Unsecured loans	PHD	9.55	2017	<u>74</u>
Total				<u><u>\$ 131,927</u></u>
Current				\$ 5,947
Non-current				<u>125,980</u>
Total				<u><u>\$ 131,927</u></u>

1) Increase in, and repayment of, borrowings

For the six months ended June 30, 2018 and 2017, the Group had no increase in long term borrowings and the repayment amounted to \$62,956 thousand and \$3,417 thousand, respectively.

As of June 30, 2018, December 31 and June 30, 2017, the unused credit facilities of the Group's long-term borrowings amounted to \$120,750 thousand, \$60,750 thousand and \$60,750 thousand, respectively.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

2) Collateral for loans

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

(h) Operating leases—lessee

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Less than one year	\$ 156,071	177,804	130,067
Between one and five years	149,299	219,352	84,962
	<u>\$ 305,370</u>	<u>397,156</u>	<u>215,029</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.

(i) Employee benefits

(i) Defined benefit plans

Since there were no significant market fluctuations, curtailments, liquidations, or other one off events after the prior financial year ended, the Group's pension cost for the interim periods was calculated on a year to date basis using the actuarially determined pension cost rate at December 31, 2017 and 2016.

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Selling expenses	\$ 137	135	279	276
Administrative expenses	682	669	1,372	1,358
	<u>\$ 819</u>	<u>804</u>	<u>1,651</u>	<u>1,634</u>

(ii) Defined contribution plans

For the three months and six months ended June 30, 2018 and 2017, the pension costs under the defined contribution method were \$7,727 thousand, \$6,729 thousand, \$15,363 thousand and \$13,600 thousand, respectively.

(j) Income tax

Income tax expense in the interim consolidated report was measured and disclosed in accordance with the estimated average annual effective income tax rate applied to the pre tax income.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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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 year 2018. The group spreads the effect of the change amounting to \$1,524 thousand in the tax rate by an adjustment to the estimated annual effective income tax rate.

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Current income tax expense (benefits)				
Current period	\$ 26,305	23,100	31,611	30,017
10% surtax on undistributed earnings	3,616	-	3,616	-
Adjustment for prior periods	409	(64)	409	(64)
Income tax expense from continuing operations	<u>\$ 30,330</u>	<u>23,036</u>	<u>35,636</u>	<u>29,953</u>

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.

(k) Capital and other equity

Except for those mentioned below, there were no significant changes in capital and other equity for the six months ended June 30, 2018 and 2017. Please refer to note 6(j) to the consolidated financial statements for the year ended December 31, 2017, for related information.

(i) Additional paid-in capital

The components of additional paid-in capital as of June 30, 2018 and 2017, were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
	Additional paid in capital	\$ 15,357	15,357
Gain on sale of property, plant and equipment	28	28	28
Difference between consideration and carrying amount of subsidiaries acquired	4,334	4,334	4,334
Treasury share transactions	12,086	6,399	6,399
	<u>\$ 31,805</u>	<u>26,118</u>	<u>26,118</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Retained earnings

The appropriations of earnings for years 2017 and 2016 as dividends to stockholders that were approved by stockholders during their meetings on June 8, 2018, and June 8, 2017, respectively, were as follows:

	2017		2016	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common stockholders:				
Cash	\$ 1.18	<u>148,680</u>	2.00	<u>248,490</u>

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

(iii) Treasury stock

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

	Unit: thousand shares	
	2018	2017
Balance at January 1	4,755	6,000
Transferred to employees	<u>(1,755)</u>	<u>(1,245)</u>
Balance at June 30	<u>3,000</u>	<u>4,755</u>

In accordance with the Company's policy on transferring treasury shares to its employees, setting March 31, 2018 as the grant date for evaluating the fair value, the Company transferred 1,755 thousand shares of treasury shares for cash to its employees amounting to \$30,713 thousand, and recognized a cost of share-based payment amounting to \$5,967 thousand, which was recorded under operating expenses. The cost of purchased of the transferred treasury shares was \$30,993 thousand, in which the Company recognized its capital surplus of \$5,687 thousand. As of June 30, 2018, all the share-based payment options were exercised.

