

**DIMERCO EXPRESS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018**

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

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Independent Auditors' Review Report

To the Board of Directors
Dimerco Express Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Dimerco Express Corporation and its subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,630,358 thousand and \$1,242,455 thousand, constituting 32% and 29% of consolidated total assets; and the total liabilities amounting to \$561,698 thousand and \$421,682 thousand, constituting 20% and 18% of the consolidated total liabilities at June 30, 2019 and 2018, respectively; as well as the total comprehensive income (loss) amounting to \$56,920 thousand, \$7,564 thousand, \$85,556 thousand and \$61,319 thousand, constituting 39%, 4%, 33% and 31% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2019 and 2018, respectively.



Furthermore, as stated in Note 6(d), the other equity accounted investments of the Group in its investee companies of \$23,897 thousand and \$22,778 thousand at June 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$0 thousand, \$1,150 thousand, \$338 thousand and \$1,678 thousand for the three months and six months ended June 30, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Dimerco Express Corporation and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Dimerco Air Forwarders (HK) Ltd., subsidiaries of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Dimerco Air Forwarders (HK) Ltd., is based solely on the review report of another auditor. The financial statements of Dimerco Air Forwarders (HK) Ltd. reflect total assets amounting to \$479,048 thousand and \$535,003 thousand, constituting 10% and 13% of consolidated total assets at June 30, 2019 and 2018, respectively, and total revenues amounting to \$283,808 thousand, \$421,915 thousand, \$588,557 thousand and \$853,006 thousand, constituting 7%, 10%, 7% and 10% of consolidated total revenues for the three months and six months ended June 30, 2019 and 2018.

KPMG

Taipei, Taiwan (Republic of China)
August 8, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2019 and 2018

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

June 30, 2019, December 31, and June 30, 2018
(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 1,722,577	34	1,214,897	27	1,274,826	30
Notes receivable, net (note 6(c))	8,390	-	12,549	-	10,630	-
Accounts receivable, net (note 6(c))	2,017,820	40	2,384,794	52	1,969,175	46
Prepaid lease	-	-	1,335	-	1,325	-
Other current assets (note 8)	134,960	3	117,404	2	117,328	3
Total current assets	3,883,747	77	3,730,979	81	3,373,284	79
Non-current assets:						
Financial assets at fair value through other comprehensive income	5,535	-	5,446	-	5,477	-
— non-current						
Long-term investments under equity method (note 6(d))	23,897	-	23,288	-	22,778	1
Property, plant and equipment (notes 6(e) and 8)	629,858	13	629,148	14	641,946	15
Right-of-use assets (note 6(f))	341,623	7	-	-	-	-
Goodwill (note 6(g))	26,850	1	26,844	1	26,747	1
Deferred income tax assets	39,394	1	39,217	1	39,749	1
Refundable deposits	73,140	1	72,301	2	71,749	2
Long-term prepaid lease	-	-	46,667	1	46,987	1
Other non-current assets (notes 6(c) and 8)	7,892	-	7,645	-	8,224	-
Total non-current assets	1,148,189	23	850,556	19	863,657	21
Total assets						
	\$ 5,031,936	100	4,581,535	100	4,236,941	100
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (notes 6(e), (h) and 8)	\$ 628,025	12	640,025	14	584,700	14
Financial liabilities at fair value through profit or loss — current (note 6(b))	-	-	-	-	2,900	-
Long-term borrowings — current portion (notes 6(e), (h) and 8)	-	-	-	-	5,979	-
Notes payable	30,070	1	34,032	1	28,801	1
Accounts payable	1,457,499	30	1,580,134	34	1,214,744	29
Income tax payable	42,511	1	27,282	1	42,998	1
Current lease liabilities (note 6(i))	172,370	3	-	-	-	-
Other current liabilities (note 6(p))	361,387	7	156,731	3	294,986	7
Total current liabilities	2,691,862	54	2,438,204	53	2,175,108	52
Non-current liabilities:						
Long-term borrowings (notes 6(e), (h) and 8)	-	-	-	-	59,984	1
Deferred income tax liabilities	343	-	341	-	562	-
Non-current lease liabilities (note 6(i))	122,789	2	-	-	-	-
Accrued pension liabilities	45,450	1	47,445	1	46,091	1
Other non-current liabilities	8,306	-	5,945	-	5,095	-
Total non-current liabilities	176,888	3	53,731	1	111,732	2
Total liabilities	2,868,750	57	2,491,935	54	2,286,840	54
Equity attributable to owners of parent (note 6(m)):						
Common stock	1,260,000	25	1,260,000	29	1,290,000	30
Capital surplus	19,362	-	19,362	-	31,805	1
Retained earnings:						
Legal reserve	353,700	7	327,398	7	327,398	8
Special reserve	182,174	4	182,174	4	182,174	4
Unappropriated retained earnings	285,918	6	295,695	6	163,113	4
	821,792	17	805,267	17	672,685	16
Other equity interest:						
Foreign currency translation differences for foreign operations	(43,607)	(1)	(87,440)	(2)	(89,100)	(2)
Treasury shares	-	-	-	-	(52,963)	(1)
Total equity attributable to owners of parent	2,057,547	41	1,997,189	44	1,852,427	44
Non-controlling interests	105,639	2	92,411	2	97,674	2
Total equity	2,163,186	43	2,089,600	46	1,950,101	46
Total liabilities and equity	\$ 5,031,936	100	4,581,535	100	4,236,941	100

