

**DIMERCO EXPRESS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Dimerco Express Corporation as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dimerco Express Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Dimerco Express Corporation

Chairman: Chien Yao-Huai

Date: March 29, 2019



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Independent Auditor's Report

To the Board of Directors of Dimerco Express Corporation:

Opinion

We have audited the consolidated financial statements of Dimerco Express Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to other matters paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

We did not audit the financial statements of certain subsidiaries. The financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors. The consolidated total assets for these subsidiaries amounted to \$1,302,202 and \$1,299,859 thousand as of December 31, 2018 and 2017, respectively, constituted 28% and 31% of consolidated total assets, of each financial reporting date. Their net revenues for the years ended December 31, 2018 and 2017, amounted to \$5,059,344 and \$5,012,689 thousand, respectively, constituted 27% and 29% of consolidated net revenues for the years then ended.

Dimerco Express Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion with other matter section.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

The Group mainly generates revenue from providing service of air freight and ocean freight forwarding. Revenue is recognized when the goods are consigned for transportation based on each shipping term and the transportation fee can be reasonably determined. The Group initially adopted IFRS 15, wherein the timing of delivery is different for each shipping term; therefore, the management of the Group needs to determine the accuracy of the timing for revenue recognition. Therefore, revenue recognition is considered as one of our key audit matters in our audit.

How the matter was addressed in our audit:

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

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

2. Cost accrual

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Ann Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the Consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 1,214,897	27	1,118,440	27	2100	\$ 640,025	14	545,400
1150 Notes receivable, net (note 6(b))	12,549	-	10,366	-	2322	-	-	5,934
1170 Accounts receivable, net (note 6(b))	2,384,794	52	2,132,672	51	2150	34,032	1	32,424
1412 Prepaid lease	1,335	-	1,293	-	2170	1,580,134	34	1,371,966
1470 Other current assets (notes 8 and 9)	117,404	2	103,045	2	2230	27,282	1	22,092
	<u>3,730,979</u>	<u>81</u>	<u>3,365,816</u>	<u>80</u>	<u>2399</u>	<u>156,731</u>	<u>3</u>	<u>157,547</u>
						<u>2,438,204</u>	<u>53</u>	<u>2,135,363</u>
Non-current assets:								
1517 Financial assets at fair value through other comprehensive income—non-current	5,446	-	-	-		-	-	122,985
1543 Financial assets carried at cost—non-current	-	-	5,406	-	2540	-	-	756
1551 Long-term investments under equity method (note 6(e))	23,288	-	19,142	-	2570	341	-	47,316
1600 Property, plant and equipment (notes 6(d), (f), 8 and 9)	629,148	14	633,305	15	2640	47,445	1	47,316
1805 Goodwill (note 6(e))	26,844	1	26,476	1	2670	5,945	-	3,459
1840 Deferred income tax assets (note 6(f))	39,217	1	40,424	1		53,731	1	174,516
1920 Refundable deposits	72,301	2	67,612	2		2,491,935	54	2,309,879
1985 Long-term prepaid lease	46,667	1	46,489	1		1,260,000	29	1,290,000
1990 Other non-current assets (notes 6(b), (h), 8 and 9)	7,645	-	7,142	-	3100	19,362	-	26,118
	<u>850,556</u>	<u>19</u>	<u>845,996</u>	<u>20</u>	<u>3200</u>	<u>327,398</u>	<u>7</u>	<u>306,716</u>
					<u>33xx</u>	<u>182,174</u>	<u>4</u>	<u>182,174</u>
					<u>3310</u>	<u>295,695</u>	<u>6</u>	<u>214,051</u>
					<u>3320</u>	<u>805,267</u>	<u>17</u>	<u>702,941</u>
					<u>3350</u>	<u>(87,440)</u>	<u>(2)</u>	<u>(164,583)</u>
						<u>-</u>	<u>-</u>	<u>(83,956)</u>
						<u>1,997,189</u>	<u>44</u>	<u>1,770,520</u>
						<u>92,411</u>	<u>2</u>	<u>131,413</u>
						<u>2,089,600</u>	<u>46</u>	<u>1,901,933</u>
						<u>\$ 4,581,535</u>	<u>100</u>	<u>4,211,812</u>
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (notes 6(d), (f) and 8)								
Long-term borrowings—current portion (notes 6(d), (f) and 8)								
Notes payable								
Accounts payable								
Income tax payable								
Other current liabilities (note 6(o))								
Non-current liabilities:								
Long-term borrowings (notes 6(d), (f) and 8)								
Deferred income tax liabilities								
Accrued pension liabilities (note 6(h))								
Other non-current liabilities								
Total liabilities								
Equity attributable to owners of parent (notes 6(b) and (j)):								
Common stock								
Capital surplus								
Retained earnings:								
Legal reserve								
Special reserve								
Unappropriated retained earnings								
Other equity interest:								
Foreign currency translation differences for foreign operations								
Treasury shares								
Total equity attributable to owners of parent								
Non-controlling interests								
Total equity								
Total liabilities and equity								