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 June 30, 2017, all the share-based payment options were exercised.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

As of June 30, 2018, December 31 and June 30, 2017, the Company held treasury shares amounting to \$52,963 thousand, \$83,956 thousand and \$83,956 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 six months ended June 30, 2018 and 2017, 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.

(I) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the six months ended June 30, 2018 and 2017, was as follows:

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Net income attributable to ordinary shareholders of the Company	\$ <u>72,138</u>	<u>51,840</u>	<u>118,424</u>	<u>94,734</u>
Weighted-average number of ordinary shares	<u>125,137</u>	<u>123,736</u>	<u>125,137</u>	<u>123,736</u>
Basic earnings per share (in NT dollars)	\$ <u>0.58</u>	<u>0.42</u>	<u>0.95</u>	<u>0.77</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Net income attributable to ordinary shareholders of the Company	\$ <u>72,138</u>	<u>51,840</u>	<u>118,424</u>	<u>94,734</u>
Weighted-average number of ordinary shares (basic)	125,137	123,736	125,137	123,736
Impact of potential common shares				
Effect of employee stock bonus	<u>531</u>	<u>354</u>	<u>875</u>	<u>722</u>
Weighted-average number of ordinary shares (diluted)	<u>125,668</u>	<u>124,090</u>	<u>126,012</u>	<u>124,458</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.57</u>	<u>0.42</u>	<u>0.94</u>	<u>0.76</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(m) Revenue from contracts with customers

	For the three months ended June 30, 2018			
	<u>Asia</u>	<u>Americas</u>	<u>Europe</u>	<u>Total</u>
Major products/services lines:				
Air freight forwarding	\$ 2,147,334	253,081	42,755	2,443,170
Ocean freight forwarding	901,203	611,375	96,410	1,608,988
Others	<u>95,539</u>	<u>69,371</u>	<u>6,771</u>	<u>171,681</u>
	<u>\$ 3,144,076</u>	<u>933,827</u>	<u>145,936</u>	<u>4,223,839</u>
	For the six months ended June 30, 2018			
	<u>Asia</u>	<u>Americas</u>	<u>Europe</u>	<u>Total</u>
Major products/services lines:				
Air freight forwarding	\$ 4,033,401	410,737	92,005	4,536,143
Ocean freight forwarding	1,693,382	1,094,191	176,923	2,964,496
Others	<u>353,276</u>	<u>266,714</u>	<u>23,255</u>	<u>643,245</u>
	<u>\$ 6,080,059</u>	<u>1,771,642</u>	<u>292,183</u>	<u>8,143,884</u>

(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.

The employees' compensation, and directors' and supervisors' remuneration were recognized as operating expenses on a specific percentage of the net income. These amounts are calculated by using the Company's net income before tax (without the employees' compensation, and directors' and supervisors' remuneration), multiplied by the percentage specified in the Company's article for each period. For the three months and six months ended June 30, 2018 and 2017, the Company recognized its employees' compensation of \$6,546 thousand, \$4,665 thousand, \$10,695 thousand and \$8,526 thousand, respectively, and directors' and supervisors' remuneration of \$1,963 thousand, \$1,400 thousand, \$3,208 thousand and \$2,558 thousand, respectively.