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

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

	For the three months ended June 30				For the six months ended June 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(o))	\$ 4,219,855	100	4,223,839	100	8,321,067	100	8,143,884	100
5000	Operating costs	<u>3,478,494</u>	<u>83</u>	<u>3,597,602</u>	<u>85</u>	<u>6,915,103</u>	<u>83</u>	<u>6,918,128</u>	<u>85</u>
5900	Gross profit from operations	<u>741,361</u>	<u>17</u>	<u>626,237</u>	<u>15</u>	<u>1,405,964</u>	<u>17</u>	<u>1,225,756</u>	<u>15</u>
6000	Operating expenses (notes 6(c), (e), (f), (k), (p) and 7):								
6100	Selling expenses	173,596	4	172,455	4	343,458	4	349,564	4
6200	Administrative expenses	391,911	9	343,450	9	774,462	10	701,805	9
6450	Expected credit loss for bad debt expense	<u>14,138</u>	-	<u>16,457</u>	-	<u>26,840</u>	-	<u>28,995</u>	-
	Total operating expenses	<u>579,645</u>	<u>13</u>	<u>532,362</u>	<u>13</u>	<u>1,144,760</u>	<u>14</u>	<u>1,080,364</u>	<u>13</u>
6900	Net operating income	<u>161,716</u>	<u>4</u>	<u>93,875</u>	<u>2</u>	<u>261,204</u>	<u>3</u>	<u>145,392</u>	<u>2</u>
7000	Non-operating income and expenses (notes 6(d), (i) and (q)):								
7010	Other income	2,309	-	1,775	-	5,894	-	4,327	-
7020	Other gains and losses	4,456	-	9,893	-	(3,161)	-	12,704	-
7050	Finance costs	(5,204)	-	(1,905)	-	(8,924)	-	(3,848)	-
7060	Share of gain of associates accounted for under equity method	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>-</u>	<u>338</u>	<u>-</u>	<u>1,678</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,561</u>	<u>-</u>	<u>10,913</u>	<u>-</u>	<u>(5,853)</u>	<u>-</u>	<u>14,861</u>	<u>-</u>
	Profit from continuing operations before tax	<u>163,277</u>	<u>4</u>	<u>104,788</u>	<u>2</u>	<u>255,351</u>	<u>3</u>	<u>160,253</u>	<u>2</u>
7950	Less: Income tax expenses (note 6(l))	<u>29,756</u>	<u>1</u>	<u>30,330</u>	<u>-</u>	<u>42,882</u>	<u>1</u>	<u>35,636</u>	<u>-</u>
	Net income	<u>133,521</u>	<u>3</u>	<u>74,458</u>	<u>2</u>	<u>212,469</u>	<u>2</u>	<u>124,617</u>	<u>2</u>
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	13,799	-	106,403	2	50,117	1	73,950	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>13,799</u>	<u>-</u>	<u>106,403</u>	<u>2</u>	<u>50,117</u>	<u>1</u>	<u>73,950</u>	<u>1</u>
8300	Other comprehensive income	<u>13,799</u>	<u>-</u>	<u>106,403</u>	<u>2</u>	<u>50,117</u>	<u>1</u>	<u>73,950</u>	<u>1</u>
8500	Total comprehensive income (loss)	<u>\$ 147,320</u>	<u>3</u>	<u>180,861</u>	<u>4</u>	<u>262,586</u>	<u>3</u>	<u>198,567</u>	<u>3</u>
	Profit attributable to:								
8610	Owners of parent	\$ 131,607	3	72,138	2	205,525	2	118,424	2
8620	Non-controlling interests	<u>1,914</u>	<u>-</u>	<u>2,320</u>	<u>-</u>	<u>6,944</u>	<u>-</u>	<u>6,193</u>	<u>-</u>
		<u>\$ 133,521</u>	<u>3</u>	<u>74,458</u>	<u>2</u>	<u>212,469</u>	<u>2</u>	<u>124,617</u>	<u>2</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 143,923	3	179,260	4	249,358	3	193,907	3
8720	Non-controlling interests	<u>3,397</u>	<u>-</u>	<u>1,601</u>	<u>-</u>	<u>13,228</u>	<u>-</u>	<u>4,660</u>	<u>-</u>
		<u>\$ 147,320</u>	<u>3</u>	<u>180,861</u>	<u>4</u>	<u>262,586</u>	<u>3</u>	<u>198,567</u>	<u>3</u>
	Earnings per share (NT dollars) (note 6(n))								
9750	Basic earnings per share	<u>\$ 1.04</u>		<u>0.58</u>		<u>1.63</u>		<u>0.95</u>	
9850	Diluted earnings per share	<u>\$ 1.04</u>		<u>0.57</u>		<u>1.61</u>		<u>0.94</u>	

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Retained earnings				Total other equity interest			Treasury shares (83,956)	Non-controlling interests	Total equity attributable to owners of parent	
	Share capital Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements				Total other equity interest
	\$ 1,290,000	26,118	306,716	182,174	214,051	702,941	(164,583)	(83,956)	1,770,520	131,413	1,901,933
Balance at January 1, 2018	-	-	20,682	-	(20,682)	-	-	-	-	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	(148,680)	(148,680)	-	-	(148,680)	-	(148,680)
Legal reserve appropriated	-	-	-	-	118,424	118,424	-	-	118,424	6,193	124,617
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	(1,533)	(1,533)
Net income	-	-	-	-	118,424	118,424	75,483	-	75,483	-	73,950
Other comprehensive income	-	-	-	-	118,424	118,424	75,483	-	193,907	4,660	198,567
Total comprehensive income	-	-	-	-	-	-	-	-	-	(38,399)	(38,399)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Transferred treasury shares to employees	-	5,687	-	-	-	-	-	30,993	36,680	-	36,680
Balance at June 30, 2018	\$ 1,290,000	31,805	327,398	182,174	163,113	672,685	(89,100)	(52,963)	1,852,427	97,674	1,950,101
Balance at January 1, 2019	\$ 1,260,000	19,362	327,398	182,174	295,695	805,267	(87,440)	-	1,997,189	92,411	2,089,600
Effects of retrospective application	-	-	-	-	-	-	-	-	-	-	-
Equity at beginning of period after adjustments	1,260,000	19,362	327,398	182,174	295,695	805,267	(87,440)	-	1,997,189	92,411	2,089,600
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	26,302	-	(26,302)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(189,000)	(189,000)	-	-	(189,000)	-	(189,000)
Net income	-	-	-	-	205,525	205,525	-	-	205,525	6,944	212,469
Other comprehensive income	-	-	-	-	-	-	43,833	-	43,833	6,284	50,117
Total comprehensive income	-	-	-	-	205,525	205,525	43,833	-	249,358	13,228	262,586
Balance at June 30, 2019	\$ 1,260,000	19,362	353,700	182,174	285,918	821,792	(43,607)	-	2,057,547	105,639	2,163,186

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$ 255,351	160,253
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	113,790	21,601
Amortization expense	94	44
Expected credit loss for bad debt expense	26,840	28,995
Net loss on financial assets or liabilities at fair value through profit or loss	-	2,900
Interest expense	8,924	3,848
Interest income	(3,108)	(2,210)
Dividend income	-	(35)
Cost of transferring treasury shares to employees	-	5,967
Share of gain of associates accounted under equity method	(338)	(1,678)
Loss on disposal of property, plant and equipment	(1,301)	41
Unrealized foreign exchange loss (gain)	(7,009)	(8,998)
Amortization of long-term prepaid lease	-	642
Total adjustments to reconcile profit	<u>137,892</u>	<u>51,117</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	4,159	(264)
Accounts receivable	340,134	134,502
Other current assets	(17,556)	(14,283)
Total changes in operating assets	<u>326,737</u>	<u>119,955</u>
Changes in operating liabilities:		
Notes payable	(3,962)	(3,623)
Accounts payable	(122,635)	(157,222)
Other current liabilities	15,656	(11,241)
Net defined benefit liability	(1,995)	(1,225)
Total changes in operating liabilities	<u>(112,936)</u>	<u>(173,311)</u>
Total changes in operating assets and liabilities	<u>213,801</u>	<u>(53,356)</u>
Total adjustments	<u>351,693</u>	<u>(2,239)</u>
Cash inflow generated from operations	607,044	158,014
Interest received	3,108	2,210
Dividends received	-	35
Interest paid	(8,924)	(3,848)
Income taxes paid	(27,653)	(14,730)
Net cash provided by operating activities	<u>573,575</u>	<u>141,681</u>
Cash flows from investing activities:		
Acquisition of investments accounted under equity method	-	(1,830)
Acquisition of property, plant and equipment	(19,055)	(22,620)
Proceeds from disposal of property, plant and equipment	4,626	174
Increase in refundable deposits	(839)	(4,137)
Increase in other non-current assets	(341)	(1,126)
Net cash used in investing activities	<u>(15,609)</u>	<u>(29,539)</u>
Cash flows from financing activities:		
Increase in short-term loans	277,025	90,000
Decrease in short-term loans	(289,025)	(50,700)
Repayments of long-term debt	-	(62,956)
Payment of lease liabilities	(90,764)	-
Increase in other non-current liabilities	2,361	1,636
Treasury shares sold to employees	-	30,713
Change in non-controlling interests	-	(38,399)
Net cash used in financing activities	<u>(100,403)</u>	<u>(29,706)</u>
Effect of exchange rate changes on cash and cash equivalents	50,117	73,950
Net increase in cash and cash equivalents	507,680	156,386
Cash and cash equivalents at beginning of period	1,214,897	1,118,440
Cash and cash equivalents at end of period	<u>\$ 1,722,577</u>	<u>1,274,826</u>

