

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

**DIMERCO EXPRESS CORPORATION
AND ITS SUBSIDIARIES**

Consolidated Interim Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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

Telephone: (02)2796-3660

The auditors' report and the accompanying consolidated interim 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 auditors' report and consolidated interim 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' Report

To the Board of Directors
Dimerco Express Corporation:

We have reviewed the accompanying consolidated balance sheets of Dimerco Express Corporation and subsidiaries (the Group) as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016, and consolidated statements of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. The consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. We have not reviewed the financial statements of Dimerco Air Forwarders (HK) Ltd. with the total assets of \$506,118 and 576,225 thousand, constituting 12% and 13% of the related consolidated total assets as of June 30, 2017 and 2016, respectively; the net sales of \$401,988 thousand, \$379,150 thousand, \$818,891 and \$719,230 thousand, constituting 10%, 10%, 10% and 9% of the related consolidated net sales for the three months and six months ended June 30, 2017 and 2016, respectively. Those financial statements were reviewed by other auditors, whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

Except as mentioned in the third and fourth paragraphs, we conducted our review in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

We were unable to obtain the reviewed financial statements of certain subsidiaries of the Group, which represent the total assets amounting to \$1,165,608 and \$1,207,444 thousand, constituting 29% and 28% of the related consolidated total assets as of June 30, 2017 and 2016, respectively; the total liabilities amounting to \$301,661 and \$260,801 thousand, constituting 14% and 12% of the related consolidated total liabilities as of June 30, 2017 and 2016, respectively; and the total comprehensive income amounting to \$73,932 thousand, \$8,025 thousand, \$32,042, and \$47,638 thousand, constituting 88%, 7%, (32)% and 37%, of the related consolidated total comprehensive income for the three months and six months ended June 30, 2017 and 2016, respectively.



As of June 30, 2017 and 2016, the investment under the equity method amounting to \$18,610 and \$28,541 thousand, respectively; and its related investment income for the three months and six months ended June 30, 2017 and 2016, all amounting to \$(5), \$(9,849), \$365 and \$(12,354) thousand, respectively, were recognized based upon financial statements prepared by investee company without reviewed by auditor.

Based on our review and the reports of the other auditors, except as mentioned in the third and fourth paragraphs, if the financial statements of the entities of the Group and investees under the equity method had been reviewed by auditors, which may have resulted in adjustments to the financial statements, we are not aware of any material modification that should be made to the financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission, R.O.C.

KPMG

Taipei, Taiwan (Republic of China)
August 9, 2017

Notes to Readers

The accompanying consolidated interim 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 interim financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated interim 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 auditors' report and consolidated interim financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2017 and 2016

(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				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue	\$ 4,097,557	100	3,987,922	100	8,134,455	100	7,626,045	100
5000	Operating costs (note 6(h))	<u>3,524,823</u>	<u>86</u>	<u>3,319,502</u>	<u>83</u>	<u>7,013,778</u>	<u>87</u>	<u>6,331,757</u>	<u>83</u>
5900	Gross profit from operations	<u>572,734</u>	<u>14</u>	<u>668,420</u>	<u>17</u>	<u>1,120,677</u>	<u>13</u>	<u>1,294,288</u>	<u>17</u>
6000	Operating expenses (notes 6(b), (d), (h), (j), (l) and 7):								
6100	Selling expenses	163,160	4	168,790	4	329,522	4	331,726	5
6200	Administrative expenses	<u>327,690</u>	<u>8</u>	<u>392,360</u>	<u>9</u>	<u>659,314</u>	<u>8</u>	<u>777,648</u>	<u>10</u>
	Total operating expenses	<u>490,850</u>	<u>12</u>	<u>561,150</u>	<u>13</u>	<u>988,836</u>	<u>12</u>	<u>1,109,374</u>	<u>15</u>
6900	Net operating income	<u>81,884</u>	<u>2</u>	<u>107,270</u>	<u>4</u>	<u>131,841</u>	<u>1</u>	<u>184,914</u>	<u>2</u>
7000	Non-operating income and expenses (notes 6(c) and (m)):								
7010	Other income	49	-	6,469	-	3,908	-	8,008	-
7020	Other gains and losses	(4,384)	-	9,838	-	(6,459)	-	3,084	-
7050	Finance costs	(1,788)	-	(1,849)	-	(3,766)	-	(4,744)	-
7060	Share of loss of associates accounted for under equity method	<u>(5)</u>	<u>-</u>	<u>(9,849)</u>	<u>-</u>	<u>365</u>	<u>-</u>	<u>(12,354)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(6,128)</u>	<u>-</u>	<u>4,609</u>	<u>-</u>	<u>(5,952)</u>	<u>-</u>	<u>(6,006)</u>	<u>-</u>
7900	Profit from continuing operations before tax	75,756	2	111,879	4	125,889	1	178,908	2
7950	Less: Income tax expense (note 6(i))	<u>23,036</u>	<u>1</u>	<u>14,024</u>	<u>-</u>	<u>29,953</u>	<u>-</u>	<u>28,080</u>	<u>-</u>
	Profit for the year	<u>52,720</u>	<u>1</u>	<u>97,855</u>	<u>4</u>	<u>95,936</u>	<u>1</u>	<u>150,828</u>	<u>2</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	30,856	1	22,192	-	(196,838)	(2)	(22,205)	-
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>30,856</u>	<u>1</u>	<u>22,192</u>	<u>-</u>	<u>(196,838)</u>	<u>(2)</u>	<u>(22,205)</u>	<u>-</u>
8300	Other comprehensive income (loss), net of tax	<u>30,856</u>	<u>1</u>	<u>22,192</u>	<u>-</u>	<u>(196,838)</u>	<u>(2)</u>	<u>(22,205)</u>	<u>-</u>
	Total comprehensive income	<u>\$ 83,576</u>	<u>2</u>	<u>120,047</u>	<u>4</u>	<u>(100,902)</u>	<u>(1)</u>	<u>128,623</u>	<u>2</u>
	Profit attributable to:								
8610	Owners of parent	\$ 51,840	1	92,830	4	94,734	1	147,256	2
8620	Non-controlling interests	<u>880</u>	<u>-</u>	<u>5,025</u>	<u>-</u>	<u>1,202</u>	<u>-</u>	<u>3,572</u>	<u>-</u>
		<u>\$ 52,720</u>	<u>1</u>	<u>97,855</u>	<u>4</u>	<u>95,936</u>	<u>1</u>	<u>150,828</u>	<u>2</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 81,277	2	116,441	4	(96,710)	(1)	127,976	2
8720	Non-controlling interests	<u>2,299</u>	<u>-</u>	<u>3,606</u>	<u>-</u>	<u>(4,192)</u>	<u>-</u>	<u>647</u>	<u>-</u>
		<u>\$ 83,576</u>	<u>2</u>	<u>120,047</u>	<u>4</u>	<u>(100,902)</u>	<u>(1)</u>	<u>128,623</u>	<u>2</u>
	Earnings per share (NT dollars) (note 6(k))								
9750	Basic earnings per share	<u>\$ 0.42</u>		<u>0.75</u>		<u>0.77</u>		<u>1.20</u>	
9850	Diluted earnings per share	<u>\$ 0.42</u>		<u>0.75</u>		<u>0.76</u>		<u>1.19</u>	