In its financial statements for the year ended December 31, 2017 and 2016, the Company accrued employees' compensation amounting to \$18,551 thousand and \$19,491 thousand, respectively, and directors' and supervisors' remuneration amounting to \$5,565 thousand and \$5,847 thousand, respectively, which was identical to the actual distribution. The information mentioned above can be accessed on the Market Observation Post System.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(o) Non-operating income and expenses

(i) Other income

The details of the Group's other income for the years ended June 30, 2018 and 2017, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Interest income	\$ 1,173	422	2,210	698
Dividend income	35	29	35	29
Other	<u>567</u>	<u>(402)</u>	<u>2,082</u>	<u>3,181</u>
	<u><u>\$ 1,775</u></u>	<u><u>49</u></u>	<u><u>4,327</u></u>	<u><u>3,908</u></u>

(ii) Other gains and losses

The details of the Group's other gain and losses for the years ended June 30, 2018 and 2017, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Gain (loss) on foreign exchange	\$ 12,869	(4,590)	15,808	2,014
Net losses on disposal of financial assets measured at fair value through profit	(3,089)	-	(2,900)	-
Losses on disposal of investments	-	-	-	(5,512)
Gain (loss) on disposal of property, plant and equipment	102	(14)	(41)	(37)
Others	<u>11</u>	<u>220</u>	<u>(163)</u>	<u>(2,924)</u>
	<u><u>\$ 9,893</u></u>	<u><u>(4,384)</u></u>	<u><u>12,704</u></u>	<u><u>(6,459)</u></u>

(iii) Finance costs

The details of the Group's finance costs for the years ended June 30, 2018 and 2017, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Interest expenses	\$ <u>1,905</u>	<u>1,788</u>	\$ <u>3,848</u>	<u>3,766</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(p) Financial instruments

Except for those mentioned below, there were no significant changes in the Group's exposure to credit risk, liquidity risk and market risk. For related information, please refer to note 6(p) to the consolidated financial statements for the year ended December 31, 2017.

(i) Credit risk

There was no customer concentration related to the Group's operating revenue at June 30, 2018, December 31 and June 30, 2017.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2018							
Non-derivative financial liabilities							
Short-term loans	\$ 584,700	590,722	3,011	587,711	-	-	-
Long-term loans	65,963	68,275	275	6,254	36,160	19,594	5,992
Notes payable	28,801	28,801	28,801	-	-	-	-
Accounts payable	1,214,744	1,184,744	1,184,744	-	-	-	-
Dividend payable	148,680	148,680	148,680	-	-	-	-
Derivative financial liabilities							
Other forward exchange	2,900	2,900	2,900	-	-	-	-
	<u>\$ 2,045,788</u>	<u>2,024,122</u>	<u>1,368,411</u>	<u>593,965</u>	<u>36,160</u>	<u>19,594</u>	<u>5,992</u>
December 31, 2017							
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	-	-	-	-
	<u>\$ 2,078,709</u>	<u>2,090,068</u>	<u>1,409,656</u>	<u>554,600</u>	<u>96,957</u>	<u>19,625</u>	<u>9,230</u>
June 30, 2017							
Non-derivative financial liabilities							
Short-term loans	\$ 493,400	500,264	3,433	496,831	-	-	-
Long-term loans	131,927	135,745	344	6,291	96,965	19,667	12,478
Notes payable	24,908	24,908	24,908	-	-	-	-
Accounts payable	1,193,193	1,193,193	1,193,193	-	-	-	-
Dividend payable	248,490	248,490	248,490	-	-	-	-
	<u>\$ 2,091,918</u>	<u>2,102,600</u>	<u>1,470,368</u>	<u>503,122</u>	<u>96,965</u>	<u>19,667</u>	<u>12,478</u>

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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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(iii) Market risk

1) 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>
June 30, 2018			
Financial assets:			
Monetary items:			
USD	\$ 6,440	30.4750	196,267
EUR	\$ 7,677	35.6070	27,357
Financial liabilities:			
Monetary items:			
USD	\$ 10,943	30.4750	333,488
December 31, 2017			
Financial assets:			
Monetary items:			
USD	\$ 8,463	29.7330	251,635
Financial liabilities:			
Monetary items:			
USD	\$ 10,932	29.7330	325,037
June 30, 2017			
Financial assets:			
Monetary items:			
USD	\$ 6,987	30.4560	212,790
Financial liabilities:			
Monetary items:			
USD	\$ 4,858	30.4560	147,955

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 June 30, 2018 and 2017, would have increased or decreased the net profit by \$3,296 thousand and \$1,945 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$12,869 thousand, \$(4,590) thousand, \$15,808 thousand and \$2,014 thousand, respectively.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

2) Interest rate analysis

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

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 \$3,253 thousand and \$3,127 thousand for the six months ended June 30, 2018 and 2017, 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.