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2019 and 2018

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

(1) Company history

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

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

The consolidated financial statements were reported to the Board of Directors and issued on August 8, 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, or after, January 1, 2019. 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>
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

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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 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".

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Group decided to apply the recognition exemptions to the short-term leases of its buildings and leases of transportation equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

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In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
 - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
 - Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
 - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
 - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amounts of \$424,045 thousands of right-of-use assets and \$376,043 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.80%.

The explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed is as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 266,641
Extension and termination options reasonably certain to be exercised	126,307
	\$ 392,948
Discounted using the incremental borrowing rate at January 1, 2019	\$ 376,043
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	\$ 376,043

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(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group does not expect the application of IFRIC 23 to have any significant impact on its consolidated financial statements on June 30, 2019.

(b) The impact of IFRS endorsed by FSC that will soon take effect

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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<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 IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the 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 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. For related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2018.

(a) Statement of compliance

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

(b) Basis of consolidation

The principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2018. For related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2018.

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at			Remarks
			June 30, 2019	December 31, 2018	June 30, 2018	
DIMTW	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	100.00 %	
DIMTW	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	100.00 %	
DIMTW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
DIMTW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	86.11 %	Note 2
DIMTW	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
DIMTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
DIMGB	Foreign Settlement Co., Ltd. (FSC)	Settlement center	- %	- %	20.00 %	

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Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at			Remarks
			June 30, 2019	December 31, 2018	June 30, 2018	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	60.00 %	60.00 %	40.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	13.89 %	Note 2
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	37.50 %	37.50 %	100.00 %	Note 2
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	75.00 %	Note 2
FSCHK	Dimerco Express (U.K.) Ltd (DIMGB)	Global logistics services	62.50 %	62.50 %	- %	Note 2
GMS	Dimerco Express Phil. Inc (DIMPH)	Global logistics services	60.01 %	60.01 %	- %	Note 2
GMS	Diversified International Logistics Service Company Ltd	Global logistics services	100.00 %	100.00 %	- %	Note 2
GMS	Diversified Freight System (Singapore) Pte. Ltd. (DFSSG)	Global logistics services	100.00 %	100.00 %	- %	Note 2
GMS	Dimerco International Logistics Company (DILHK)	Global logistics services	100.00 %	- %	- %	Note 2
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	49.00 %	Note 1 and 2
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	48.99 %	Note 1 and 2
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	39.99 %	Note 2
Holding	Dimerco Express (Australia) Pty Ltd (DIMAU)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2

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Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, at			Remarks
			June 30, 2019	December 31, 2018	June 30, 2018	
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 2
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 2
DIMUS	Dimerco Customs Brokerage Co. Ltd (DCBUS)	Brokerage service	100.00 %	100.00 %	100.00 %	Note 2
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	60.00 %	60.00 %	60.00 %	Note 2
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	100.00 %	Note 2
DIMPH	Peerless Express Forwarders Corp.	Global logistics service	39.99 %	39.99 %	39.99 %	Note 1 and 2

Note 1: DIMTW 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, DIMTW includes the subsidiaries in the consolidated financial statements.

Note 2: It is an insignificant subsidiary, and its financial statements have not been reviewed.

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

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.

In January 2019, DILHK was incorporated and fully owned by GMS; therefore, became a subsidiary of the Group.

In June 2019, GMS participated in the capital increase of Diversified International Logistics Service Company Ltd, with the amount of CNY1,000 thousand.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(c) Leases (applicable commencing January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(d) Employee benefits

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

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

(e) Income tax

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

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

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

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

The preparation of the interim consolidated financial statements is in conformity with IAS 34 "Interim Financial Reporting" endorsed by FSC. The standard requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

During the preparation of the interim consolidated financial statements, the management adopts similar method used in accounting policy judgements and assumptions which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2018.

(6) **Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 4,278	4,772	5,888
Checking accounts and savings accounts	1,533,432	1,147,583	1,153,202
Time deposits	<u>184,867</u>	<u>62,542</u>	<u>115,736</u>
Cash and cash equivalents in statement of cash flows	<u>\$ 1,722,577</u>	<u>1,214,897</u>	<u>1,274,826</u>

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

(b) Financial assets and liabilities at fair value through profit or loss

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

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

Forward contracts:

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

As of June 30, 2019 and December 31, 2018, the Group did not use any derivative financial instrument not use for hedging.

(c) Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 8,390	12,549	10,630
Accounts receivable	2,105,304	2,445,897	2,060,771
Overdue receivable	3,780	3,321	3,828
Less: allowance for doubtful accounts— accounts receivable	87,484	61,103	91,596
allowance for doubtful accounts— overdue receivable	3,780	3,321	3,828
	\$ 2,026,210	2,397,343	1,979,805

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. 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 were determined as follows:

	June 30, 2019		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 1,547,664	0%	-
1 to 30 days past due	508,520	9%	50,187
31 to 60 days past due	30,382	44%	13,368
61 to 90 days past due	10,451	69%	7,253
More than 91 days	20,457	100%	20,456
	\$ 2,117,474		91,264

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	December 31, 2018		
	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>\$ 2,461,767</u>		<u>64,424</u>
	June 30, 2018		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,585,114	1%	18,113
1 to 30 days past due	411,848	7%	29,525
31 to 60 days past due	31,355	45%	14,414
61 to 90 days past due	7,275	60%	4,365
91 to 365 days past due	15,031	100%	15,031
More than 365 days	13,976	100%	13,976
	<u>\$ 2,064,599</u>		<u>95,424</u>

The movement in the allowance for accounts receivable was as follows:

	For the six months ended June 30	
	2019	2018
Balance on January 1, 2019 and 2018	\$ 64,424	66,429
Impairment losses recognized	26,840	28,995
Balance on June 30, 2019 and 2018	<u>\$ 91,264</u>	<u>95,424</u>

(d) Investments under equity method

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

	June 30, 2019	December 31, 2018	June 30, 2018
Associates	<u>\$ 23,897</u>	<u>23,288</u>	<u>22,778</u>

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(i) Associates

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

	December 31,			
	June 30, 2019	2018	June 30, 2018	
Balance of individually insignificant associate's equity	\$ <u>23,897</u>	<u>23,288</u>	<u>22,778</u>	
	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Attributable to the Group:				
Income from continuing operations	\$ -	1,150	338	1,678
Other comprehensive income	-	-	-	-
Total comprehensive income	\$ <u>-</u>	<u>1,150</u>	<u>338</u>	<u>1,678</u>

(ii) Collateral

As of June 30, 2019, December 31 and June 30, 2018, the investments in equity-accounted associates of the Group had not been pledged as collateral or restricted in any way.

