Stock Code:5609

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Representation Letter

The entities that are required to be included in the combined financial statements of Dimerco Express Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dimerco Express Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Dimerco Express Corporation

Chairman: Chien Yao-Huai

Date: March 20, 2020

Independent Auditor’s Report

To the Board of Directors of Dimerco Express Corporation:

Opinion

We have audited the consolidated financial statements of Dimerco Express Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to other matters paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“ the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain subsidiaries. The financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors. The consolidated total assets for these subsidiaries amounted to $1,235,541 and $1,302,202 thousand as of December 31, 2019 and 2018, respectively, constituted 24% and 28% of consolidated total assets, of each financial reporting date. Their net revenues for the years ended December 31, 2019 and 2018, amounted to $4,556,171 and $5,059,344 thousand, respectively, constituted 26% and 27% of consolidated net revenues for the years then ended.

Dimerco Express Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion with other matter section.

Key Audit Matters

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

1. Revenue recognition

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

   · Testing the effectiveness of the internal control over sales.

   · Selecting a period of sales data from the system, and determining the completeness of the revenue recognition.

   · Obtaining the list of top ten sales customers and sales data of the year, then performing test-of-detail by selecting samples from each month to evaluate the existence of the sales and the accuracy of the amount recognized, as well as the appropriateness of sales recognition.

   · Obtaining the master airway bill provided by the airline and the summarize documents prepared by the Group, as well as selecting sample from the summarized documents to determine whether the related house airway bill have been recognized appropriately.

   · Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the timing of revenue recognition is appropriate.

2. Cost accrual

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

· Testing the effectiveness of the internal control over purchase.

· Performing test-of-detail by selecting the same samples in connection with the audit of top ten sales customers and the sales data of year from each month, and evaluate whether the related cost have been matched with the recognition of revenue and accrued appropriately.

· Sending confirmation letter for the ending balance of accounts payable. Selecting samples with significant amount from the reconciled documents between the Group and the airlines and vouching the subsequent payment to determine whether the costs accrued at the financial position date were reasonable.

· Performing purchase cut-off test of a period before and after the financial position date by vouching relevant documents of cost transactions to determine whether the timing of cost accrual is appropriate.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2020

Notes to Readers

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

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

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,714,775	33	1,214,897	27
1150	Notes receivable, net (note 6(b))	5,226	-	12,549	-
1170	Accounts receivable, net (note 6(b))	2,257,507	43	2,384,794	52
1412	Prepaid lease	-	-	1,335	-
1470	Other current assets (note 8)	97,979	2	117,404	2
	Total current assets	4,075,487	78	3,730,979	81
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income－non-current	447	-	5,446	-
1551	Investments accounted for using equity method (note 6(c))	20,092	-	23,288	-
1600	Property, plant and equipment (notes 6(d), 8 and 9)	608,305	11	629,148	14
1755	Right-of-use assets (note 6(e))	344,911	7	-	-
1805	Goodwill (note 6(f))	34,179	1	26,844	1
1840	Deferred income tax assets (note 6(k))	32,957	1	39,217	1
1920	Refundable deposits	84,205	2	72,301	2
1985	Long-term prepaid lease	-	-	46,667	1
1990	Other non-current assets (notes 6(b), (j), 8 and 9)	7,936	-	7,645	-
	Total non-current assets	1,133,032	22	850,556	19
1xxx	**Total assets**	**$ 5,208,519**	**100**	**4,581,535**	**100**

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(d), (g) and 8)	$ 709,592	14	640,025	14
2150	Notes payable	27,137	-	34,032	1
2170	Accounts payable	1,631,085	31	1,580,134	34
2230	Income tax payable	28,913	1	27,282	1
2280	Current lease liabilities (note 6(h))	160,677	3	-	-
2399	Other current liabilities (note 6(p))	239,769	5	156,731	3
	Total current liabilities	2,797,173	54	2,438,204	53
	Non-Current liabilities:				
2570	Deferred income tax liabilities (note 6(k))	439	-	341	-
2580	Non-current lease liabilities (note 6(h))	145,918	3	-	-
2640	Net defined benefit liabilities (note 6(j))	24,016	-	47,445	1
2670	Other non-current liabilities	14,497	-	5,945	-
	Total non-current liabilities	184,870	3	53,731	1
	Total liabilities	2,982,043	57	2,491,935	54
	Equity attributable to owners of parent (notes 6(j) and (l)):				
3100	Common stock	1,260,000	24	1,260,000	29
3200	Capital surplus	19,362	-	19,362	-
33xx	Retained earnings:				
3310	Legal reserve	353,700	7	327,398	7
3320	Special reserve	182,174	4	182,174	4
3350	Unappropriated retained earnings	484,841	9	295,695	6
		1,020,715	20	805,267	17
34xx	Other equity:				
3410	Foreign currency translation differences for foreign operations	(167,315)	(3)	(87,440)	(2)
	Total equity attributable to owners of parent	2,132,762	41	1,997,189	44
36xx	**Non-controlling interests**	93,714	2	92,411	2
	Total equity	2,226,476	43	2,089,600	46
2-3xxx	**Total liabilities and equity**	**$ 5,208,519**	**100**	**4,581,535**	**100**

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(n))**	$ 17,803,331	100	18,444,415	100
5000	**Operating costs**	14,844,127	83	15,930,889	86
5900	**Gross profit from operations**	2,959,204	17	2,513,526	14
6000	**Operating expenses (notes 6(b), (d), (e), (h), (i), (j), (l), (p) and 7):**				
6100	Selling expenses	745,808	4	670,572	5
6200	Administrative expenses	1,713,223	11	1,559,989	8
6450	Expected credit gain for bad debt expense	(3,533)	-	(2,005)	-
	Total operating expenses	2,455,498	15	2,228,556	13
6900	**Net operating income**	503,706	2	284,970	1
7000	**Non-operating income and expenses (notes 6(c), (h) and (q)):**				
7010	Other income	13,116	-	14,739	-
7020	Other gains and losses	(2,616)	-	17,149	-
7050	Finance costs	(21,214)	-	(7,511)	-
7060	Share of profit of associates accounted for using equity method	331	-	5,120	-
	Total non-operating income and expenses	(10,383)	-	29,497	-
7900	**Profit from continuing operations before tax**	493,323	2	314,467	1
7950	**Less: Income tax expenses (note 6(k))**	88,202	-	45,443	-
	Net income	405,121	2	269,024	1
8300	**Other comprehensive income (note 6(j)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	813	-	(1,496)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	813	-	(1,496)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(75,615)	-	74,961	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(75,615)	-	74,961	-
8300	**Other comprehensive income**	(74,802)	-	73,465	-
8500	**Total comprehensive income (loss)**	**$ 330,319**	**2**	**342,489**	**1**
	Profit attributable to:				
8610	Owners of parent	$ 403,635	2	263,022	1
8620	Non-controlling interests	1,486	-	6,002	-
		$ 405,121	**2**	**269,024**	**1**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 324,573	2	338,669	1
8720	Non-controlling interests	5,746	-	3,820	-
		$ 330,319	**2**	**342,489**	**1**
	Earnings per share (NT dollars) (note 6(m))				
9750	Basic earnings per share	**$**	**3.20**		**2.09**
9850	Diluted earnings per share	**$**	**3.16**		**2.07**