See accompanying notes to consolidated interim financial statements.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity attributable to owners of parent	
	Ordinary shares	Capital surplus			Retained earnings			Foreign currency translation differences for foreign operations	Treasury shares	Non-controlling interests		Total equity
		Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings							
\$	1,290,000	19,719	265,898	182,174	156,586	604,658	131,778	(105,024)	1,941,131	125,935	2,067,066	
Balance at January 1, 2016	-	-	13,740	-	(13,740)	-	-	-	-	-	-	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	(125,460)	(125,460)	-	-	(125,460)	-	(125,460)	
Cash dividends of ordinary share	-	-	-	-	147,256	147,256	-	-	147,256	3,572	150,828	
Net profit	-	-	-	-	-	-	(19,280)	-	(19,280)	(2,925)	(22,205)	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	147,256	147,256	(19,280)	-	127,976	647	128,623	
Purchase of treasury share	-	-	-	-	-	-	-	(919)	(919)	-	(919)	
Balance at June 30, 2016	\$	1,290,000	19,719	279,638	182,174	164,642	112,498	(105,943)	1,942,728	126,582	2,069,310	
Balance at January 1, 2017	\$	1,290,000	29,200	279,638	182,174	284,098	85,387	(105,943)	2,044,554	127,479	2,172,033	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	27,078	-	(27,078)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(248,490)	(248,490)	-	-	(248,490)	-	(248,490)	
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(9,481)	-	-	-	-	-	-	(9,481)	-	(9,481)	
Net profit	-	-	-	-	94,734	94,734	-	-	94,734	1,202	95,936	
Other comprehensive income	-	-	-	-	-	-	(191,444)	-	(191,444)	(5,394)	(196,838)	
Total comprehensive income	-	-	-	-	94,734	94,734	(191,444)	-	(96,710)	(4,192)	(100,902)	
Transferred treasury shares to employees	-	6,399	-	-	-	-	-	21,987	28,386	-	28,386	
Balance at June 30, 2017	\$	1,290,000	26,118	306,716	182,174	103,264	(106,057)	(83,956)	1,718,259	123,287	1,841,546	

See accompanying notes to consolidated interim financial statements.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from operating activities:		
Profit before tax	\$ 125,889	178,908
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	22,478	25,066
Amortization expense	56	103
Provision for bad debt expense	15,225	22,289
Interest expense	3,766	4,744
Interest income	(698)	(1,052)
Dividend income	(29)	(29)
Cost of transferring treasury to employees	6,599	-
Share of loss (gain) of associates accounted for using equity method	(365)	12,354
Loss (gain) on disposal of property, plan and equipment	37	(102)
Loss on disposal of investments	5,512	-
Unrealized foreign exchange loss	24,756	8,596
Amortization of long-term prepaid lease	667	712
Total adjustments to reconcile profit	<u>78,004</u>	<u>72,681</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	8,304	351
Accounts receivable	84,223	(120,370)
Other current assets	(5,116)	(4,824)
Total changes in operating assets	<u>87,411</u>	<u>(124,843)</u>
Changes in operating liabilities:		
Notes payable	(2,713)	6,882
Accounts payable	(21,663)	195,519
Other current liabilities	(87,703)	(23,464)
Net defined benefit liability	(219)	4
Total changes in operating liabilities	<u>(112,298)</u>	<u>178,941</u>
Total changes in operating assets and liabilities	<u>(24,887)</u>	<u>54,098</u>
Total adjustments	<u>53,117</u>	<u>126,779</u>
Cash inflow generated from operations	179,006	305,687
Interest received	698	1,052
Dividends received	29	29
Interest paid	(3,766)	(4,744)
Income taxes paid	(20,320)	(26,245)
Net cash provided by operating activities	<u>155,647</u>	<u>275,779</u>
Cash flows from investing activities:		
Proceeds from disposal of investments accounted for using equity method	4,903	-
Acquisition of property, plant and equipment	(8,659)	(12,981)
Proceeds from disposal of property, plant and equipment	804	231
Decrease (increase) in refundable deposits	(53)	(5,345)
Increase in other non-current assets	13,198	(111)
Increase in restricted certificates of deposits	(986)	-
Net cash provided by (used in) investing activities	<u>9,207</u>	<u>(18,206)</u>
Cash flows from financing activities:		
Increase in short-term loans	-	(27,369)
Decrease in short-term loans	(10,885)	-
Repayments of long-term debt	(3,417)	(5,662)
Decrease in other non-current liabilities	(87)	(3,147)
Payments to acquire treasury shares	-	(919)
Proceeds from transferred treasury shares	21,787	-
Net cash provided by (used in) financing activities	<u>7,398</u>	<u>(37,097)</u>
Effect of exchange rate changes on cash and cash equivalents	(196,838)	(22,205)
Net increase (decrease) in cash and cash equivalents	(24,586)	198,271
Cash and cash equivalents at beginning of year	1,145,432	1,174,404
Cash and cash equivalents at end of year	<u>\$ 1,120,846</u>	<u>1,372,675</u>