(e) Property, plant and equipment

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

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost or deemed cost:							
Balance at January 1, 2019	\$ 185,251	552,607	36,825	158,379	62,456	62,350	1,057,868
Additions	-	-	4,288	8,089	2,745	3,933	19,055
Disposals	-	-	(2,923)	(601)	(80)	(3,202)	(6,806)
Effect of currency translation	273	6,340	547	1,883	983	800	10,826
Balance at June 30, 2019	\$ <u>185,524</u>	<u>558,947</u>	<u>38,737</u>	<u>167,750</u>	<u>66,104</u>	<u>63,881</u>	<u>1,080,943</u>
Balance at January 1, 2018	\$ 184,332	545,852	38,818	150,961	65,650	57,704	1,043,317
Additions	-	-	700	3,483	15,449	2,988	22,620
Disposals	-	-	(2,218)	(844)	(16,574)	(22)	(19,658)
Effect of currency translation	705	7,491	410	876	708	1,159	11,349
Balance at June 30, 2018	\$ <u>185,037</u>	<u>553,343</u>	<u>37,710</u>	<u>154,476</u>	<u>65,233</u>	<u>61,829</u>	<u>1,057,628</u>

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	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	170,818	27,721	133,854	42,920	53,407	428,720
Depreciation	-	7,635	1,655	5,666	3,325	2,320	20,601
Disposal	-	-	(2,923)	(558)	-	-	(3,481)
Effect of currency translation	-	1,707	436	1,637	750	715	5,245
Balance at June 30, 2019	<u>\$ -</u>	<u>180,160</u>	<u>26,889</u>	<u>140,599</u>	<u>46,995</u>	<u>56,442</u>	<u>451,085</u>
Balance at January 1, 2018	\$ -	153,474	27,325	124,628	53,359	51,226	410,012
Depreciation	-	7,780	2,285	6,450	3,608	1,478	21,601
Disposal	-	-	(2,056)	(921)	(16,444)	(22)	(19,443)
Effect of currency translation	-	2,396	292	744	246	(166)	3,512
Balance at June 30, 2018	<u>\$ -</u>	<u>163,650</u>	<u>27,846</u>	<u>130,901</u>	<u>40,769</u>	<u>52,516</u>	<u>415,682</u>
Carrying value:							
January 1, 2019	<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>
June 30, 2019	<u>\$ 185,524</u>	<u>378,787</u>	<u>11,848</u>	<u>27,151</u>	<u>19,109</u>	<u>7,439</u>	<u>629,858</u>
June 30, 2018	<u>\$ 185,037</u>	<u>389,693</u>	<u>9,864</u>	<u>23,575</u>	<u>24,464</u>	<u>9,313</u>	<u>641,946</u>
January 1, 2018	<u>\$ 184,332</u>	<u>392,378</u>	<u>11,493</u>	<u>26,333</u>	<u>12,291</u>	<u>6,478</u>	<u>633,305</u>

Please refer to note 8 for the information on pledged property, plant and equipment as of June 30, 2019, December 31 and June 30, 2018.

(f) Right-of-use assets

The Group leases its assets including its factory facilities, warehouse and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

	Land-use right	Building	Transportation equipment	Other	Total
Cost:					
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	48,002	367,336	5,755	2,952	424,045
Balance at January 1, 2019	48,002	367,336	5,755	2,952	424,045
Additions	-	-	-	9,880	9,880
Effect of changes in exchange rates	450	278	4	60	792
Balance at June 30, 2019	<u>\$ 48,452</u>	<u>367,614</u>	<u>5,759</u>	<u>12,892</u>	<u>434,717</u>
Accumulated depreciation:					
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation	674	90,102	1,291	1,122	93,189
Effect of changes in exchange rates	-	(99)	-	4	(95)
Balance at June 30, 2019	<u>\$ 674</u>	<u>90,003</u>	<u>1,291</u>	<u>1,126</u>	<u>93,094</u>
Carrying value:					
June 30, 2019	<u>\$ 47,778</u>	<u>277,611</u>	<u>4,468</u>	<u>11,766</u>	<u>341,623</u>

(g) Intangible assets

	Goodwill
Balance at January 1, 2019	\$ 26,844
Effect of currency translation	6
Balance at June 30, 2019	<u>\$ 26,850</u>
Balance at January 1, 2018	\$ 26,476
Effect of currency translation	271
Balance at June 30, 2018	<u>\$ 26,747</u>

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

(h) Short-term and long-term borrowings

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

(i) Short-term borrowings

June 30, 2019			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	NTD	0.95~1.07	2019
			\$ <u>628,025</u>
December 31, 2018			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	NTD	0.95~1.07	2019
			\$ <u>640,025</u>
June 30, 2018			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	NTD	1.02~1.07	2018
			\$ <u>584,700</u>

As of June 30, 2019, December 31 and June 30, 2018, the unused credit facilities of the Group's short-term borrowings amounted to \$244,218 thousand, \$226,441 thousand and \$194,852 thousand, respectively.

Please refer to note 6(r) 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

June 30, 2018			
Currency	Interest rate (%)	Maturity year	Amount
Secured loans	NTD	1.50	2018~2024
			\$ 36,713
Unsecured loans	NTD	1.30	2019
			<u>29,250</u>
Total			\$ <u>65,963</u>
Current			\$ 5,979
Non-current			<u>59,984</u>
Total			\$ <u>65,963</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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1) Increase in, and repayment of, borrowings

For the six months ended June 30, 2019 and 2018, the Group had no increase in long term borrowings and the repayment amounted to \$0 thousand and \$62,956 thousand, respectively.

As of June 30, 2019, December 31 and June 30, 2018, the unused credit facilities of the Group's long-term borrowings amounted to \$150,000 thousand, \$210,000 thousand and \$120,750 thousand, respectively.

2) Collateral for loans

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	June 30, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 180,349	7,979	172,370
Between one and five years	126,260	4,138	122,122
More than five years	673	6	667
	<u>\$ 307,282</u>	<u>12,123</u>	<u>295,159</u>
Current	<u>\$ 180,349</u>	<u>7,979</u>	<u>172,370</u>
Non-current	<u>\$ 126,933</u>	<u>4,144</u>	<u>122,789</u>

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest on lease liabilities	<u>\$ 2,876</u>	<u>5,506</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 11,000</u>	<u>19,796</u>

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

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the three months ended June 30, 2019
Total cash outflow for leases	\$ <u>116,066</u>

(j) Operating leases – lessee

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

	December 31,	June 30, 2018
	2018	
Less than one year	\$ 154,443	156,071
Between one and five years	112,198	149,299
	\$ <u>266,641</u>	<u>305,370</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.