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(l) and (m))	\$ 18,444,415	100	17,533,280	100
5000 Operating costs (note 6(h))	15,930,889	86	15,085,237	86
5900 Gross profit from operations	2,513,526	14	2,448,043	14
6000 Operating expenses (notes 6(b), (d), (h), (j), (o) and 7):				
6100 Selling expenses	670,572	5	622,979	4
6200 Administrative expenses	1,559,989	8	1,543,903	9
6450 Expected credit gain for bad debt expense	(2,005)	-	-	-
Total operating expenses	2,228,556	13	2,166,882	13
6900 Net operating income	284,970	1	281,161	1
7000 Non-operating income and expenses (notes 6(c) and (p)):				
7010 Other income	14,739	-	9,688	-
7020 Other gains and losses	17,149	-	(16,138)	-
7050 Finance costs	(7,511)	-	(7,596)	-
7060 Share of gain of associates accounted for under equity method	5,120	-	3,918	-
Total non-operating income and expenses	29,497	-	(10,128)	-
7900 Net income before tax	314,467	1	271,033	1
7950 Less: Income tax expense (note 6(i))	45,443	-	51,874	-
Net income	269,024	1	219,159	1
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Remeasurements of defined benefit plans	(1,496)	-	(1,298)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(1,496)	-	(1,298)	-
8360 Other components of other comprehensive income that may be reclassified to profit or loss				
8361 Foreign currency translation differences for foreign operations	74,961	-	(253,392)	(1)
8399 Other components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that may be reclassified to profit or loss	74,961	-	(253,392)	(1)
8300 Other comprehensive income (loss), net of tax	73,465	-	(254,690)	(1)
8500 Total comprehensive income (loss)	\$ 342,489	1	(35,531)	-
Profit attributable to:				
8610 Owners of parent	\$ 263,022	1	206,819	1
8620 Non-controlling interests	6,002	-	12,340	-
	\$ 269,024	1	219,159	1
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ 338,669	1	(44,449)	-
8720 Non-controlling interests	3,820	-	8,918	-
	\$ 342,489	1	(35,531)	-
Earnings per share (NT dollars) (note 6(k))				
9750 Basic earnings per share	\$ 2.09		1.67	
9850 Diluted earnings per share	\$ 2.07		1.65	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Share capital	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total other equity interest	Total equity attributable to owners of parent
Ordinary shares	1,290,000	29,200	279,638	182,174	284,098	743,910	85,387	85,387	(105,943)	2,044,554
										127,479
Balance at January 1, 2017										2,172,033
Appropriation and distribution of retained earnings:										
Legal reserve appropriated			27,078		(27,078)					
Cash dividends of ordinary share					(248,490)	(248,490)				(4,984)
Changes in equity of associates accounted under equity method		(9,481)								(9,481)
Net income					206,819	206,819				12,340
Other comprehensive income					(1,298)	(1,298)	(249,970)	(249,970)		(3,422)
Total comprehensive income					205,521	205,521	(249,970)	(249,970)		8,918
Transferred treasury shares to employees		6,399							21,987	28,386
Balance at December 31, 2017	1,290,000	26,118	306,716	182,174	214,051	702,941	(164,583)	(164,583)	(83,956)	1,770,520
Appropriation and distribution of retained earnings:										
Legal reserve appropriated			20,682		(20,682)					
Cash dividends of ordinary share					(148,680)	(148,680)				(4,423)
Net income					263,022	263,022				6,002
Other comprehensive income					(1,496)	(1,496)	77,143	77,143		(2,182)
Total comprehensive income					261,526	261,526	77,143	77,143		3,820
Retirement of treasury stock		(12,443)			(10,520)	(10,520)			52,963	342,489
Changes in ownership interests in subsidiaries										
Transferred treasury shares to employees		5,687							30,993	36,680
Balance at December 31, 2018	1,260,000	19,362	327,398	182,174	295,695	805,367	(87,440)	(87,440)	-	1,997,189
										92,411
										2,089,600

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

	2018	2017
Cash flows from operating activities:		
Net income before tax	\$ 314,467	271,033
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	42,060	42,105
Amortization expense	112	96
Expected credit gain / Provision for bad debt expense	(2,005)	1,752
Interest expense	7,511	7,596
Interest income	(4,985)	(1,985)
Dividend income	(104)	(97)
Cost of transferring treasury shares to employees	5,967	6,599
Share of gain of associates accounted under equity method	(5,120)	(3,918)
Loss on disposal of property, plant and equipment	(581)	(3,064)
Loss on disposal of investments	-	5,490
Unrealized foreign exchange loss (gain)	(7,231)	29,487
Amortization of long-term prepaid lease	1,311	1,323
Total adjustments to reconcile profit	<u>36,935</u>	<u>85,384</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(2,183)	4,690
Accounts receivable	(250,117)	(95,717)
Other current assets	(14,359)	13,464
Total changes in operating assets	<u>(266,659)</u>	<u>(77,563)</u>
Changes in operating liabilities:		
Notes payable	1,608	4,803
Accounts payable	208,168	157,110
Other current liabilities	(816)	42,469
Net defined benefit liability	(1,367)	(2,741)
Total changes in operating liabilities	<u>207,593</u>	<u>201,641</u>
Total changes in operating assets and liabilities	<u>(59,066)</u>	<u>124,078</u>
Total adjustments	<u>(22,131)</u>	<u>209,462</u>
Cash inflow generated from operations	292,336	480,495
Interest received	4,985	1,985
Dividends received	104	97
Interest paid	(7,511)	(7,596)
Income taxes paid	(39,461)	(50,222)
Net cash provided by operating activities	<u>250,453</u>	<u>424,759</u>
Cash flows from investing activities:		
Acquisition of investments accounted under equity method	(1,828)	-
Proceeds from disposal of investments accounted under equity method	-	4,903
Acquisition of property, plant and equipment	(33,256)	(22,289)
Proceeds from disposal of property, plant and equipment	1,682	4,676
Increase in refundable deposits	(4,689)	(3,212)
Decrease (increase) in other non-current assets	(615)	14,270
Dividends received from associates accounted under equity method	2,346	-
Net cash used in investing activities	<u>(36,360)</u>	<u>(1,652)</u>
Cash flows from financing activities:		
Increase in short-term loans	964,675	62,000
Decrease in short-term loans	(870,050)	(20,885)
Repayments of long-term debt	(128,919)	(6,425)
Increase in other non-current liabilities	2,486	222
Cash dividends paid	(153,103)	(253,406)
Treasury shares sold to employees	30,713	21,787
Change in non-controlling interests	(38,399)	-
Net cash used in financing activities	<u>(192,597)</u>	<u>(196,707)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>74,961</u>	<u>(253,392)</u>
Net increase (decrease) in cash and cash equivalents	<u>96,457</u>	<u>(26,992)</u>
Cash and cash equivalents at beginning of period	<u>1,118,440</u>	<u>1,145,432</u>
Cash and cash equivalents at end of period	<u>\$ 1,214,897</u>	<u>1,118,440</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

The consolidated financial statements were approved by the Board of Directors and issued on March 20, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

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

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

(i) IFRS 9 "Financial Instruments"

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

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

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

2) Impairment of financial assets

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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3) Transition

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

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

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

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

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

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

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(ii) Amendments to IAS 7 "Disclosure Initiative"

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

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

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 "Leases"

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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1) Determining whether an arrangement contains a lease

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

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

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

2) Transition

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

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

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

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

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and dormitory. The Group estimated that both the right-of-use assets and the lease liabilities to increase by \$376,043 thousand on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

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

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

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at		Remarks
			December 31, 2018	December 31, 2017	
DIMITW	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	
DIMITW	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	
DIMITW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	
DIMITW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	

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Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, at		Remarks
			December 31, 2018	December 31, 2017	
DIMTW	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	
DIMGB	Foreign Settlement Co., Ltd. (FSC)	Settlement center	- %	20.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	60.00 %	40.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	37.50 %	100.00 %	
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	
FSCHK	Dimerco Express (U.K.) Ltd (DIMGB)	Global logistics services	62.50 %	- %	
GMS	Dimerco Express Phil. Inc (DIMPH)	Global logistics services	60.01 %	- %	
GMS	Diversified International Logistics Service Company Ltd	Global logistics services	100.00 %	- %	
GMS	Diversified Freight System (Singapore) Pte. Ltd. (DFSSG)	Global logistics services	100.00 %	- %	
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	Note 1
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	Note 1
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	

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

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

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

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

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

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

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

In December 2018, DFSSG was incorporated and fully owned by GMS; therefore, became a subsidiary of the Group.