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital		Retained earnings				Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 1,290,000	26,118	306,716	182,174	214,051	702,941	(164,583)	(164,583)	(83,956)	1,770,520	131,413	1,901,933
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	20,682	-	(20,682)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(148,680)	(148,680)	-	-	-	(148,680)	(4,423)	(153,103)
Net income	-	-	-	-	263,022	263,022	-	-	-	263,022	6,002	269,024
Other comprehensive income	-	-	-	-	(1,496)	(1,496)	77,143	77,143	-	75,647	(2,182)	73,465
Total comprehensive income	-	-	-	-	261,526	261,526	77,143	77,143	-	338,669	3,820	342,489
Retirement of treasury share	(30,000)	(12,443)	-	-	(10,520)	(10,520)	-	-	52,963	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(38,399)	(38,399)
Transferred treasury shares to employees	-	5,687	-	-	-	-	-	-	30,993	36,680	-	36,680
Balance at December 31, 2018	1,260,000	19,362	327,398	182,174	295,695	805,267	(87,440)	(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)	(4,443)	(193,443)
Net income	-	-	-	-	403,635	403,635	-	-	-	403,635	1,486	405,121
Other comprehensive income	-	-	-	-	813	813	(79,875)	(79,875)	-	(79,062)	4,260	(74,802)
Total comprehensive income	-	-	-	-	404,448	404,448	(79,875)	(79,875)	-	324,573	5,746	330,319
Balance at December 31, 2019	**$ 1,260,000**	**19,362**	**353,700**	**182,174**	**484,841**	**1,020,715**	**(167,315)**	**(167,315)**	**-**	**2,132,762**	**93,714**	**2,226,476**

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from operating activities:			
Net income before tax	$	493,323	314,467
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		240,359	42,060
Amortization expense		224	112
Impairment losses reversed		(3,533)	(2,005)
Interest expense		21,214	7,511
Interest income		(7,880)	(4,985)
Dividend income		(52)	(104)
Cost of transferring treasury shares to employees		-	5,967
Share of profit of associates accounted for using equity method		(331)	(5,120)
Gain on disposal of property, plant and equipment		(1,099)	(581)
Unrealized foreign exchange loss (gain)		11,408	(7,231)
Amortization of long-term prepaid lease		-	1,311
Total adjustments to reconcile profit		260,310	36,935
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		7,323	(2,183)
Accounts receivable		130,820	(250,117)
Other current assets		19,425	(14,359)
Total changes in operating assets		157,568	(266,659)
Changes in operating liabilities:			
Notes payable		(6,895)	1,608
Accounts payable		50,951	208,168
Other current liabilities		82,879	(816)
Net defined benefit liabilities		(22,616)	(1,367)
Total changes in operating liabilities		104,319	207,593
Total changes in operating assets and liabilities		261,887	(59,066)
Total adjustments		522,197	(22,131)
Cash inflow generated from operations		1,015,520	292,336
Interest received		7,880	4,985
Dividends received		52	104
Interest paid		(21,214)	(7,511)
Income taxes paid		(80,213)	(39,461)
Net cash provided by operating activities		922,025	250,453
Cash flows from investing activities:			
Proceeds from disposal of financial assets at fair value through other comprehensive income		5,063	-
Acquisition of investments accounted for using equity method		-	(1,828)
Acquisition of property, plant and equipment		(55,473)	(33,256)
Proceeds from disposal of property, plant and equipment		16,099	1,682
Increase in refundable deposits		(11,904)	(4,689)
Increase in other non-current assets		(515)	(615)
Dividends received from associates accounted for using equity method		2,723	2,346
Net cash used in investing activities		(44,007)	(36,360)
Cash flows from financing activities:			
Increase in short-term borrowings		644,617	964,675
Decrease in short-term borrowings		(575,050)	(870,050)
Repayments of long-term debt		-	(128,919)
Payment of lease liabilities		(187,360)	-
Increase in other non-current liabilities		8,552	2,486
Cash dividends paid		(193,284)	(153,103)
Transferred treasury shares to employees		-	30,713
Change in non-controlling interests		-	(38,399)
Net cash used in financing activities		(302,525)	(192,597)
Effect of exchange rate changes on cash and cash equivalents		(75,615)	74,961
Net increase in cash and cash equivalents		499,878	96,457
Cash and cash equivalents at beginning of period		1,214,897	1,118,440
Cash and cash equivalents at end of period	$	**1,714,775**	**1,214,897**

See accompanying notes to consolidated financial statements.

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

(1) Company history

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

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

The consolidated financial statements were approved by the Board of Directors and issued on March 20, 2020.

(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:

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

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

(i) IFRS 16 “Leases”

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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(j).

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, transportation equipment and other equipment.

At transition, lease liabilities recognized for leases previously classified as an operating leases under IAS 17, were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at the date of initial application. Right-of-use assets are measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

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

a) Applied a single discount rate to a portfolio of leases with similar characteristics.

b) 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.

c) Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.

d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

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e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amounts of $424,045 thousand of right-of-use assets and $376,043 thousand of lease liabilities, and of the amount of the difference is the reclassification of the prepaid rent and the long-term prepaid rent which is $48,002 thousand. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate initial application date. The weighted-average rate applied is 2.80%.