(k) Employee benefits

(i) Defined benefit plans

Since there were no significant market fluctuations, curtailments, liquidations, or other one off events after the prior financial year ended, the Group's pension cost for the interim periods was calculated on a year to date basis using the actuarially determined pension cost rate at December 31, 2018 and 2017.

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Selling expenses	\$ 146	137	296	279
Administrative expenses	719	682	1,445	1,372
	\$ <u>865</u>	<u>819</u>	<u>1,741</u>	<u>1,651</u>

(ii) Defined contribution plans

For the three months and six months ended June 30, 2019 and 2018, the pension costs under the defined contribution method were \$8,077 thousand, \$7,727 thousand, \$16,320 thousand and \$15,363 thousand, respectively.

(l) Income tax

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

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

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Current income tax expense (benefits)				
Current period	\$ 27,780	26,305	39,933	31,611
10% surtax on undistributed earnings	1,785	3,616	1,785	3,616
Adjustment for prior periods	191	409	1,164	409
Income tax expense from continuing operations	<u>\$ 29,756</u>	<u>30,330</u>	<u>42,882</u>	<u>35,636</u>

The tax returns of DIMTW have been examined by the tax authorities through 2017.

(m) Capital and other equity

Except for those mentioned below, there were no significant changes in capital and other equity for the six months ended June 30, 2019 and 2018. Please refer to note 6(j) to the consolidated financial statements for the year ended December 31, 2018, for related information.

(i) Additional paid-in capital

The components of additional paid-in capital as of June 30, 2019 and 2018, were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
	Additional paid in capital	\$ 15,000	15,000
Gain on sale of property, plant and equipment	28	28	28
Difference between consideration and carrying amount of subsidiaries acquired	4,334	4,334	4,334
Treasury share transactions	-	-	12,086
	<u>\$ 19,362</u>	<u>19,362</u>	<u>31,805</u>

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

(ii) Retained earnings

The appropriations of earnings for years 2018 and 2017 as dividends to stockholders that were approved by stockholders during their meetings on June 10, 2019, and June 8, 2018, respectively, were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common stockholders:				
Cash	\$ 1.50	<u>189,000</u>	1.18	<u>148,680</u>

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

(iii) Treasury stock

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

	Unit: thousand shares	
	2019	2018
Balance at January 1	-	4,755
Transferred to employees	-	(1,755)
Balance at June 30	<u>-</u>	<u>3,000</u>

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 June 30, 2018, all the share-based payment options were exercised.

As of June 30, 2019, December 31 and June 30, 2018, DIMTW held treasury shares amounting to \$0 thousand, \$0 thousand and \$52,963 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 six months ended June 30, 2018, DIMTW was in compliance with the Securities and Exchange Act.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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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.

(n) Earnings per share

The calculation of DIMTW's basic earnings per share and diluted earnings per share for the six months ended June 30, 2019 and 2018, was as follows:

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to ordinary shareholders of the Company	\$ <u>131,607</u>	<u>72,138</u>	<u>205,525</u>	<u>118,424</u>
Weighted-average number of ordinary shares	<u>126,000</u>	<u>125,137</u>	<u>126,000</u>	<u>125,137</u>
Basic earnings per share (in NT dollars)	\$ <u>1.04</u>	<u>0.58</u>	<u>1.63</u>	<u>0.95</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to ordinary shareholders of the Company	\$ <u>131,607</u>	<u>72,138</u>	<u>205,525</u>	<u>118,424</u>
Weighted-average number of ordinary shares (basic)	126,000	125,137	126,000	125,137
Impact of potential common shares				
Effect of employee stock bonus	<u>828</u>	<u>531</u>	<u>1,287</u>	<u>875</u>
Weighted-average number of ordinary shares (diluted)	<u>126,828</u>	<u>125,668</u>	<u>127,287</u>	<u>126,012</u>
Diluted earnings per share (in NT dollars)	\$ <u>1.04</u>	<u>0.57</u>	<u>1.61</u>	<u>0.94</u>

(o) Revenue from contracts with customers

	For the three months ended June 30, 2019			
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 1,830,192	322,824	55,952	2,208,968
Ocean freight forwarding	978,560	668,587	54,982	1,702,129
Others	<u>273,874</u>	<u>22,114</u>	<u>12,770</u>	<u>308,758</u>
	<u>\$ 3,082,626</u>	<u>1,013,525</u>	<u>123,704</u>	<u>4,219,855</u>

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

	For the three months ended June 30, 2018			
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 2,147,334	253,081	42,755	2,443,170
Ocean freight forwarding	901,203	611,375	96,410	1,608,988
Others	<u>95,539</u>	<u>69,371</u>	<u>6,771</u>	<u>171,681</u>
	<u>\$ 3,144,076</u>	<u>933,827</u>	<u>145,936</u>	<u>4,223,839</u>

	For the six months ended June 30, 2019			
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 3,597,941	641,628	107,032	4,346,601
Ocean freight forwarding	1,966,678	1,309,683	115,462	3,391,823
Others	<u>419,947</u>	<u>137,280</u>	<u>25,416</u>	<u>582,643</u>
	<u>\$ 5,984,566</u>	<u>2,088,591</u>	<u>247,910</u>	<u>8,321,067</u>

	For the six months ended June 30, 2018			
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 4,033,401	410,737	92,005	4,536,143
Ocean freight forwarding	1,693,382	1,094,191	176,923	2,964,496
Others	<u>353,276</u>	<u>266,714</u>	<u>23,255</u>	<u>643,245</u>
	<u>\$ 6,080,059</u>	<u>1,771,642</u>	<u>292,183</u>	<u>8,143,884</u>

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

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

The employees' compensation, and directors' and supervisors' remuneration were recognized as operating expenses on a specific percentage of the net income. These amounts are calculated by using the Company's net income before tax (without the employees' compensation, and directors' and supervisors' remuneration), multiplied by the percentage specified in the Company's article for each period. For the three months and six months ended June 30, 2019 and 2018, DIMTW recognized its employees' compensation of \$11,845 thousand, \$6,546 thousand, \$18,497 thousand and \$10,695 thousand, respectively, and directors' and supervisors' remuneration of \$3,553 thousand, \$1,963 thousand, \$5,549 thousand and \$3,208 thousand, respectively.

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

In its financial statements for the year ended December 31, 2018 and 2017, DIMTW accrued employees' compensation amounting to \$23,672 thousand and \$18,551 thousand, respectively, and directors' and supervisors' remuneration amounting to \$7,102 thousand and \$5,565 thousand, respectively, which was identical to the actual distribution. The information mentioned above can be accessed on the Market Observation Post System.