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(d) Foreign currency

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

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(f) Cash and cash equivalents

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

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

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

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Loans to other parties and receivables

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

2) Financial assets carried at cost

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

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

3) Impairment of financial assets

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

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

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

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

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

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

4) Derecognition of financial assets

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

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Financial liabilities and equity instruments

1) Classification of liabilities or equity

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

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments and hedge accounting (applicable from January 1, 2018)

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Investment in associates

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

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

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

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(iii) Depreciation

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

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

Buildings	4~56 years
Transportation equipment	3~5 years
Office equipment	1~16 years
Lease improvement	2~6 years
Other equipment	2~6 years

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

(j) Leases—lessee

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

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

(k) Intangible assets—goodwill

(i) Recognition

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

(ii) Measurement

Goodwill is measured at cost, less accumulated impairment losses.

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(l) Impairment — non-derivative financial assets

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

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

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

(m) Treasury stock

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Revenue from contracts with customers

(i) Revenue from contracts with customers (applicable commencing January 1, 2018)

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

i) Freight Forwarding

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

(ii) Revenue and cost (applicable before January 1, 2018)

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

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

(iii) Cost

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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

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

(iii) Short-term employee benefits

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

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

(p) Share-based payment

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income tax

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

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

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

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

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

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

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

(r) Earnings per share

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

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

(s) Segment information

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

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

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 4,772	4,449
Checking accounts and savings accounts	1,147,583	1,077,287
Time deposits	<u>62,542</u>	<u>36,704</u>
Cash and cash equivalents in statement of cash flows	<u>\$ 1,214,897</u>	<u>1,118,440</u>

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(b) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	\$ 12,549	10,366
Accounts receivable	2,445,897	2,195,703
Overdue receivable	3,321	3,398
Less: allowance for doubtful accounts—accounts receivable	61,103	63,031
allowance for doubtful accounts—overdue receivable	3,321	3,398
	<u><u>\$ 2,397,343</u></u>	<u><u>2,143,038</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 2,043,822	0%	-
1 to 30 days past due	346,396	6%	19,052
31 to 60 days past due	40,645	44%	17,884
61 to 90 days past due	8,540	60%	5,124
More than 91 days	22,364	100%	22,364
	<u><u>\$ 2,461,767</u></u>		<u><u>64,424</u></u>

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

	December 31, 2017
1 to 90 days past due	<u><u>91,011</u></u>

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

	2018	2017		Total
		Individually assessed impairment	Collectively assessed impairment	
Balance on January 1, 2018 and 2017 per IAS 39	\$ 66,429	5,029	59,648	64,677
Adjustment on initial application of IFRS 9	-			
Balance on January 1, 2018 per IFRS 9	66,429			
Impairment loss recognized (reversed)	(2,005)	(1,631)	3,383	1,752
Balance on December 31, 2018 and 2017	<u>\$ 64,424</u>	<u>3,398</u>	<u>63,031</u>	<u>66,429</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:

	December 31, 2018	December 31, 2017
Associates	<u>\$ 23,288</u>	<u>19,142</u>

(i) Associates

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

	December 31, 2018	December 31, 2017
Balance of individually insignificant associate's equity	<u>\$ 23,288</u>	<u>19,142</u>
Attributable to the Group:		
Income from continuing operations	\$ 5,120	3,918
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 5,120</u>	<u>3,918</u>

(ii) Collateral

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(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, 2018	\$ 184,332	545,852	38,818	150,961	65,650	57,704	1,043,317
Additions	-	-	2,802	10,385	15,212	4,857	33,256
Disposals	-	-	(5,083)	(2,029)	(18,664)	(734)	(26,510)
Effect of currency translation	919	6,755	288	(938)	258	523	7,805
Balance at December 31, 2018	<u>\$ 185,251</u>	<u>552,607</u>	<u>36,825</u>	<u>158,379</u>	<u>62,456</u>	<u>62,350</u>	<u>1,057,868</u>
Balance at January 1, 2017	\$ 186,853	574,160	45,495	145,460	67,701	59,844	1,079,513
Additions	-	-	6,501	12,649	2,864	275	22,289
Disposals	-	-	(10,866)	(3,857)	(2,102)	(787)	(17,612)
Effect of currency translation	(2,521)	(28,308)	(2,312)	(3,291)	(2,813)	(1,628)	(40,873)
Balance at December 31, 2017	<u>\$ 184,332</u>	<u>545,852</u>	<u>38,818</u>	<u>150,961</u>	<u>65,650</u>	<u>57,704</u>	<u>1,043,317</u>
Depreciation and impairment loss:							
Balance at January 1, 2018	\$ -	153,474	27,325	124,628	53,359	51,226	410,012
Depreciation	-	15,417	4,955	12,476	6,314	2,898	42,060
Disposal	-	-	(4,737)	(1,815)	(17,424)	(1,433)	(25,409)
Effect of currency translation	-	1,927	178	(1,435)	671	716	2,057
Balance at December 31, 2018	<u>\$ -</u>	<u>170,818</u>	<u>27,721</u>	<u>133,854</u>	<u>42,920</u>	<u>53,407</u>	<u>428,720</u>
Balance at January 1, 2017	\$ -	145,689	34,799	116,752	52,312	51,914	401,466
Depreciation	-	15,631	4,347	14,297	4,995	2,835	42,105
Disposal	-	-	(10,171)	(3,593)	(1,469)	(767)	(16,000)
Effect of currency translation	-	(7,846)	(1,650)	(2,828)	(2,479)	(2,756)	(17,559)
Balance at December 31, 2017	<u>\$ -</u>	<u>153,474</u>	<u>27,325</u>	<u>124,628</u>	<u>53,359</u>	<u>51,226</u>	<u>410,012</u>
Carrying value:							
December 31, 2018	<u>\$ 185,251</u>	<u>381,789</u>	<u>9,104</u>	<u>24,525</u>	<u>19,536</u>	<u>8,943</u>	<u>629,148</u>
December 31, 2017	<u>\$ 184,332</u>	<u>392,378</u>	<u>11,493</u>	<u>26,333</u>	<u>12,291</u>	<u>6,478</u>	<u>633,305</u>
January 1, 2017	<u>\$ 186,853</u>	<u>428,471</u>	<u>10,696</u>	<u>28,708</u>	<u>15,389</u>	<u>7,930</u>	<u>678,047</u>

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

(e) Intangible assets

	<u>Goodwill</u>
Balance at January 1, 2018	\$ 26,476
Effect of currency translation	368
Balance at December 31, 2018	<u>\$ 26,844</u>
Balance at January 1, 2017	\$ 27,268
Effect of currency translation	(792)
Balance at December 31, 2017	<u>\$ 26,476</u>

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DIMERCO EXPRESS CORPORATION AND 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

December 31, 2018			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	NTD 0.95~1.07	2019	\$ <u><u>640,025</u></u>
December 31, 2017			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	NTD 1.07~1.10	2018	\$ <u><u>545,400</u></u>

As of December 31, 2018 and 2017, the unused credit facilities of the Group's short-term borrowings amounted to \$226,441 thousand and \$197,670 thousand, respectively.