(iv) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	June 30, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 5,477	-	-	5,477	5,477
Financial assets measured at amortized cost					
Cash and cash equivalents	1,274,826	-	-	-	-
Accounts and notes receivables	1,979,805	-	-	-	-
Refundable deposits	71,749	-	-	-	-
Subtotal	<u>3,326,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,331,857</u>	<u>-</u>	<u>-</u>	<u>5,477</u>	<u>5,477</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

	Carrying amount	June 30, 2018			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 2,900	-	2,900	-	2,900
Financial liabilities measured at amortized cost					
Short-term borrowings	650,663	-	-	-	-
Notes and accounts payable	1,243,545	-	-	-	-
Dividend payable	148,680	-	-	-	-
Total	\$ 2,045,788	-	2,900	-	2,900
		December 31, 2017			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Unlisted stocks (domestic and overseas)	\$ 5,406	-	-	5,406	5,406
Loans and receivables					
Cash and cash equivalents	1,118,440	-	-	-	-
Accounts and notes receivable	2,143,038	-	-	-	-
Refundable deposits	67,612	-	-	-	-
Subtotal	3,329,090	-	-	-	-
Total	\$ 3,334,496	-	-	5,406	5,406
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 674,319	-	-	-	-
Notes and accounts payable	1,404,390	-	-	-	-
Total	\$ 2,078,709	-	-	-	-

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

	June 30, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks (domestic)	\$ 5,312	-	-	5,312	5,312
Loans and receivables					
Cash and cash equivalents	1,120,846	-	-	-	-
Accounts and notes receivable	1,946,011	-	-	-	-
Refundable deposits	64,453	-	-	-	-
Subtotal	3,131,310	-	-	-	-
Total	<u>\$ 3,136,622</u>	<u>-</u>	<u>-</u>	<u>5,312</u>	<u>5,312</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 625,327	-	-	-	-
Notes and accounts payable	1,218,101	-	-	-	-
Dividend payable	248,490	-	-	-	-
Total	<u>\$ 2,091,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

If the financial instruments held by the Group have the quoted market price in active market, the fair value of the assets is based on the quoted market price. The fair value of equity instruments in OTC and debt instruments have a quoted market price in active market, is based on the quoted market price in OTC.

The stocks and open-end funds held by the Group are financial instruments which have standard terms and clauses in an active market. The fair value is measured by the quoted market price.

However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings before tax, interest expense, depreciation, and amortization and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity.

b) Derivative financial instrument

Forward Exchange Contracts are normally priced based on the exchange rates provided by the World Agencies.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018	\$ 5,406
Effect of currency translation	71
Balance at June 30, 2018	\$ 5,477

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-earnings ratio (As of June 30, 2018 was 12.50~17.00) · Market illiquidity discount rate (As of June 30, 2018 was 30%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- 6) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

June 30, 2018	Input	Assumptions	Other comprehensive income	
			Favourable	Unfavourable
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Multiplier of price-to-earnings ratio	5%	\$ 176	(176)
Equity investments without an active market	Liquidity discount	5%	252	(252)

The favourable and unfavourable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

- (q) Financial risk management

The disclosures of objectives and policies of the Group's financial risk management are the same as those in the note 6(q) to the consolidated financial statements for the year ended December 31, 2017.

- (r) Capital management

The disclosures of objectives, policies and procedures of the Group's capital management are the same as those of the consolidated financial statements for the year ended December 31, 2017. For related information, please refer to note 6(r) to the consolidated financial statements for the year ended December 31, 2017.

