

**DIMERCO EXPRESS CORPORATION
AND ITS SUBSIDIARIES**

Condensed Consolidated Interim Financial Statements

**For the six-month Periods Ended June 30, 2013 and 2012
(With Independent Auditors' Review Report Thereon)**

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Independent Auditors' Review Report

The Board of Directors:
Dimerco Express Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Dimerco Express Corporation and its subsidiaries as of June 30, 2013, December 31, June 30, and January 1, 2012, and the related condensed consolidated statements of comprehensive income for the periods from April 1 to June 30, 2013 and 2012, and for the six-month periods ended June 30, 2013 and 2012, and changes in equity and cash flows for the six-month periods ended June 30, 2013 and 2012. The condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed consolidated financial statements based on our review. We have not reviewed the financial statements of Dimerco Air Forwarders (HK) Ltd. with the total assets of \$543,252 and \$516,500 thousand, respectively, constituting 15% and 14%, respectively, of the related consolidated total assets as of June 30, 2013 and 2012, and with the net sales of \$347,066, \$378,757, \$649,233 and \$740,887 thousand, respectively, constituting 9%, 9%, 10% and 10%, respectively, of the related consolidated net sales for the periods from April 1 to June 30, 2013 and 2012, and six-month periods ended June 30, 2013 and 2012. Those condensed financial statements were reviewed by other auditors, whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our review in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in note 4(b) to the condensed consolidated financial statements, we were unable to obtain the reviewed financial statements of some of the subsidiaries of the Company, which represent the total assets amounting to \$979,662, \$571,520, \$1,262,793 and \$579,852 thousand, respectively, and constituting 27%, 17%, 34% and 16%, respectively, of the related consolidated total assets, and total liabilities amounting to \$286,909, \$235,276, \$322,510 and \$247,538 thousand, respectively, and constituting 16%, 15%, 17% and 14%, respectively of the related consolidated total liabilities, as of June 30, 2013, December 31, June 30, and January 1, 2012, respectively, and total comprehensive income amounting to \$30,130, \$54,212, \$25,605, and \$51,595, thousand, respectively, and constituting 37%, 61%, 19% and 92%, respectively, of the related consolidated total comprehensive income, for the periods from April 1 to June 30, 2013 and 2012, and six-month periods ended June 30, 2013 and 2012, respectively. In addition, we were unable to obtain the reviewed financial statements of some of the subsidiaries of the Company in China as described in note 13, nor were we able to satisfy ourselves to the carrying value of the investment in those subsidiaries or the equity in its earnings by our review procedures.

Based on our review and the reports of the other auditors, except as discussed in the third paragraph, had the financial statements of the entities of the Company and investees under the equity method been reviewed by an auditor, which may have resulted in adjustments to the financial statements, we are not aware of any material modification that should be made to the condensed consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers,” the International Financial Reporting Standard 1 “First-time Adoption of International Financial Reporting Standards” and the International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission.

KPMG

August 13, 2013

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards approved by the R.O.C. Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The auditor's report and the accompanying 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 accountants' report and financial statements, the Chinese version shall prevail.

Reviewed only, not audited in accordance with the generally accepted auditing standards

Dimerco Express Corporation and subsidiaries

Condensed Consolidated Balance Sheets

June 30, 2013 and December 31, June 30, January 1, 2012

(expressed in thousands of New Taiwan dollars)

		June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012				June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
Assets		Amount	%	Amount	%	Amount	%	Amount	%	Liabilities and Stockholders' Equity		Amount	%	Amount	%	Amount	%	Amount	%
Current assets:																			
1100	Cash and cash equivalents (note 6(a))	\$ 997,777	28	1,031,366	30	1,017,061	27	1,057,175	29	2100	Short-term borrowings (notes 6(d) and 8)	\$ 275,211	8	230,686	7	218,155	6	158,885	4
1110	Financial assets at fair value through profit or loss – current	11,210	-	10,807	-	11,025	-	11,027	-	2322	Long-term borrowings – current portion (notes 6(d) and 8)	3,877	-	3,520	-	3,738	-	3,754	-
1150	Notes receivable, net (note 6(b))	18,495	1	14,715	-	20,197	1	16,038	-	2150	Notes payable	15,632	-	13,276	-	8,740	-	15,824	-
1170	Accounts receivable, net (note 6(b))	1,702,399	46	1,587,397	46	1,880,402	50	1,754,882	47	2170	Accounts payable	1,005,027	29	984,099	30	1,160,521	31	1,200,933	33
1470	Other current assets (notes 8 and 9)	130,673	4	113,507	3	108,961	3	128,025	3	2230	Income tax payable	12,557	-	25,850	1	25,550	1	21,628	1
	Total current assets	<u>2,860,554</u>	<u>79</u>	<u>2,757,792</u>	<u>79</u>	<u>3,037,646</u>	<u>81</u>	<u>2,967,147</u>	<u>79</u>	2399	Other current liabilities (note 6(g))	209,869	7	110,558	3	248,143	7	136,607	4
Non-current assets:																			
1543	Financial assets carried at cost – non-current	451	-	450	-	450	-	450	-		Total current liabilities	<u>1,522,173</u>	<u>44</u>	<u>1,367,989</u>	<u>41</u>	<u>1,664,847</u>	<u>45</u>	<u>1,537,631</u>	<u>42</u>
1600	Property, plant and equipment (notes 6(c), 8 and 9)	610,054	17	539,032	16	556,612	15	579,701	16	2540	Long-term borrowings (notes 6(d) and 8)	168,778	5	189,782	5	191,856	5	194,387	5
1805	Goodwill	26,558	1	26,270	1	26,518	1	20,587	1	2570	Deferred income tax liabilities	4,022	-	10,413	-	7,044	-	247	-
1840	Deferred income tax assets	37,545	1	36,059	1	41,370	1	36,721	1	2640	Accrued pension liabilities	50,489	1	50,493	1	44,667	1	45,406	1
1920	Refundable deposits	22,106	1	22,684	1	26,995	1	28,551	1	2660	Deferred credits	936	-	936	-	936	-	936	-
1980	Other financial assets – non-current	2,480	-	2,400	-	-	-	2,210	-	2670	Other non-current liabilities – other	1,547	-	1,270	-	2,799	-	1,126	-
1985	Long-term prepaid lease	54,102	1	53,619	2	55,157	1	56,633	2		Total non-current liabilities	<u>225,772</u>	<u>6</u>	<u>252,894</u>	<u>6</u>	<u>247,302</u>	<u>6</u>	<u>242,102</u>	<u>6</u>
1990	Other non-current assets – other (notes 6(b), 8 and 9)	12,208	-	12,730	-	7,990	-	8,927	-	2xxx	Total liabilities	<u>1,747,945</u>	<u>50</u>	<u>1,620,883</u>	<u>47</u>	<u>1,912,149</u>	<u>51</u>	<u>1,779,733</u>	<u>48</u>
	Total Non-current assets	<u>765,504</u>	<u>21</u>	<u>693,244</u>	<u>21</u>	<u>715,092</u>	<u>19</u>	<u>733,780</u>	<u>21</u>	3xxx	Equity attributable to shareholders of the parent (notes 6(f) and (g)):								
										3100	Common stock	1,350,000	37	1,350,000	40	1,350,000	36	1,350,000	37
											Capital surplus:								
										3211	Additional paid-in capital	16,071	-	16,071	-	16,071	-	16,071	-
										3220	Treasury stock transactions	5,329	-	5,329	-	5,329	-	5,329	-
										3240	Gain on sale of property and equipment	28	-	28	-	28	-	28	-
												<u>21,428</u>	<u>-</u>	<u>21,428</u>	<u>-</u>	<u>21,428</u>	<u>-</u>	<u>21,428</u>	<u>-</u>
											Retained earnings:								
										3310	Legal reserve	235,600	6	221,622	6	221,622	6	202,421	5
										3320	Special reserve	182,174	5	182,174	5	182,174	5	182,174	5
										3350	Unappropriated retained earnings	72,853	2	125,953	4	76,312	2	139,255	4
												<u>490,627</u>	<u>13</u>	<u>529,749</u>	<u>15</u>	<u>480,108</u>	<u>13</u>	<u>523,850</u>	<u>14</u>
										3410	Financial statements translation differences for foreign operations	(23,283)	(1)	(106,745)	(3)	(41,865)	(1)	-	-
										3500	Treasury stock	(145,631)	(4)	(145,631)	(4)	(145,631)	(4)	(145,631)	(4)
											Total stockholders' equity	<u>1,693,141</u>	<u>45</u>	<u>1,648,801</u>	<u>48</u>	<u>1,664,040</u>	<u>44</u>	<u>1,749,647</u>	<u>47</u>
										36xx	Non-controlling interests	184,972	5	181,352	5	176,549	5	171,547	5
										3xxx	Total equity	<u>1,878,113</u>	<u>50</u>	<u>1,830,153</u>	<u>53</u>	<u>1,840,589</u>	<u>49</u>	<u>1,921,194</u>	<u>52</u>
1xxx	Total assets	<u>\$ 3,626,058</u>	<u>100</u>	<u>3,451,036</u>	<u>100</u>	<u>3,752,738</u>	<u>100</u>	<u>3,700,927</u>	<u>100</u>	2-3xxx	Total liabilities and stockholders' equity	<u>\$ 3,626,058</u>	<u>100</u>	<u>3,451,036</u>	<u>100</u>	<u>3,752,738</u>	<u>100</u>	<u>3,700,927</u>	<u>100</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