Please refer to note 6(q) 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.

(ii) Long-term borrowings

December 31, 2017			
Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD 1.50~1.60	2018~2024	\$ 39,669
Unsecured loans	NTD 1.30	2019	<u>89,250</u>
Total			<u>\$ 128,919</u>
Current			\$ 5,934
Non-current			<u>122,985</u>
Total			<u>\$ 128,919</u>

As of December 31, 2018 and 2017, the unused credit facilities of the Group's long-term borrowings amounted to \$210,000 thousand and \$60,750 thousand, respectively.

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(g) Operating leases — lessee

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

	December 31, 2018	December 31, 2017
Less than one year	\$ 154,443	177,804
Between one and five years	112,198	219,352
	<u>\$ 266,641</u>	<u>397,156</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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	\$ 77,882	70,724
Fair value of plan assets	(31,314)	(23,914)
Net accrued pension liabilities	<u>\$ 46,568</u>	<u>46,810</u>
Recorded under:		
Accrued pension liabilities	<u>\$ 47,445</u>	<u>47,316</u>
Net defined benefit assets (Other non-current assets)	<u>\$ 877</u>	<u>506</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$31,314 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at January 1	\$ 70,724	80,908
Current service costs and interest	5,249	1,718
Remeasurements of net defined benefit liability (asset)		
— Actuarial gains and losses arising from changes in financial assumptions	2,167	1,276
Benefits paid by the plan	-	(12,242)
Effect of movements in exchange rates	<u>(258)</u>	<u>(936)</u>
Defined benefit obligation at December 31	<u>\$ 77,882</u>	<u>70,724</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets, January 1	\$ (23,914)	(32,663)
Remeasurements of net defined benefit liability (asset)		
— Return on plan assets (excluding amounts included in net interest expense)	(1,369)	(963)
— Actuarial gains and losses arising from changes in financial assumptions	(671)	22
Contributions made	(5,556)	(3,258)
Benefits paid by the plan	-	12,242
Effect of movements in exchange rates	<u>196</u>	<u>706</u>
Fair value of plan assets, December 31	<u>\$ (31,314)</u>	<u>(23,914)</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Net interest on defined benefit liability (asset)	<u>\$ 3,880</u>	<u>755</u>
	<u>2018</u>	<u>2017</u>
Selling expenses	\$ 101	104
Administrative expenses	<u>3,779</u>	<u>651</u>
	<u>\$ 3,880</u>	<u>755</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income (loss) for the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount, January 1	\$ (16,761)	(15,463)
Recognized loss during the period	<u>(1,496)</u>	<u>(1,298)</u>
Accumulated amount, December 31	\$ <u><u>(18,257)</u></u>	<u><u>(16,761)</u></u>

- 6) Actuarial assumptions

The principal actuarial assumptions used to determine the present value of the defined benefit obligation on December 31, 2018 and 2017, were as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Discount rate	1.125~7.600%	1.375~5.200%
Future salary increase rate	1.000~3.000%	2.000~3.000%

The Group expects to make contributions of \$3,449 thousand to the defined benefit plans in the year following the reporting date of 2018.

The weighted average duration of the defined benefit obligation is 14.08 years to 20.9 years .

- 7) Sensitivity analysis

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

As of December 31, 2018 and 2017, the impact on the present value of the defined benefit obligation arising from changes in principal actuarial assumptions was as follow:

	Impact on defined benefit obligation	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2018		
Discount rate	\$ (1,433)	1,472
Future salary increase rate	1,441	(1,414)
December 31, 2017		
Discount rate	(1,271)	1,315
Future salary increase rate	1,296	(1,254)

(Continued)

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

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

(ii) Defined contribution plans

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

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

The Group's pension costs under the defined contribution method were \$31,187 and \$88,603 for 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(i) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018.

(i) Income tax expenses

The amounts of income tax expense (benefits) for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current income tax expense (benefits)		
Current period	\$ 40,172	45,707
10% surtax on undistributed earnings	3,616	-
Adjustment for prior periods	<u>863</u>	<u>201</u>
	<u>44,651</u>	<u>45,908</u>
Deferred income tax expense (benefits)		
Origination and reversal of temporary differences	<u>792</u>	<u>5,966</u>
Income tax expense from continuing operations	<u>\$ 45,443</u>	<u>51,874</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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Reconciliation of income tax expense (benefit) and profit before tax for 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	\$ <u>314,467</u>	<u>271,033</u>
Income tax using the Company's domestic tax rate	\$ 62,894	46,076
Effect of tax rates in foreign jurisdiction	(26,037)	(4,391)
Dividend income	(20)	(16)
Non-deductible expenses	5,781	7,189
Adjustment in tax rate	(1,524)	-
Undistributed earnings additional tax	3,616	-
Tax-exempt income	(3,344)	(5,134)
Underestimate (overestimate) of prior year's income	863	201
Others	3,214	7,949
Total	\$ <u>45,443</u>	<u>51,874</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2018 and 2017. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unrecognized deferred tax liabilities	\$ <u>678,181</u>	<u>503,744</u>
2) Recognized deferred tax assets and liabilities		

Changes in the amount of deferred income tax assets and liabilities for 2018 and 2017 were as follows:

Deferred income tax assets:

	<u>Defined benefit plans</u>	<u>Tax losses</u>	<u>Unrealized foreign exchange</u>	<u>Allowance for doubtful accounts</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2018	\$ 10,663	7,512	2,949	14,609	4,691	40,424
Recognized in profit or loss	1,138	(212)	1,134	(3,139)	(128)	(1,207)
Balance at December 31, 2018	\$ <u>11,801</u>	<u>7,300</u>	<u>4,083</u>	<u>11,470</u>	<u>4,563</u>	<u>39,217</u>
Balance at January 1, 2017	\$ 15,764	1,947	352	21,260	6,514	45,837
Recognized in profit or loss	(5,101)	5,565	2,597	(6,651)	(1,823)	(5,413)
Balance at December 31, 2017	\$ <u>10,663</u>	<u>7,512</u>	<u>2,949</u>	<u>14,609</u>	<u>4,691</u>	<u>40,424</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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Deferred income tax liabilities:

	Defined benefit plans	Others	Total
Balance at January 1, 2018	\$ (289)	(467)	(756)
Recognized in profit or loss	114	301	415
Balance at December 31, 2018	<u>\$ (175)</u>	<u>(166)</u>	<u>(341)</u>
Balance at January 1, 2017	\$ -	(203)	(203)
Recognized in profit or loss	(289)	(264)	(553)
Balance at December 31, 2017	<u>\$ (289)</u>	<u>(467)</u>	<u>(756)</u>

Details of the abovementioned tax losses are listed below:

3) Australia

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

Unit: AUD (thousands)

4) China

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

Unit: CNY (thousands)

(iii) Examination and approval

The tax returns of DIMTW have been examined by the tax authorities through 2016.

