

**DIMERCO EXPRESS CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of
Dimerco Express Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Dimerco Express Corporation and its subsidiaries (the Group) as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflected the total assets amounting to \$2,608,199 thousand and \$2,425,103 thousand, constituting 25% and 21% of consolidated total assets; and the total liabilities amounting to \$387,238 thousand and \$496,060 thousand, constituting 8% of the consolidated total liabilities at June 30, 2023 and 2022, respectively; as well as the total comprehensive income (loss) amounting to \$96,282 thousand, \$472,190 thousand, \$101,495 thousand and \$567,626 thousand, constituting 21%, 38%, 16% and 27% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(d), the other equity accounted investments of the Group in its investee companies of \$280,079 thousand and \$264,319 thousand at June 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$5,530 thousand, \$18,197 thousand, \$7,941 thousand and \$28,090 thousand for the three months and six months ended June 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Dimerco Express Corporation and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of Dimerco Air Forwarders (HK) Ltd., a subsidiary of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Dimerco Air Forwarders (HK) Ltd., is based solely on the review report of another auditor. The financial statements of Dimerco Air Forwarders (HK) Ltd. reflected total assets amounting to \$669,522 thousand and \$635,683 thousand, constituting 6% and 5% of consolidated total assets at June 30, 2023 and 2022, and total revenues amounting to \$280,696 thousand, \$558,994 thousand, \$565,121 thousand and \$982,934 thousand, constituting 5%, 5%, 5% and 4% of consolidated total revenues for the three months and six months ended June 30, 2023 and 2022, respectively.

The engagement partners on the review resulting in this independent auditors’ report are Chun-I Chang and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2023