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2017 and 2016

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

(1) Company history

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

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

The consolidated interim financial statements were reported to the Board of Directors and issued on August 9, 2017.

(3) New standards, amendments and interpretations adopted

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements-Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 36 “ Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 “ Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “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 ITS 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 interim 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. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

1) Classification- Financial assets

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

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value-basis. At June 30, 2017, the Group had financial assets measured at cost of \$5,312 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

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

The Group believes that impairment losses are likely to increase and become more volatile for assets within the scope of IFRS 9 impairment model. The imposed amount still required further evaluation.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group’s preliminary assessment determines that adopting IFRS 9 would result in changes of its disclosure, but still required further evaluation.

4) Transition

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

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) Amendments to IAS 7 “Disclosure Initiative”

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

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

(iii) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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(4) Summary of significant accounting policies

Except for the following, the significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2016.

(a) Statement of compliance

These consolidated interim 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 interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. For related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2016.

Subsidiaries included in the consolidated interim financial statements are as follows:

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at			Remarks
			June 30, 2017	December 31, 2016	June 30, 2016	
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 %	
DIMTW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	99.99 %	
DIMTW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	86.11 %	
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 %	
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSTW	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 %	20.00 %	
DIMUS	Foreign Settlement Co., Ltd. (FSC)	Settlement center	- %	- %	20.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at			Remarks
			June 30, 2017	December 31, 2016	June 30, 2016	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	40.00 %	40.00 %	20.00 %	
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 %	
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	100.00 %	100.00 %	100.00 %	
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 %	
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 %	
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 %	
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	49.00 %	Note 1
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	48.99 %	Note 1
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	39.99 %	Note 1
Holding	Dimerco Express (Australia) Pty Ltd (DIMAU)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	100.00 %	
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	99.99 %	
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	100.00 %	100.00 %	100.00 %	
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMUS	Dimerco Customs Brokerage Co. Ltd (DCBUS)	Brokerage service	100.00 %	100.00 %	100.00 %	

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Notes to the Consolidated Interim Financial Statements

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at			Remarks
			June 30, 2017	December 31, 2016	June 30, 2016	
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	60.00 %	60.00 %	60.00 %	
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	100.00 %	

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 report.

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

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

(c) Employee benefits

The pension cost in the consolidated interim 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.

(d) Share-based payment

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

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

(e) 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 ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

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

The preparation of the interim consolidated interim 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 interim 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, 2016.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand	\$ 4,637	3,994	10,105
Checking accounts and savings accounts	1,087,159	1,114,107	1,325,991
Time deposits	29,050	27,331	36,579
Cash and cash equivalents in statement of cash flows	<u>\$ 1,120,846</u>	<u>1,145,432</u>	<u>1,372,675</u>

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

(b) Notes and accounts receivable

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	\$ 6,752	15,056	3,789
Accounts receivable	2,013,729	2,098,355	1,935,040
Overdue receivable	5,432	5,029	4,397
Less: allowance for doubtful accounts — accounts receivable	74,470	59,648	75,390
allowance for doubtful accounts — overdue receivable	5,432	5,029	4,397
	<u>\$ 1,946,011</u>	<u>2,053,763</u>	<u>1,863,439</u>

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

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Past due 0~90 days	\$ 12,061	76,114	11,461

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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As of June 30, 2017 and 2016, the details of allowance for doubtful accounts—accounts receivable were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2017	\$ -	59,648	59,648
Impairment loss recognized	-	14,822	14,822
Balance at June 30, 2017	<u>\$ -</u>	<u>74,470</u>	<u>74,470</u>
	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ -	54,001	54,001
Impairment loss recognized	-	21,389	21,389
Balance at June 30, 2016	<u>\$ -</u>	<u>75,390</u>	<u>75,390</u>

As of June 30, 2017 and 2016, the details of allowance of doubtful accounts—overdue receivables were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 5,029	-	5,029
Impairment loss recognized	403	-	403
Balance at June 30, 2017	<u>\$ 5,432</u>	<u>-</u>	<u>5,432</u>
	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 3,497	-	3,497
Impairment loss recognized	900	-	900
Balance at June 30, 2016	<u>\$ 4,397</u>	<u>-</u>	<u>4,397</u>

(c) Investments under equity method

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	<u>\$ 18,610</u>	<u>36,143</u>	<u>28,541</u>

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

(i) Associates

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

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

The details of significant associates are as follows:

Name of associate	Existing relationship with the Group	Main operating location / country of registration	Proportion of equity and voting rights		
			June 30, 2017	December 31, 2016	June 30, 2016
Huahan (Shanghai)	Electronic business platform for on-line forwarding transactions	China	- %	46.06 %	49.00 %

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

1) Summary of financial information of Huahan (Shanghai)

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets	\$ -	14,009	8,911
Non-current assets	-	38,420	31,583
Current liabilities	-	(9,405)	(22,008)
Non-current liabilities	-	-	(4,202)
Equity	<u>\$ -</u>	<u>43,024</u>	<u>14,284</u>
Equity attributable to the Group	<u>\$ -</u>	<u>19,817</u>	<u>6,999</u>