For the periods from April 1 to June 30, 2013 and 2012, and for the six-month periods ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	For the periods from June 30 to June 30				For the six-month periods ended June 30				
	2013		2012		2013		2012		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue	\$ 3,689,813	100	4,018,138	100	6,792,117	100	7,641,848	100
5000	Costs of revenue (notes 6(c) and (e))	<u>3,094,449</u>	<u>84</u>	<u>3,462,447</u>	<u>86</u>	<u>5,697,181</u>	<u>84</u>	<u>6,570,465</u>	<u>86</u>
	Gross profit	<u>595,364</u>	<u>16</u>	<u>555,691</u>	<u>14</u>	<u>1,094,936</u>	<u>16</u>	<u>1,071,383</u>	<u>14</u>
	Operating expenses (notes 6(b), (c), (e), (g) and 7):								
6100	Selling expenses	153,361	4	146,866	4	304,776	5	295,083	4
6200	Administrative expenses	<u>357,843</u>	<u>10</u>	<u>333,819</u>	<u>9</u>	<u>711,145</u>	<u>10</u>	<u>681,416</u>	<u>9</u>
	Total operating expenses	<u>511,204</u>	<u>14</u>	<u>480,685</u>	<u>13</u>	<u>1,015,921</u>	<u>15</u>	<u>976,499</u>	<u>13</u>
	Operating profit	<u>84,160</u>	<u>2</u>	<u>75,006</u>	<u>1</u>	<u>79,015</u>	<u>1</u>	<u>94,884</u>	<u>1</u>
	Non-operating income and expenses (note 6(i)):								
7010	Other income	8,633	-	8,074	-	18,919	-	11,029	-
7020	Other gains and losses	(6,851)	-	(4,444)	-	(29,319)	-	16,609	-
7050	Finance costs	<u>(1,554)</u>	<u>-</u>	<u>(1,772)</u>	<u>-</u>	<u>(3,526)</u>	<u>-</u>	<u>(3,463)</u>	<u>-</u>
	Total non-operating income and expenses	<u>228</u>	<u>-</u>	<u>1,858</u>	<u>-</u>	<u>(13,926)</u>	<u>-</u>	<u>24,175</u>	<u>-</u>
	Profit before tax	84,388	2	76,864	1	65,089	1	119,059	1
7950	Less: income tax expenses (note 6(f))	<u>10,920</u>	<u>-</u>	<u>11,739</u>	<u>-</u>	<u>6,083</u>	<u>-</u>	<u>18,552</u>	<u>-</u>
	Consolidated net income	<u>73,468</u>	<u>2</u>	<u>65,125</u>	<u>1</u>	<u>59,006</u>	<u>1</u>	<u>100,507</u>	<u>1</u>
8300	Other comprehensive income (loss):								
8310	Financial statements translation differences for foreign operations	8,789	-	23,896	1	76,674	1	(44,555)	(1)
8399	Less: income tax relating to components of other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>8,789</u>	<u>-</u>	<u>23,896</u>	<u>1</u>	<u>76,674</u>	<u>1</u>	<u>(44,555)</u>	<u>(1)</u>
	Total comprehensive income (loss) after tax	<u>\$ 82,257</u>	<u>2</u>	<u>89,021</u>	<u>2</u>	<u>135,680</u>	<u>2</u>	<u>55,952</u>	<u>-</u>
	Consolidated net income attributable to:								
8610	Shareholders of the parent	\$ 63,100	2	60,328	1	48,598	1	87,838	1
8620	Non-controlling interest	<u>10,368</u>	<u>-</u>	<u>4,797</u>	<u>-</u>	<u>10,408</u>	<u>-</u>	<u>12,669</u>	<u>-</u>
		<u>\$ 73,468</u>	<u>2</u>	<u>65,125</u>	<u>1</u>	<u>59,006</u>	<u>1</u>	<u>100,507</u>	<u>1</u>
	Other comprehensive income attributable to:								
8710	Shareholders of the parent	\$ 78,347	2	84,904	2	132,060	2	45,973	-
8720	Non-controlling interest	<u>3,910</u>	<u>-</u>	<u>4,117</u>	<u>-</u>	<u>3,620</u>	<u>-</u>	<u>9,979</u>	<u>-</u>
		<u>\$ 82,257</u>	<u>2</u>	<u>89,021</u>	<u>2</u>	<u>135,680</u>	<u>2</u>	<u>55,952</u>	<u>-</u>
9750	Basic earnings per share (expressed in dollars) (note 6(h))	<u>\$ 0.49</u>		<u>0.47</u>		<u>0.38</u>		<u>0.68</u>	
9850	Diluted earnings per share (expressed in dollars) (note 6(h))	<u>\$ 0.49</u>		<u>0.46</u>		<u>0.38</u>		<u>0.68</u>	

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders' of parent						Financial statements translation differences for foreign operation	Treasury stock	Total equity attributable to stockholders of the parent	Non-controlling interest	Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
Balance at January 1, 2012	\$ 1,350,000	21,428	202,421	182,174	139,255	523,850	-	(145,631)	1,749,647	171,547	1,921,194
Appropriation and distributions (note 6(g)):											
Legal reserve	-	-	19,201	-	(19,201)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(131,580)	(131,580)	-	-	(131,580)	-	(131,580)
Net income for the period	-	-	-	-	87,838	87,838	-	-	87,838	12,669	100,507
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(41,865)	-	(41,865)	(2,690)	(44,555)
Total comprehensive income (loss) for the period	-	-	-	-	87,838	87,838	(41,865)	-	45,973	9,979	55,952
Cash dividends distributed by subsidiaries to minority interest	-	-	-	-	-	-	-	-	-	(4,977)	(4,977)
Balance at June 30, 2012	<u>\$ 1,350,000</u>	<u>21,428</u>	<u>221,622</u>	<u>182,174</u>	<u>76,312</u>	<u>480,108</u>	<u>(41,865)</u>	<u>(145,631)</u>	<u>1,664,040</u>	<u>176,549</u>	<u>1,840,589</u>
Balance at January 1, 2013	\$ 1,350,000	21,428	221,622	182,174	125,953	529,749	(106,745)	(145,631)	1,648,801	181,352	1,830,153
Appropriation and distributions (note 6(g)):											
Legal reserve	-	-	13,978	-	(13,978)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(87,720)	(87,720)	-	-	(87,720)	-	(87,720)
Net income for the period	-	-	-	-	48,598	48,598	-	-	48,598	10,408	59,006
Other comprehensive income (loss) for the period	-	-	-	-	-	-	83,462	-	83,462	(6,788)	76,674
Total comprehensive income (loss) for the period	-	-	-	-	48,598	48,598	83,462	-	132,060	3,620	135,680
Balance at June 30, 2013	<u>\$ 1,350,000</u>	<u>21,428</u>	<u>235,600</u>	<u>182,174</u>	<u>72,853</u>	<u>490,627</u>	<u>(23,283)</u>	<u>(145,631)</u>	<u>1,693,141</u>	<u>184,972</u>	<u>1,878,113</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	For the six-month periods ended June 30	
	2013	2012
Cash flows from operating activities:		
Profit before tax	\$ 65,089	119,059
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	23,648	25,255
Amortization	755	658
Bad debt provision (reversal of allowance for doubtful accounts)	19,589	(22,361)
Loss (gain) on financial assets at fair value through profit or loss	(42)	(158)
Interest expenses	3,526	3,463
Interest income	(1,441)	(1,568)
Loss (gain) on disposal of property, plant and equipment, net	(72)	279
Unrealized foreign exchange loss (gain)	(14,394)	9,401
Amortization of long-term prepaid lease	645	645
Total adjustments to reconcile profit	<u>32,214</u>	<u>15,614</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	(3,780)	(4,159)
Accounts receivable	(134,145)	(102,413)
Other current assets	(9,242)	11,153
Total changes in operating assets, net	<u>(147,167)</u>	<u>(95,419)</u>
Net changes in operating liabilities:		
Notes payable	2,356	(7,084)
Accounts payable	20,928	(40,412)
Other current liabilities	11,591	(14,119)
Accrued pension liabilities	(4)	(739)
Total changes in operating liabilities, net	<u>34,871</u>	<u>(62,354)</u>
Total changes in operating assets and liabilities, net	<u>(112,296)</u>	<u>(157,773)</u>
Total adjustments	<u>(80,082)</u>	<u>(142,159)</u>
Cash used in operating activities	(14,993)	(23,100)
Interest income received	1,441	1,568
Interest expense paid	(3,526)	(3,463)
Income tax paid	(27,253)	(12,482)
Net cash used in operating activities	<u>(44,331)</u>	<u>(37,477)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(83,251)	(7,746)
Proceeds from disposal of property, plant and equipment	1,188	308
Decrease (increase) in refundable deposits	(7,136)	9,467
Increase in other non-current assets—other	(888)	(467)
Increase in goodwill	-	(5,931)
Net cash used in investing activities	<u>(90,087)</u>	<u>(4,369)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	44,525	59,270
Repayment of long-term borrowings	(20,647)	(3,754)
Increase in other non-current liability—other	277	1,673
Payment of cash dividends	-	(5,925)
Cash dividends distributed by subsidiaries to minority interest	-	(4,977)
Net cash provided by financing activities	<u>24,155</u>	<u>46,287</u>
Effects of exchange rate fluctuation	76,674	(44,555)
Decrease in cash and cash equivalents for the period	(33,589)	(40,114)
Cash and cash equivalents at beginning of the period	1,031,366	1,057,175
Cash and cash equivalents at end of the period	<u>\$ 997,777</u>	<u>1,017,061</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Company history

Dimerco Express Corporation (DIMITW) was incorporated in August 1985 as a company limited by shares under the laws of the Republic of China (ROC). DIMITW and its subsidiaries (the Company) is primarily engaged in the business of air freight forwarding, ocean freight forwarding and customs brokerage service, and related investing activities.

(2) Financial statements authorisation date and authorisation process

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 13, 2013.

(3) New standards and interpretations not yet adopted

The Company has assessed the impact to the condensed consolidated interim financial statements at the adoption of this new standard, which are the New standards and interpretations approved by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect, and the New standards and interpretations not yet approved by the FSC, which are in conformity with the condensed consolidated interim financial statements for the three months ended March 31, 2013. The New Standards and interpretations include:

Issue date	New standards and amendments	Summary of main changes	Effective date per IASB
2013.5.20	IFRIC 21, Levies	Guidance on when to recognize a liability for a levy imposed by a government, when IAS 37, "Provisions, Contingent liabilities, and Contingent assets" is applied to the levy.	2014.1.1
2013.5.29	IAS 36, Impairment of Assets (Amendment)	The new amendment is related to the one effected on 2013.1.1. In accordance with the new amendment, an entity is required to disclose the recoverable amount of a significant intangible asset, including goodwill, when the useful life of the asset can not be determined, and only when an impairment loss has been recognized or reversed. The new amendment also requires detail disclosure of recoverable amount measured by the fair value less cost of disposal, including valuation techniques, level of fair value hierarchy of assets, and key assumption used in the measurement.	2014.1.1 (early adoption permitted)
2013.6.27	IAS 39, Novation of derivatives and continuing of hedge accounting (Amendment)	In accordance with the amendment, there would be no need to discontinue hedge accounting if a hedge derivative was novated, and all parties in the hedge agreement have become central counterparties.	2014.1.1 (early adoption permitted)

(Continued)

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

(4) Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are approved by FSC and do not include all of the information required for annual financial statements.