Notes to Readers

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

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

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:									Current liabilities:								
1100	Cash and cash equivalents (note 6(a))	\$	6,361,172	61	5,809,475	55	5,611,384	48	2100	Short-term borrowings (notes 6(f), (i) and 8)	\$	410,000	4	430,000	4	658,567	6
1137	Financial assets measured at amortised cost — current (note 6(b))		46,714	1	9,775	-	-	-	2150	Notes payable		16,482	-	26,780	-	27,272	-
1150	Notes receivable, net (notes 6(c) and (p))		4,956	-	16,726	-	33,755	-	2170	Accounts payable (note 7)		1,973,785	20	2,815,136	27	3,314,572	28
1170	Accounts receivable, net (notes 6(c), (p) and 7)		2,114,687	20	2,828,022	27	4,286,299	37	2216	Dividends payable (note 6(m))		1,476,480	14	20,665	-	1,393,711	12
1470	Other current assets (notes 8 and 9)		389,953	4	382,633	4	385,576	3	2219	Other payables (notes 6(q) and 9)		244,470	2	437,178	4	380,267	3
	Total current assets		8,917,482	86	9,046,631	86	10,317,014	88	2230	Income tax payable		109,303	1	135,612	2	278,655	2
	Non-current assets:								2280	Current lease liabilities (note 6(j))		175,887	2	191,023	2	157,496	2
1517	Financial assets at fair value through other comprehensive income—non-current		449	-	449	-	445	-	2399	Other current liabilities		211,492	2	122,433	1	110,705	1
										Total current liabilities		4,617,899	45	4,178,827	40	6,321,245	54
1551	Investments accounted for using the equity method (note 6(d))		280,079	3	269,209	3	264,319	2		Non-Current liabilities:							
1600	Property, plant and equipment (notes 6(e), (f), (i), 8 and 9)		556,602	5	560,326	5	552,176	5	2570	Deferred income tax liabilities		6,654	-	6,646	-	184	-
1755	Right-of-use assets (notes 6(g) and (j))		346,726	3	390,270	4	324,472	3	2580	Non-current lease liabilities (note 6(j))		139,248	1	167,111	2	131,403	2
1822	Intangible assets (notes 6(e) and (h))		72,445	1	73,740	1	73,351	1	2640	Net defined benefit liabilities		8,566	-	8,492	-	15,812	-
1840	Deferred income tax assets		66,681	1	69,922	-	29,644	-	2670	Other non-current liabilities		36,087	-	37,052	-	37,643	-
										Total non-current liabilities		190,555	1	219,301	2	185,042	2
1920	Refundable deposits		97,836	1	104,581	1	98,223	1		Total liabilities		4,808,454	46	4,398,128	42	6,506,287	56
1990	Other non-current assets (notes 6(c), 8 and 9)		8,627	-	7,741	-	8,592	-		Equity attributable to owners of the Company (notes 6(d), (e) and (m)):							
	Total non-current assets		1,429,445	14	1,476,238	14	1,351,222	12									
									3110	Common stock		1,360,800	13	1,360,800	13	1,360,800	11
									3150	Stock dividends to be distributed		68,040	1	-	-	-	-
												1,428,840	14	1,360,800	13	1,360,800	11
									3200	Capital surplus		62,234	1	19,362	-	19,362	-
									33xx	Retained earnings:							
									3310	Legal reserve		987,965	9	733,290	7	733,290	6
									3320	Special reserve		-	-	557,281	5	557,281	5
									3350	Unappropriated retained earnings		2,696,816	26	3,353,782	32	2,430,513	21
												3,684,781	35	4,644,353	44	3,721,084	32
									34xx	Other equity:							
									3410	Foreign currency translation differences for foreign operations		265,832	3	177,589	2	(99,072)	-
									3500	Treasury shares		(9,380)	-	(201,000)	(2)	-	-
										Total equity attributable to owners of the Company		5,432,307	53	6,001,104	57	5,002,174	43
									36xx	Non-controlling interests		106,166	1	123,637	1	159,775	1
										Total equity		5,538,473	54	6,124,741	58	5,161,949	44
	Total assets	\$	10,346,927	100	10,522,869	100	11,668,236	100	2-3xxx	Total liabilities and equity	\$	10,346,927	100	10,522,869	100	11,668,236	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 three months and six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		For the three months ended June 30				For the six months ended June 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(p) and 7)	\$ 5,234,649	100	11,555,939	100	10,650,804	100	22,936,868	100
5000	Operating costs (notes 6(f) and (k))	<u>4,297,227</u>	<u>82</u>	<u>9,919,721</u>	<u>86</u>	<u>8,792,690</u>	<u>83</u>	<u>19,728,562</u>	<u>86</u>
5900	Gross profit from operations	<u>937,422</u>	<u>18</u>	<u>1,636,218</u>	<u>14</u>	<u>1,858,114</u>	<u>17</u>	<u>3,208,306</u>	<u>14</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (j), (k), (n), (q), 7 and 9):								
6100	Selling expenses	173,435	3	171,430	1	351,848	3	374,075	2
6200	Administrative expenses	461,478	9	478,171	4	914,590	9	1,049,937	5
6450	Expected credit loss (gain on reversal) for bad debt provision	<u>(27,396)</u>	<u>(1)</u>	<u>(1,477)</u>	<u>-</u>	<u>(11,618)</u>	<u>-</u>	<u>39,590</u>	<u>-</u>
	Total operating expenses	<u>607,517</u>	<u>11</u>	<u>648,124</u>	<u>5</u>	<u>1,254,820</u>	<u>12</u>	<u>1,463,602</u>	<u>7</u>
6900	Net operating income	<u>329,905</u>	<u>7</u>	<u>988,094</u>	<u>9</u>	<u>603,294</u>	<u>5</u>	<u>1,744,704</u>	<u>7</u>
7000	Non-operating income and expenses (notes 6(d), (f), (j) and (r)):								
7100	Interest income	20,481	-	4,054	-	40,465	1	6,063	-
7010	Other income	3,946	-	7,526	-	21,938	-	12,394	-
7020	Other gains and losses	28,489	1	113,896	1	30,055	-	132,525	1
7050	Finance costs	(4,681)	-	(3,644)	-	(9,274)	-	(8,320)	-
7060	Share of profit of associates accounted for using the equity method	<u>5,530</u>	<u>-</u>	<u>18,197</u>	<u>-</u>	<u>7,941</u>	<u>-</u>	<u>28,090</u>	<u>-</u>
	Total non-operating income and expenses	<u>53,765</u>	<u>1</u>	<u>140,029</u>	<u>1</u>	<u>91,125</u>	<u>1</u>	<u>170,752</u>	<u>1</u>
7900	Profit from continuing operations before tax	383,670	8	1,128,123	10	694,419	6	1,915,456	8
7950	Less: Income tax expenses (note 6(l))	<u>85,157</u>	<u>2</u>	<u>111,607</u>	<u>1</u>	<u>136,097</u>	<u>1</u>	<u>257,479</u>	<u>1</u>
	Net income	<u>298,513</u>	<u>6</u>	<u>1,016,516</u>	<u>9</u>	<u>558,322</u>	<u>5</u>	<u>1,657,977</u>	<u>7</u>
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss (notes 6(d) and (m))								
8361	Exchange differences on translation of foreign financial statements	162,879	3	228,196	2	85,916	1	458,044	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income	<u>162,879</u>	<u>3</u>	<u>228,196</u>	<u>2</u>	<u>85,916</u>	<u>1</u>	<u>458,044</u>	<u>2</u>
8500	Total comprehensive income	<u>\$ 461,392</u>	<u>9</u>	<u>1,244,712</u>	<u>11</u>	<u>644,238</u>	<u>6</u>	<u>2,116,021</u>	<u>9</u>
	Profit attributable to:								
8610	Owners of the Company	\$ 298,498	6	1,006,012	9	564,524	5	1,623,477	7
8620	Non-controlling interests	<u>15</u>	<u>-</u>	<u>10,504</u>	<u>-</u>	<u>(6,202)</u>	<u>-</u>	<u>34,500</u>	<u>-</u>
		<u>\$ 298,513</u>	<u>6</u>	<u>1,016,516</u>	<u>9</u>	<u>558,322</u>	<u>5</u>	<u>1,657,977</u>	<u>7</u>
	Total comprehensive income attributable to:								
8710	Owners of the Company	\$ 463,060	9	1,238,155	11	652,767	6	2,081,686	9
8720	Non-controlling interests	<u>(1,668)</u>	<u>-</u>	<u>6,557</u>	<u>-</u>	<u>(8,529)</u>	<u>-</u>	<u>34,335</u>	<u>-</u>
		<u>\$ 461,392</u>	<u>9</u>	<u>1,244,712</u>	<u>11</u>	<u>644,238</u>	<u>6</u>	<u>2,116,021</u>	<u>9</u>
	Earnings per share (NT dollars) (note 6(o))								
9750	Basic earnings per share	<u>\$ 2.12</u>		<u>7.04</u>		<u>4.03</u>		<u>11.36</u>	
9850	Diluted earnings per share	<u>\$ 2.12</u>		<u>6.97</u>		<u>3.99</u>		<u>11.20</u>	