The reconciliation of the operating lease commitments disclosed in the year prior to the initial application date and the lease liability amounts recognized on the initial application date 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**

(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 December 31, 2019.

(Continued)

(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 Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for notes 3 and 4(j), the accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the net defined benefit liabilities, which are measured at fair value of pension funds less the present value of the defined benefit obligation, limited as explained in note 4(o), the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interests in subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity and attributed to the shareholders of the parent.

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

Subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Primary business	Shareholding December 31, 2019	Shareholding December 31, 2018	Remarks
The Company	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	
The Company	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	
The Company	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	
The Company	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	
The Company	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
The Company	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	60.00 %	60.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	37.50 %	37.50 %	
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	
FSCHK	Dimerco Express (U.K.) Ltd (DIMGB)	Global logistics services	62.50 %	62.50 %	
GMS	Dimerco Express Phil. Inc (DIMPH)	Global logistics services	60.01 %	60.01 %	

(Continued)

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Name of investor	Name of subsidiary	Primary business	Shareholding December 31, 2019	Shareholding December 31, 2018	Remarks
GMS	Diversified International Logistics Service Company Ltd.	Global logistics services	100.00 %	100.00 %	
GMS	Diversified Freight System (Singapore) Pte. Ltd. (DFSSG)	Global logistics services	100.00 %	100.00 %	
GMS	Dimerco International Logistics Company (DILHK)	Global logistics services	100.00 %	- %	
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	Note 1
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	Note 1
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	
Holding	Dimerco Express (Australia) Pty Ltd. (DIMAU)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	100.00 %	100.00 %	
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	100.00 %	100.00 %	
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	
DIMUS	Dimerco Customs Brokerage Co. Ltd. (DCBUS)	Brokerage service	100.00 %	100.00 %	
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	60.00 %	60.00 %	
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	
DIMPH	Peerless Express Forwarders Corp.	Global logistics service	39.99 %	39.99 %	Note 1

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.

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.

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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.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

● an investment in equity securities designated as at fair value through other comprehensive income;

● a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

● qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

(Continued)

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

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

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

Dividend income derived from equity investments is recognized on the date on which the Group's right to receive payment is established, which in the case in profit or loss of quoted securities is normally the ex-dividend date.

3) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Investment in associates

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

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

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

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

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(j) 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; 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.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance 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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase, extension or the underlying asset, or

— there is a change of its assessment on whether it will exercise a 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.

(Continued)

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.

Applicable before January 1, 2019

The leases of the Group are operating leases and are not recognized in the the Group's balance sheet.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(k) Intangible assets－goodwill

(i) Recognition

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

(ii) Measurement

Goodwill is measured at cost, less accumulated impairment losses.

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

(l) Impairment－non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

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Non-financial assets an impairment loss is reversed only to the extent that the asset' s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

i) Freight Forwarding

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

(ii) Contract Cost

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

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

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

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

(p) Income tax

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred income tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

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

Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segment information

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

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

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

(Continued)

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	4,406	4,772
Checking accounts and savings accounts		1,595,240	1,147,583
Time deposits		115,129	62,542
Cash and cash equivalents in consolidated statement of cash flows	**$**	**1,714,775**	**1,214,897**

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

(b) Notes and accounts receivable

		December 31, 2019	December 31, 2018
Notes receivable	$	5,226	12,549
Accounts receivable		2,315,563	2,445,897
Overdue receivable		2,835	3,321
Less: allowance for doubtful accounts－accounts receivable		58,056	61,103
allowance for doubtful accounts－overdue receivable		2,835	3,321
	$	**2,262,733**	**2,397,343**

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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 was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	$ 2,198,919	0%	-
1 to 30 days past due	74,099	35%	25,794
31 to 60 days past due	28,889	50%	14,445
61 to 90 days past due	5,327	80%	4,262
91 to 365 days past due	2,505	100%	2,505
More than 366 days	13,885	100%	13,885
	$ 2,323,624		**60,891**

	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
91 to 365 days past due	22,364	100%	22,364
	$ 2,461,767		**64,424**

The movement in the allowance for accounts receivable and notes receivables were follows:

	2019	2018
Balance on January 1	$ 64,424	66,429
Impairment losses reversed	(3,533)	(2,005)
Balance on December 31	**$ 60,891**	**64,424**

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(c) Investments accounted for using equity method

(i) Associates

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

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associate's equity	$ **20,092**	**23,288**

	2019	2018
Attributable to the Group:		
Profit from continuing operations	$ 331	5,120
Other comprehensive income	-	-
Total comprehensive income	$ **331**	**5,120**

(ii) Collateral

As of December 31, 2019 and 2018, the Group did not provide any investment accounted for using equity method as collaterals for its loans

(d) Property, plant and equipment

The cost and depreciation 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	-	-	7,348	19,754	22,443	5,928	55,473
Disposals	-	-	(6,703)	(21,865)	(23,542)	(8,964)	(61,074)
Effect of movements in exchange rates	(606)	(9,847)	(492)	(2,246)	(739)	(206)	(14,136)
Balance at December 31, 2019	$ **184,645**	**542,760**	**36,978**	**154,022**	**60,618**	**59,108**	**1,038,131**
Balance at January 1, 2018	$ 184,332	545,852	38,818	150,961	65,650	57,704	1,043,317
Additions	-	-	2,802	10,385	15,212	4,857	33,256
Disposals	-	-	(5,083)	(2,029)	(18,664)	(734)	(26,510)
Effect of movements in exchange rates	919	6,755	288	(938)	258	523	7,805
Balance at December 31, 2018	$ **185,251**	**552,607**	**36,825**	**158,379**	**62,456**	**62,350**	**1,057,868**
Depreciation and impairment loss:							
Balance at January 1, 2019	$ -	170,818	27,721	133,854	42,920	53,407	428,720
Depreciation	-	15,139	3,391	19,616	10,965	4,223	53,334
Disposal	-	-	(6,499)	(21,804)	(10,264)	(7,507)	(46,074)
Effect of movements in exchange rates	-	(3,760)	(244)	(1,739)	(474)	63	(6,154)
Balance at December 31, 2019	$ **-**	**182,197**	**24,369**	**129,927**	**43,147**	**50,186**	**429,826**
Balance at January 1, 2018	$ -	153,474	27,325	124,628	53,359	51,226	410,012
Depreciation	-	15,417	4,955	12,476	6,314	2,898	42,060
Disposal	-	-	(4,737)	(1,815)	(17,424)	(1,433)	(25,409)
Effect of movements in exchange rates	-	1,927	178	(1,435)	671	716	2,057
Balance at December 31, 2018	$ **-**	**170,818**	**27,721**	**133,854**	**42,920**	**53,407**	**428,720**
Carrying value:							
December 31, 2019	$ **184,645**	**360,563**	**12,609**	**24,095**	**17,471**	**8,922**	**608,305**
December 31, 2018	$ **185,251**	**381,789**	**9,104**	**24,525**	**19,536**	**8,943**	**629,148**
January 1, 2018	$ **184,332**	**392,378**	**11,493**	**26,333**	**12,291**	**6,478**	**633,305**