These are the Company's first IFRS condensed consolidated interim financial statements for part of period converted by the first IFRS (accredited by FSC) annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" that have been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Company's provided in note 15.

The significant accounting policies presented in the condensed consolidated interim financial statements are the same as the condensed consolidated interim financial statements for the three months ended March 31, 2013.

The significant accountings policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements, and to the IFRS consolidated statement of financial position approved by FSC (ROC) as of January 1, 2012. Please refer to the related information of the condensed consolidated interim financial statements for the three months ended March 31, 2013.

(b) Basis of consolidation

i) The condensed consolidated interim financial statements included DIMTW and its subsidiaries. All transactions, ending balance and unrealized income or expenses are eliminated upon consolidation.

ii) List of subsidiaries in the condensed consolidated interim financial statements are as follows:

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMTW, directly or indirectly, in				Remarks
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	
DIMTW	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	100.00 %	100.00 %	
DIMTW	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	100.00 %	100.00 %	
DIMTW	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	99.99 %	99.99 %	
DIMTW	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	86.11 %	86.11 %	86.11 %	86.11 %	
DIMTW	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	20.00 %	
DIMGB	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	20.00 %	
DIMUS	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	20.00 %	
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	20.00 %	

(Continued)

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

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, in				Remarks
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	20.00 %	
DIL	Dimerco Air Forwarders (HKG) Ltd. (DIMHK)	Global logistics service	99.99 %	99.99 %	99.99 %	99.99 %	
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	13.89 %	13.89 %	13.89 %	13.89 %	
DIL	Dimerco Express (U.K.) Ltd. (DIMGB)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	99.99 %	99.99 %	
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	51.00 %	51.00 %	51.00 %	51.00 %	
DIMHK	Winfull All Ltd. (Winfull)	Real estate investment	- %	- %	- %	- %	Note 1
Holding	Winfull All Ltd. (Winfull)	Real estate investment	- %	- %	- %	- %	Note 1
Holding	Dimerco Logistics Sdn Bhd. (DILMY)	Global logistics service	49.00 %	49.00 %	49.00 %	49.00 %	Note 2
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	48.99 %	48.99 %	Note 2
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	39.99 %	39.99 %	Note 2
Holding	Wordwide Forwarding Network Pty Ltd. (WFNAU)	Global logistics service	50.00 %	50.00 %	50.00 %	50.00 %	
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	

(Continued)

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

Investor	Name of subsidiary	Primary business	Percentage of ownership by DIMITW, directly or indirectly, in				Remarks
			June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	49.00 %	49.00 %	49.00 %	49.00 %	Note 2
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	99.99 %	99.99 %	99.99 %	99.99 %	
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	90.00 %	90.00 %	90.00 %	90.00 %	
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	100.00 %	100.00 %	
DIMUS	Dimerco Customs Brokerage Co. Ltd (DCBUS)	Brokerage service	100.00 %	100.00 %	100.00 %	- %	
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	50.00 %	50.00 %	- %	- %	
DIMMY	Danau Muhibbah	Real estate investment	100.00 %	100.00 %	100.00 %	100.00 %	

Note 1: Winfull was dissolved in July 2011. As a result, Winfull is no longer consolidated after the liquidation date.

Note 2: The Company owns less than 50% of the subsidiaries' voting stock, but the Company has control over the subsidiaries' finance and operating policies through agreement with other investors. Therefore, the Company includes the subsidiaries in the consolidated financial report.

In 2013, DIMHK increased its capital by USD2,250 thousand. All of the increase in capital was purchased by DIL.

In 2013, DIMCN increased its capital by USD2,250 thousand. All of the increase in capital was purchased by DIMHK.

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

The preparation of the condensed consolidated interim financial statements are in conformity with IFRSs (in accordance with IAS 34 "Interim financial reporting" and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the condensed consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the condensed consolidated interim financial statements for the three months ended March 31, 2013, and IFRSs (approved by FSC) both.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(6) Explanation of significant accounts

Except as explained in the following paragraphs, there are no significant differences in description of significant accounts from financial statements as of March 31, 2013, and the related information is provided in financial statements as of March 31, 2013.

(a) Cash and cash equivalents

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash on hand	\$ 4,192	10,636	4,471	4,531
Checking accounts and saving accounts	942,154	978,461	975,544	1,026,297
Time deposits	<u>51,431</u>	<u>42,269</u>	<u>37,046</u>	<u>26,347</u>
Cash and cash equivalents in the statement of cash flow	<u><u>\$ 997,777</u></u>	<u><u>1,031,366</u></u>	<u><u>1,017,061</u></u>	<u><u>1,057,175</u></u>

(b) Notes and accounts receivables

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Notes receivable	\$ 18,495	14,715	20,197	16,038
Accounts receivable	1,768,734	1,634,589	1,940,131	1,837,718
Overdue receivable (recorded under other non-current assets – other)	<u>5,387</u>	<u>4,941</u>	<u>3,280</u>	<u>2,534</u>
Subtotal	<u>1,792,616</u>	<u>1,654,245</u>	<u>1,963,608</u>	<u>1,856,290</u>
Less: allowance for doubtful accounts – accounts receivable	66,335	47,192	59,729	82,836
allowance for doubtful accounts – overdue receivable	<u>5,387</u>	<u>4,941</u>	<u>3,280</u>	<u>2,534</u>
Subtotal	<u>71,722</u>	<u>52,133</u>	<u>63,009</u>	<u>85,370</u>
	<u><u>\$ 1,720,894</u></u>	<u><u>1,602,112</u></u>	<u><u>1,900,599</u></u>	<u><u>1,770,920</u></u>

The Company has not provided the receivable (including the one from the related party) as collateral or factored them for cash.

As of June 30, 2013 and 2012, the details of allowance for doubtful account – account receivable were as follows:

	Individually assessed	Group assessed	Total
Beginning balance at January 1, 2013	\$ 47,192	-	47,192
Accrual	<u>19,143</u>	<u>-</u>	<u>19,143</u>
Balance as of June 30, 2013	<u><u>\$ 66,335</u></u>	<u><u>-</u></u>	<u><u>66,335</u></u>

(Continued)

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

	Individually assessed	Group assessed	Total
Beginning balance at January 1, 2012	\$ 82,836	-	82,836
Reversal	<u>(23,107)</u>	<u>-</u>	<u>(23,107)</u>
Balance as of June 30, 2012	<u><u>\$ 59,729</u></u>	<u><u>-</u></u>	<u><u>59,729</u></u>

As of June 30, 2013 and 2012, the details of allowance of doubtful account—overdue receivable were as follows:

	Individually assessed	Group assessed	Total
Beginning balance at January 1, 2013	\$ 4,941	-	4,941
Accrual	<u>446</u>	<u>-</u>	<u>446</u>
Balance as of June 30, 2013	<u><u>\$ 5,387</u></u>	<u><u>-</u></u>	<u><u>5,387</u></u>

	Individually assessed	Group assessed	Total
Beginning balance at January 1, 2012	\$ 2,534	-	2,534
Accrual	<u>746</u>	<u>-</u>	<u>746</u>
Balance as of June 30, 2012	<u><u>\$ 3,280</u></u>	<u><u>-</u></u>	<u><u>3,280</u></u>

(c) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company are as follows:

	Land	Buildings	Transportatio n equipment	Office equipment	Leasehold improvement	Miscellaneous equipment	Total
Cost:							
Balance at January 1, 2013	\$ 74,828	477,282	68,378	156,231	63,515	65,396	905,630
Additions	-	64,845	2,700	5,428	8,492	1,786	83,251
Disposals	-	-	(3,763)	(4,076)	(15,479)	(2,939)	(26,257)
Effect of currency translation	<u>930</u>	<u>11,112</u>	<u>1,445</u>	<u>4,663</u>	<u>1,835</u>	<u>(576)</u>	<u>19,409</u>
Balance at June 30, 2013	<u><u>\$ 75,758</u></u>	<u><u>553,239</u></u>	<u><u>68,760</u></u>	<u><u>162,246</u></u>	<u><u>58,363</u></u>	<u><u>63,667</u></u>	<u><u>982,033</u></u>
Balance at January 1, 2012	\$ 76,088	487,980	71,401	154,511	63,578	75,776	929,334
Additions	-	-	249	6,053	221	1,223	7,746
Disposals	-	-	(2,631)	(2,428)	(3,285)	(296)	(8,640)
Effect of currency translation	<u>(511)</u>	<u>(4,445)</u>	<u>(942)</u>	<u>(724)</u>	<u>2,863</u>	<u>(6,609)</u>	<u>(10,368)</u>
Balance at June 30, 2012	<u><u>\$ 75,577</u></u>	<u><u>483,535</u></u>	<u><u>68,077</u></u>	<u><u>157,412</u></u>	<u><u>63,377</u></u>	<u><u>70,094</u></u>	<u><u>918,072</u></u>

(Continued)

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

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvement	Miscellaneous equipment	Total
Accumulated depreciation:							
Balance at January 1, 2013	\$ -	80,706	59,136	119,521	49,698	57,537	366,598
Depreciation	-	6,804	2,630	6,783	4,061	3,370	23,648
Disposal	-	-	(3,763)	(4,023)	(14,424)	(2,931)	(25,141)
Effect of currency translation	-	(4,863)	1,411	5,039	9,134	(3,847)	6,874
Balance at June 30, 2013	<u>\$ -</u>	<u>82,647</u>	<u>59,414</u>	<u>127,320</u>	<u>48,469</u>	<u>54,129</u>	<u>371,979</u>
Balance at January 1, 2012	\$ -	70,804	57,651	118,057	47,345	55,776	349,633
Depreciation	-	6,179	2,602	8,417	4,415	3,642	25,255
Disposal	-	-	(2,305)	(2,458)	(2,988)	(302)	(8,053)
Effect of currency translation	-	(891)	92	(3,463)	(335)	(778)	(5,375)
Balance at June 30, 2012	<u>\$ -</u>	<u>76,092</u>	<u>58,040</u>	<u>120,553</u>	<u>48,437</u>	<u>58,338</u>	<u>361,460</u>
Carrying amounts:							
January 1, 2013	<u>\$ 74,828</u>	<u>396,576</u>	<u>9,242</u>	<u>36,710</u>	<u>13,817</u>	<u>7,859</u>	<u>539,032</u>
June 30, 2013	<u>\$ 75,758</u>	<u>470,592</u>	<u>9,346</u>	<u>34,926</u>	<u>9,894</u>	<u>9,538</u>	<u>610,054</u>
January 1, 2012	<u>\$ 76,088</u>	<u>417,176</u>	<u>13,750</u>	<u>36,454</u>	<u>16,233</u>	<u>20,000</u>	<u>579,701</u>
June 30, 2012	<u>\$ 75,577</u>	<u>407,443</u>	<u>10,037</u>	<u>36,859</u>	<u>14,940</u>	<u>11,756</u>	<u>556,612</u>

Please see note 8 for property, plant, and equipment used as collateral as of June 30, 2013, December 31, June 30, and January 1, 2012.