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 six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of the Company								Other equity				
		Share capital			Retained earnings				Foreign currency translation differences for foreign operations	Treasury shares	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Common stock	Stock dividends to be distributed	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total					
Balance at January 1, 2022	\$ 1,360,800	-	1,360,800	19,362	502,575	441,086	2,541,962	3,485,623	(557,281)	-	4,308,504	126,470	4,434,974
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	230,715	-	(230,715)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,195	(116,195)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,388,016)	(1,388,016)	-	-	(1,388,016)	-	(1,388,016)
Net income	-	-	-	-	-	-	1,623,477	1,623,477	-	-	1,623,477	34,500	1,657,977
Other comprehensive income	-	-	-	-	-	-	-	-	458,209	-	458,209	(165)	458,044
Total comprehensive income	-	-	-	-	-	-	1,623,477	1,623,477	458,209	-	2,081,686	34,335	2,116,021
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,835	2,835
Subsidiaries distribute cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,865)	(3,865)
Balance at June 30, 2022	\$ 1,360,800	-	1,360,800	19,362	733,290	557,281	2,430,513	3,721,084	(99,072)	-	5,002,174	159,775	5,161,949
Balance at January 1, 2023	\$ 1,360,800	-	1,360,800	19,362	733,290	557,281	3,353,782	4,644,353	177,589	(201,000)	6,001,104	123,637	6,124,741
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	254,675	-	(254,675)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(557,281)	557,281	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,456,056)	(1,456,056)	-	-	(1,456,056)	-	(1,456,056)
Stock dividends of ordinary share	-	68,040	68,040	-	-	-	(68,040)	(68,040)	-	-	-	-	-
Net income	-	-	-	-	-	-	564,524	564,524	-	-	564,524	(6,202)	558,322
Other comprehensive income	-	-	-	-	-	-	-	-	88,243	-	88,243	(2,327)	85,916
Total comprehensive income	-	-	-	-	-	-	564,524	564,524	88,243	-	652,767	(8,529)	644,238
Changes in non-controlling interests	-	-	-	(3,350)	-	-	-	-	-	-	(3,350)	(8,942)	(12,292)
Transferred treasury shares to employees	-	-	-	46,046	-	-	-	-	-	191,620	237,666	-	237,666
Gain on disgorgement	-	-	-	176	-	-	-	-	-	-	176	-	176
Balance at June 30, 2023	\$ 1,360,800	68,040	1,428,840	62,234	987,965	-	2,696,816	3,684,781	265,832	(9,380)	5,432,307	106,166	5,538,473