(Continued)

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(e) Right-of-use assets

The Group leases its assets including land-use right, buildings, Transportation equipment and other equipment. Information about leases for which the Group as a lessee was presented below:

	Land-use right	Building	Transportation equipment	Other equipment	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	-	15,671	33,308	68,933	117,912
Effect of changes in exchange rates	(997)	(10,390)	(1,057)	(1,761)	(14,205)
Balance at December 31, 2019	**$ 47,005**	**372,617**	**38,006**	**70,124**	**527,752**
Accumulated depreciation and impairment losses::					
Balance at January 1, 2019	$ -	-	-	-	-
Depreciation	1,344	139,035	15,551	31,095	187,025
Effect of changes in exchange rates	(37)	(3,128)	(448)	(571)	(4,184)
Balance at December 31, 2019	**$ 1,307**	**135,907**	**15,103**	**30,524**	**182,841**
Carrying amount:					
December 31, 2019	**$ 45,698**	**236,710**	**22,903**	**39,600**	**344,911**

(f) Goodwill

	Goodwill
Balance at January 1, 2019	$ 26,844
Additions	7,516
Effect of changes in exchange rates	(181)
Balance at December 31, 2019	**$ 34,179**
Balance at January 1, 2018	$ 26,476
Effect of changes in exchange rates	368
Balance at December 31, 2018	**$ 26,844**

(g) Short-term borrowings

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

(i) Short-term borrowings

	December 31, 2019		
	Interest rate (%)	Maturity year	Amount
Unsecured bank loans	0.65~1.05	2020	**$ 709,592**

	December 31, 2018		
	Interest rate (%)	Maturity year	Amount
Unsecured bank loans	0.95~1.07	2019	**$ 640,025**

(Continued)

As of December 31, 2019 and 2018, the unused credit facilities of the Group's short-term borrowings amounted to $341,668 thousand and $226,441 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

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

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.

(h) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2019
Current	$ 160,677
Non-current	$ 145,918

For the maturity analysis, please refer to note 6(r).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 13,546
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 27,214

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

	2019
Total cash outflow for leases	$ 228,120

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(i) Operating leases－lessee

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

	December 31, 2018
Less than one year	$ 154,443
Between one and five years	112,198
	$ 266,641

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.

(j) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	$ 63,063	77,882
Fair value of plan assets	(40,132)	(31,314)
Net accrued pension liabilities	**$ 22,931**	**46,568**
Recorded under:		
Accrued pension liabilities	**$ 24,016**	**47,445**
Net defined benefit assets (recorded under other non-current assets)	**$ 1,085**	**877**

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $40,132 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligations for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Defined benefit obligation at January 1	$	77,882	70,724
Current service costs and interest		(1,790)	5,249
Remeasurements of net defined benefit liability (asset)			
—Actuarial gains and losses arising from changes in financial assumptions		(135)	2,167
Post service cost and profit and loss liquidation		(10,607)	-
Benefits paid by the plan		(2,516)	-
Effect of movements in exchange rates		229	(258)
Defined benefit obligation at December 31	**$**	**63,063**	**77,882**

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group of years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Fair value of plan assets at January 1	$	(31,314)	(23,914)
Remeasurements of net defined benefit liability			
—Return on plan assets (excluding amounts included in net interest expense)		(1,651)	(1,369)
—Actuarial gains and losses arising from changes in financial assumptions		(678)	(671)
Contributions paid by the employer		(8,864)	(5,556)
Benefits paid by the plan		2,516	-
Effect of movements in exchange rates		(141)	196
Fair value of plan assets at December 31	**$**	**(40,132)**	**(31,314)**

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the Group for years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Net interest on defined benefit liability (asset)	**$**	**(14,048)**	**3,880**

		2019	2018
Operating expenses	**$**	**(14,048)**	**3,880**

(Continued)

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

The Group's remeasurements of the net defined benefit liability recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Accumulated amount at January 1	$	(18,257)	(16,761)
Recognized loss during the period		813	(1,496)
Accumulated amount at December 31	**$**	**(17,444)**	**(18,257)**

6) Actuarial assumptions

The principal actuarial assumptions used to determine the present value of the defined benefit obligation on December 31, 2019 and 2018, were as follows:

	2019.12.31	2018.12.31
Discount rate	1.110~7.600%	1.125~7.600%
Future salary increase rate	1.000~3.000%	1.000~3.000%

The Group expects to make contributions of $3,342 thousand to the defined benefit plans in the year following the reporting date of 2019.

The weighted average duration of the defined benefit obligation is 13.16 to 19.82 years.