(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.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 5,820	8,551	17,237	20,336
Post-employment benefits	278	380	525	613
Share-based payment	-	-	1,210	689
	<u>\$ 6,098</u>	<u>8,931</u>	<u>18,972</u>	<u>21,638</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2018	December 31, 2017	June 30, 2017
Restricted certificates of deposit (other current assets)	Guarantee for the Group's logistics operations	\$ 1,002	997	986
Restricted certificates of deposit (other non-current assets)	Guarantee for customs	3,000	3,000	3,000
Restricted certificates of deposit (other non-current assets)	Guarantee for the Group's logistics operations	660	660	660
Property, plant and equipment:				
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	156,092	156,092	156,092
Buildings	Guarantee for long-term and short-term borrowings and the Group's logistics operations	30,784	31,159	31,912
		<u>\$ 191,538</u>	<u>191,908</u>	<u>192,650</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(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 2018 and 2017. As of June 30, 2018, December 31 and June 30, 2017, the guarantees from the banks were \$147,633 thousand, \$149,639 thousand and \$150,883 thousand, respectively, and the used amounts were \$103,605 thousand, \$116,801 thousand and \$112,276 thousand, respectively.
- (b) As of June 30, 2018, December 31 and June 30, 2017, the Group had outstanding letters of credit totaling \$42,633 thousand, \$44,639 thousand and \$45,883 thousand, respectively. As of June 30, 2018, December 31 and June 30, 2017, the guarantees recorded for customs duty were \$10,534 thousand, \$8,442 thousand and \$8,354 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.
- (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: None

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(12) Other

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

By item	By function	Three months ended June 30, 2018			Three months ended June 30, 2017		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		6,267	278,689	284,956	8,043	263,408	271,451
Labor and health insurance		127	39,436	39,563	209	40,887	41,096
Pension		71	8,475	8,546	112	7,421	7,533
Directors' remuneration		-	2,443	2,443	-	2,282	2,282
Others		221	26,677	26,898	422	21,768	22,190
Depreciation		-	10,479	10,479	-	10,222	10,222
Amortization		-	31	31	-	38	38

By item	By function	Six months ended June 30, 2018			Six months ended June 30, 2017		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		12,575	560,325	572,900	17,297	514,262	531,559
Labor and health insurance		206	78,551	78,757	347	68,790	69,137
Pension		181	16,833	17,014	223	15,011	15,234
Directors' remuneration		-	4,303	4,303	-	4,055	4,055
Others		810	54,442	55,252	853	48,032	48,885
Depreciation		-	21,601	21,601	-	22,748	22,748
Amortization		-	44	44	-	56	56

(a) Seasonality or cyclically of interim operations

The Group's operations were not affected by seasonality or cyclically factors.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(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	Ending balance	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 debts	Collateral Name	Value	Individual funding loan limits (Note 2)	Limitation on fund financing (Note 2)
1	HOLDING	DIMTW	Accounts receivable from related parties	Yes	27,539	28,705	28,705	-	(2)	-	Operating capital	-	-	-	185,243	740,971
2	FSC	DIMTW	Accounts receivable from related parties	Yes	119,551	119,551	119,551	-	(2)	-	Operating capital	-	-	-	185,243	740,971
3	DFSTW	DIMTW	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-	-	-	185,243	740,971

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 interim financial statements.