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 six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities:		
Net income before tax	\$ 694,419	1,915,456
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	137,657	113,742
Amortization expense	1,903	1,679
Expected credit losses (gain on reversal) for bad debt provision	(11,618)	39,590
Interest expense	9,274	8,320
Interest income	(40,465)	(6,063)
Dividend income	(104)	(78)
Share of profit of associates accounted for using the equity method	(7,941)	(28,090)
Loss (gain) on disposal of property, plant and equipment	(37)	16
Compensation cost arising from treasury shares transferred to employees	43,186	-
Gain on lease modification	-	(15)
Total adjustments to reconcile profit and loss	131,855	129,101
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	11,770	(7,836)
Accounts receivable (including overdue receivables)	724,953	272,314
Other current assets	(7,320)	63,145
Total changes in operating assets, net	729,403	327,623
Net changes in operating liabilities:		
Notes payable	(10,298)	(15,038)
Accounts payable	(841,351)	(193,029)
Other payables	(192,708)	81,912
Other current liabilities	89,059	(27,531)
Net defined benefit liabilities	-	(3,092)
Total changes in operating liabilities, net	(955,298)	(156,778)
Total changes in operating assets and liabilities, net	(225,895)	170,845
Total adjustments	(94,040)	299,946
Cash inflow generated from operations	600,379	2,215,402
Interest received	40,465	6,063
Interest paid	(9,274)	(8,320)
Income taxes paid	(162,406)	(290,070)
Net cash flows from operating activities	469,164	1,923,075
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(36,939)	-
Net cash flow from acquisition of subsidiaries (net of cash obtained)	-	(22,807)
Acquisition of property, plant and equipment	(17,353)	(8,395)
Proceeds from disposal of property, plant and equipment	1,015	-
Decrease (increase) in refundable deposits	6,745	(21,786)
Acquisition of intangible assets	-	(121)
Decrease (increase) in other non-current assets	(886)	2,248
Dividends received	104	78
Changes in non-controlling interests	(8,942)	-
Net cash used in investing activities	(56,256)	(50,783)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	577,218	1,012,025
Decrease in short-term borrowings	(597,218)	(1,030,050)
Payment of lease liabilities	(115,189)	(92,345)
Decrease in other non-current liabilities	(965)	(13,748)
Cash dividends paid	(241)	-
Transferred treasury shares to employees	194,480	-
Subsidiaries distribute cash dividends to non-controlling interests	-	(3,865)
Other financing activities	176	-
Net cash flows from (used in) financing activities	58,261	(127,983)
Effect of exchange rate changes on cash and cash equivalents	80,528	428,097
Net increase in cash and cash equivalents	551,697	2,172,406
Cash and cash equivalents at beginning of period	5,809,475	3,438,978
Cash and cash equivalents at end of period	\$ 6,361,172	5,611,384

See accompanying notes to consolidated financial statements.

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

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

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

(1) Company history

DIMERCO EXPRESS CORPORATION (DIMITW or the Company) (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 financial statements comprise DIMITW and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the business of air freight forwarding, ocean freight forwarding, customs brokerage service, and related investing activities.

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

The consolidated financial statements were reported to the Board of Directors and issued on August 10, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of material accounting policies

Except for the following, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(a) Statement of compliance

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

(b) Basis of consolidation

The principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2022.

Subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Primary business	Shareholding			Remarks
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Dimerco International Logistic Corp. (DIL)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Dimerco Express Holding Co., Ltd. (Holding)	Holding company	100.00 %	100.00 %	100.00 %	
The Company	Dimerco Freight System Corporation (DFSTW)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 14
The Company	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	100.00 %	100.00 %	86.11 %	Notes 6 and 14
The Company	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
The Company	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
The Company	Diversified International Logistics Co., Ltd. (DILTW)	Global Logistics service	80.00 %	80.00 %	80.00 %	Note 14
The Company	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global Logistics service	100.00 %	100.00 %	-	% Notes 4 and 14
The Company	Dimerco International Logistics Company (DILHK)	Global Logistics service	100.00 %	100.00 %	-	% Notes 5 and 14
The Company	Diversified Freight System (Singapore) Pte. Ltd. (DFSSG)	Global Logistics service	100.00 %	100.00 %	-	% Notes 7 and 14
The Company	Diversified International Logistics Pte. Ltd. (DILSG)	Global Logistics service	100.00 %	100.00 %	-	% Notes 8 and 14
The Company	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global Logistics service	100.00 %	100.00 %	-	% Notes 9 and 14