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

(j) Capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the total value of the authorized ordinary shares both amounted to \$1,680,000, with a par value of \$10 per share, totaling 168,000 thousand shares.

The issued common stock of the Group was as follows:

	Unit: thousand shares	
	<u>2018</u>	<u>2017</u>
Balance at January 1 (at NTD10 per share)	129,000	129,000
Retirement of treasury stock	(3,000)	-
Balance at January 1 (Balance at December 31 ((at NTD10 per share))	<u><u>126,000</u></u>	<u><u>129,000</u></u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Additional paid in capital	\$ 15,000	15,357
Gain on sale of property, plant and equipment	28	28
Difference between consideration and carrying amount of subsidiaries acquired	4,334	4,334
Treasury share transactions	-	6,399
	<u>\$ 19,362</u>	<u>26,118</u>

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

(iii) Retained earnings

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

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

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

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

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

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(iv) Treasury stock

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

	Unit: thousand shares	
	2018	2017
Balance at January 1	4,755	6,000
Transferred to employees	(1,755)	(1,245)
Retirement of treasury stock	(3,000)	-
Balance at December 31	-	4,755

The company has resolved to cancel 3,000 shares of treasury shares by the board of directors. The base date is August 10, 2018. The cost of retirement of the treasury shares was \$52,963 thousand, and reduce treasury share transactions of capital surplus, Share capital and undistributed retained earnings amounted to \$12,086 thousand, \$357 thousand and \$10,520 thousand, respectively.

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

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

As of December 31, 2018 and 2017, the Company held treasury shares amounting to \$0 thousand and \$83,956 thousand, respectively. According to Securities and Exchange Act regulations, the number of shares of treasury stock is not allowed to exceed 10% of the number of shares issued. Moreover, the total value of treasury stock is not allowed to exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. During year 2018 and 2017, DIMTW was in compliance with the Securities and Exchange Act.

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

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(k) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share in 2018 and 2017, was as follows:

(i) Basic earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to ordinary shareholders of the Company	\$ <u>263,022</u>	<u>206,819</u>
Weighted-average number of ordinary shares	<u>125,572</u>	<u>123,908</u>
Basic earnings per share (in NT dollars)	\$ <u>2.09</u>	<u>1.67</u>

(ii) Diluted earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to ordinary shareholders of the Company	\$ <u>263,022</u>	<u>206,819</u>
Weighted-average number of ordinary shares (basic)	125,572	123,938
Impact of potential common shares		
Effect of employee stock bonus	<u>1,381</u>	<u>1,066</u>
Weighted-average number of ordinary shares (diluted)	<u>126,953</u>	<u>125,004</u>
Diluted earnings per share (in NT dollars)	\$ <u>2.07</u>	<u>1.65</u>

(l) Revenue from contracts with customers

	<u>2018</u>			
	<u>Asia</u>	<u>Americas</u>	<u>Europe</u>	<u>Total</u>
Major products/services lines:				
Air transportation revenue	\$ 8,338,971	1,211,911	230,109	9,780,991
Ocean transportation revenue	4,773,776	2,340,013	259,794	7,373,583
Other revenue	<u>747,763</u>	<u>467,716</u>	<u>74,362</u>	<u>1,289,841</u>
	<u>\$ 13,860,510</u>	<u>4,019,640</u>	<u>564,265</u>	<u>18,444,415</u>

(m) Revenue

The details of the Group's revenue were as follows:

	<u>2017</u>
Air transportation revenue	\$ 7,800,214
Ocean transportation revenue	6,339,228
Other revenue	<u>3,393,838</u>
	<u>\$ 17,533,280</u>

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(n) Cost

The details of the Group's cost were as follows:

	<u>2018</u>	<u>2017</u>
Air transportation cost	\$ 8,506,420	6,916,131
Ocean transportation cost	6,395,694	5,579,557
Other cost	<u>1,028,775</u>	<u>2,589,549</u>
	<u>\$ 15,930,889</u>	<u>15,085,237</u>

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

(o) Employee compensation and directors' and supervisors' remuneration

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

For the years ended December 31, 2018 and 2017, the Company estimated its employees' compensation were \$23,672 thousand and \$18,551 thousand, respectively, and the estimated amounts of directors' and supervisors' remuneration were \$7,102 thousand and \$5,565 thousand, respectively. The estimated amounts mentioned above are calculated as the net profit before tax, excluding employee compensation and directors' and supervisors' remuneration, of each period multiplied by the percentage of employee compensation and directors' and supervisors' remuneration as specified in the Company's articles. The estimations are recorded under operating expenses in 2018 and 2017. The information mentioned above can be accessed on the Market Observation Post System. There were no differences between the actual amounts of remuneration to employees, directors and supervisors distributed for the years 2018 and 2017, and the estimated amounts in the financial statements.

(p) Non-operating income and expenses

(i) Other income

The details of the Group's other income for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 4,985	1,985
Dividend income	104	97
Other	<u>9,650</u>	<u>7,606</u>
Total other income	<u>\$ 14,739</u>	<u>9,688</u>

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(ii) Other gains and losses

The details of the Group's other gain and losses for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Gain on disposal of property, plant and equipment	\$ 581	3,064
Losses on disposal of investments	-	(5,490)
Gain (loss) on foreign exchange	22,142	(4,798)
Others	<u>(5,574)</u>	<u>(8,914)</u>
Other gains and losses, net	<u>\$ 17,149</u>	<u>(16,138)</u>

(iii) Finance costs

The details of the Group's finance costs for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Interest expense	<u>\$ 7,511</u>	<u>7,596</u>

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2018 and 2017, the maximum amount exposed to credit risk amounted to \$3,689,987 and \$3,334,496, respectively.