(d) Short-term and long-term borrowings

The Company's short-term and long-term borrowings are as follows:

i) Short-term borrowings

		June 30, 2013		
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	TWD	1.47~1.98	103.06	\$ 72,000
Unsecured loans	TWD	1.47~1.98	103.06	<u>203,211</u>
Total				<u>\$ 275,211</u>
		December 31, 2012		
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	TWD	1.47~2.07	102.12	\$ 30,000
Unsecured loans	TWD	1.47~2.07	102.12	<u>200,686</u>
Total				<u>\$ 230,686</u>

(Continued)

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

	June 30, 2012			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	TWD	1.53~1.98	102.06	\$ 30,000
Unsecured loans	TWD	1.53~1.98	102.06	<u>188,155</u>
Total				<u><u>\$ 218,155</u></u>

	January 1, 2012			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	TWD	1.47~2.07	101.12	\$ 10,000
Unsecured loans	TWD	1.47~2.07	101.12	<u>148,885</u>
Total				<u><u>\$ 158,885</u></u>

ii) Long-term borrowings

	June 30, 2013			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	HKD	2.25	114.03	\$ 44,869
Secured loans	AUD	9.08~10.12	104.06	849
Unsecured loans	TWD	1.47~1.99	104.06	126,250
Unsecured loans	PHP	9.76	104.09	<u>687</u>
Total				<u><u>\$ 172,655</u></u>
Current				\$ 3,877
Non-current				<u>168,778</u>
Total				<u><u>\$ 172,655</u></u>

	December 31, 2012			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	HKD	2.25	114.03	\$ 45,059
Secured loans	AUD	8.80~9.08	104.06	1,156
Unsecured loans	TWD	1.47~2.07	103.06	146,250
Unsecured loans	PHP	9.76	104.09	<u>837</u>
Total				<u><u>\$ 193,302</u></u>
Current				\$ 3,520
Non-current				<u>189,782</u>
Total				<u><u>\$ 193,302</u></u>

(Continued)

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

	June 30, 2012			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	HKD	2.25	114.03	\$ 47,944
Secured loans	AUD	8.80~9.08	104.06	1,400
Unsecured loans	TWD	1.47~2.07	103.06	<u>146,250</u>
Total				<u>\$ 195,594</u>
Current				\$ 3,738
Non-current				<u>191,856</u>
Total				<u>\$ 195,594</u>
	January 1, 2012			
	Currency	Interest rates (%)	Maturity date	Amount
Secured loans	HKD	2.25	114.03	\$ 50,234
Secured loans	AUD	9.08	104.06	1,657
Unsecured loans	TWD	1.84~2.07	102.06	<u>146,250</u>
Total				<u>\$ 198,141</u>
Current				\$ 3,754
Non-current				<u>194,387</u>
Total				<u>\$ 198,141</u>

(e) Employee benefits

i) Defined benefit plans

Since there is no significant market fluctuations, curtailment, liquidation or other one-off events after the prior financial year ended, the company's pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at December 31 and January 1, 2012.

The Company's expenses recognized in profit or loss are as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Selling expenses	<u>\$ 108</u>	<u>107</u>	<u>217</u>	<u>214</u>
Administrative expenses	<u>\$ 546</u>	<u>557</u>	<u>1,098</u>	<u>1,116</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

ii) Defined contribution plans

Domestic companies of the Company adopted the defined contribution pension plan based on the regulation set by the Bureau of Labor Insurance and provide a monthly contribution equal to 6% of the workers' monthly wages. The Company has no any further obligation after making the contribution to the Bureau. Foreign subsidiaries adopted defined contribution pension plan and made contribution based on the regulation set by the local authority and recognized the contributed amount as current year's expenses.

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Selling expenses	\$ <u>16,317</u>	<u>11,539</u>	<u>33,534</u>	<u>30,672</u>
Administrative expenses	\$ <u>6,346</u>	<u>4,487</u>	<u>13,041</u>	<u>11,928</u>

(f) Income tax

Income tax expense in the condensed consolidated interim report was measured and disclosed in accordance with the estimated average annual effective income tax rate applied to the pre-tax income. Therefore, the reconciliation between income tax expense and tax payable cannot be disclosed. The detail of the Company's income tax expenses are as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Current tax expenses				
Current tax expenses	\$ 7,596	1,618	10,152	4,190
10% surtax on unappropriated earnings	<u>3,808</u>	<u>12,214</u>	<u>3,808</u>	<u>12,214</u>
	<u>11,404</u>	<u>13,832</u>	<u>13,960</u>	<u>16,404</u>
Deferred income tax expense				
Loss carryforwards	(6,619)	(11,081)	(6,619)	(5,473)
Unrealized exchange gain / loss	12,308	15,935	6,389	7,301
Others	<u>(6,173)</u>	<u>(6,947)</u>	<u>(7,647)</u>	<u>320</u>
	<u>(484)</u>	<u>(2,093)</u>	<u>(7,877)</u>	<u>2,148</u>
Continuing operation income tax	\$ <u>10,920</u>	<u>11,739</u>	<u>6,083</u>	<u>18,552</u>

DIMTW's income tax returns have been examined and assessed by the tax authorities for all years through 2011.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

DIMTW's balances of the Imputation Credit Account and unappropriated earnings which are subject to imputation income tax were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Derived from year 1997 and prior years	\$ 1,766	1,766	1,766	1,766
Derived from year 1998 and thereafter	<u>57,360</u>	<u>124,187</u>	<u>74,546</u>	<u>137,489</u>
	<u>\$ 59,126</u>	<u>125,953</u>	<u>76,312</u>	<u>139,255</u>
Balance of imputation credit account	<u>\$ 1,401</u>	<u>1,388</u>	<u>737</u>	<u>737</u>

Unappropriated retained earnings shown in the table above, which include the comparable information for each period, are prepared in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IFRS endorsed by the FSC.

After the Company filed the income tax returns to the tax authorities, the imputation tax credit ratio for the year 2012 and 2011 were 1.13% (estimated) and 1.99%, respectively.

The estimated tax deduction ratio for distribution of earnings for the year 2012 shown in the table above has been prepared in accordance with the amendment to Article 66-6 of the Income Tax Act approved by the Finance Committee of the Legislative Yuan of the Republic of China on 1 April 2013. The amendment is still on pending for the third reading by the Legislative Yuan on the date of the issuance of review report.

(g) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the six months period ended June 30, 2013 and 2012. Please refer to the related information of the condensed consolidated interim financial statements for the three months period ended March 31, 2013.

DIMTW's articles of incorporation stipulate that its net earnings from the current year shall be used to pay income tax, offset prior years' deficits, and provide 10% as legal reserve. The remainder, if any, is subject to stockholders' approval and may be reserved in a certain amount and distributed. The distribution of remaining earnings should be distributed as dividends, employee bonuses, and directors' and supervisors' remuneration in the ratio of 87%, 10% and 3%, respectively.

DIMTW's articles of incorporation entitles qualified employees of the affiliated companies to the aforementioned employee bonuses. 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:

- i) the future expansion needs of the Company;
- ii) maintaining a stable earnings per share level of the Company;
- iii) 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 10%.

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

The Company estimated and accrued employee bonuses amounting to \$3,184 and \$635 for the three months period ended June 30, 2013 and 2012, respectively. The Company also estimated and accrued the directors' and supervisors' remuneration amounting to \$955 and \$200 for the three months period ended June 30, 2013 and 2012, respectively. The Company estimated and accrued the employee bonuses amounting to \$3,184 and \$3,070 for the six months period ended June 30, 2013 and 2012, respectively. The Company also estimated and accrued the directors' and supervisors' remuneration amounting to \$955 and \$930 for the six months period ended June 30, 2013 and 2012, respectively. Employee bonuses and directors' and supervisors' remuneration are estimated and accrued in accordance with DIMTW's article and recognized as current years' expense.

The Company estimated and accrued the employee bonuses amounting to \$12,580 and \$17,281 for the years 2012 and 2011, respectively. The Company also estimated and accrued the directors' and supervisors' remuneration amounting to \$3,774 and \$5,184 for the years 2012 and 2011, respectively. Employee bonuses and directors' and supervisors' remuneration are estimated and accrued in accordance with DIMTW's article and recognized as current years' expense.

The board of directors' meeting held on June 12, 2012, approved a resolution to distribute cash dividends, employee bonuses, and remuneration to directors and supervisors amounting to \$131,580 (NT\$1.02 dollar per share), \$15,124, and \$4,537, respectively. The employee bonuses of \$17,281 and remuneration to directors and supervisors of \$5,184 were recognized in the 2011 annual financial report, and the differences from the amounts which the shareholders' meeting approved of which amounted to \$2,157 and \$647, respectively, were recorded as current year's profit and loss. The related information can be obtained from the Market Observation Post System.