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Primary business	Shareholding			Remarks
			June 30, 2023	December 31, 2022	June 30, 2022	
DMCHK	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global Logistics service	99.99 %	99.99 %	- %	Note 10
DMCHK	Diversified Freight System Ltd. (DFSHK)	Global Logistics service	99.99 %	99.99 %	- %	Notes 11 and 14
DIMPH	Diversified Merchandise Company Limited (DMCHK)	Global Logistics service	100.00 %	100.00 %	- %	Notes 12 and 14
DMHK	Global SCM Company Limited (GCHK)	Global Logistics service	100.00 %	100.00 %	- %	Notes 13 and 14
DIMHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DIMHK	Foreign Settlement Co., Ltd. (FSC)	Settlement center	60.00 %	60.00 %	60.00 %	
DIMHK	Dimerco International Logistics (Shanghai) Co., Ltd. (DILSHA)	Global logistics service	99.99 %	99.99 %	99.99 %	Note 14
DIMHK	Dimerco International Transportation (Shanghai) Co., Ltd. (DIMCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIMHK	Dimerco International Logistics (Shenzhen) Co., Ltd. (DILSZX)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
DIMHK	Dimerco Zhonging Int'l Express Co., Ltd. (ZJDCN)	Global logistics service	75.00 %	75.00 %	75.00 %	
DIMHK	Dimerco Vietfracht (JV) Co., Ltd. (DIMVN)	Global logistics service	75.00 %	75.00 %	75.00 %	Note 14
DFSHK	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	35.00 %	35.00 %	35.00 %	
DFSHK	Diversified International Transportation (Shanghai) Co., Ltd. (DFSCN)	Global logistics service	100.00 %	100.00 %	100.00 %	
DFSTW	Foreign Settlement Co., Ltd. (FSC HK)	Settlement center	15.00 %	15.00 %	15.00 %	
DFSTW	Diversified International Logistics Co., Ltd (DILTW)	Global Logistics service	20.00 %	20.00 %	20.00 %	Note 14
DIMSG	Dimerco Express (India) Pte Ltd. (DIMIN)	Global logistics service	100.00 %	60.00 %	60.00 %	Notes 14 and 15
DIMSG	Foreign Settlement Co., Ltd. (FSC)	Settlement center	20.00 %	20.00 %	20.00 %	
DIL	Dimerco Air Forwarders (HK) Ltd. (DIMHK)	Global logistics service	- %	- %	99.99 %	Note 10
DIL	Dimerco Express (Singapore) Pte Ltd. (DIMSG)	Global logistics service	- %	- %	13.89 %	Notes 6 and 14
DIL	Dimerco Express (UK) Ltd. (DIMGB)	Global logistics service	37.50 %	37.50 %	37.50 %	Note 14
DIL	Dimerco Express (U.S.A.) Corp. (DIMUS)	Global logistics service	100.00 %	100.00 %	100.00 %	
DIL	Global Marketing System Co., Ltd. (GMS)	Global logistics service	100.00 %	100.00 %	100.00 %	
FSCHK	Dimerco Express (UK) Ltd (DIMGB)	Global logistics services	62.50 %	62.50 %	62.50 %	Note 14
FSCHK	Diversified (Shenzhen) International Logistics Service Co., Ltd. (DILYTN)	Global logistics services	50.00 %	50.00 %	50.00 %	Note 14
GMS	Dimerco Express Phil. Inc (DIMPH)	Global logistics services	60.01 %	60.01 %	60.01 %	Note 14

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Primary business	Shareholding			Remarks
			June 30, 2023	December 31, 2022	June 30, 2022	
GMS	Diversified International Logistics Service Company Ltd.	Global logistics services	100.00 %	100.00 %	100.00 %	Note 14
GMS	Diversified Freight System (Singapore) Pte. Ltd. (DFSSG)	Global logistics services	- %	- %	100.00 %	Notes 7 and 14
GMS	Dimerco International Logistics Company (DILHK)	Global logistics services	- %	- %	100.00 %	Notes 5 and 14
GMS	Diversified (Shenzhen) International Logistics Service Co., Ltd. (DILYTN)	Global logistics services	50.00 %	50.00 %	50.00 %	Note 14
Holding	Dimerco Express (Thailand) Corp. Ltd. (DIMTH)	Global logistics service	48.99 %	48.99 %	48.99 %	Notes 1 and 14
Holding	Dimerco Express Phils. Inc. (DIMPH)	Global logistics service	39.99 %	39.99 %	39.99 %	Note 14
Holding	Dimerco Express (Australia) Pty Ltd. (DIMAU)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
Holding	Dimerco Express (Korea) Corp. (DIMKR)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
Holding	Dimerco Express (Canada) Corp. (DIMCA)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
Holding	Diversified International Service Logistics System Corporation (DSLUS)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
Holding	Dimerco Express (Malaysia) Sdn. Bhd. (DIMMY)	Global logistics service	- %	- %	100.00 %	Notes 9 and 14
Holding	Dimerco Express Netherlands B.V. (DIMNL)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
Holding	Diversified Freight System Ltd. (DFSHK)	Global logistics service	- %	- %	99.99 %	Notes 11 and 14
Holding	Diversified Transportation (HK & China) Co., Ltd. (DTLHK)	Global logistics service	- %	- %	100.00 %	Notes 4 and 14
DTLHK	Diversified Transportation (China) Co., Ltd. (DTLCN)	Global logistics service	100.00 %	100.00 %	100.00 %	Note 14
DIMUS	Dimerco Customs Brokerage Co. Ltd. (DCBUS)	Brokerage service	100.00 %	100.00 %	100.00 %	Note 14
DIMUS	B.C. Logistics, LLC	Global logistics service	85.00 %	85.00 %	85.00 %	Notes 2 and 14
DIMPH	Peerless Express Forwarders Corp.	Global logistics service	39.99 %	39.99 %	39.99 %	Notes 1 and 14
DIMPH	Diversified Freight System Philippines Corporation (DFSPH)	Global logistics service	90.63 %	90.63 %	- %	Notes 3 and 14
DILHK	Diversified International Logistics Pte Ltd (DILSG)	Global logistics service	- %	- %	100.00 %	Notes 8 and 14
DFSSG	Diversified Freight System Philippines Corporation (DFSPH)	Global logistics service	9.37 %	9.37 %	- %	Notes 3 and 14