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	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue	\$ -	14	-	17
Net loss on continuing operations	\$ -	(12,360)	-	(24,094)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ -</u>	<u>(12,360)</u>	<u>-</u>	<u>(24,094)</u>
Total comprehensive income (loss) attributable to the Group	<u>\$ -</u>	<u>(6,056)</u>	<u>-</u>	<u>(11,806)</u>

	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Beginning equity of the associate attributable to the Group	\$ 19,896	30,381
Total comprehensive income (loss) of the associate attributable to the Group	-	(16,884)
Disposal of associate	<u>(19,896)</u>	<u>-</u>
Ending balance of the equity of the associate attributable to the Group	<u>\$ -</u>	<u>13,497</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Balance of non-significant associate's equity	<u>\$ 18,610</u>	<u>16,247</u>

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Attributable to the Group:				
Income from continuing operations	\$ (5)	(31)	365	3,214
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ (5)</u>	<u>(31)</u>	<u>365</u>	<u>3,214</u>

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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(ii) Collateral

As of June 30, 2017, December 31 and June 30, 2016, the investments in equity-accounted associates of the Group had not been pledged as collateral or restricted in any way.

(d) Property, plant and equipment

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

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2017	\$ 186,853	574,160	45,495	145,460	67,701	59,844	1,079,513
Additions	-	-	-	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>
Balance at January 1, 2016	\$ 187,340	593,625	55,318	150,415	66,600	69,583	1,122,881
Additions	-	-	174	5,260	3,899	3,648	12,981
Disposals	-	-	(1,112)	(4,018)	(1,317)	(4,811)	(11,258)
Effect of currency translation	(609)	(7,511)	(738)	(3,441)	(1,229)	(435)	(13,963)
Balance at June 30, 2016	<u>\$ 186,731</u>	<u>586,114</u>	<u>53,642</u>	<u>148,216</u>	<u>67,953</u>	<u>67,985</u>	<u>1,110,641</u>
Depreciation and impairment loss:							
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>
Balance at January 1, 2016	\$ -	131,933	39,061	116,663	52,662	61,313	401,632
Depreciation	-	8,556	2,522	7,249	4,558	2,181	25,066
Disposal	-	-	(1,089)	(3,913)	(1,317)	(4,810)	(11,129)
Effect of currency translation	-	(898)	(461)	(3,310)	(3,498)	(1,252)	(9,419)
Balance at June 30, 2016	<u>\$ -</u>	<u>139,591</u>	<u>40,033</u>	<u>116,689</u>	<u>52,405</u>	<u>57,432</u>	<u>406,150</u>
Carrying value:							
January 1, 2017	\$ 186,853	428,471	10,696	28,708	15,389	7,930	678,047
June 30, 2017	\$ 185,019	402,559	7,900	26,993	13,805	5,684	641,960
June 30, 2016	\$ 186,731	446,523	13,609	31,527	15,548	10,553	704,491
January 1, 2016	\$ 187,340	461,692	16,257	33,752	13,938	8,270	721,249

Please refer to note 8 for the information on pledged property, plant and equipment as of June 30, 2017, December 31 and June 30, 2016.

(e) Intangible assets

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

	Goodwill
Balance at January 1, 2017	\$ 27,268
Effect of currency translation	(577)
Balance at June 30, 2017	<u>\$ 26,691</u>
Balance at January 1, 2016	\$ 27,437
Effect of currency translation	(222)
Balance at June 30, 2016	<u>\$ 27,215</u>

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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(f) Short-term and long-term borrowings

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

(i) Short-term borrowings

June 30, 2017				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.70	2017	\$ 10,000
Unsecured loans	NTD	1.07~1.20	2017	<u>483,400</u>
Total				<u><u>\$ 493,400</u></u>
December 31, 2016				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	2.00	2017	\$ 20,885
Unsecured loans	NTD	1.07~1.28	2017	<u>483,400</u>
Total				<u><u>\$ 504,285</u></u>
June 30, 2016				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.602	2017	\$ 20,000
Unsecured loans	NTD	1.15~1.90	2017	<u>475,400</u>
Total				<u><u>\$ 495,400</u></u>

As of June 30, 2017, December 31 and June 30, 2016, the unused credit facilities of the Group's short-term borrowings amounted to \$112,432 thousand, \$255,275 thousand and \$89,040 thousand, respectively.

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

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

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(ii) Long-term borrowings

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	74
Total				<u><u>\$ 131,927</u></u>
Current				\$ 5,947
Non-current				125,980
Total				<u><u>\$ 131,927</u></u>
December 31, 2016				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.60~1.81	2017~2024	\$ 45,504
Secured loans	MYR	3.61	2017~2018	416
Unsecured loans	NTD	1.30~1.55	2018	89,250
Unsecured loans	PHD	9.55	2017	174
Total				<u><u>\$ 135,344</u></u>
Current				\$ 6,286
Non-current				129,058
Total				<u><u>\$ 135,344</u></u>
June 30, 2016				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.67~1.81	2016~2024	\$ 48,384
Secured loans	HKD	2.25	2016~2025	37,095
Unsecured loans	NTD	1.38~1.55	2017	97,250
Unsecured loans	PHD	9.55	2016~2017	271
Total				<u><u>\$ 183,000</u></u>
Current				\$ 10,319
Non-current				172,681
Total				<u><u>\$ 183,000</u></u>

(i) Increase in, and repayment of, borrowings

For the six months ended June 30, 2017 and 2016, the Group had no increase in long term borrowings and the repayment amounted to \$3,417 thousand and \$5,662 thousand, respectively.