The board of directors' meeting held on June 10, 2013, approved a resolution to distribute cash dividends, employee bonuses, and remuneration to directors and supervisors amounting to \$87,720 (NT\$0.68 dollar per share), \$10,083, and \$3,025, respectively. The employee bonuses of \$12,580 and remuneration to directors and supervisors amounting to \$3,774 were recognized in the 2012 annual financial report, and the differences from the amounts which the shareholders' meeting approved of which amounted to \$2,497 and \$749, respectively, were recorded as current year's profit and loss. The related information can be obtained from the Market Observation Post System.

(h) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share are as follows:

i) Basic earnings per share

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Net income attributable to ordinary stockholders of the Company	\$ <u>63,100</u>	<u>60,328</u>	<u>48,598</u>	<u>87,838</u>
Weighted-average number of ordinary shares outstanding	<u>129,000</u>	<u>129,000</u>	<u>129,000</u>	<u>129,000</u>
Basic earnings per share (in NT dollars)	<u>\$ 0.49</u>	<u>0.47</u>	<u>0.38</u>	<u>0.68</u>

(Continued)

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

ii) Diluted earnings per share

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net income attributable to ordinary stockholders of the Company (diluted)	\$ <u>63,100</u>	<u>60,328</u>	<u>48,598</u>	<u>87,838</u>
Weighted-average number of ordinary shares outstanding (basic)	129,000	129,000	129,000	129,000
Assumed conversion of all dilutive potential ordinary shares:				
Effect of employee stock bonus	<u>740</u>	<u>857</u>	<u>832</u>	<u>942</u>
Weighted-average number of ordinary shares outstanding (diluted)	<u>129,740</u>	<u>129,857</u>	<u>129,832</u>	<u>129,942</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.49</u>	<u>0.46</u>	<u>0.37</u>	<u>0.68</u>

(i) Non-operating income and expenses

i) Other income

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Interest income	\$ 747	612	1,441	1,568
Dividend income	13	20	15	20
Other income	<u>7,873</u>	<u>7,442</u>	<u>17,463</u>	<u>9,441</u>
	\$ <u>8,633</u>	<u>8,074</u>	<u>18,919</u>	<u>11,029</u>

ii) Other gains and losses

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Foreign exchange gain (loss), net	\$ (5,031)	(4,176)	(27,522)	18,101
Gain (loss) on financial assets at fair value through profit or loss	(9)	(121)	42	158
Gain (loss) on disposal of property, plant and equipment	(625)	34	72	(279)
Others	<u>(1,186)</u>	<u>(181)</u>	<u>(1,911)</u>	<u>(1,371)</u>
	\$ <u>(6,851)</u>	<u>(4,444)</u>	<u>(29,319)</u>	<u>16,609</u>

(Continued)

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

iii) Finance costs

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Interest expenses	\$ <u>1,554</u>	<u>1,772</u>	<u>3,526</u>	<u>3,463</u>

(j) Financial instruments

Except as explained in the following paragraph, there were no significant changes in the Company's exposure to credit risks of financial instruments, liquidity risk and market risk.

i) Credit risk

i. Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. As of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, the maximum exposure to credit risk are 2,799,288, 2,701,404, 2,999,575, and 2,916,995, respectively.

ii. Impairment loss

The Company's aging analysis of notes and accounts receivable are as follows:

	Amount	Impairment
June 30, 2013		
Not over due	\$ 1,695,107	-
Over due 0~30 days	41,928	34,636
Over due 31~90 days	21,591	21,591
Over due 91~365 days	10,108	10,108
Over due more than 365 days	<u>5,387</u>	<u>5,387</u>
	<u>\$ 1,774,121</u>	<u>71,722</u>
December 31, 2012		
Not over due	\$ 1,549,884	-
Over due 0~30 days	41,870	4,357
Over due 31~90 days	26,140	26,140
Over due 91~365 days	16,695	16,695
Over due more than 365 days	<u>4,941</u>	<u>4,941</u>
	<u>\$ 1,639,530</u>	<u>52,133</u>

(Continued)

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

	Amount	Impairment
June 30, 2012		
Not over due	\$ 1,862,734	-
Over due 0~30 days	46,360	28,692
Over due 31~90 days	14,056	14,056
Over due 91~365 days	16,981	16,981
Over due more than 365 days	<u>3,280</u>	<u>3,280</u>
	<u><u>\$ 1,943,411</u></u>	<u><u>63,009</u></u>
January 1, 2012		
Not over due	\$ 1,735,568	-
Over due 0~30 days	51,924	32,610
Over due 31~90 days	26,230	26,230
Over due 91~365 days	23,996	23,996
Over due more than 365 days	<u>2,534</u>	<u>2,534</u>
	<u><u>\$ 1,840,252</u></u>	<u><u>85,370</u></u>

Please refer to note 6(b) for the movement of allowance for accounts receivable. Based on the historical bad debt rate, the Company believes that there was no other bad debt other than those listed above.

ii) Currency risk

The Company's assets and liabilities exposed in significant currency risk are as follows:

	Foreign currency	Exchange Rate	NTD
June 30, 2013			
Financial assets:			
Monetary assets:			
USD	\$ 6,430	30.011	192,961
December 31, 2012			
Financial assets:			
Monetary assets:			
USD	\$ 5,216	29.04	151,500
June 30, 2012			
Financial assets:			
Monetary assets:			
USD	\$ 1,893	29.875	56,554

(Continued)

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

	Foreign currency	Exchange Rate	NTD
January 1, 2012			
Financial assets:			
Monetary assets:			
USD	\$	3,460	30.318
			104,869

iii) Fair value

i. Fair value and carrying amount

The Company's management believes that the carrying amounts of its financial assets and financial liabilities amortized cost agreed to its fair value approximately.

ii. Level of fair value

The table below analyzes the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy were as follows:

- 1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- 2) Level 2: inputs other than 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).
- 3) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
As of June 30, 2013				
Financial assets at fair value through profit or loss	\$ <u>-</u>	<u>11,210</u>	<u>-</u>	<u>11,210</u>
As of December 31, 2012				
Financial assets at fair value through profit or loss	\$ <u>-</u>	<u>10,807</u>	<u>-</u>	<u>10,807</u>
As of June 30, 2012				
Financial assets at fair value through profit or loss	\$ <u>-</u>	<u>11,025</u>	<u>-</u>	<u>11,025</u>
As of January 1, 2012				
Financial assets at fair value through profit or loss	\$ <u>-</u>	<u>11,027</u>	<u>-</u>	<u>11,027</u>

(k) Financial risk management

The disclosures of objectives and policies of the Company's financial risk management are the same as those in financial statements as of March 31, 2013.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(l) Capital management

The disclosures of objectives, policies and procedures of the Company's capital management are the same as those in financial statements as of March 31, 2013. And there were no significant changes in the Company's collective quantitative information from that disclosed in the financial statement as of March 31, 2013.

(7) Related-party transactions

Key management personnel compensation comprised:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Short-term employee benefits	\$ <u>13,344</u>	<u>11,594</u>	<u>23,516</u>	<u>21,572</u>

(8) Pledged assets

The carrying value of pledged assets are as follows:

Pledged assets	Object	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Restricted certificates of deposit (other current assets)	Short-term borrowings and guarantees from banks for performance of freight forwarding contracts	\$ 1,395	1,185	3,603	7,285
Restricted certificates of deposit (other assets — non-current)	Guarantee recorded for customs duty	3,000	3,000	3,000	3,023
Property, plant, and equipment:					
Land	Long-term and short-term borrowings and guarantees from banks for performance of freight forwarding contracts	41,792	41,792	41,792	41,792
Buildings	"	125,918	123,682	128,354	131,792
Transportation equipment	Long-term borrowings	849	1,156	1,400	1,657
		\$ <u>172,954</u>	<u>170,815</u>	<u>178,149</u>	<u>185,549</u>

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

(9) Commitments and contingencies

- (a) The Company provided certificates of deposit, land, and buildings as collateral to the banks for the performance of freight forwarding contracts in 2013 and 2012. As of June 30, 2013 and 2012, the guarantees from the banks were 174,194 and 178,576, respectively, and the used amounts were \$113,247 and \$118,476, respectively.
- (b) As of June 30, 2013 and 2012, the Company had outstanding letters of credit totaling \$69,194 and \$73,576, respectively. As of June 30, 2013 and 2012, the guarantees recorded for customs duty were \$4,933 and \$4,894, respectively.
- (c) The Company has part of its offices under operating lease, and the rent for the next 5 years are as follows:

Period	Amount
July 1, 2013~June 30, 2014	\$ 130,727
July 1, 2014~June 30, 2015	71,276
July 1, 2015~June 30, 2016	26,811
July 1, 2016~June 30, 2017	8,055
July 1, 2017~June 30, 2018	<u>6,336</u>
	<u><u>\$ 243,205</u></u>

- (d) The consolidated subsidiary, DFS, was sued by a customer who originally had a business transaction with DIMUS. The lawsuit is concerning the damage of the product that was delivered. DFS claimed that it was neither engaged with the customer nor it was the one who delivered the product. Furthermore, DIMUS had no negligence in delivering the product. Therefore, the Company claimed that the lawsuit and compensation requested by the customer did not comply with the law. As of June 30, 2013, the District Court ruled that DFS should compensate the customer \$7,602 thousands plus annual interest 5%, covering from March 5, 2011 until the compensation was settled. However, DFS was not satisfied with the ruling and filed an appeal. The final result of the lawsuit has not yet been decided.

(10) Losses due to major disasters: none.

(11) Subsequent events: none.

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

(12) Other

- (a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function	April 1 to June 30, 2013			April 1 to June 30, 2012		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
By nature						
Employee benefits						
Salary	31,523	218,526	250,049	53,258	202,526	255,784
Labor and health insurance	1,236	21,057	22,293	1,159	26,709	27,868
Pension	1,986	23,317	25,303	3,534	16,690	20,224
Others	197	73,591	73,788	452	70,082	70,534
Depreciation	-	11,188	11,188	-	11,760	11,760
Amortization	-	403	403	-	326	326

By function	January 1 to June 30, 2013			January 1 to June 30, 2012		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
By nature						
Employee benefits						
Salary	56,101	428,752	484,853	62,093	417,607	479,700
Labor and health insurance	1,300	42,222	43,522	1,215	42,408	43,623
Pension	3,713	47,890	51,603	3,662	43,930	47,592
Others	252	139,284	139,536	541	140,348	140,889
Depreciation	-	23,648	23,648	-	25,255	25,255
Amortization	-	755	755	-	658	658

- (b) Seasonality or cyclically of interim operations

The business segment of the Company is neither seasonal nor cyclical.