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

Note 2: The subsidiary has been acquired in 2022; Please refer to note 6(e).

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: DIMPH and DFSSG invested and established DFSPH in June 2022 and own 100% of DFSPH's shares. The capital amount of PHP \$10,670 thousand had been paid in August 2022 (DIMPH and DFSSG own DFSPH's shares 90.63% and 9.37%, respectively), and DFSPH has become a subsidiary of the Group.

Note 4: In December 2022, the Group reorganized and transferred 100% of the shares held by Holding to the Company.

Note 5: In December 2022, the Group reorganized and transferred 100% of the shares held by GMS to the Company.

Note 6: In December 2022, the Group reorganized and transferred 13.89% of the shares held by DIL to the Company.

Note 7: In December 2022, the Group reorganized and transferred 100% of the shares held by GMS to the Company.

Note 8: In December 2022, the Group reorganized and transferred 100% of the shares held by DILHK to the Company.

Note 9: In December 2022, the Group reorganized and transferred 100% of the shares held by Holding to the Company.

Note 10: In December 2022, the Group reorganized and transferred 99.99% of the shares held by DIL to the DMCHK.

Note 11: In December 2022, the Group reorganized and transferred 99.99% of the shares held by Holding to the DMCHK.

Note 12: DIMPH established DMCHK in December 2022 and owns 100% shares. DMCHK became the consolidated subsidiary of the Group.

Note 13: DMCHK established GSCHK in December 2022 and owns 100% shares. GSCHK became the consolidated subsidiary of the Group.

Note 14: It is a non-significant subsidiary, and its financial statements have not been reviewed.

Note 15: DIMSG purchased all the shares of DIMIN from non-controlling interests in January 2023 resulting in an increase in DIMSG's shareholding from 60% to 100%.

(c) Employee benefits

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

(d) Share-based payment

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

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(e) Income tax

The income tax expenses have been measured and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Income tax expense for the period is measured by multiplying together the pretax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

Tax expense which recognizes directly in equity or other comprehensive income comes from the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, which is measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2022.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 3,644	4,232	4,422
Checking accounts and savings deposits	4,332,680	4,283,103	5,153,222
Time deposits	2,024,848	1,522,140	453,740
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 6,361,172</u>	<u>5,809,475</u>	<u>5,611,384</u>

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

(b) Financial assets measured at amortized cost — current

	June 30, 2023	December 31, 2022	June 30, 2022
Bank's time deposits	<u>\$ 46,714</u>	<u>9,775</u>	<u>-</u>
Interest rate	<u>0.2~2.05%</u>	<u>0.2~1.35%</u>	<u>-</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(c) Notes and accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 4,956	16,726	33,755
Accounts receivable	2,220,222	2,945,645	4,427,410
Overdue receivable	5,955	5,485	8,005
Less: Loss allowance — accounts receivable	105,535	117,623	141,111
Loss allowance — overdue receivable	5,955	5,485	8,005
	<u><u>\$ 2,119,643</u></u>	<u><u>2,844,748</u></u>	<u><u>4,320,054</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. 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:

	June 30, 2023	
	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 1,925,716	0%
1 to 30 days past due	195,038	8%
31 to 60 days past due	76,276	81%
61 to 90 days past due	14,244	100%
91 to 365 days past due	7,919	100%
More than 365 days	11,940	100%
	<u><u>\$ 2,231,133</u></u>	<u><u>111,490</u></u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 2,570,609	0%	-
1 to 30 days past due	323,664	18%	57,858
31 to 60 days past due	43,860	81%	35,527
61 to 90 days past due	8,535	100%	8,535
91 to 365 days past due	6,359	100%	6,359
More than 365 days	14,829	100%	14,829
	\$ 2,967,856		123,108