7) Sensitivity analysis

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

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Impact on defined benefit obligation	
		Increase 0.25%	Decrease 0.25%
December 31, 2019			
Discount rate	$	(1,339)	1,395
Future salary increase rate		1,346	(1,306)
December 31, 2018			
Discount rate		(1,433)	1,472
Future salary increase rate		1,441	(1,414)

(Continued)

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

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

(ii) Defined contribution plans

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

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

The Group's pension costs under the defined contribution method were $39,241 thousand and $25,625 thousand for 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(k) Income tax

(i) Income tax expenses

The components of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current income tax expense			
Current period	$	75,470	40,172
Undistributed earnings additional tax		5,820	3,616
Adjustment for prior periods		554	863
		81,844	44,651
Deferred tax expense			
Origination and reversal of temporary differences		6,358	792
Income tax expense from continuing operations	**$**	**88,202**	**45,443**

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Reconciliation of income tax expense (benefit) and profit before tax for 2019 and 2018 is as follows:

	2019	2018
Profit excluding income tax	$ 493,323	314,467
Income tax using the Company's domestic tax rate	$ 98,665	62,894
Effect of tax rates in foreign jurisdiction	(22,180)	(26,037)
Dividend income	(10)	(20)
Non-deductible expenses	(7,156)	5,781
Adjustment in tax rate	-	(1,524)
Undistributed earnings additional tax	5,820	3,616
Tax-exempt income	(2,324)	(3,344)
Underestimate of prior year's income	554	863
Others	14,833	3,214
Total	$ 88,202	45,443

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2019	December 31, 2018
Unrecognized deferred tax liabilities	$ 753,361	678,181

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred income tax assets:

	Defined benefit plans	Tax losses	Unrealized foreign exchange	Allowance for doubtful accounts	Others	Total
Balance at January 1, 2019	$ 11,801	7,300	4,083	11,470	4,563	39,217
Recognized in profit or loss	(4,361)	674	(2,853)	1,294	(1,014)	(6,260)
Balance at December 31, 2019	**$ 7,440**	**7,974**	**1,230**	**12,764**	**3,549**	**32,957**
Balance at January 1, 2018	$ 10,663	7,512	2,949	14,609	4,691	40,424
Recognized in profit or loss	1,138	(212)	1,134	(3,139)	(128)	(1,207)
Balance at December 31, 2018	**$ 11,801**	**7,300**	**4,083**	**11,470**	**4,563**	**39,217**

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Deferred income tax liabilities:

	Defined benefit plans	Others	Total
Balance at January 1, 2019	$ (175)	(166)	(341)
Recognized in profit or loss	(42)	(56)	(98)
Balance at December 31, 2019	**$ (217)**	**(222)**	**(439)**
Balance at January 1, 2018	$ (289)	(467)	(756)
Recognized in profit or loss	114	301	415
Balance at December 31, 2018	**$ (175)**	**(166)**	**(341)**

(iii) Examination and approval

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

(l) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the total value of the authorized ordinary shares both amounted to $1,680,000, with a par value of $10 per share, totaling 168,000 thousand shares.

The issued common stock of the Group was as follows:

Unit: thousand shares

	2019	2018
Balance at January 1 (at NTD10 per share)	126,000	129,000
Retirement of treasury stock	-	(3,000)
Balance at January 1 (Balance at December 31)	**126,000**	**126,000**

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share capital	$ 15,000	15,000
Gain on disposal of assets	28	28
Changes in ownership interests in subsidiaries	4,334	4,334
	$ 19,362	**19,362**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

(iii) Retained earnings

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

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

1) the future expansion needs of the Company;

2) maintaining a stable earnings per share level of the Company;

3) the cash flows and operating results.

Furthermore, considering that the Company is in a constant growth stage in its business cycle, there will be needs for expansion and working capital in the next few years. However, cash dividends may not be less than 25%.

1) Legal reserve

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

2) Special reserve

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

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3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 10, 2019, and June 8, 2018, respectively, was 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	189,000	1.18	148,680

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

On March 20, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	$ 1.36	171,360

(iv) Treasury stock

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

Unit: thousand shares

	2018
Balance at January 1	4,755
Transferred to employees	(1,755)
Retirement of treasury stock	(3,000)
Balance at December 31	-

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.

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

(m) Earnings per share

The calculation of DIMTW's basic earnings per share and diluted earnings per share in 2019 and 2018, was as follows:

(i) Basic earnings per share

Unit: thousand shares

	2019	2018
Net income attributable to ordinary shareholders of the Company	$ **403,635**	**263,022**
Weighted-average number of ordinary shares	**126,000**	**125,572**
Basic earnings per share (in NT dollars)	$ **3.20**	**2.09**

(ii) Diluted earnings per share

	2019	2018
Net income attributable to ordinary shareholders of the Company	$ **403,635**	**263,022**
Weighted-average number of ordinary shares (basic)	126,000	125,572
Impact of potential common shares		
Effect of employee stock bonus	1,536	1,381
Weighted-average number of ordinary shares (diluted)	**127,536**	**126,953**
Diluted earnings per share (in NT dollars)	$ **3.16**	**2.07**

(n) Revenue from contracts with customers

	2019			
	Asia	**Americas**	**Europe**	**Total**
Major products/services lines:				
Air freight forwarding	$ 8,060,607	1,359,698	185,046	9,605,351
Ocean freight forwarding	4,080,622	2,520,387	320,962	6,921,971
Others	1,034,697	198,924	42,388	1,276,009
	$ **13,175,926**	**4,079,009**	**548,396**	**17,803,331**

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

(o) Cost

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

	2019	**2018**
Air transportation cost	$ 8,128,508	8,506,420
Ocean transportation cost	5,698,582	6,395,694
Other cost	1,017,037	1,028,775
	$ 14,844,127	**15,930,889**

(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.

For the years ended December 31, 2019 and 2018, the Company estimated its employees' compensation were $36,327 thousand and $23,672 thousand, respectively, and the estimated amounts of directors' and supervisors' remuneration were $10,898 thousand and $7,102 thousand, respectively. The estimated amounts mentioned above are calculated as the net profit before tax, excluding employee compensation and directors' and supervisors' remuneration, of each period multiplied by the percentage of employee compensation and directors' and supervisors' remuneration as specified in the Company's articles. The estimations are recorded under operating expenses in 2019 and 2018. The information mentioned above can be accessed on the Market Observation Post System. There were no differences between the actual amounts of remuneration to employees, directors and supervisors distributed for the years 2019 and 2018, and the estimated amounts in the financial statements.

(Continued)

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(q) Non-operating income and expenses

(i) Other income

The details of the Group's other income were as follows:

		2019	2018
Interest income	$	7,880	4,985
Dividend income		52	104
Other		5,184	9,650
Total other income	**$**	**13,116**	**14,739**

(ii) Other gains and losses

The details of the Group's other gain and losses were as follows:

		2019	2018
Gain on disposal of property, plant and equipment	$	1,099	581
Gain on foreign exchange		3,554	22,142
Others gains and losses		(7,269)	(5,574)
Other gains and losses, net	**$**	**(2,616)**	**17,149**

(iii) Finance costs

The details of the Group's finance costs were as follows:

		2019	2018
Interest expense			
Bank loan	$	7,668	7,511
Lease liabilities		13,546	-
Net finance cost	**$**	**21,214**	**7,511**

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum amount exposed to credit risk amounted to $4,062,160 thousand and $3,689,987 thousand, respectively.