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

(ii) As of June 30, 2017, December 31 and June 30, 2016, the unused credit facilities of the Group's long-term borrowings amounted to \$60,750 thousand, \$60,750 thousand and \$52,750 thousand, respectively.

(iii) Collateral for loans

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

(g) Operating leases — lessee

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

	June 30, 2017	December 31, 2016	June 30, 2016
Less than one year	\$ 130,067	152,870	146,389
Between one and five years	84,962	130,218	175,638
	<u>\$ 215,029</u>	<u>283,088</u>	<u>322,027</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.

(h) 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, 2016 and 2015.

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Selling expenses	\$ 135	135	276	269
Administrative expenses	669	664	1,358	1,321
	<u>\$ 804</u>	<u>799</u>	<u>1,634</u>	<u>1,590</u>

(ii) Defined contribution plans

For the three months and six months ended June 30, 2017 and 2016, the pension costs under the defined contribution method were \$6,729 thousand, \$6,902 thousand, \$13,600 thousand and \$13,875 thousand, respectively.

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

(i) 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. The details of the Group's income tax expenses are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Current income tax expense				
Current period	\$ 23,100	14,614	30,017	28,670
Adjustment for prior periods	<u>(64)</u>	<u>(590)</u>	<u>(64)</u>	<u>(590)</u>
Income tax expense from continuing operations	<u><u>\$ 23,036</u></u>	<u><u>14,024</u></u>	<u><u>29,953</u></u>	<u><u>28,080</u></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 planned to file an appeal on this matter.

DIMTW's balances of the imputation credit account and unappropriated earnings subject to imputation income tax were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
	Unappropriated earnings of 1997 and before	\$ -	-
Unappropriated earnings of 1998 and after	103,264	284,098	164,642
	<u><u>\$ 103,264</u></u>	<u><u>284,098</u></u>	<u><u>164,642</u></u>
		December 31, 2016	June 30, 2016
Balance of imputation credit account	<u><u>\$ 1,828</u></u>	<u><u>1,812</u></u>	<u><u>16,261</u></u>
		2016 (estimated)	2015 (actual)
Imputation tax credit ratio of earnings for residents of ROC		<u><u>0.64 %</u></u>	<u><u>10.38 %</u></u>

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

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

(j) 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, 2017 and 2016. Please refer to note 6(j) to the consolidated financial statements for the year ended December 31, 2016, for related information.

(i) Additional paid-in capital

The components of additional paid-in capital as of June 30, 2017 and 2016, were as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Additional paid in capital	\$ 15,357	15,357	15,357
Changes in equity of associates and joint ventures accounted for using equity method	-	9,481	-
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	6,399	-	-
	<u>\$ 26,118</u>	<u>29,200</u>	<u>19,719</u>

(ii) Retained earnings

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

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

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

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

(iii) Treasury stock

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

	Unit: thousand shares	
	2017	2016
Balance at January 1	6,000	5,940
Purchase of stock	-	60
Retirement of treasury stock	(1,245)	-
Balance at June 30	4,755	6,000

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.

As of June 30, 2017, December 31 and June 30, 2016, the Company held treasury shares amounting to \$6,399 thousand, \$6,399 thousand and \$6,399 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, 2017 and 2016, DIMTW was in compliance with the Securities and Exchange Act.

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

(k) 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, 2017 and 2016, was as follows:

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income attributable to ordinary shareholders of the Company	\$ 51,840	92,830	94,734	147,256
Weighted-average number of ordinary shares	123,736	123,000	123,736	123,000
Basic earnings per share (in NT dollars)	\$ 0.42	0.75	0.77	1.20

(Continued)

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

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income attributable to ordinary shareholders of the Company	\$ <u>51,840</u>	<u>92,830</u>	<u>94,734</u>	<u>147,256</u>
Weighted-average number of ordinary shares (basic)	123,736	123,000	123,736	123,000
Impact of potential common shares				
Effect of employee stock bonus	<u>354</u>	<u>842</u>	<u>722</u>	<u>1,140</u>
Weighted-average number of ordinary shares (diluted)	<u>124,090</u>	<u>123,842</u>	<u>124,458</u>	<u>124,140</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.42</u>	<u>0.75</u>	\$ <u>0.76</u>	<u>1.19</u>

(l) 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, 2017 and 2016, the Company recognized its employees' compensation of \$4,665 thousand, \$9,418 thousand, \$8,526 thousand and \$14,316 thousand, respectively, and directors' and supervisors' remuneration of \$1,400 thousand, \$2,825 thousand, \$2,558 thousand and \$4,295 thousand, respectively.

In its financial statements for the year ended December 31, 2016 and 2015, the Company accrued employees' compensation amounting to \$19,491 thousand and \$11,834 thousand, respectively, and directors' and supervisors' remuneration amounting to \$5,847 thousand and \$3,550 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 ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(m) Non-operating income and expenses

(i) Other income

The details of the Group's other income for the years ended June 30, 2017 and 2016, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest income	\$ 422	381	698	1,052
Dividend income	29	29	29	29
Other	(402)	6,059	3,181	6,927
	<u>\$ 49</u>	<u>6,469</u>	<u>3,908</u>	<u>8,008</u>

(ii) Other gains and losses

The details of the Group's other gain and losses for the years ended June 30, 2017 and 2016, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Gain on foreign exchange	\$ (4,590)	10,357	2,014	3,939
Gains on disposal of investments	-	-	(5,512)	-
Gain on disposal of property, plant and equipment	(14)	(73)	(37)	102
Other	220	(446)	(2,924)	(957)
	<u>\$ (4,384)</u>	<u>9,838</u>	<u>(6,459)</u>	<u>3,084</u>

(iii) Finance costs

The details of the Group's finance costs for the years ended June 30, 2017 and 2016, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest expenses	\$ <u>1,788</u>	<u>1,849</u>	<u>3,766</u>	<u>4,744</u>

(n) 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, 2016.