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

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

i) Funding financing to other parties:

No.	Name of Lenders	Name of borrowers	Account name	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 borrowers (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 limitation on fund financing (Note 2)
												Name	Value		
1	HOLDING	DIMTW	Accounts receivable from related parties	28,268	26,268	28,268	-	2	-	Working capital	-		-	169,314	677,256
2	FSC	DIMTW	Accounts receivable from related parties	80,484	80,484	80,484	-	2	-	Working capital	-		-	169,314	677,256
3	DFSTW	DIMTW	Accounts receivable from related parties	714	714	714	-	2	-	Working capital	-		-	169,314	677,256

Note 1: Nature of financial activities is as follows:

- (1) if there are transactions between these two parties, number is “1”.
- (2) if it is necessary to loan to other parties, number is “2”.

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 statements.

ii) Guarantees and endorsements for other parties:

No.	Name of the Company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Noet 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 (Noet 2)	Parent Company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of Parent Company	Endorsements/ guarantees to the third parties on behalf of the Companies in Mainland China
		Name	Relationship with the Company (Noet 1)										
0	DIMTW	DIMKR	2	270,000	9,604	9,604	9,604	9,604	0.58 %	540,000	Y		
0	DIMTW	DIMSG	2	270,000	13,916	9,725	9,725	9,725	0.58 %	540,000	Y		
0	DIMTW	DIMVN	2	270,000	6,302	6,302	6,302	6,302	0.38 %	540,000	Y		
0	DIMTW	DIMTH & DIMVN	2	270,000	2,631	2,631	2,631	2,631	0.16 %	540,000	Y		

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

- (1) An entity having business relationship with DIMTW.
- (2) A subsidiary in which DIMTW holds directly over 50% of equity interest.
- (3) An investee in which DIMTW and its subsidiaries holds over 50% of equity interest.
- (4) An investor who directly or indirectly holds over 50% of equity interest of DIMTW.
- (5) An entity that has provided guarantees to DIMTW, and vice versa, due to contractual agreements.
- (6) An investee in which DIMTW conjunctly invested with other investor, and for which DIMTW has provide guarantee/endorsement in proportion to its shareholding percentage.

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

iii) Information regarding securities held at balance sheet date:

Name of holder	Category and name of security	Relationship with security issuer	Recorded account	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
DIMTW	Stock: DIL	Subsidiary	Long-term investment	(Note 2)	1,617,237	100.00 %	1,617,237	Eliminated
DIMTW	HOLDING	Subsidiary	Long-term investment	3,089,000	596,757	100.00 %	596,757	Eliminated
DIMTW	DFSTW	Subsidiary	Long-term investment	1,200,000	67,531	99.99 %	67,531	Eliminated
DIMTW	FSC	Subsidiary	Long-term investment	10,000	155,038	20.00 %	155,038	Eliminated
DIMTW	DIMSG	Subsidiary	Long-term investment	4,650,000	251,419	86.11 %	251,419	Eliminated
DIMTW	Global Sky Express Taiwan Ltd.	—	Financial assets carried at cost – non-current	10,000	100	1.00 %	100	
DIMTW	Evergreen Air Cargo Service Corporation	—	Financial assets carried at cost – non-current	29,000	290	- %	290	
HOLDING	Stock: DIMMY	Subsidiary	Long-term investment	123,000	63,223	49.00 %	63,223	Eliminated
HOLDING	DILMY	Subsidiary	Long-term investment	186,000	(5,213)	49.00 %	(5,213)	Eliminated
HOLDING	DIMTH	Subsidiary	Long-term investment	735,000	28,084	48.99 %	28,084	Eliminated

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with security issuer	Recorded account	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
HOLDING	DIMNL	Subsidiary	Long-term investment	1,000	5,135	100.00 %	5,135	Eliminated
HOLDING	DIMKR	Subsidiary	Long-term investment	120,000	9,731	100.00 %	9,731	Eliminated
HOLDING	DFSHK	Subsidiary	Long-term investment	71,000	125,997	99.99 %	125,997	Eliminated
HOLDING	WFNAU	Subsidiary	Long-term investment	30,000	19,403	50.00 %	19,403	Eliminated
HOLDING	DIMPH	Subsidiary	Long-term investment	120,000	17,006	39.99 %	17,006	Eliminated
HOLDING	DIMCA	Subsidiary	Long-term investment	(Note 2)	43,892	100.00 %	43,892	Eliminated
HOLDING	DTLHK	Subsidiary	Long-term investment	89,000	35,685	90.00 %	35,685	Eliminated
HOLDING	DSLUS	Subsidiary	Long-term investment	50,000	12,467	100.00 %	12,467	Eliminated
DIL	DIMUS	Subsidiary	Long-term investment	4,961,000	403,147	100.00 %	403,147	Eliminated
DIL	DIMGB	Subsidiary	Long-term investment	100,000	118,714	100.00 %	118,714	Eliminated
DIL	DIMSG	Subsidiary	Long-term investment	750,000	23,076	13.89 %	23,076	Eliminated
DIL	DIMHK	Subsidiary	Long-term investment	300,000	754,098	99.99 %	754,098	Eliminated
DIL	GMS	Subsidiary	Long-term investment	(Note 2)	318,203	100.00 %	318,203	Eliminated
DIMUS	FSC	Subsidiary invested in by the consolidated entities	Long-term investment	10,000	300	20.00 %	300	Eliminated
DIMUS	Fund	—	Financial assets at fair value though profit loss – current	-	11,210	-	11,210	
DIMUS	DCBUS	Subsidiary	Long-term investment	1,000	13,045	100.00 %	13,045	Eliminated
DIMHK	DILSHA	Subsidiary	Long-term investment	(Note 2)	9,356	99.99 %	9,356	Eliminated
DIMHK	DIMCN	Subsidiary	Long-term investment	(Note 2)	228,182	100.00 %	228,182	Eliminated
DIMHK	FSC	Subsidiary invested in by the consolidated entities	Long-term investment	10,000	300	20.00 %	300	Eliminated
DIMHK	DILSZX	Subsidiary invested in by the consolidated entities	Long-term investment	2,850,000	7,989	100.00 %	7,989	Eliminated
DIMHK	DIMVN	Subsidiary invested in by the consolidated entities	Long-term investment	(Note 2)	16,044	51.00 %	16,044	Eliminated
DIMHK	ZJDCN	Subsidiary invested in by the consolidated entities	Long-term investment	(Note 2)	92,302	75.00 %	92,302	Eliminated
DIMGB	FSC	Subsidiary invested in by the consolidated entities	Long-term investment	10,000	300	20.00 %	300	Eliminated
DIMSG	FSC	Subsidiary invested in by the consolidated entities	Long-term investment	10,000	300	20.00 %	300	Eliminated
DIMSG	DIMIN	Subsidiary	Long-term investment	500,000	1,564	50.00 %	1,564	Eliminated
DIMSG	Burwill Holdings Ltd.	—	Financial assets measured at cost – non-current	22,000	20	-	20	
DIMSG	Stamford Land	—	Financial assets measured at cost – non-current	5,000	41	-	41	
DIMHK	DFSCN	Subsidiary	Long-term investment	(Note 2)	80,596	100.00 %	80,596	Eliminated
DTLHK	DTLCN	Subsidiary	Long-term investment	(Note 2)	21,248	100.00 %	21,248	Eliminated
DIMMY	Danau Muhibbah Sdn. Bhd.	Subsidiary	Long-term investment	(Note 2)	(1,259)	100.00 %	(1,259)	Eliminated

Note 1: Fair value of long-term investment is the book value of investment as of the balance sheet date.

Note 2: The Company was established as a limited company.

Note 3: The inter-company transactions within the Company, such as operating income / expense, payable / receivable, investment / equity and investment gain / loss under the equity method, have been eliminated upon consolidation.

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowances for bad debts
					Amount	Action taken		
FSC	DIMTW	Subsidiary	128,502 (Note 1)	-	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 2)	-	-		-	-

Note 1: Loan from the subsidiary of \$80,484 and other receivable of \$48,018.

Note 2: Paid on behalf of DIMTW.

Note 3: The amount was offset in the consolidated statements.

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

No.	Name of the Company	Name of the counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	DIMTW	ZJDCN	1	Accounts receivable – related parties	4,770	Negotiated	0.13 %
0	DIMTW	ZJDCN	1	Accounts payable – related parties	3,520	Negotiated	0.10 %
0	DIMTW	DIMUS	1	Accounts receivable – related parties	9,173	Negotiated	0.25 %
0	DIMTW	DIMUS	1	Accounts payable – related parties	13,011	Negotiated	0.36 %
0	DIMTW	DIMHK	1	Accounts payable – related parties	4,802	Negotiated	0.13 %
0	DIMTW	DIMCN	1	Accounts receivable – related parties	3,547	Negotiated	0.10 %
0	DIMTW	DIMCN	1	Accounts payable – related parties	10,470	Negotiated	0.29 %
2	FSC	DIMTH	3	Sale revenue	5,302	Negotiated	0.08 %
2	FSC	DIMUS	3	Sale revenue	(12,641)	Negotiated	(0.19)%
2	FSC	DIMHK	3	Sale revenue	13,776	Negotiated	0.20 %
2	FSC	ZJDCN	3	Sale revenue	16,641	Negotiated	0.25 %
2	FSC	DIMMY	1	Sale revenue	10,272	Negotiated	0.15 %
2	FSC	DIMVN	1	Sale revenue	8,391	Negotiated	0.12 %
2	FSC	DIMSG	1	Sale revenue	(4,574)	Negotiated	(0.07)%
2	FSC	DFSTW	1	Sale revenue	4,538	Negotiated	0.07 %

Note 1: Company numbering is as follow:

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

Note 2: Relationship with transaction party numbering is as follows:

- (1) Parent company to subsidiary-1.
- (2) Subsidiary to parent company-2.
- (3) Subsidiary to subsidiary-3.