(ii) Guarantees and endorsements for other parties

No.	Name of company	Counter-party of guarantee or endorsement Name	Relationship with the Company (Note 1)	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	Properly 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 guarantees/ 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
0	DIMTW	DIMMY	3	258,000	14,945	3,774	3,774	3,774	0.19 %	516,000	Y	N	N
0	DIMTW	DIMSG	3	258,000	22,323	16,377	16,377	16,377	0.84 %	516,000	Y	N	N
0	DIMTW	DIMVN	3	258,000	4,505	3,809	3,809	3,809	0.20 %	516,000	Y	N	N
0	DIMTW	DIMIN & DIMVN & DIMTH	3	258,000	1,029	1,029	1,029	1,029	0.05 %	516,000	Y	N	N
0	DIMTW	DMKR	3	258,000	14,933	14,933	14,933	14,933	0.77 %	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 June 30, 2018 (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				Remarks
				Number of shares	Book value	Holding percentage	Market value (note)	
DIMTW	Global Sky Express Taiwan Ltd.		Financial assets at fair value through other comprehensive income non-current	10,000	100	1.00 %	100	
DIMTW	Evergreen Air Cargo Service Corporation		Financial assets at fair value through other comprehensive income non-current	29,000	290	0.02 %	290	
DIMSG	Burwill Holdings Ltd.		Financial assets at fair value through other comprehensive income non-current	22,000	19	-	19	
DIMSG	Stanford Land		Financial assets at fair value through other comprehensive income non-current	5,000	38	-	38	
DIMSG	Straits Continental Logistics Co. Ltd.		Financial assets at fair value through other comprehensive income non-current	39,800	2,917	19.90 %	2,917	
DIMMY	FL Network		Financial assets at fair value through other comprehensive income non-current	-	2,113	-	2,113	

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.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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- (iv) Accumulated holding amount of a single security in excess of NT\$300 million or 20% of the paid-in capital: None.
- (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	168,311 (Note 1)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	- %	-		-	-

Note 1: Loan from the subsidiary of \$119,551 and other receivable of \$48,760.

Note 2: Paid on behalf of DIMTW.

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

- (ix) Financial derivative instrument transactions: Please refer to notes 6(b).
- (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	DIMUS	1	Accounts receivable—related parties	16,399	Negotiated	0.39 %
0	DIMTW	DIMCN	1	Accounts receivable—related parties	11,032	Negotiated	0.26 %
0	DIMTW	DIMCN	1	Accounts payable—related parties	7,544	Negotiated	0.18 %
0	DIMTW	DIMCN	1	Freight revenue—received on behalf	35,847	Negotiated	0.44 %
0	DIMTW	DIMHK	1	Freight revenue—received on behalf	12,701	Negotiated	0.16 %
0	DIMTW	ZJDCN	1	Freight revenue—received on behalf	8,813	Negotiated	0.11 %
0	DIMTW	DIMMY	1	Freight revenue—received on behalf	8,375	Negotiated	0.10 %
0	DIMTW	DIMSG	1	Freight revenue—received on behalf	20,100	Negotiated	0.25 %
0	DIMTW	DIMUS	1	Freight revenue—received on behalf	50,406	Negotiated	0.62 %
0	DIMTW	DIMCN	1	Freight expense—deduction of freight revenue	(36,434)	Negotiated	0.45 %
0	DIMTW	DIMHK	1	Freight expense—deduction of freight revenue	(30,035)	Negotiated	0.37 %
0	DIMTW	DIMSG	1	Freight expense—deduction of freight revenue	(8,113)	Negotiated	0.10 %
0	DIMTW	DIMUS	1	Freight expense—deduction of freight revenue	(22,568)	Negotiated	0.28 %
0	DIMTW	ZJDCN	1	Freight expense—deduction of freight revenue	(15,341)	Negotiated	0.19 %
0	DIMTW	DIMNL	1	Freight expense—deduction of freight revenue	(9,287)	Negotiated	0.11 %
1	FSC	DIMTW	2	Accounts receivable—related parties	168,311	Negotiated	3.97 %
1	FSC	DIL	3	Accounts receivable—related parties	216,717	Negotiated	5.11 %
2	HOLDING	DIMTW	2	Accounts receivable—related parties	28,705	Negotiated	0.68 %
3	FSCHK	DIMHK	3	Sales revenue	19,689	Negotiated	0.24 %
3	FSCHK	ZJDCN	3	Sales revenue	13,638	Negotiated	0.17 %
3	FSCHK	DIMUS	3	Sales revenue	16,055	Negotiated	0.20 %