	June 30, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 3,965,540	0%	-
1 to 30 days past due	372,101	9%	32,380
31 to 60 days past due	77,861	81%	63,068
61 to 90 days past due	37,243	100%	37,243
91 to 365 days past due	11,867	100%	11,867
More than 365 days	4,558	100%	4,558
	\$ 4,469,170		149,116

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

	For the six months ended June 30	
	2023	2022
Balance at January 1	\$ 123,108	109,526
Impairment losses recognized (reversed)	(11,618)	39,590
Balance at June 30	\$ 111,490	149,116

(d) Investments accounted for using the equity method

A summary of the Group's investments accounted for using the equity method at the reporting date was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	\$ 280,079	269,209	264,319

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associates

1) The details of significant associate were as follows:

Name of associate	Relationship with the Group	Main operating location / country of registration	Ownership and voting right percentage		
			June 30, 2023	December 31, 2022	June 30, 2022
ITG Air & Sea GmbH	Global air and ocean freight forwarder	Germany	25.00 %	25.00 %	25.00 %

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

Summary of financial information of ITG Air & Sea GmbH

	December 31,		
	June 30, 2023	2022	June 30, 2022
Current assets	\$ 1,244,678	1,299,254	1,251,798
Non-current assets	120,115	83,643	82,773
Current liabilities	(814,274)	(905,396)	(869,105)
Non-current liabilities	(66,215)	(29,582)	(32,378)
Net assets	<u>\$ 484,304</u>	<u>447,919</u>	<u>433,088</u>
The Group's share of net assets	<u>\$ 121,075</u>	<u>111,979</u>	<u>108,272</u>
	For the three months ended June 30	For the six months ended June 30	
	2023	2022	2023
Revenue	<u>\$ 632,652</u>	<u>1,168,066</u>	<u>1,346,673</u>
Profit from continuing operations	\$ 17,398	65,552	22,090
Other comprehensive income	-	-	-
Profit and total comprehensive income	<u>\$ 17,398</u>	<u>65,552</u>	<u>22,090</u>
The Group's share of profit and total comprehensive income	<u>\$ 4,349</u>	<u>16,388</u>	<u>5,522</u>
			25,085

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30	
	2023	2022
Beginning balance of the equity of the associate attributable to the Group	\$ 111,979	84,149
Total comprehensive income (loss) of the associate attributable to the Group	5,522	25,085
Exchange difference	3,574	(962)
Share of net assets of associates as of June 30	121,075	108,272
Add : Goodwill	129,692	129,692
Ending balance of the equity of the associate attributable to the Group	<u><u>\$ 250,767</u></u>	<u><u>237,964</u></u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of individually insignificant associates' equity	<u><u>\$ 29,312</u></u>	<u><u>27,538</u></u>	<u><u>26,355</u></u>

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Attributable to the Group:				
Profit from continuing operations	\$ 1,181	1,809	2,419	3,005
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><u>\$ 1,181</u></u>	<u><u>1,809</u></u>	<u><u>2,419</u></u>	<u><u>3,005</u></u>

(ii) Collateral

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(iii) The unreviewed financial statements of investments accounted for using the equity method

The above investments were accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed by auditors.

(e) Acquisition of subsidiary and non-controlling interests

On January 1, 2022, the Group acquired 85% shares and voting interests of B.C. Logistics, LLC (a logistic service company located in United States), resulting in the Group to obtain control over it.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The fair value of each major class of consideration transferred, amounts of assets acquired, liabilities assumed and the goodwill recognized at the acquisition date were as follows:

- (i) The following table summarizes the acquisition-date fair value of each major class of consideration transferred.

Cash	\$ <u><u>54,103</u></u>
------	-------------------------

- (ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$ 12,478
Accounts receivable	10,808
Property, plant and equipment (note 6(f))	963
Other current assets	1,771
Trademarks (note 6(h))	2,767
Customer relationships (note 6(h))	13,837
Account payables	(6,697)
Other current liabilities	<u>(420)</u>
Total identifiable net assets acquired	\$ <u><u>35,507</u></u>

- (iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 54,103
Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)	2,835
Less: Fair value of identifiable net assets	<u>35,507</u>
Goodwill	\$ <u><u>21,431</u></u>