(q) Non-operating income and expenses

(i) Other income

The details of the Group's other income for the years ended June 30, 2019 and 2018, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest income	\$ 1,766	1,173	3,108	2,210
Dividend income	-	35	-	35
Other	543	567	2,786	2,082
Total other income	<u>\$ 2,309</u>	<u>1,775</u>	<u>5,894</u>	<u>4,327</u>

(ii) Other gains and losses

The details of the Group's other gain and losses for the years ended June 30, 2019 and 2018, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gain (loss) on disposal of property, plant and equipment	\$ 1,404	102	1,301	(41)
Gain (loss) on foreign exchange	3,232	12,869	(4,234)	15,808
Net losses on disposal of financial assets measured at fair value through profit	-	(3,089)	-	(2,900)
Others	(180)	11	(228)	(163)
Other gains and losses, net	<u>\$ 4,456</u>	<u>9,893</u>	<u>(3,161)</u>	<u>12,704</u>

(iii) Finance costs

The details of the Group's finance costs for the years ended June 30, 2019 and 2018, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 5,204</u>	<u>1,905</u>	<u>8,924</u>	<u>3,848</u>

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

(r) Financial instruments

Except for those mentioned below, there were no significant changes in the Group's exposure to credit risk, liquidity risk and market risk. For related information, please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2018.

(i) Credit risk

There was no customer concentration related to the Group's operating revenue at June 30, 2019, December 31 and June 30, 2018.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2019							
Non-derivative financial liabilities							
Short-term loans	\$ 628,025	634,462	3,219	631,243	-	-	-
Notes payable	30,070	30,070	30,070	-	-	-	-
Accounts payable	1,457,499	1,421,770	1,421,770	-	-	-	-
Dividend payable	189,000	189,000	189,000	-	-	-	-
	<u>\$ 2,304,594</u>	<u>2,275,302</u>	<u>1,644,059</u>	<u>631,243</u>	<u>-</u>	<u>-</u>	<u>-</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	1,580,134	1,580,134	1,580,134	-	-	-	-
	<u>\$ 2,254,191</u>	<u>2,260,655</u>	<u>1,957,625</u>	<u>303,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2018							
Non-derivative financial liabilities							
Short-term loans	\$ 584,700	590,722	3,011	587,711	-	-	-
Long-term loans	65,963	68,275	275	6,254	36,160	19,594	5,992
Notes payable	28,801	28,801	28,801	-	-	-	-
Accounts payable	1,214,744	1,214,744	1,214,744	-	-	-	-
Dividend payable	148,680	148,680	148,680	-	-	-	-
Derivative financial liabilities							
Other forward exchange	2,900	2,900	2,900	-	-	-	-
	<u>\$ 2,045,788</u>	<u>2,054,122</u>	<u>1,398,411</u>	<u>593,965</u>	<u>36,160</u>	<u>19,594</u>	<u>5,992</u>

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

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(iii) Market risk

1) Currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
June 30, 2019			
Financial assets:			
Monetary items:			
USD	\$ 9,140	30.9880	283,230
Financial liabilities:			
Monetary items:			
USD	\$ 5,392	30.9880	167,087
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
June 30, 2018			
Financial assets:			
Monetary items:			
USD	\$ 6,440	30.4750	196,267
EUR	\$ 7,677	35.6070	273,355
Financial liabilities:			
Monetary items:			
USD	\$ 10,943	30.4750	333,488

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, and trade and other receivables that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against the USD as of June 30, 2019 and 2018, would have increased or decreased the net profit by \$3,484 thousand and \$3,296 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$3,232 thousand, \$12,869 thousand, \$(4,234) thousand and \$15,808 thousand, respectively.

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

2) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by \$3,140 thousand and \$3,253 thousand for the six months ended June 30, 2019 and 2018, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(iv) Fair value

1) Categories and fair value of financial instruments

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

	June 30, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 5,535	-	-	5,535	5,535
Financial assets measured at amortized cost					
Cash and cash equivalents	1,722,577	-	-	-	-
Accounts and notes receivables	2,026,210	-	-	-	-
Refundable deposits	73,140	-	-	-	-
Subtotal	<u>3,821,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,827,462</u>	<u>-</u>	<u>-</u>	<u>5,535</u>	<u>5,535</u>

(Continued)

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

		June 30, 2019				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	628,025	-	-	-	-
Notes and accounts payable		1,487,569	-	-	-	-
Dividend payable		189,000	-	-	-	-
Total		<u>\$ 2,304,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2018				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income						
Unlisted stocks (domestic and overseas)	\$	5,446	-	-	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		<u>3,684,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 3,689,987</u>	<u>-</u>	<u>-</u>	<u>5,446</u>	<u>5,446</u>
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	640,025	-	-	-	-
Notes and accounts payable		1,614,166	-	-	-	-
Total		<u>\$ 2,254,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	June 30, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 5,477	-	-	5,477	5,477
Financial assets measured at amortized cost					
Cash and cash equivalents	1,274,826	-	-	-	-
Accounts and notes receivables	1,979,805	-	-	-	-
Refundable deposits	71,749	-	-	-	-
Subtotal	<u>3,326,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,331,857</u>	<u>-</u>	<u>-</u>	<u>5,477</u>	<u>5,477</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 2,900	-	2,900	-	2,900
Financial liabilities measured at amortized cost					
Short-term borrowings	650,663	-	-	-	-
Notes and accounts payable	1,243,545	-	-	-	-
Dividend payable	148,680	-	-	-	-
Total	<u>\$ 2,045,788</u>	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>2,900</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.

(Continued)

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

3) Fair value hierarchy

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

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

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

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2019	\$ 5,446
Effect of currency translation	<u>87</u>
Balance at June 30, 2019	<u>\$ 5,533</u>
January 1, 2018	\$ 5,406
Effect of currency translation	<u>71</u>
June 30, 2018	<u>\$ 5,477</u>

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-earnings ratio (As of June 30, 2019, December 31, 2018 and June 30, 2018 was 9.49~18.50, 9.49~18.50 and 12.50~17.00) · Market illiquidity discount rate (As of June 30, 2019, December 31, 2018 and June 30, 2018 was 30%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

- 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
June 30, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Multiplier of price-to-earnings ratio	5%	\$ 124	(124)
Equity investments without an active market	Liquidity discount	5%	541	(541)
December 31, 2018				
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)

(Continued)

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

June 30, 2018	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Multiplier of price-to-earnings ratio	5%	176	(176)
Equity investments without an active market	Liquidity discount	5%	252	(252)

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

(s) Financial risk management

The disclosures of objectives and policies of the Group's financial risk management are the same as those in the note 6(r) to the consolidated financial statements for the year ended December 31, 2018.