Note 3: Only discourse the amount over \$3,500.

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(b) Information on investees:

The followings are the information on investees from January 1, 2013 to June 30, 2013:

Name of the investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income of investee	Investment income (losses)	Notes
				June 30, 2013	June 30, 2012	Shares	Ratio of shares	Book value			
DIMTW	DFSTW	Taiwan	Ocean freight forwarder	15,444	15,444	1,200,000	99 %	67,531	6,996	6,996	
DIMTW	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	596,757	(16,643)	(16,643)	
DIMTW	DIMSG	Singapore	Logistics & warehousing	108,362	108,362	4,650,000	86 %	251,419	5,942	5,117	
DIMTW	DIL	British Virgin Is.	Holding company	472,313	472,313	-	100 %	1,617,237	42,441	42,441	(Note 1)
DIMTW	FSC	British Virgin Is.	Settlement center	315	315	10,000	20 %	155,038	30,940	6,188	
DIL	DIMUS	U.S.A.	Logistics & warehousing	238,686	238,686	4,961,000	100 %	403,147	32,444	32,444	
DIL	DIMGB	U.K.	Global air and ocean freight forwarder	(5,624)	(5,624)	100,000	100 %	118,714	1,471	1,471	
DIL	DIMSG	Singapore	Logistics & warehousing	23,904	23,904	750,000	14 %	23,076	5,942	825	
DIL	DIMHK	Hong Kong	Logistics & warehousing	427,348	359,960	300,000	99 %	754,098	9,609	9,609	
DIL	GMS	Hong Kong		-	-	-	100 %	318,203	-	-	(Note 1)
DIMUS	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	300	30,940	6,188	
DIMUS	DCBUS	U.S.A.	Brokerage service	13,532	11,198	1,000	100 %	13,045	139	139	
DIMHK	DILSHA	China	Logistics & warehousing	6,868	6,868	-	99 %	9,356	(2,211)	(2,211)	(Note 1)
DIMHK	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	300	30,940	6,188	
DIMHK	DIMCN	China	Global air and ocean freight forwarder	120,652	53,264	-	100 %	228,182	(1,110)	(1,110)	(Note 1)
DIMHK	DIMVN	Vietnam	Global air and ocean freight forwarder	1,330	1,330	-	51 %	16,044	5,222	2,663	(Note 1)
DIMHK	ZJDCN	China	Global air and ocean freight forwarder	34,187	34,187	-	75 %	92,302	11,589	8,692	(Note 1)
DIMHK	DILSZX	China	Logistics & warehousing	12,049	12,049	2,850,000	100 %	7,989	(2,844)	(2,844)	
DIMSG	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	300	30,940	6,188	
DIMSG	DIMIN	India	Global air and ocean freight forwarder	2,932	-	500,000	50 %	1,564	(1,769)	(885)	
DIMGB	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	300	30,940	6,188	
HOLDING	DIMMY	Malaysia	Global air and ocean freight forwarder	2,145	2,145	123,000	49 %	63,223	6,112	2,995	
HOLDING	DILMY	Malaysia	Global logistics supply chain management consultancy	1,592	1,592	186,000	49 %	(5,213)	(100)	(100)	
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	28,084	3,535	1,732	
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	17,006	1,675	670	
HOLDING	WFNAU	Australia	Global air and ocean freight forwarder	1,110	1,110	30,000	50 %	19,403	(438)	(219)	
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	16,240	16,240	120,000	100 %	9,731	(231)	(231)	
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	-	100 %	43,892	2,797	2,797	(Note 1)
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	5,135	(1,926)	(1,926)	
HOLDING	DFSHK	Hong Kong	Ocean freight forwarder	25,393	25,393	71,000	99 %	125,997	1,927	1,927	
HOLDING	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	90 %	35,685	1,297	1,167	
HOLDING	Winfull	Hong Kong	Real estate investment	-	77	-	- %	-	-	-	(Note 2)
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	12,467	1,117	1,117	
DFSHK	DFSCN	China	Global air and ocean freight forwarder	67,263	67,263	-	100 %	80,596	(2,411)	(2,411)	(Note 1)
DTLHK	DTLCN	China	Trucking service	33,247	33,247	-	100 %	21,248	541	541	(Note 1)
DIMMY	Danau Muhibbah Sdn. Bhd.	Malaysia	Real estate investment	2,621	2,621	-	100 %	(1,259)	-	-	(Note 1)

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

Note 2: The subsidiary was dissolved in 2012.

Note 3: The inter-company transactions within the Company, such as operating income / expense, payable / receivable, investment / equity and investment gain / loss under the equity method, have been eliminated upon consolidation.

(Continued)

DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Unit: thousand dollars

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Direct / indirect shareholdings investments (%) in the Company	Current investment gains and losses (Note 2)	Book value	Remittance of investment income as at current period
					Invested amount	Returned amount					
ZJD	Global air and ocean freight forwarder	54,928	(2)	27,070 (USD902)	-	-	27,070 (USD902)	75 %	8,692 (1)	92,302	-
DILSHA	Logistics & warehousing	5,970	(2)	6,002 (USD200)	-	-	6,002 (USD200)	99 %	(2,211) (2)	9,356	-
DIMCN	Global air and ocean freight forwarder	59,704	(2)	-	-	-	-	100 %	(1,110) (1)	228,182	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	100 %	(2,844) (2)	7,989	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	100 %	(2,411) (2)	80,596	-
DTLCN	Trucking service	29,802	(2)	-	-	-	-	100 %	541 (2)	21,248	-

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

- (1) Remittance from third region companies to invest in Mainland China.
- (2) Through the establishment of third region companies then investing in Mainland China.
- (3) Through transferring the investment to third region existing companies then investing in Mainland China.
- (4) Other methods EX: delegated investments.

Note 2: The based to the gain (loss) of investee:

- (1) The financial statement was reviewed by an international accounting firm in cooperation with the R.O.C. accounting firm.
- (2) The gain (loss) of the investee were not reviewed and were recognized as investment income (loss) under the equity method.

Note 3: Foreign currencies in this report were translated based on the exchange rate at balance sheet date (USD1 to NTD30.011).

Note 4: The inter-company transactions within the Company, such as operating income / expense, payable / receivable, investment / equity and investment gain / loss under the equity method, have been eliminated upon consolidation.

ii) Limitation on investment in Mainland China:

Company Name	Aggregate investment amount remitted form Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China accordance with the regulations of Ministry of Economic Affairs Investment Commission
DIMTW	33,072 (USD1,102)	72,026 (USD2,400)	1,015,885

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

Note 2: USD:NT\$=1:30.011.

iii) Significant transactions with investees in Mainland China:

Please refer to note 13(a) for transactions with investees in Mainland China for the six-month period ended June 30, 2013. All transactions were eliminated upon consolidating.

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

(14) Segment information

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

	Asia	Americas	Europe	Adjustments and eliminations	Total
April 1 to June 30, 2013					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 2,975,474	632,927	81,412	-	3,689,813
From the parent company and the subsidiaries	<u>33,264</u>	<u>-</u>	<u>-</u>	<u>(33,264)</u>	<u>-</u>
Total Revenue	<u>\$ 3,008,738</u>	<u>632,927</u>	<u>81,412</u>	<u>(33,264)</u>	<u>3,689,813</u>
Segment income	<u>\$ 61,980</u>	<u>18,809</u>	<u>3,599</u>	<u>-</u>	<u>84,388</u>
April 1 to June 30, 2012					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 3,210,624	728,486	79,028	-	4,018,138
From the parent company and the subsidiaries	<u>26,996</u>	<u>-</u>	<u>-</u>	<u>(26,996)</u>	<u>-</u>
Total Revenue	<u>\$ 3,237,620</u>	<u>728,486</u>	<u>79,028</u>	<u>(26,996)</u>	<u>4,018,138</u>
Segment income	<u>\$ 70,807</u>	<u>8,455</u>	<u>(2,398)</u>	<u>-</u>	<u>76,864</u>
January 1 to June 30, 2013					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 5,431,863	1,204,194	156,060	-	6,792,117
From the parent company and the subsidiaries	<u>56,111</u>	<u>-</u>	<u>-</u>	<u>(56,111)</u>	<u>-</u>
Total Revenue	<u>\$ 5,487,974</u>	<u>1,204,194</u>	<u>156,060</u>	<u>(56,111)</u>	<u>6,792,117</u>
Segment income	<u>\$ 41,435</u>	<u>30,181</u>	<u>(6,527)</u>	<u>-</u>	<u>65,089</u>
January 1 to June 30, 2012					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 6,084,504	1,400,180	157,164	-	7,641,848
From the parent company and the subsidiaries	<u>67,037</u>	<u>-</u>	<u>-</u>	<u>(67,037)</u>	<u>-</u>
Total Revenue	<u>\$ 6,151,541</u>	<u>1,400,180</u>	<u>157,164</u>	<u>(67,037)</u>	<u>7,641,848</u>
Segment income	<u>\$ 116,238</u>	<u>9,113</u>	<u>(6,292)</u>	<u>-</u>	<u>119,059</u>

Note 1: Because the information on segment assets was not provided to the management level, the information on segment assets is not disclosed.

Note 2: For the six-month periods ended June 30, 2013 and 2012, the inter-company revenue of \$56,111 and \$67,037, respectively, was eliminated.

(15) First-time adoption of IFRS

The Company's consolidate financial statement as of December 31, 2012 was prepared by the previous R.O.C. GAAP. As discussed in note 4(a), the Company's first IFRS condensed consolidated interim financial statements that is covered by parts of the period by the first IFRS (Accredited by FSC) annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied.

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

The preparation of the condensed consolidated interim financial statements for the six months ended June 30, 2012 and the consolidated balance sheets as of January 1, 2012 (conversion date) and December 31, 2012 adopted the IFRS' Accounting Policies. Please refer to the condensed consolidated financial statements as of March 31, 2013 for the accounting policies.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in the note below.

For the reconciliation of consolidated balance sheet items as of January 1 (conversion date) and December 31, 2012, and the reconciliation of consolidated statement of comprehensive income for the year December 31, 2012, please refer to the condensed consolidated interim financial statements for the three months ended March 31, 2013.