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

(i) Credit risk

There was no customer concentration related to the Group's operating revenue at June 30, 2017, December 31 and June 30, 2016.

(ii) Liquidity risk

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

	<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, 2017							
Non-derivative financial liabilities							
Secured loans	\$ 52,603	55,422	426	16,297	6,554	19,667	12,478
Unsecured loans	572,724	580,587	3,351	486,826	90,410	-	-
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>503,123</u>	<u>96,964</u>	<u>19,667</u>	<u>12,478</u>
2016年12月31日							
Non-derivative financial liabilities							
Secured loans	\$ 66,805	70,409	604	27,603	6,635	18,909	16,658
Unsecured loans	572,824	579,796	2,848	486,422	90,526	-	-
Notes payable	27,621	27,621	27,621	-	-	-	-
Accounts payable	1,214,856	1,214,856	1,214,856	-	-	-	-
	<u>\$ 1,882,106</u>	<u>1,892,682</u>	<u>1,245,929</u>	<u>514,025</u>	<u>97,161</u>	<u>18,909</u>	<u>16,658</u>
June 30, 2016							
Non-derivative financial liabilities							
Secured loans	\$ 105,479	112,832	1,001	31,129	11,683	34,415	34,604
Unsecured loans	572,921	580,494	3,068	478,658	98,768	-	-
Notes payable	22,829	22,829	22,829	-	-	-	-
Accounts payable	1,210,845	1,210,845	1,210,845	-	-	-	-
Dividend payable	125,460	125,460	125,460	-	-	-	-
	<u>\$ 2,037,534</u>	<u>2,052,460</u>	<u>1,363,203</u>	<u>509,787</u>	<u>110,451</u>	<u>34,415</u>	<u>34,604</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 ITS 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, 2017			
Financial assets:			
Monetary items:			
USD	\$ 6,987	30.4560	212,790
Financial liabilities:			
Monetary items:			
USD	\$ 4,858	30.4560	147,955
December 31, 2016			
Financial assets:			
Monetary items:			
USD	\$ 7,525	32.3870	247,347
Financial liabilities:			
Monetary items:			
USD	\$ 5,750	32.3870	186,225
June 30, 2016			
Financial assets:			
Monetary items:			
USD	\$ 8,259	32.2590	266,427
Financial liabilities:			
Monetary items:			
USD	\$ 3,542	32.2590	113,999

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, 2017 and 2016, would have increased or decreased the net profit by \$1,945 thousand and \$4,573 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, 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(4,590) thousand, \$10,357 thousand, \$2,014 thousand and \$3,939 thousand, respectively.

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DIMERCO EXPRESS CORPORATION AND ITS 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 \$5,190 thousand and \$5,630 thousand for the years ended June 30, 2017 and 2016, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(iv) Fair value information – categories and fair value of financial instruments

The Group's financial assets include cash and cash equivalents, notes and accounts receivable, restricted certificates of deposit, and refundable deposits.

Financial liabilities measured at amortized cost include short term borrowings, notes and accounts payable, and long term borrowings (including long term borrowings— current portion).

Since the carrying amounts of the group's financial assets and liabilities are approximated to their fair value, no additional fair value disclosure is required in accordance to the regulations.

(o) 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, 2016.

(p) 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, 2016. There were no significant changes in the Group's collective quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2016. For related information, please refer to note 6(r) to the consolidated financial statements for the year ended December 31, 2016.

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

(7) Related-party transactions

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (b) Significant related-party transactions: none.

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 8,931	10,411	20,949	21,609
Share-based payment	-	-	689	-
	<u>\$ 8,931</u>	<u>10,411</u>	<u>21,638</u>	<u>21,609</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2017	December 31, 2016	June 30, 2016
Restricted certificates of deposit (other current assets)	Guarantee for the Group's logistics operations	\$ 986	-	1,170
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	13,615	-
Fixed assets:				
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	31,912	32,720	136,117
Transportation equipment	Guarantee for long-term borrowings	-	578	-
		<u>\$ 192,650</u>	<u>206,005</u>	<u>296,379</u>

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DIMERCO EXPRESS CORPORATION AND ITS 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 2017 and 2016. As of June 30, 2017, December 31 and June 30, 2016, the guarantees from the banks were \$150,883 thousand, \$140,245 thousand and \$148,357 thousand, respectively, and the used amounts were \$112,276 thousand, \$104,502 thousand and \$121,176 thousand, respectively.
- (b) As of June 30, 2017, December 31 and June 30, 2016, the Group had outstanding letters of credit totaling \$45,883 thousand, \$35,244 thousand and \$43,357 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the guarantees recorded for customs duty were \$8,354 thousand, \$4,814 thousand and \$9,809 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. As of June 30, 2017, 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. The final result of the lawsuit has not yet been decided. 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 ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(12) Other

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

By function By item	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	8,043	263,408	271,451	7,419	278,999	286,418
Labor and health insurance	209	40,887	41,096	443	41,895	42,338
Pension	112	7,421	7,533	109	7,592	7,701
Others	422	21,768	22,190	1,467	25,907	27,374
Depreciation	-	10,222	10,222	-	13,064	13,064
Amortization	-	38	38	-	53	53

By function By item	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	17,297	514,262	531,559	25,283	526,093	551,376
Labor and health insurance	347	68,790	69,137	2,236	70,520	72,756
Pension	223	15,011	15,234	401	15,064	15,465
Others	853	48,032	48,885	1,957	51,245	53,202
Depreciation	-	22,748	22,748	-	25,066	25,066
Amortization	-	56	56	-	103	103

- (b) 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 ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(13) Other disclosures**(a) Information on significant transactions**