(t) Capital management

The disclosures of objectives, policies and procedures of the Group's capital management are the same as those of the consolidated financial statements for the year ended December 31, 2018. For related information, please refer to note 6(s) to the consolidated financial statements for the year ended December 31, 2018.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant related-party transactions: none.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 10,152	10,041	22,598	21,458
Post-employment benefits	274	278	548	525
Share-based payment	-	-	-	1,210
	\$ 10,426	10,319	23,146	23,193

(Continued)

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Restricted certificates of deposit (other current assets)	Guarantee for the Group's logistics operations	\$ 1,055	1,015	1,002
Restricted certificates of deposit (other non-current assets)	Guarantee for customs	3,000	3,000	3,000
Restricted certificates of deposit (other non-current assets)	Guarantee for the Group's logistics operations	660	660	660
Property, plant and equipment:				
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	-	156,092	156,092
Buildings	Guarantee for long-term and short-term borrowings and the Group's logistics operations	-	29,841	30,784
		<u>\$ 4,715</u>	<u>190,608</u>	<u>191,538</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 2019 and 2018. As of June 30, 2019, December 31 and June 30, 2018, the guarantees from the banks were \$148,092 thousand, \$144,400 thousand and \$147,633 thousand, respectively, and the used amounts were \$118,463 thousand, \$115,177 thousand and \$103,605 thousand, respectively.
- (b) As of June 30, 2019, December 31 and June 30, 2018, the Group had outstanding letters of credit totaling \$48,092 thousand, \$44,400 thousand and \$42,633 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the guarantees recorded for customs duty were \$12,340 thousand, \$16,631 thousand and \$10,534 thousand, respectively.

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

- (c) 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 demanded the compensation of USD1,414 thousand. Shenzhen Qianhai Cooperation Zone People's Court held the first hearing of the case in October 2016. On June 4, 2019, the Court ruled that DIMHK should compensate the customer the amount of RMB 5,600 thousand. However, DIMHK did not agree with the ruling; hence, filed an appeal on June 19, 2019. DIMHK assessed that they will win the case after the appeal.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other

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

By function By item	Three months ended June 30, 2019			Three months ended June 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	19,278	297,043	316,321	6,267	278,689	284,956
Labor and health insurance	249	40,430	40,679	127	39,436	39,563
Pension	329	8,613	8,942	71	8,475	8,546
Directors' remuneration	-	4,048	4,048	-	2,443	2,443
Others	1,339	28,924	30,263	221	26,677	26,898
Depreciation	-	57,416	57,416	-	10,479	10,479
Amortization	-	53	53	-	31	31

By function By item	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	29,380	596,626	626,006	12,575	560,325	572,900
Labor and health insurance	460	81,204	81,664	206	78,551	78,757
Pension	611	17,450	18,061	181	16,833	17,014
Directors' remuneration	-	6,284	6,284	-	4,303	4,303
Others	2,205	58,943	61,148	810	54,442	55,252
Depreciation	-	113,790	113,790	-	21,601	21,601
Amortization	-	94	94	-	44	44

- (b) Seasonality or cyclically of interim operations

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

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

(13) Other disclosures

(a) Information on significant transactions

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

(i) Loans extended to other parties

Unit: thousand dollars

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period		Actual usage amount during the period (Note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Limitation on fund financing (Note 2)
						Ending balance							Name	Value		
1	HOLDING	DIMTW	Accounts receivable from related parties	Yes	29,769	29,188	29,188	-	(2)	-	Operating capital	-	-	-	205,755	823,019
2	FSC	DIMTW	Accounts receivable from related parties	Yes	119,551	119,551	119,551	-	(2)	-	Operating capital	-	-	-	205,755	823,019
3	DFSTW	DIMTW	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-	-	-	205,755	823,019

Note 1: Purpose of fund financing for the borrower:

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

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

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

(ii) Guarantees and endorsements for other parties

No.	Name of company	Counter-party of guarantee or endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	DIMTW	DIMMY	3	252,000	3,783	3,744	3,744	3,744	0.18 %	504,000	Y	N	N
0	DIMTW	DIMSG	3	252,000	33,000	20,299	20,299	20,299	0.99 %	504,000	Y	N	N
0	DIMTW	DIMVN	3	252,000	6,163	6,043	6,043	6,043	0.29 %	504,000	Y	N	N
0	DIMTW	DIMIN & DIMVN & DIMTH	3	252,000	1,067	1,051	1,051	1,051	0.05 %	504,000	Y	N	N
0	DIMTW	DIMKR	3	252,000	15,486	15,184	15,184	15,184	0.74 %	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 June 30, 2019 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with the security issuer	Recorded account	Ending balance			Remarks
				Number of shares	Book value	Holding percentage	
DIMTW	Global Sky Express Taiwan Ltd.		Financial assets at fair value through other comprehensive income non-current	10,000	100	1.00 %	100
DIMTW	Evergreen Air Cargo Service Corporation		Financial assets at fair value through other comprehensive income non-current	29,000	290	0.02 %	290
DIMSG	Burwill Holdings Ltd.		Financial assets at fair value through other comprehensive income non-current	22,000	19	-	19
DIMSG	Stamford Land		Financial assets at fair value through other comprehensive income non-current	5,000	40	-	40
DIMSG	Straits Continental Logistics Co. Ltd.		Financial assets at fair value through other comprehensive income non-current	39,800	2,986	19.90 %	2,986
DIMMY	FL Network		Financial assets at fair value through other comprehensive income non-current	-	2,100	-	2,100

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

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

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

Name of related party	Counter-party	Relationship	Balance of receivables from related party (note 3)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
FSC	DIMTW	Subsidiary	169,132 (Note 1)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	- %	-		-	-

Note 1: Loan from the subsidiary of \$119,551 and other receivable of \$49,581.

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	17,349	Negotiated	0.34 %
0	DIMTW	DIMCN	1	Accounts payable—related parties	8,504	Negotiated	0.17 %
0	DIMTW	DIMCN	1	Freight revenue—received on behalf	18,518	Negotiated	0.22 %
0	DIMTW	DIMUS	1	Freight revenue—received on behalf	54,456	Negotiated	0.65 %
0	DIMTW	DIMHK	1	Freight revenue—received on behalf	10,773	Negotiated	0.13 %
0	DIMTW	ZJDCN	1	Freight revenue—received on behalf	10,515	Negotiated	0.13 %
0	DIMTW	DIMMY	1	Freight revenue—received on behalf	7,024	Negotiated	0.08 %
0	DIMTW	DIMCN	1	Freight expense—deduction of freight revenue	(37,068)	Negotiated	0.45 %
0	DIMTW	ZJDCN	1	Freight expense—deduction of freight revenue	(19,135)	Negotiated	0.23 %
0	DIMTW	DIMHK	1	Freight expense—deduction of freight revenue	(25,236)	Negotiated	0.30 %
0	DIMTW	DIMSG	1	Freight expense—deduction of freight revenue	(15,336)	Negotiated	0.18 %
0	DIMTW	DIMUS	1	Freight expense—deduction of freight revenue	(49,408)	Negotiated	0.59 %
1	FSC	DIMTW	2	Accounts receivable—related parties	169,132	Negotiated	3.36 %
1	FSC	DIL	3	Accounts receivable—related parties	216,717	Negotiated	4.31 %
2	HOLDING	DIMTW	2	Accounts receivable—related parties	29,188	Negotiated	0.58 %
3	FSCHK	ZJDCN	3	Sales revenue	16,615	Negotiated	0.20 %
3	FSCHK	DIMTW	2	Sales revenue	8,558	Negotiated	0.10 %
3	FSCHK	DIMUS	3	Sales revenue	18,166	Negotiated	0.22 %
3	FSCHK	DFSCN	3	Sales revenue	16,645	Negotiated	0.20 %
3	FSCHK	DIMCN	3	Sales revenue	12,041	Negotiated	0.14 %
3	FSCHK	DIMHK	3	Sales revenue	14,323	Negotiated	0.17 %
3	FSCHK	DIMIN	3	Sales revenue	7,978	Negotiated	0.10 %