(a) Reconciliation for consolidated balance sheet

	ROC GAAP	June 30, 2012 Difference	IFRSs
Assets			
Cash and cash equivalents	\$ 1,017,061	-	1,017,061
Financial assets at fair value through profit or loss— current	11,025	-	11,025
Notes receivable, net	20,197	-	20,197
Account receivable, net	1,880,402	-	1,880,402
Other current assets (3)	<u>126,653</u>	<u>(17,692)</u>	<u>108,961</u>
Total current assets	<u>3,055,338</u>	<u>(17,692)</u>	<u>3,037,646</u>
Financial assets carried at cost— non-current	450	-	450
Property, plant and equipment	556,612	-	556,612
Goodwill (4), (5)	89,119	(62,601)	26,518
Deposits out	26,995	-	26,995
Deferred income tax assets (3), (5)	20,085	21,285	41,370
Long-term prepaid lease (4)	-	55,157	55,157
Other non-current assets— other (5)	<u>8,223</u>	<u>(233)</u>	<u>7,990</u>
Total non-current assets	<u>701,484</u>	<u>13,608</u>	<u>715,092</u>
Total assets	<u>\$ 3,756,822</u>	<u>(4,084)</u>	<u>3,752,738</u>

(Continued)

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

	ROC GAAP	June 30, 2012 Difference	IFRSs
Liabilities			
Short-term borrowings	\$ 221,893	-	221,893
Notes payable	8,740	-	8,740
Accounts payable	1,160,521	-	1,160,521
Income tax payable	25,550	-	25,550
Other current liabilities (2), (3)	<u>245,508</u>	<u>2,635</u>	<u>248,143</u>
Total current liabilities	<u>1,662,212</u>	<u>2,635</u>	<u>1,664,847</u>
Long-term borrowings	191,856	-	191,856
Deferred income tax liabilities (3)	-	7,044	7,044
Accrued pension liabilities (5)	40,872	3,795	44,667
Deferred credits	936	-	936
Other non-current liabilities – other	<u>2,799</u>	<u>-</u>	<u>2,799</u>
Total non-current liabilities	<u>236,463</u>	<u>10,839</u>	<u>247,302</u>
Total liabilities	<u>1,898,675</u>	<u>13,474</u>	<u>1,912,149</u>
Equity attributable to stockholders of the parent			
Common stock	1,350,000	-	1,350,000
Capital surplus	21,428	-	21,428
Retained earnings (6)	558,743	(78,635)	480,108
Other equities (1), (5)	(102,942)	61,077	(41,865)
Treasury stock	<u>(145,631)</u>	<u>-</u>	<u>(145,631)</u>
Total stockholders' equity	1,681,598	(17,558)	1,664,040
Non controlling interest	<u>176,549</u>	<u>-</u>	<u>176,549</u>
Total equity	<u>1,858,147</u>	<u>(17,558)</u>	<u>1,840,589</u>
Total liabilities and stockholders' equity	<u>\$ 3,756,822</u>	<u>(4,084)</u>	<u>3,752,738</u>

(Continued)

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

(b) Reconciliation for consolidated statements of comprehensive income

	April 1 to June 30, 2012			January 1 to June 30, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Revenue	\$ 4,018,138	-	4,018,138	7,641,848	-	7,641,848
Costs of revenue	<u>3,462,447</u>	-	<u>3,462,447</u>	<u>6,570,465</u>	-	<u>6,570,465</u>
Gross profit	<u>555,691</u>	-	<u>555,691</u>	<u>1,071,383</u>	-	<u>1,071,383</u>
Operating expenses						
Selling expenses	146,866	-	146,866	295,083	-	295,083
Administrative expenses (2), (5)	<u>336,356</u>	<u>(2,537)</u>	<u>333,819</u>	<u>684,473</u>	<u>(3,057)</u>	<u>681,416</u>
Total operating expenses	<u>483,222</u>	<u>(2,537)</u>	<u>480,685</u>	<u>979,556</u>	<u>(3,057)</u>	<u>976,499</u>
Operating profit	72,469	2,537	75,006	91,827	3,057	94,884
Other revenues and expenses:						
Other income	8,074	-	8,074	11,029	-	11,029
Other gain and losses	(4,444)	-	(4,444)	16,609	-	16,609
Financial cost	<u>(1,772)</u>	-	<u>(1,772)</u>	<u>(3,463)</u>	-	<u>(3,463)</u>
Consolidated net income before tax	74,327	2,537	76,864	116,002	3,057	119,059
Income tax expenses (5)	<u>11,677</u>	<u>62</u>	<u>11,739</u>	<u>18,427</u>	<u>125</u>	<u>18,552</u>
Consolidated net income for the period	<u>62,650</u>	<u>2,475</u>	<u>65,125</u>	<u>97,575</u>	<u>2,932</u>	<u>100,507</u>
Other comprehensive income (loss)						
Financial statements translation differences of foreign operations	23,896	-	23,896	(44,555)	-	(44,555)
Income tax relating to components of other comprehensive income (loss)	-	-	-	-	-	-
Other comprehensive income (loss) after tax for the period	<u>23,896</u>	-	<u>23,896</u>	<u>(44,555)</u>	-	<u>(44,555)</u>
Total comprehensive income (loss) for the period	<u>\$ 86,546</u>	<u>2,475</u>	<u>89,021</u>	<u>53,020</u>	<u>2,932</u>	<u>55,952</u>
Consolidated net income attributable to:						
Stockholders of the parent	\$ 57,853	2,475	60,328	84,906	2,932	87,838
Non-controlling interest	<u>4,797</u>	-	<u>4,797</u>	<u>12,669</u>	-	<u>12,669</u>
Consolidated net income	<u>\$ 62,650</u>	<u>2,475</u>	<u>65,125</u>	<u>97,575</u>	<u>2,932</u>	<u>100,507</u>
Total comprehensive income (loss) attribute to:						
Stockholders of the parent	\$ 82,429	2,475	84,904	43,041	2,932	45,973
Non-controlling interest	<u>4,117</u>	-	<u>4,117</u>	<u>9,979</u>	-	<u>9,979</u>
Total comprehensive income (loss) for the period	<u>\$ 86,546</u>	<u>2,475</u>	<u>89,021</u>	<u>53,020</u>	<u>2,932</u>	<u>55,952</u>
Earnings per share						
Basic earnings per share (in NT dollar)	<u>\$ 0.45</u>	<u>0.02</u>	<u>0.47</u>	<u>0.66</u>	<u>0.02</u>	<u>0.68</u>
Diluted earnings per share (in NT dollar)	<u>\$ 0.44</u>	<u>0.02</u>	<u>0.46</u>	<u>0.65</u>	<u>0.03</u>	<u>0.68</u>

(c) Significant adjustments for statement of cash flows

There is no significant difference between the consolidated statements of cash flows prepared by the FSC approved by the IFRS and the one that was prepared by the previous R.O.C GAAP.

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

(d) Notes for the reconciliations

- i) The Company elected the exemption for foreign currency translation under IFRS 1 to reset foreign currency translation adjustment to zero on transition date. The effect of the adjustment was summarized as follow:

June 30, 2012

Condensed consolidated balance sheet

Financial statements translation differences for foreign operations	\$	51,413
		<u>51,413</u>
Decrease in retained earnings	\$	<u><u>51,413</u></u>

- ii) The Company has an obligation for accumulating the compensated absences resulting from the service provided by the employees and should recognize the expected cost as liability. The effect of the adjustment was summarized as follow:

April 1 to June 30, 2012	January 1 to June 30, 2012
-------------------------------------	---------------------------------------

Condensed consolidated comprehensive income statement

Administrative expenses	\$	<u>(2,169)</u>	<u>(2,321)</u>
Pre-tax adjustment	\$	<u><u>(2,169)</u></u>	<u><u>(2,321)</u></u>

June 30, 2012

Condensed consolidated balance sheet

Other current liabilities	\$	<u>9,679</u>
Decrease in retained earnings	\$	<u><u>9,679</u></u>

- iii) Under IFRS, deferred income tax assets and liabilities recognized by the Company when estimating the income tax expenses should always be classified as non-current. Therefore, as of June 30, 2012, the Company should reclassify the deferred income tax assets—current recognized under the ROC GAAP to non-current assets amounting to \$17,692 and deferred income tax liabilities—current to non-current liabilities amounting to \$7,044. Also due to the lows possibility of realization, the Company offset the deferred income tax asset and the allowance of deferred income tax asset under IFRS amounting to \$6,848 as of June 30, 2012.

- iv) Land-use right acquired by the Company is treated as operating lease. Under IFRS, the proceeds paid to acquire the land-use right should be listed as prepaid lease and amortized over the lease period. The effect of the adjustment was summarized as follow:

June 30, 2012

Condensed consolidated balance sheet

Long-term prepaid lease	\$	55,157
Intangible assets		<u>(55,157)</u>
Adjustment to retained earnings	\$	<u><u>-</u></u>

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DIMERCO EXPRESS CORPORATION AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

- v) In accordance with the IFRS approved by the FSC, the Company recognized a part of the pension cost in other comprehensive income. In accordance with the previous R.O.C. GAAP, the Company recognized pension cost as current years' profit and loss based on the employees' remaining service period. On the transition date, the Company recognized all the unrecognized actuarial gains and losses in retained earnings. After the transition, the pension cost under defined benefit contribution will be recognized under other comprehensive income. The effect of the adjustment was summarized as follow:

	April 1 to June 30, 2012	January 1 to June 30, 2012
Condensed consolidated comprehensive income statement		
Administrative expenses	\$ (368)	(736)
Pre-tax adjustment	\$ (368)	(736)
Increased in income tax expense	\$ 62	125
	June 30, 2012	
Condensed consolidated balance sheet		
Intangible assets	\$ (7,444)	
Other non-current assets — other	(233)	
Accrued pension liability	(3,795)	
Other equity item	(9,664)	
Deferred income tax assets	3,593	
Decrease in retained earnings	\$ (17,543)	

- vi) The decrease of retained earnings related to the changes mentioned above are as follows:

	June 30, 2012
Foreign currency translation adjustment	\$ 51,413
Employee compensated absences	9,679
Employee benefit	17,543
Decrease of retained earnings	\$ 78,635