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim 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	
3	FSCCHK	DIMMY	3	Sales revenue	12,834	Negotiated	0.16 %
3	FSCCHK	DFSCN	3	Sales revenue	23,083	Negotiated	0.28 %
3	FSCCHK	DIMPH	3	Sales revenue	11,516	Negotiated	0.14 %

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 six months ended June 30, 2018 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance		Book value (note 2)	Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				June 30, 2018	December 31, 2017	Shares	Ratio of shares				
DIMTW	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	134,044	18,043	18,043	Note 5
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	732,885	44,294	44,294	Note 3
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	368,912	68,467	58,957	Note 5
DIMTW	DIL	British Virgin Is	Holding company	472,313	472,313	(Note 1)	100 %	2,010,878	(51,718)	(51,718)	Note 3
DIMTW	FSC	British Virgin Is	Settlement center	315	315	10,000	20 %	272,092	310,545	62,109	Note 3
DIMTW	FSCCHK	Hong Kong	Settlement center	236	236	7,500	15 %	69,784	101,993	15,299	Note 3
DFSTW	FSCCHK	Hong Kong	Settlement center	235	235	7,500	15 %	72,162	101,993	15,299	Note 3
DIL	DIMUS	U.S.A	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	356,100	20,669	20,669	Note 3
DIL	DIMGB	U.K	Global air and ocean freight forwarder	(5,624)	(5,624)	300,000	38 %	(13,922)	(852)	(852)	Note 5
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	42,028	68,467	9,510	Note 5
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	427,348	300,000	99 %	1,626,648	231,649	231,649	Note 4
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	24	(312,693)	(312,693)	Note 3
GMS	DIMPH	Philippines	Global air and ocean freight forwarder	38,399	-	180,000	60 %	38,399	-	-	Note 5
FSCCHK	DIMGB	U.K	Global air and ocean freight forwarder	20,126	-	500,000	63 %	(23,203)	-	-	Note 5
DIMUS	DCBUS	U.S.A	Brokerage service	13,532	13,532	1,000	100 %	28,840	(2,315)	(2,315)	Note 3
DIMHK	FSC	British Virgin Is.	Settlement center	617	617	10,000	60 %	598	310,545	186,327	Note 3
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	2,090	2,090	(Note 1)	75 %	5,644	1,349	1,012	Note 5
DIMHK	FSCCHK	Hong Kong	Settlement center	550	550	17,500	35 %	168,380	101,993	35,698	Note 3
DIMSG	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	310,545	62,109	Note 3
DIMSG	DIMIN	India	Global air and ocean freight forwarder	5,303	5,303	960,000	60 %	8,218	(1,889)	(1,134)	Note 5
HOLDING	DIMMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	112,241	6,227	6,227	Note 5
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	3,090	(14)	(14)	Note 5
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	36,026	(2,308)	(1,131)	Note 5
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	24,500	2,856	1,142	Note 5
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(15,987)	(11,273)	(11,273)	Note 5
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	27,900	(621)	(621)	Note 5
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	62,700	2,633	2,633	Note 5
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	(1,297)	(8,553)	(8,553)	Note 5
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	359,271	57,622	57,616	Note 5
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	34,903	(3,355)	(3,355)	Note 5
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	23,042	1,137	1,137	Note 5
DFSHK	FSCCHK	Hong Kong	Settlement center	566	566	17,500	35 %	168,380	101,993	35,697	Note 3
DIMMY	Danau Muhibbah Sdn. Bhd.	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	-	-	
DIMPH	Peerless Express Forwarders Corp.	Philippines	Trucking service	954	954	4,000,000	40 %	974	156	60	
DIMSG	Logictrix India Pvt Ltd	India	Brokerage service	1,830	-	4,000,000	40 %	1,830	-	-	

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

Note 2: The amount was eliminated in the consolidated interim financial statements, except for Logictrix India Pvt Ltd.

Note 3: The financial statements of the investee were reviewed by the auditors of the parent company, and were recognized under the equity method.

Note 4: The financial statements of the investee were reviewed by a regional accounting firm, and were recognized under the equity method.