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.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

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

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

(b) Information on investees

The following is the information on investees for the six months ended June 30, 2019 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Net income (losses) of investee	Investment income (losses) (note 2)	Notes
				June 30, 2019	December 31, 2018	Shares	Ratio of shares	Book value (note 2)			
DIMTW	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	165,596	19,461	19,461	
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	833,916	58,021	58,021	
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	386,594	3,656	3,148	
DIMTW	DIL	British Virgin Is	Holding company	472,313	472,313	(Note 1)	100 %	2,198,099	114,878	114,878	
DIMTW	FSC	British Virgin Is	Settlement center	315	315	10,000	20 %	276,283	1,120	224	
DIMTW	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	100,850	88,958	13,441	
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	100,850	88,958	13,441	
DIL	DIMUS	U.S.A.	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	433,262	69,099	69,099	
DIL	DIMGB	U.K.	Global air and ocean freight forwarder	(5,624)	(5,624)	300,000	37 %	(10,306)	1,487	558	
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	44,880	3,656	508	
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	427,348	300,000	99 %	1,746,451	56,697	56,697	
DIL	GMS	Hong Kong	Settlement center	-	-	(Note 1)	100 %	(16,187)	(11,983)	(11,983)	
GMS	DFSSG	Singapore	Settlement center	13,482	13,482	600,000	100 %	8,979	(4,739)	(4,739)	
GMS	DIMPH	Philippines	Global air and ocean freight forwarder	38,399	38,399	180,000	60 %	39,364	2,703	1,622	
GMS	DILHK	Hong Kong	Settlement center	-	-	-	100 %	(5,284)	(5,261)	(5,261)	
FSCHK	DIMGB	U.K.	Global air and ocean freight forwarder	20,126	20,126	500,000	63 %	(1,318)	1,487	929	
DIMUS	DCBUS	U.S.A.	Brokerage service	13,532	13,532	1,000	100 %	29,763	1,350	1,350	
DIMHK	FSC	British Virgin Is	Settlement center	954	617	30,000	60 %	897	1,120	672	
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	2,090	2,090	(Note 1)	75 %	8,165	2,133	1,600	
DIMHK	FSCHK	Hong Kong	Settlement center	550	550	17,500	35 %	241,732	88,958	31,038	
DIMSG	FSC	British Virgin Is	Settlement center	318	318	10,000	20 %	299	1,120	224	
DIMSG	DIMIN	India	Global air and ocean freight forwarder	5,303	5,303	960,000	60 %	9,601	632	379	
HOLDING	DILMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	104,605	(7,691)	(7,691)	
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	3,051	(104)	(104)	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	37,702	224	110	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	27,151	2,704	1,081	
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(28,878)	(6,699)	(6,699)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	46,906	14,784	14,784	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	67,527	3,274	3,274	
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	(7,273)	(3,084)	(3,084)	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	474,964	53,404	53,399	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	39,482	605	605	
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	27,215	2,025	2,025	
DFSHK	FSCHK	Hong Kong	Settlement center	566	566	17,500	35 %	241,732	88,958	31,038	
DIMMY	Danu Mubibbah Sdn. Bhd.	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	-	-	
DIMPH	Peerless Express Forwarders Corp.	Philippines	Trucking service	954	954	4,000,000	40 %	1,828	-	-	
DIMSG	Logicentrix India Pvt Ltd	India	Brokerage service	1,830	1,830	4,000,000	40 %	1,874	-	-	

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

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

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

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

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

(Continued)

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

(c) Information on investment in mainland China

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

Unit: thousand dollars

Name of investee in Mainland China	Main businesses	Issued capital	Method of investment (Note 1)	Beginning remittance balance-accumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance-accumulative investment (amount) from Taiwan	Net income (losses) of investee	Direct / indirect shareholdings or investments (%) in the Company	Current investment income and losses (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Invested amount	Returned amount						
ZJD	Global air and ocean freight forwarder	54,928	(2)	27,951 (USD902)	-	-	27,951 (USD902)	23,609	75 %	17,707	158,561	-
DILSHA	Logistics & warehousing	5,970	(2)	6,198 (USD200)	-	-	6,198 (USD200)	2,121	99 %	2,121	(16,706)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	4,752	100 %	4,752	232,949	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	1,964	100 %	1,964	7,060	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	19,863	100 %	19,863	158,537	-
Diversified Transportation (China) Co., Ltd	Trucking service	29,802	(2)	-	-	-	-	(264)	100 %	(264)	17,504	-
Yuhang Int'l Logistics (Dalian) Co. Ltd	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	1,352	25 %	338	22,023	-
Diversified International Logistics Service Company Ltd	Global air and ocean freight forwarder	13,684	(2)	-	-	-	-	(3,494)	100 %	(3,494)	4,591	-

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

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

(ii) Limitation on investment in Mainland China

Unit: thousand dollars

Company name	Aggregate investment amount remitted from Taiwan to Mainland China at end of period (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	34,149 (USD1,102)	74,371 (USD2,400)	1,234,528

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

Note 2: USD:NT\$=1:30.988.

(iii) Significant transactions

Please refer to note 13(a) for transactions with investees in Mainland China for the six months ended June 30, 2019. All transactions were eliminated upon consolidation.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(14) Segment information

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

	Asia	American	Europe	Adjustments and eliminations	Total
Three months ended June 30, 2019					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 3,082,626	1,013,525	123,704	-	4,219,855
From the parent company and subsidiaries	74,731	-	-	(74,731)	-
Total revenue	\$ 3,157,357	1,013,525	123,704	(74,731)	4,219,855
Segment income	\$ 91,717	70,741	819	-	163,277
Three months ended June 30, 2018					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 3,144,076	933,827	145,936	-	4,223,839
From the parent company and subsidiaries	58,407	-	-	(58,407)	-
Total revenue	\$ 3,202,483	933,827	145,936	(58,407)	4,223,839
Segment income	\$ 82,102	29,591	(6,814)	-	104,879
Six months ended June 30, 2019					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 5,984,566	2,088,591	247,910	-	8,321,067
From the parent company and subsidiaries	136,837	-	-	(136,837)	-
Total revenue	\$ 6,121,403	2,088,591	247,910	(136,837)	8,321,067
Segment income	\$ 148,913	106,489	(51)	-	255,351
Six months ended June 30, 2018					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 6,080,059	1,771,642	292,183	-	8,143,884
From the parent company and subsidiaries	138,319	-	-	(138,319)	-
Total revenue	\$ 6,218,378	1,771,642	292,183	(138,319)	8,143,884
Segment income	\$ 134,766	34,890	(9,403)	-	160,253

The inter-company revenue of \$74,731 thousand, \$58,407 thousand, \$136,837 thousand and \$138,319 thousand for the three months and six months ended June 30, 2019 and 2018, respectively, was eliminated.