2) Concentration of credit risk

The Group's operating revenue was not concentrated on any group of customers in 2018 and 2017.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2018							
Non-derivative financial liabilities							
Short-term loans	\$ 640,025	646,489	343,459	303,030	-	-	-
Notes payable	34,032	34,032	34,032	-	-	-	-
Accounts payable	<u>1,580,134</u>	<u>1,594,566</u>	<u>1,594,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,254,191</u>	<u>2,275,087</u>	<u>1,972,057</u>	<u>303,030</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	<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>
December 31, 2017							
Non-derivative financial liabilities							
Short-term loans	\$ 545,400	551,318	2,959	548,359	-	-	-
Long-term loans	128,919	132,360	307	6,241	96,957	19,625	9,230
Notes payable	32,424	32,424	32,424	-	-	-	-
Accounts payable	<u>1,371,966</u>	<u>1,371,966</u>	<u>1,371,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,078,709</u>	<u>2,088,068</u>	<u>1,407,656</u>	<u>554,600</u>	<u>96,957</u>	<u>19,625</u>	<u>9,230</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2018			
Financial assets:			
Monetary items:			
USD	\$ 9,404	30.7010	288,712
Financial liabilities:			
Monetary items:			
USD	\$ 7,467	30.7010	229,274
December 31, 2017			
Financial assets:			
Monetary items:			
USD	\$ 8,463	29.7330	219,536
Financial liabilities:			
Monetary items:			
USD	\$ 10,932	29.7330	325,037

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, and trade and other receivables that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against the USD as of December 31, 2018 and 2017, would have increased or decreased the net profit by \$1,783 thousand and \$5,605 thousand, respectively. The analysis is performed on the same basis for both periods.

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3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$22,142 thousand and \$(4,798) thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by \$6,400 thousand and \$6,743 thousand in 2018 and 2017, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Fair value

1) Categories and fair value of financial instruments

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

	Carrying amount	December 31, 2018			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 5,446	-	-	5,446	5,446
Financial assets measured at amortized cost					
Cash and cash equivalents	1,214,897	-	-	-	-
Accounts and notes receivables	2,397,343	-	-	-	-
Refundable deposits	72,301	-	-	-	-
Subtotal	3,684,541	-	-	-	-
Total	<u>\$ 3,689,987</u>	<u>-</u>	<u>-</u>	<u>5,446</u>	<u>5,446</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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	December 31, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 640,025	-	-	-	-
Notes and accounts payable	<u>1,614,166</u>	-	-	-	-
Total	<u>\$ 2,254,191</u>	-	-	-	-
	December 31, 2017				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Listed stocks (domestic)	\$ <u>5,406</u>	-	-	<u>5,406</u>	<u>5,406</u>
Loans and receivables					
Cash and cash equivalents	1,118,440	-	-	-	-
Accounts and notes receivable	2,143,038	-	-	-	-
Refundable deposits	<u>67,612</u>	-	-	-	-
Subtotal	<u>3,329,090</u>	-	-	-	-
Total	<u>\$ 3,334,496</u>	-	-	<u>5,406</u>	<u>5,406</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 674,319	-	-	-	-
Notes and accounts payable	<u>1,404,390</u>	-	-	-	-
Total	<u>\$ 2,078,709</u>	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination – Non-derivative financial instruments

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

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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3) Fair value hierarchy

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

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

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

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018	\$ 5,406
Effect of currency translation	40
Balance at December 31, 2018	\$ 5,446

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-earnings ratio (As of December 31, 2018 was 9.49~18.50) · Market illiquidity discount rate (As of December 31, 2018 was 30%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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6) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

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

December 31, 2018	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Multiplier of price-to-earnings ratio	5%	\$ 232	(232)
Equity investments without an active market	Liquidity discount	5%	252	(252)

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

(r) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Trade and other receivables

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's receivables in 2018 and 2017 are not concentrated on any group of customers.

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

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Investments

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

3) Guarantees and endorsements

The policy allows the Group to provide a financial guarantee to its subsidiaries which DIMITW holds over 50% of equity interest. Please refer to note 13 for detailed information on the Group as of December 31, 2018 and 2017.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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2) Interest rate risk

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

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

(s) Capital management

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

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

As of December 31, 2018, there were no changes in the Group's capital management approach.

(7) **Related-party transactions**

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant related-party transactions: none.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 42,430	43,735
Post-employment benefits	1,073	1,038
Share-based payment	<u>1,210</u>	<u>689</u>
	<u>\$ 44,713</u>	<u>45,462</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted certificates of deposit (other current assets)	Guarantee for the Group's logistics operations	\$ 1,015	997
Restricted certificates of deposit (other non-current assets)	Guarantee for customs	3,000	3,000
Restricted certificates of deposit (other non-current assets)	Guarantee for the Group's logistics operations	660	660
Property, plant and equipment:			
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	156,092	156,092
Buildings	Guarantee for long-term and short-term borrowings and the Group's logistics operations	29,841	31,159
		<u>\$ 190,608</u>	<u>191,908</u>

(9) Commitments and contingencies

- (a) The Group provided certificates of deposit, land, and buildings as collateral to the banks for the performance of freight forwarding contracts in 2018 and 2017. As of December 31, 2018 and 2017, the guarantees from the banks were \$144,400 thousand and \$149,639 thousand, respectively, and the used amounts were \$115,177 thousand and \$116,801 thousand, respectively.
- (b) As of December 31, 2018 and 2017, the Group had outstanding letters of credit totaling \$44,400 thousand and \$44,639 thousand, respectively. As of December 31, 2018 and 2017, the guarantees recorded for customs duty were \$16,631 thousand and \$8,442 thousand, respectively.
- (c) The consolidated subsidiary DFS was sued by a customer who originally had a business transaction with DIMUS. The lawsuit concerns damage to a product that was delivered. DFS claimed that it was neither engaged with the customer nor the one who delivered the product. Furthermore, DIMUS had no negligence in delivering the product. Therefore, the Company claimed that the lawsuit and compensation requested by the customer did not comply with the law. The District Court had ruled that DFS should compensate the customer \$7,602 thousand plus annual interest of 5% from March 5, 2011, until the compensation was settled. However, DFS was not satisfied with the ruling and filed an appeal. In June 2016, the High court ruled the case in DFS's favor. The customer was dissatisfied with the result and appealed to the Supreme Court. The Supreme Court ruled the case in DFS's favor and the case was closed.

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- (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

(12) Other

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

By function	Year ended December 31, 2018			Year ended December 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	106,129	1,219,768	1,325,897	82,523	1,160,224	1,242,747
Labor and health insurance	9,977	158,046	168,023	5,417	146,775	152,192
Pension	1,210	33,857	35,067	527	31,406	31,933
Directors' remuneration	-	8,947	8,947	-	6,521	6,521
Others	7,557	108,982	116,539	7,928	105,242	113,170
Depreciation	-	42,060	42,060	-	42,105	42,105
Amortization	-	112	112	-	96	96

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

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

(i) Loans extended to other parties

Unit: thousand dollars

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	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	29,179	28,918	28,918	-	(2)	-	Operating capital	-	-	-	199,719	798,876
2	FSC	DIMTW	Accounts receivable from related parties	Yes	119,551	119,551	119,551	-	(2)	-	Operating capital	-	-	-	199,719	798,876
3	DFSTW	DIMTW	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-	-	-	199,719	798,876

Note 1: Purpose of fund financing for the borrower:

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

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

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

(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 of 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	252,000	14,945	3,693	3,693	3,693	0.19 %	504,000	Y	N	N
0	DIMTW	DIMSG	3	252,000	25,035	25,035	25,035	25,035	1.26 %	504,000	Y	N	N
0	DIMTW	DIMVN	3	252,000	5,801	2,917	2,917	2,917	0.15 %	504,000	Y	N	N
0	DIMTW	DIMIN & DIMVN & DIMTH	3	252,000	1,047	1,039	1,039	1,039	0.05 %	504,000	Y	N	N
0	DIMTW	DIMKR	3	252,000	15,179	15,043	15,043	15,043	0.75 %	504,000	Y	N	N

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

- (1) A company with which it does business
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company
- (4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

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

(iii) Information regarding securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with the security issuer	Recorded account	Ending balance			Maximum investment in 2018	Remarks
				Number of shares	Book value	Holding percentage		
DIMTW	Global Sky Express Taiwan Ltd.		Financial assets at fair value through other comprehensive income non-current	10,000	100	1.00 %	100	100
DIMTW	Evergreen Air Cargo Service Corporation		Financial assets at fair value through other comprehensive income non-current	29,000	290	0.02 %	290	290
DIMSG	Burwill Holdings Ltd.		Financial assets at fair value through other comprehensive income non-current	22,000	19	-	19	19
DIMSG	Stamford Land		Financial assets at fair value through other comprehensive income non-current	5,000	39	-	39	39
DIMSG	Straits Continental Logistics Co. Ltd.		Financial assets at fair value through other comprehensive income non-current	39,800	2,930	19.90 %	2,930	2,902
DIMMY	FL Network		Financial assets at fair value through other comprehensive income non-current	-	2,068	-	2,068	2,068

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.

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

Name of related party	Counter-party	Relationship	Balance of receivables from related party (note 3)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
FSC	DIMTW	Subsidiary	168,671 (Note 1)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	- %	-		-	-

Note 1: Loan from the subsidiary of \$119,551 and other receivable of \$49,120.

Note 2: Paid on behalf of DIMTW.

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

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

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with counter-party (Note 2)	Transaction details			Percentage of total consolidated revenue or total assets
				Account name	Amount (Notes 3 and 4)	Terms of trading	
0	DIMTW	DIMUS	1	Accounts receivable— related parties	17,955	Negotiated	0.38 %
0	DIMTW	DIMCN	1	Accounts receivable— related parties	9,328	Negotiated	0.20 %
0	DIMTW	DIMMY	1	Accounts receivable— related parties	10,346	Negotiated	0.22 %
0	DIMTW	DIMCN	1	Accounts payable— related parties	7,500	Negotiated	0.16 %
0	DIMTW	DIMUS	1	Accounts payable— related parties	8,556	Negotiated	0.18 %
0	DIMTW	DIMCN	1	Freight revenue— received on behalf	73,860	Negotiated	0.41 %
0	DIMTW	DIMHK	1	Freight revenue— received on behalf	26,919	Negotiated	0.15 %
0	DIMTW	ZJDCN	1	Freight revenue— received on behalf	20,640	Negotiated	0.12 %
0	DIMTW	DIMMY	1	Freight revenue— received on behalf	22,303	Negotiated	0.12 %
0	DIMTW	DIMSG	1	Freight revenue— received on behalf	29,985	Negotiated	0.17 %
0	DIMTW	DIMUS	1	Freight revenue— received on behalf	102,555	Negotiated	0.57 %
0	DIMTW	DIMTH	1	Freight revenue— received on behalf	11,470	Negotiated	0.06 %
0	DIMTW	DIMCN	1	Freight expense— deduction of freight revenue	(84,630)	Negotiated	0.47 %
0	DIMTW	DIMHK	1	Freight expense— deduction of freight revenue	(59,919)	Negotiated	0.34 %
0	DIMTW	DIMSG	1	Freight expense— deduction of freight revenue	(23,636)	Negotiated	0.13 %
0	DIMTW	DIMUS	1	Freight expense— deduction of freight revenue	(58,722)	Negotiated	0.33 %
0	DIMTW	ZJDCN	1	Freight expense— deduction of freight revenue	(54,592)	Negotiated	0.31 %
0	DIMTW	DIMNL	1	Freight expense— deduction of freight revenue	(16,142)	Negotiated	0.09 %
0	DIMTW	DIMKR	1	Freight expense— deduction of freight revenue	(16,425)	Negotiated	0.09 %
0	DIMTW	DIMMY	1	Freight expense— deduction of freight revenue	(12,220)	Negotiated	0.07 %
0	DIMTW	FSCHK	1	Freight expense— deduction of freight revenue	(9,413)	Negotiated	- %
0	DIMTW	DIMTH	1	Freight expense— deduction of freight revenue	(8,377)	Negotiated	0.05 %
1	FSC	DIMTW	2	Accounts receivable— related parties	168,673	Negotiated	3.61 %
1	FSC	DIL	3	Accounts receivable— related parties	216,717	Negotiated	4.64 %
2	HOLDING	DIMTW	2	Accounts receivable— related parties	28,918	Negotiated	0.61 %
3	FSCHK	DIMHK	3	Sales revenue	35,115	Negotiated	0.20 %
3	FSCHK	ZJDCN	3	Sales revenue	38,017	Negotiated	0.21 %
3	FSCHK	DIMUS	3	Sales revenue	33,582	Negotiated	0.19 %
3	FSCHK	DIMMY	3	Sales revenue	10,942	Negotiated	0.06 %

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No. (Note 1)	Name of company	Name of counter-party	Existing relationship with counter-party (Note 2)	Transaction details			
				Account name	Amount (Notes 3 and 4)	Terms of trading	Percentage of total consolidated revenue or total assets
3	FSCHK	DFSCN	3	Sales revenue	53,093	Negotiated	0.30 %
3	FSCHK	DIMPH	3	Sales revenue	15,642	Negotiated	0.09 %
3	FSCHK	DIMTW	2	Sales revenue	17,485	Negotiated	0.10 %
3	FSCHK	DIMCN	3	Sales revenue	19,954	Negotiated	0.08 %
3	FSCHK	DFSHK	3	Sales revenue	11,159	Negotiated	0.06 %
3	FSCHK	DFSTW	3	Sales revenue	8,031	Negotiated	0.04 %
3	FSCHK	DIMVN	3	Sales revenue	8,641	Negotiated	0.05 %
3	FSCHK	DIMTH	3	Sales revenue	8,735	Negotiated	0.05 %

Note 1: Company numbering is as follows:

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

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

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

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

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

(b) Information on investees

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Maximum investment in 2018	Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				December 31, 2018	December 31, 2017	Shares	Ratio of shares	Book value (note 2)				
DIMTW	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	145,323	15,444	32,987	32,987	
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	765,126	164,845	81,363	81,363	
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	378,724	108,362	78,704	67,772	
DIMTW	DIL	British Virgin Is	Holding company	472,313	472,313	(Note 1)	100 %	2,060,964	472,313	(4,433)	(4,433)	
DIMTW	FSC	British Virgin Is.	Settlement center	315	315	10,000	20 %	273,502	315	314,100	62,820	
DIMTW	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	84,691	236	191,186	28,678	
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	86,001	235	191,186	28,678	
DIL	DIMUS	U.S.A.	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	360,285	238,686	22,248	22,248	
DIL	DIMGB	U.K.	Global air and ocean freight forwarder	(5,624)	(5,624)	300,000	37 %	(10,845)	(5,624)	3,005	3,005	
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	43,611	23,904	78,704	10,932	
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	427,348	300,000	99 %	1,670,882	427,348	281,775	281,775	
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	(2,969)	-	(322,393)	(322,393)	
GMS	DFSSG	Singapore	Settlement center	13,482	-	600,000	100 %	13,482	13,482	-	-	
GMS	DIMPH	Philippines	Global air and ocean freight forwarder	38,399	-	180,000	60 %	39,746	38,399	3,051	1,044	
FSCHK	DIMGB	U.K.	Global air and ocean freight forwarder	20,126	-	500,000	63 %	(22,341)	20,126	3,005	-	
DIMUS	DCBUS	U.S.A.	Brokerage service	13,532	13,532	1,000	100 %	29,677	13,532	3,152	3,152	
DIMHK	FSC	British Virgin Is.	Settlement center	954	617	30,000	60 %	897	954	314,100	188,460	
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	2,090	2,090	(Note 1)	75 %	6,503	2,090	2,619	1,964	
DIMHK	FSCHK	Hong Kong	Settlement center	550	550	17,500	35 %	201,529	550	191,186	66,915	
DIMSG	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	318	314,100	62,820	
DIMSG	DIMIN	India	Global air and ocean freight forwarder	5,303	5,303	960,000	60 %	8,995	5,303	863	518	
HOLDING	DILMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	111,502	65,516	7,807	7,807	
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	3,125	1,592	-	-	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	35,078	7,642	(5,746)	(2,815)	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	25,150	4,026	3,051	1,220	
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(22,097)	16,460	(18,228)	(18,228)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	31,818	19,386	3,009	3,009	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	61,069	15,646	2,890	2,890	

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Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Maximum investment in 2018	Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				December 31, 2018	December 31, 2017	Shares	Ratio of shares	Book value (note 2)				
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	(4,155)	11,644	(11,436)	(11,436)	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	417,485	25,393	94,800	94,791	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	38,411	41,076	465	465	
HOLDING	DSLUS	U.S.A	Logistics & warehousing	15,840	15,840	50,000	100 %	24,955	15,840	2,872	2,872	
DFSHK	FSCHK	Hong Kong	Settlement center	566	566	17,500	35 %	201,529	566	191,186	66,915	
DIMMY	Danau Muhibbah Sdn. Bhd	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	2,621	-	-	
DIMPH	Peerless Express Forwarders Corp	Philippines	Trucking service	954	954	4,000,000	40 %	1,828	954	2,185	874	
DIMSG	Logicentrix India Pvt Ltd	India	Brokerage service	1,830	-	4,000,000	40 %	1,839	1,830	-	-	

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

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

(c) Information on investment in mainland China

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

Unit: thousand dollars

Name of investee in Mainland China	Main businesses	Issued capital	Method of investment (Note 1)	Beginning remittance balance- accumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)	Ending remittance balance- accumulative investment (amount) from Taiwan	Net income (losses) of investee	Direct / indirect shareholdings or investments (% in the Company)	Maximum investment in 2018	Current investment income and losses (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
ZID	Global air and ocean freight forwarder	54,928	(2)	27,692 (USD902)	-	27,692 (USD902)	12,805	75 %	-	9,604	139,279	-
DILSHA	Logistics & warehousing	5,970	(2)	6,140 (USD200)	-	6,140 (USD200)	(2,430)	99 %	-	(2,430)	(18,603)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	(2,849)	100 %	-	(2,849)	225,829	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	1,583	100 %	-	1,583	5,065	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	22,083	100 %	-	22,083	137,405	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	539	100 %	-	539	17,574	-
Yuhang Int'l Logistics (Dalian) Co. Ltd.	Global air and ocean freight forwarder	38,666	(2)	-	-	-	20,480	25 %	-	5,120	21,449	-
Diversified International Logistics Service Company Ltd	Global air and ocean freight forwarder	9,203	(2)	-	-	-	(5,554)	100 %	-	(5,554)	3,495	-

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

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

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

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

(ii) Limitation on investment in Mainland China

Unit: thousand dollars

Company name	Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note2)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note2)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 1)
DIMTW	33,832 (USD1,102)	73,682 (USD2,400)	1,198,313

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

Note 2: USD:NT\$=1:30.701.

(iii) Significant transactions

Please refer to note 13(a) for transactions with investees in Mainland China in year ended December 31, 2018. All transactions were eliminated upon consolidation.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(14) Segment information

(a) General information

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

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

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

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

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

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

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

	2018				Total
	Asia	Americas	Europe	Adjustments and eliminations	
Revenue:					
From customers other than the parent company and subsidiaries	\$ 13,860,510	4,019,640	564,265	-	18,444,415
From the parent company and subsidiaries	<u>193,032</u>	<u>-</u>	<u>-</u>	<u>(193,032)</u>	<u>-</u>
Total revenue	<u>\$ 14,053,542</u>	<u>4,019,640</u>	<u>564,265</u>	<u>(193,032)</u>	<u>18,444,415</u>
Reportable segment profit	<u>\$ 284,276</u>	<u>40,243</u>	<u>(10,052)</u>	<u>-</u>	<u>314,467</u>
	2017				
	Asia	Americas	Europe	Adjustments and eliminations	Total
Revenue:					
From customers other than the parent company and subsidiaries	\$ 12,692,367	4,129,524	711,389	-	17,533,280
From the parent company and subsidiaries	<u>229,596</u>	<u>-</u>	<u>-</u>	<u>(229,596)</u>	<u>-</u>
Total revenue	<u>\$ 12,921,963</u>	<u>4,129,524</u>	<u>711,389</u>	<u>(229,596)</u>	<u>17,533,280</u>
Reportable segment profit	<u>\$ 218,528</u>	<u>70,013</u>	<u>(17,508)</u>	<u>-</u>	<u>271,033</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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In 2018 and 2017, inter-segment revenues of \$193,032 and \$229,596 respectively, should be eliminated from total revenue.

(c) Geographic information

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

<u>Geographical information</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Asia	\$ 606,915	609,764
Americas	98,561	99,038
Europe	<u>291</u>	<u>444</u>
Total	<u>\$ 705,767</u>	<u>709,246</u>

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

(d) Information about major customers

For the years 2018 and 2017, the Group had no major customer who constituted 10% or more of the net sales.