2) Concentration of credit risk

As of December 31, 2019 and 2018, there was no concentration of credit risk.

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(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Short-term borrowings	$ 709,592	713,061	713,061	-	-	-	-
Notes payable	27,137	27,137	27,137	-	-	-	-
Accounts payable	1,631,085	1,631,085	1,631,085	-	-	-	-
Lease liabilities	306,595	315,179	83,502	83,502	87,988	60,187	-
	$ 2,674,409	**2,686,462**	**2,454,785**	**83,502**	**87,988**	**60,187**	**-**
December 31, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 640,025	646,489	343,459	303,030	-	-	-
Notes payable	34,032	34,032	34,032	-	-	-	-
Accounts payable	1,580,134	1,594,566	1,594,566	-	-	-	-
	$ 2,254,191	**2,275,087**	**1,972,057**	**303,030**	**-**	**-**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	Foreign currency	Exchange rate	NTD
December 31, 2019			
Financial assets:			
Monetary items:			
USD	$ 9,587	30.063	288,227
HKD	$ 6,685	3.861	25,814
EUR	$ 5,606	33.689	188,859
Financial liabilities:			
Monetary items:			
USD	$ 6,545	30.063	196,756

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		Foreign currency	Exchange rate	NTD
December 31, 2018				
Financial assets:				
Monetary items:				
USD	$	9,404	30.701	288,712
	$	3,286	3.901	12,819
GDP	$	321	39.788	12,776
Financial liabilities:				
Monetary items:				
USD	$	7,467	30.701	229,274

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, and trade and other receivables that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against the foreign currency as of December 31, 2019 and 2018, would have increased or decreased the net profit by $9,184 thousand and $2,551 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $3,554 thousand and $22,142 thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by $7,096 thousand and $6,400 thousand in 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.

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(v) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated 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.

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	$ 447	-	-	447	447

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	$ 5,446	-	-	5,446	5,446

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.

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
Disposal	(5,063)
Effect of changes in exchange rates	64
Balance at December 31, 2019	**$ 447**
Balance at January 1, 2018	$ 5,406
Effect of changes in exchange rates	40
Balance at December 31, 2018	**$ 5,446**

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	· Multiplier of price-to-earnings ratio (As of December 31, 2018 was 9.49~18.50) · Market illiquidity discount rate (As of December 31, 2018 was 30%)	· the multiplier were higher－higher · the market illiquidity discount were higher－lower

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

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

			Other comprehensive income	
	Input	**Assumptions**	**Favorable**	**Unfavorable**
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)

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

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's receivables in 2019 and 2018 are not concentrated on any group of customers.

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

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

2) Investments

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

3) Guarantees and endorsements

The policy allows the Group to provide a financial guarantee to its subsidiaries which DIMTW holds over 50% of equity interest. Please refer to note 13 for detailed information on the Group as of December 31, 2019.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

2) Interest rate risk

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

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

(t) Capital management

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

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

As of December 31, 2019, there were no changes in the Group's capital management approach.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties: none.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 43,361	42,430
Post-employment benefits	1,009	1,073
Share-based payment	-	1,210
	$ 44,370	**44,713**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted certificates of deposit (recorded under other current assets)	Guarantee for the Group's logistics operations	$ 1,027	1,015
Restricted certificates of deposit (recorded under other non-current assets)	Guarantee for customs	3,000	3,000
Restricted certificates of deposit (recorded under other non-current assets)	Guarantee for the Group's logistics operations	660	660
Property, plant and equipment:			
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	41,792	156,092
Buildings	〃	17,051	29,841
		$ 63,530	**190,608**

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(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 December 31, 2019 and 2018, the guarantees from the banks were $147,909 thousand and $144,400 thousand, respectively, and the used amounts were $136,869 thousand and $115,177 thousand, respectively.

(b) As of December 31, 2019 and 2018, the Group had outstanding letters of credit totaling $47,908 thousand and $44,400 thousand, respectively. As of December 31, 2019 and 2018, the guarantees recorded for customs duty were $9,483 thousand and $16,631 thousand, respectively.

(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 CNY 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 summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	Year ended December 31, 2019			Year ended December 31, 2018		
	Operating costs	**Operating expenses**	**Total**	**Operating costs**	**Operating expenses**	**Total**
Employee benefits						
Salary	49,307	1,320,106	1,369,413	106,129	1,212,666	1,318,795
Labor and health insurance	1,659	161,952	163,611	9,977	158,046	168,023
Pension	2,058	23,135	25,193	1,210	33,857	35,067
Directors' remuneration	-	18,960	18,960	-	16,049	16,049
Others	7,513	122,953	130,466	7,557	108,982	116,539
Depreciation	5,493	234,866	240,359	-	42,060	42,060
Amortization	-	224	224	-	112	112

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(13) Other disclosures

(a) Information on significant transactions

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

(i) Loans extended to other parties

Unit: thousand dollars

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period (Note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2)
													Name	Value		
1	HOLDING	The Company	Accounts receivable from related parties	Yes	29,769	28,316	28,316	-	(2)	-	Operating capital	-		-	213,276	853,105
2	FSC	The Company	Accounts receivable from related parties	Yes	119,551	119,550	119,550	-	(2)	-	Operating capital	-		-	213,276	853,105
3	DFSTW	The Company	Accounts receivable from related parties	Yes	714	714	714	-	(2)	-	Operating capital	-		-	213,276	853,105

Note 1: Purpose of fund financing for the borrower:

(1) Business between the two parties.

(2) Funds required for operations.