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

(i) Loans extended to other parties

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 debt	Collateral		Individual funding loan limits (Note 2)	Limitation on fund financing (Note 2)
													Name	Value		
1	HOLDING	DIMTW	Accounts receivable from related parties	Yes	31,525	28,408	28,408	-	(2)	-	Operating capital	-	-	-	171,826	687,304
2	FSC	DIMTW	Accounts receivable from related parties	Yes	121,199	119,551	119,551	-	(2)	-	Operating capital	-	-	-	171,826	687,304
3	DFSTW	DIMTW	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-	-	-	171,826	687,304

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		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	DIMTW	DIMMY	3	258,000	10,978	10,675	10,675	10,675	0.62 %	516,000	Y	N	N
0	DIMTW	DIMSG	3	258,000	29,894	17,044	17,044	17,044	0.99 %	516,000	Y	N	N
0	DIMTW	DIMVN	3	258,000	11,094	3,807	3,807	3,807	0.22 %	516,000	Y	N	N
0	DIMTW	DIMTH & DIMVN	3	258,000	2,411	1,894	1,894	1,894	0.11 %	516,000	Y	N	N
0	DIMTW	DIMKR	3	258,000	31,975	14,923	14,923	14,923	0.87 %	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 financing 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, 2017 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with the security issuer	Recorded account	Ending balance			Market value (note)	Maximum investment in 2016	Remarks
				Number of shares	Book value	Holding percentage			
DIMTW	Global Sky Express Taiwan Ltd.		Financial assets carried at cost non-current	10,000	100	1.00 %	100	100	
DIMTW	Evergreen Air Cargo Service Corporation		Financial assets carried at cost non-current	29,000	290	0.02 %	290	290	
DIMSG	Burwill Holdings Ltd.		Financial assets measured at cost non-current	22,000	18	-	18	20	
DIMSG	Stamford Land		Financial assets measured at cost non-current	5,000	39	-	39	41	
DIMSG	Straits Continental Logistics Co. Ltd.		Financial assets measured at cost non-current	39,800	2,878	19.90 %	2,878	2,921	
DIMMY	FL Network		Financial assets measured at cost non-current	-	1,987	-	1,987	2,023	

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

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

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

- (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	168,281 (Note 1)	-	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	-	-		-	-

Note 1: Loan from the subsidiary of \$119,551 and other receivable of \$48,730.

Note 2: Paid on behalf of DIMTW.

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

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

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with counter-party (Note 2)	Transaction details			Percentage of total consolidated revenue or total assets
				Account name	Amount (Notes 3 and 4)	Terms of trading	
0	DIMTW	DIMCN	1	Accounts receivable—related parties	9,203	Negotiated	0.23 %
0	DIMTW	DIMSG	1	Accounts receivable—related parties	9,911	Negotiated	0.24 %
0	DIMTW	DIMUS	1	Accounts payable—related parties	9,740	Negotiated	0.24 %
0	DIMTW	DIMCN	1	Accounts payable—related parties	9,984	Negotiated	0.25 %
0	DIMTW	DIMHK	1	Freight revenue—received on behave	7,004	Negotiated	0.17 %
0	DIMTW	DIMCN	1	Freight revenue—received on behave	27,995	Negotiated	0.34 %
0	DIMTW	DIMSG	1	Freight revenue—received on behave	29,312	Negotiated	0.36 %
0	DIMTW	DIMHK	1	Freight revenue—received on behave	13,132	Negotiated	0.16 %
0	DIMTW	ZJDCN	1	Freight revenue—received on behave	10,026	Negotiated	0.12 %
0	DIMTW	DIMUS	1	Freight revenue—received on behave	31,750	Negotiated	0.39 %
0	DIMTW	DIMMY	1	Freight revenue—received on behave	7,479	Negotiated	0.09 %
0	DIMTW	DIMNL	1	Freight revenue—received on behave	10,005	Negotiated	0.12 %
0	DIMTW	DIMCN	1	Freight expense—deduction of freight revenue	(44,012)	Negotiated	0.54 %
0	DIMTW	DIMSG	1	Freight expense—deduction of freight revenue	(31,577)	Negotiated	0.39 %
0	DIMTW	DIMHK	1	Freight expense—deduction of freight revenue	(25,828)	Negotiated	0.32 %
0	DIMTW	ZJDCN	1	Freight expense—deduction of freight revenue	(12,196)	Negotiated	0.15 %
0	DIMTW	DIMUS	1	Freight expense—deduction of freight revenue	(69,998)	Negotiated	0.86 %
0	DIMTW	DIMKR	1	Freight expense—deduction of freight revenue	(15,828)	Negotiated	0.19 %
0	DIMTW	DIMMY	1	Freight expense—deduction of freight revenue	(9,042)	Negotiated	0.11 %
0	DIMTW	DIMNL	1	Freight expense—deduction of freight revenue	(15,286)	Negotiated	0.19 %
1	FSC	DIMTW	2	Accounts receivable—related parties	168,281	Negotiated	4.16 %

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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	
1	FSC	DIL	3	Accounts receivable--related parties	216,717	Negotiated	5.35 %
2	HOLDING	DIMTW	2	Sales revenue	28,408	Negotiated	0.70 %
3	FSCHK	DIMCN	3	Sales revenue	10,292	Negotiated	0.13 %
3	FSCHK	DIMHK	3	Sales revenue	14,437	Negotiated	0.18 %
3	FSCHK	DFSTW	3	Sales revenue	9,584	Negotiated	0.12 %
3	FSCHK	DFSCN	3	Sales revenue	21,783	Negotiated	0.27 %

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 interim financial statements.