Note 5: The financial statements of the investee were not reviewed by auditors and were furnished to us by the investee, and were recognized under the equity method.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim 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	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)	27,488 (USD902)	-	-	27,488 (USD902)	24,295	75 %	18,221	153,317	-
DILSHA	Logistics & warehousing	5,970	(2)	6,095 (USD200)	-	-	6,095 (USD200)	(6,220)	99 %	(6,220)	(22,901)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	(6,567)	100 %	(6,567)	229,152	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	1,102	100 %	1,102	4,719	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	23,643	100 %	18,687	137,936	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	-	(1,042)	100 %	(1,042)	16,540	-
Yuhang Int'l Logistics (Dalian) Co. Ltd.	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	6,712	25 %	1,678	20,948	-
Diversified International Logistics Service Company Ltd.	Global air and ocean freight forwarder	9,203	(2)	-	-	-	-	-	100 %	-	9,203	-

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 were reviewed by an international accounting firm in cooperation with the ROC accounting firm.

Note 4: The gain (loss) of the investee were not reviewed and were recognized as investment income (loss) under the equity method.

(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 (Note 2)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note 2)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 1)
DIMTW	33,583 (USD1,102)	73,140 (USD2,400)	1,111,456

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

Note 2: USD:NT\$=1:30.475.

(iii) Significant transactions

Please refer to note 13(a) for transactions with investees in Mainland China for the six months ended June 30, 2018. All transactions were eliminated upon consolidation.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(14) Segment information

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

	<u>Asia</u>	<u>American</u>	<u>Europe</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Three months ended June 30, 2018					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 3,144,076	933,827	145,936	-	4,223,839
From the parent company and subsidiaries	<u>58,407</u>	<u>-</u>	<u>-</u>	<u>(58,407)</u>	<u>-</u>
Total revenue	\$ <u>3,202,483</u>	<u>933,827</u>	<u>145,936</u>	<u>(58,407)</u>	<u>4,223,839</u>
Segment income	\$ <u>82,012</u>	<u>29,591</u>	<u>(6,814)</u>	<u>-</u>	<u>104,789</u>
Three months ended June 30, 2017					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 2,914,534	1,003,771	179,252	-	4,097,557
From the parent company and subsidiaries	<u>56,258</u>	<u>-</u>	<u>-</u>	<u>(56,258)</u>	<u>-</u>
Total revenue	\$ <u>2,970,792</u>	<u>1,003,771</u>	<u>179,252</u>	<u>(56,258)</u>	<u>4,097,557</u>
Segment income	\$ <u>45,239</u>	<u>29,611</u>	<u>906</u>	<u>-</u>	<u>75,756</u>
Six months ended June 30, 2018					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 6,080,059	1,771,642	292,183	-	8,143,884
From the parent company and subsidiaries	<u>138,319</u>	<u>-</u>	<u>-</u>	<u>(138,319)</u>	<u>-</u>
Total revenue	\$ <u>6,218,378</u>	<u>1,771,642</u>	<u>292,183</u>	<u>(138,319)</u>	<u>8,143,884</u>
Segment income	\$ <u>134,766</u>	<u>34,890</u>	<u>(9,403)</u>	<u>-</u>	<u>160,253</u>
Six months ended June 30, 2017					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 5,883,289	1,881,277	369,889	-	8,134,455
From the parent company and subsidiaries	<u>91,737</u>	<u>-</u>	<u>-</u>	<u>(91,737)</u>	<u>-</u>
Total revenue	\$ <u>5,975,026</u>	<u>1,881,277</u>	<u>369,889</u>	<u>(91,737)</u>	<u>8,134,455</u>
Segment income	\$ <u>73,654</u>	<u>51,888</u>	<u>347</u>	<u>-</u>	<u>125,889</u>

The inter-company revenue of \$58,407 thousand, \$56,258 thousand, \$138,319 thousand and \$91,737 thousand for the three months and six months ended June 30, 2018 and 2017, respectively, was eliminated.