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

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

(ii) Guarantees and endorsements for other parties

No.	Name of Guarantees	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	The Company	DIMMY	3	252,000	3,785	-	-	-	- %	504,000	Y	N	N
0	The Company	DIMSG	3	252,000	33,000	27,449	27,449	27,449	1.29 %	504,000	Y	N	N
0	The Company	DIMVN	3	252,000	6,983	5,862	5,862	5,862	0.27 %	504,000	Y	N	N
0	The Company	DIMIN & DIMVN & DIMTH	3	252,000	1,698	618	618	618	0.03 %	504,000	Y	N	N
0	The Company	DIMKR	3	252,000	15,486	14,731	14,731	14,731	0.69 %	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 securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

(iii) Information regarding securities held as of December 31, 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				Maximum investment in 2019	Note
				Number of shares	Carrying amount	Percentage of ownership	Fair value (Note 1)		
The Company	Global Sky Express Taiwan Ltd.	—	Financial assets at fair value through other comprehensive income－non-current	10,000	100	1.00 %	100	100	
The Company	Evergreen Air Cargo Service Corporation	—	Financial assets at fair value through other comprehensive income－non-current	29,000	290	0.02 %	290	290	
DIMSG	Burwill Holdings Ltd.	—	Financial assets at fair value through other comprehensive income－non-current	22,000	19	-	19	19	
DIMSG	Stamford Land	—	Financial assets at fair value through other comprehensive income－non-current	5,000	38	-	38	39	
DIMMY	FL Network	—	Financial assets at fair value through other comprehensive income－non-current	-	-	-	-	-	Note 2

Note 1: 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.

Note 2: Full impairment losses.

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

(v) Acquisition of real estate in excess of NT$300 million or 20% of the paid-in capital: None.

(vi) Disposal of real estate in excess of NT$300 million or 20% of the paid-in capital: None.

(vii) Sales to or purchases from related parties in excess of NTD100 million or 20% of DIMTW's issued share capital: None.

(viii) Receivables from related parties in excess of NT$100 million or 20% of the paid-in capital

Name of Company	Counter-party	Nature of 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	The Company	Subsidiary	167,650 (Note 1)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	- %	-		-	-

Note 1: Loan from the subsidiary of $119,550 and other receivables of $48,100.

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			
				Account name	Amount (Note 3)	Terms of trading	Percentage of total consolidated revenue or total assets
0	The Company	DIMCN	1	Accounts receivable－related parties	13,498	Negotiated	0.26 %
0	The Company	DIMUS	1	Accounts receivable－related parties	23,955	Negotiated	0.46 %
0	The Company	DIMCN	1	Accounts payable－related parties	9,587	Negotiated	0.18 %
0	The Company	DIMUS	1	Accounts payable－related parties	8,381	Negotiated	0.16 %
0	The Company	DIMCN	1	Freight revenue－received on behalf	53,333	Negotiated	0.30 %
0	The Company	DIMSG	1	Freight revenue－received on behalf	29,985	Negotiated	0.17 %
0	The Company	DIMUS	1	Freight revenue－received on behalf	122,967	Negotiated	0.69 %
0	The Company	DIMCN	1	Freight expense－deduction of freight revenue	(87,043)	Negotiated	0.49 %
0	The Company	DIMSG	1	Freight expense－deduction of freight revenue	(27,134)	Negotiated	0.15 %
0	The Company	DIMUS	1	Freight expense－deduction of freight revenue	(87,697)	Negotiated	0.49 %
0	The Company	DIMHK	1	Freight expense－deduction of freight revenue	(52,430)	Negotiated	0.30 %
0	The Company	ZJDCN	1	Freight expense－deduction of freight revenue	(46,453)	Negotiated	0.26 %
1	FSC	The Company	2	Accounts receivable－related parties	167,650	Negotiated	3.22 %
1	FSC	DIL	3	Accounts receivable－related parties	216,717	Negotiated	4.16 %
2	HOLDING	The Company	2	Accounts receivable－related parties	28,316	Negotiated	0.54 %
3	FSCHK	ZJDCN	3	Sales revenue	83,800	Negotiated	0.47 %
3	FSCHK	DFSCN	3	Sales revenue	45,983	Negotiated	0.26 %
3	FSCHK	DIMCN	3	Sales revenue	42,311	Negotiated	0.24 %
3	FSCHK	DIMUS	3	Sales revenue	33,723	Negotiated	0.19 %
3	FSCHK	DIMHK	3	Sales revenue	28,618	Negotiated	0.16 %
3	FSCHK	The Company	2	Sales revenue	18,848	Negotiated	0.11 %
3	FSCHK	DIMPH	3	Sales revenue	14,024	Negotiated	0.08 %
3	FSCHK	DIMMY	3	Sales revenue	13,611	Negotiated	0.08 %
0	FSCHK	DIMSG	3	Sales revenue	12,535	Negotiated	0.07 %
0	FSCHK	DFSHK	3	Sales revenue	11,214	Negotiated	0.06 %
0	FSCHK	DIMTH	3	Sales revenue	9,499	Negotiated	0.05 %
3	FSCHK	DFSTW	3	Sales revenue	8,233	Negotiated	0.05 %

Note 1: Company numbering is as follows:

(1) Parent company is 0.

(2) Subsidiary starts from 1.

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

(1) 1 represents downstream transactions.

(2) 2 represents upstream transactions.

(3) 3 represents lateral transactions.