(b) Information on investees

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Maximum investment in 2016	Net income of investee	Investment income (losses) (note 2)	Notes
				June 30, 2017	December 31, 2016	Shares	Ratio of shares	Book value (note 2)				
DIMTW	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	102,097	15,444	8,770	8,770	
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	661,845	164,845	39,021	39,021	
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	312,602	108,362	(11,071)	(9,534)	
DIMTW	DIL	British Virgin Is	Holding company	472,313	472,313	(Note 1)	100 %	2,005,354	472,313	42,676	42,676	
DIMTW	FSC	British Virgin Is	Settlement center	315	315	10,000	20 %	210,975	315	8,367	1,673	
DIMTW	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	34,899	236	67,598	10,140	
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	38,771	235	67,598	10,140	
DIL	DIMUS	U.S.A.	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	330,522	238,686	24,672	24,672	
DIL	DIMGB	U.K.	Global air and ocean freight forwarder	(5,624)	(5,624)	100,000	100 %	177,257	(5,624)	1,877	1,877	
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	32,945	23,904	(11,071)	(1,537)	
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	427,348	300,000	99 %	1,141,714	427,348	17,668	17,668	
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	322,917	-	-	-	
DIMUS	DCBUS	U.S.A.	Brokerage service	13,532	13,532	1,000	100 %	25,995	13,532	(529)	(529)	
DIMHK	FSC	British Virgin Is	Settlement center	617	318	10,000	40 %	598	318	8,367	3,346	
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	2,090	2,090	(Note 1)	75 %	6,041	2,090	17	12	
DIMHK	FSCHK	Hong Kong	Settlement center	550	-	17,500	35 %	90,466	550	67,598	23,659	
DIMSG	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	318	8,367	1,673	
DIMSG	DIMIN	India	Global air and ocean freight forwarder	5,303	5,303	960,000	60 %	10,275	5,303	1,356	814	
DIMGB	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	318	8,367	1,673	
HOLDING	DIMMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	97,596	65,516	651	651	
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	2,811	1,592	(118)	(118)	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	34,156	7,642	(1,651)	(809)	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	21,713	4,026	1,880	752	
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(36,893)	16,460	(5,472)	(5,472)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	26,959	19,386	6,248	6,248	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	60,551	15,646	2,705	2,705	
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	23,885	11,644	968	968	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	272,668	25,393	35,470	35,466	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	38,017	41,076	(2,293)	(2,293)	

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Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Maximum investment in 2016	Net income of investee	Investment income (losses) (note 2)	Notes
				June 30, 2017	December 31, 2016	Shares	Ratio of shares	Book value (note 2)				
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	20,749	15,840	1,074	1,074	
DFSHK	FSCHK	Hong Kong	Settlement center	566	-	17,500	35 %	90,466	-	67,598	23,659	
DIMMY	Danu Muhibbah Sdn Bhd	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	2,621	-	-	

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

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

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.

(c) Information on investment in mainland China

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

Name of investee in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - cumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance - cumulative investment (amount) from Taiwan	Net income of investee	Direct / indirect shareholdings or investments (%) in the Company	Current investment gains and losses (Notes 2)	Book value (Notes 2)	Remittance of investment income incurred period
					Invested amount	Returned amount						
ZJD	Global air and ocean freight forwarder	54,928	(2)	27,471 (USD902)	-	-	27,471 (USD902)	1,475	75 %	1,106 (Note 3)	128,725 (Note 3)	-
DILSHA	Logistics & warehousing	5,970	(2)	6,091 (USD200)	-	-	6,091 (USD200)	(5,493)	99 %	(5,493) (Note 4)	(3,996) (Note 4)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	3,606	100 %	3,606 (Note 3)	248,092 (Note 3)	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	974	100 %	974 (Note 4)	1,764 (Note 4)	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	9,985	100 %	9,985 (Note 4)	119,717 (Note 4)	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	-	(1,614)	100 %	(1,614) (Note 4)	18,665 (Note 4)	-
Yuhang Int'l Logistics (Dalian) Co. Ltd	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	1,460	25 %	365 (Note 4)	18,610 (Note 4)	-
Huahan (Shanghai)	Electronic business platform for on-line forwarding transactions	88,253	(2)	-	-	-	-	-	- %	-	-	-

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

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

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	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
DIMTW	33,562 (USD1,102)	73,094 (USD2,400)	1,030,955

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

Note 2: USD:NT\$=1:30.456.

(iii) Significant transactions

Please refer to note 13(a) for transactions with investees in Mainland China for the 2016 period ended June 30, 2017. All transactions were eliminated upon consolidation.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES
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(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, 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>
Three months ended June 30, 2016					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 2,824,473	1,017,831	145,618	-	3,987,922
From the parent company and subsidiaries	<u>40,463</u>	<u>-</u>	<u>-</u>	<u>(40,463)</u>	<u>-</u>
Total revenue	<u>\$ 2,864,936</u>	<u>1,017,831</u>	<u>145,618</u>	<u>(40,463)</u>	<u>3,987,922</u>
Segment income	<u>\$ 52,522</u>	<u>57,378</u>	<u>1,979</u>	<u>-</u>	<u>111,879</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>
Six months ended June 30, 2016					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 5,334,235	1,998,930	292,880	-	7,626,045
From the parent company and subsidiaries	<u>85,643</u>	<u>-</u>	<u>-</u>	<u>(85,643)</u>	<u>-</u>
Total revenue	<u>\$ 5,419,878</u>	<u>1,998,930</u>	<u>292,880</u>	<u>(85,643)</u>	<u>7,626,045</u>
Segment income	<u>\$ 83,040</u>	<u>89,449</u>	<u>6,419</u>	<u>-</u>	<u>178,908</u>

The inter-company revenue of \$56,258 thousand, \$40,463 thousand, \$91,737 thousand and \$85,643 thousand for the three months and six months ended June 30, 2017 and 2016, respectively, was eliminated.