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

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

(b) Information on investees

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Maximum investment in 2019	Net income (losses) of investee	Investment income (losses)	Notes
				December 31, 2019	December 31, 2018	Shares	Ratio of shares	Carrying amount				
The Company	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	173,423	15,444	35,165	35,165	
The Company	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	845,964	164,845	88,270	88,270	
The Company	DIMSG	Singapore	Global air and ocean freight forwarder and logistics & warehousing	108,362	108,362	4,650,000	86 %	379,297	108,362	7,912	6,813	
The Company	DIL	British Virgin Is.	Holding company	472,313	472,313	(Note 1)	100 %	2,233,925	472,313	222,261	222,261	
The Company	FSC	British Virgin Is.	Settlement center	315	315	10,000	20 %	268,144	315	1,672	334	
The Company	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	105,179	236	191,686	29,110	
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	115,845	235	191,686	28,678	
DIL	DIMUS	U.S.A.	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	489,397	238,686	133,795	133,795	
DIL	DIMGB	U.K.	Global air and ocean freight forwarder	(5,624)	(5,624)	300,000	37 %	(9,430)	(5,624)	3,805	1,427	
DIL	DIMSG	Singapore	Global air and ocean freight forwarder and logistics & warehousing	23,904	23,904	750,000	14 %	43,703	23,904	1,099	1,099	
DIL	DIMHK	Hong Kong	Global air and ocean freight forwarder and logistics & warehousing	427,348	427,348	300,000	99 %	1,726,620	427,348	100,000	100,000	
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	(16,365)	-	(14,060)	(14,060)	
GMS	DFSSG	Singapore	Logistics & warehousing	13,482	13,482	600,000	100 %	8,499	13,482	(4,597)	(4,597)	
GMS	DIMPH	Philippines	Global air and ocean freight forwarder	38,399	38,399	180,000	60 %	44,918	38,399	13,651	8,192	
GMS	DILHK	Hong Kong	Logistics & warehousing	-	-	(Note 1)	100 %	(11,936)	-	(13,810)	(13,810)	
FSCHK	DIMGB	U.K.	Global air and ocean freight forwarder	20,126	20,126	500,000	63 %	143	20,126	3,805	2,378	
DIMUS	DCBUS	U.S.A.	Brokerage service	13,532	13,532	1,000	100 %	32,984	13,532	3,307	3,307	
DIMHK	FSC	British Virgin Is.	Settlement center	954	954	30,000	60 %	897	954	1,672	1,003	
DIMHK	DIMVN	Vietnam	Trucking service	2,090	2,090	(Note 1)	75 %	7,054	2,090	3,076	2,307	
DIMHK	FSCHK	Hong Kong	Settlement center	550	550	17,500	35 %	263,412	550	191,686	67,922	
DIMSG	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	299	318	1,672	334	
DIMSG	DIMIN	India	Trucking service	5,303	5,303	960,000	60 %	8,684	5,303	59	36	
HOLDING	DIMMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	96,764	65,516	(12,481)	(12,481)	
HOLDING	DILMY	Malaysia	Global logistics service	1,592	1,592	186,000	49 %	2,892	1,592	(173)	(173)	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	36,311	7,642	(2,119)	(1,038)	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	30,953	4,026	13,651	5,459	
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(34,367)	16,460	(13,165)	(13,165)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	49,495	19,386	18,853	18,853	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	(Note 1)	100 %	65,375	15,646	2,957	2,957	
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	(6,140)	11,644	(2,217)	(2,217)	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	485,256	25,393	80,438	80,430	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	39,800	41,076	2,381	2,381	
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	30,739	15,840	6,479	6,479	
DFSHK	FSCHK	Hong Kong	Settlement center	566	566	17,500	35 %	263,412	566	191,186	67,922	
DIMMY	Danau Muhibbah Sdn. Bhd.	Malaysia	Real estate investment	2,621	2,621	(Note 1)	100 %	(1,259)	2,621	-	-	
DIMPH	Peerless Express Forwarders Corp.	Philippines	Trucking service	954	954	4,000,000	40 %	-	954	-	-	
DIMSG	Logicentrix India Pvt Ltd.	India	Brokerage service	1,830	1,830	4,000,000	40 %	1,824	1,830	-	-	

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

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

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(c) Information on investment in mainland China

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

Unit: thousand dollars

Name of investee in Mainland China	Main businesses	Issued capital	Method of investment (Note 1)	Beginning remittance balance-accumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance-accumulative investment (amount) from Taiwan	Net income (losses) of investee	Direct / indirect shareholdings or investments (%) in the Company	Maximum investment in 2019	Current investment income and losses (Note 2)	Carrying amount (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)	27,117 (USD902)	-	-	27,117 (USD902)	(8,700)	75 %	41,196	(6,578)	126,844	-
DILSHA	Logistics & warehousing	5,970	(2)	6,013 (USD200)	-	-	6,013 (USD200)	2,382	99 %	5,970	2,382	(15,649)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	10,426	100 %	163,377	10,426	227,820	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	1,763	100 %	10,958	1,763	6,581	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	10,817	100 %	59,777	10,817	142,887	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	-	183	100 %	29,802	183	17,120	-
Yuhang Int'l Logistics (Dalian) Co. Ltd.	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	1,324	25 %	9,667	-	18,268	-
Diversified International Logistics Service Company Ltd	Global air and ocean freight forwarder	13,684	(2)	-	-	-	-	(3,807)	100 %	13,684	(3,807)	4,013	-

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: Expect for Yuhang Int'l Logistics (Dalian) Co., Ltd. the amount was eliminated in the consolidated financial statements.

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

(ii) Limitation on investment in Mainland China

Unit: thousand dollars

Company name	Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note2)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note2)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 1)
DIMTW	33,129 (USD1,102)	72,151 (USD2,400)	1,279,657

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

Note 2: USD:NT$=1:30.063.

(iii) Significant transactions

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(14) Segment information

(a) General information

The Group has three reportable segments: Asia department, Americas department, and Europe department.

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

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

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

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

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

The Group's operating segment information and reconciliation are as follows:

	2019				
	Asia	**Americas**	**Europe**	**Adjustments and eliminations**	**Total**
Revenue:					
Revenue from external customers	$ 13,175,927	4,079,008	548,396	-	17,803,331
Intersegment revenues	339,473	-	-	(339,473)	-
Total revenue	**$ 13,515,400**	**4,079,008**	**548,396**	**(339,473)**	**17,803,331**
Reportable segment profit	**$ 291,344**	**198,867**	**3,112**	**-**	**493,323**

	2018				
	Asia	**Americas**	**Europe**	**Adjustments and eliminations**	**Total**
Revenue:					
Revenue from external customers	$ 13,860,510	4,019,640	564,265	-	18,444,415
Intersegment revenues	193,032	-	-	(193,032)	-
Total revenue	**$ 14,053,542**	**4,019,640**	**564,265**	**(193,032)**	**18,444,415**
Reportable segment profit	**$ 284,276**	**40,243**	**(10,052)**	**-**	**314,467**

(Continued)

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the intersegment revenue were $339,473 thousand and $193,032 thousand in 2019 and 2018, respectively.

(c) Geographic information

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

Geographical information	December 31, 2019	December 31, 2018
Asia	$ 934,510	606,915
Americas	133,962	98,561
Europe	9,978	291
Total	**$ 1,078,450**	**705,767**

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

(d) Information about major customers

For the years 2019 and 2018, the Group had no major customer who constituted 10% or more of the net sales.