The goodwill is attributable mainly to B.C. Logistics, LLC's relationship in specific local city work force and the synergies expected to be achieved from integrating the company into the Group's existing logistic business.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 185,280	555,067	36,315	152,830	64,622	57,002	1,051,116
Additions	-	2,134	3,813	5,815	4,287	1,304	17,353
Disposals	-	(1,144)	(1,854)	(3,598)	(201)	(877)	(7,674)
Reclassification	-	-	-	1,373	-	(1,373)	-
Effect of changes in exchange rates	329	(2,066)	(543)	1,491	2,845	(6,946)	(4,890)
Balance at June 30, 2023	<u>\$ 185,609</u>	<u>553,991</u>	<u>37,731</u>	<u>157,911</u>	<u>71,553</u>	<u>49,110</u>	<u>1,055,905</u>
Balance at January 1, 2022	\$ 182,377	512,510	35,226	140,175	58,123	51,628	980,039
Acquisition of subsidiary	-	-	1,986	1,193	-	12,780	15,959
Additions	-	-	-	6,194	716	1,485	8,395
Disposals	-	-	-	(929)	-	(9,598)	(10,527)
Effect of changes in exchange rates	1,903	23,537	1,705	2,857	2,488	3,076	35,566
Balance at June 30, 2022	<u>\$ 184,280</u>	<u>536,047</u>	<u>38,917</u>	<u>149,490</u>	<u>61,327</u>	<u>59,371</u>	<u>1,029,432</u>
Depreciation and impairment loss:							
Balance at January 1, 2023	\$ -	231,006	26,472	130,599	52,308	50,405	490,790
Depreciation	-	6,753	2,024	6,153	2,720	1,325	18,975
Disposals	-	(1,144)	(985)	(3,563)	(201)	(803)	(6,696)
Reclassification	-	-	-	1,184	-	(1,184)	-
Effect of changes in exchange rates	-	(2,087)	(315)	1,644	3,063	(6,071)	(3,766)
Balance at June 30, 2023	<u>\$ -</u>	<u>234,528</u>	<u>27,196</u>	<u>136,017</u>	<u>57,890</u>	<u>43,672</u>	<u>499,303</u>
Balance at January 1, 2022	\$ -	200,636	25,648	117,063	45,993	46,243	435,583
Acquisition of subsidiary	-	-	1,441	947	-	12,608	14,996
Depreciation	-	7,945	2,037	5,273	3,822	1,387	20,464
Disposals	-	-	-	(914)	-	(9,597)	(10,511)
Reclassification	-	-	-	400	266	(666)	-
Effect of changes in exchange rates	-	9,174	1,278	2,478	1,822	1,972	16,724
Balance at June 30, 2022	<u>\$ -</u>	<u>217,755</u>	<u>30,404</u>	<u>125,247</u>	<u>51,903</u>	<u>51,947</u>	<u>477,256</u>
Carrying value:							
January 1, 2023	<u>\$ 185,280</u>	<u>324,061</u>	<u>9,843</u>	<u>22,231</u>	<u>12,314</u>	<u>6,597</u>	<u>560,326</u>
June 30, 2023	<u>\$ 185,609</u>	<u>319,463</u>	<u>10,535</u>	<u>21,894</u>	<u>13,663</u>	<u>5,438</u>	<u>556,602</u>
June 30, 2022	<u>\$ 184,280</u>	<u>318,292</u>	<u>8,513</u>	<u>24,243</u>	<u>9,424</u>	<u>7,424</u>	<u>552,176</u>

As of June 30, 2023, December 31 and June 30, 2022, the property, plant and equipment of the Group had been pledged as collateral for short-term borrowings; please refer to note 8.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(g) Right-of-use assets

The Group leases its assets including land, offices, warehouse, transportation equipment and other equipment. Information about leases for which the Group as a lessee was presented below:

	Land	Building	Transportation equipment	Other equipment	Total
Cost:					
Balance at January 1, 2023	\$ 48,048	650,186	51,786	143,048	893,068
Additions	-	50,984	4,594	26,884	82,462
Decreases (early termination)	-	(38,032)	(865)	(1,274)	(40,171)
Effect of changes in exchange rates	543	(421)	(1,762)	1,039	(601)
Balance at June 30, 2023	<u>\$ 48,591</u>	<u>662,717</u>	<u>53,753</u>	<u>169,697</u>	<u>934,758</u>
Balance at January 1, 2022	\$ 43,270	487,307	40,860	103,782	675,219
Additions	-	73,824	7,148	24,784	105,756
Decreases (early termination)	-	(33,893)	(2,134)	(4,044)	(40,071)
Effect of changes in exchange rates	3,133	22,717	1,116	5,138	32,104
Balance at June 30, 2022	<u>\$ 46,403</u>	<u>549,955</u>	<u>46,990</u>	<u>129,660</u>	<u>773,008</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 5,346	371,919	32,799	92,734	502,798
Depreciation	332	93,128	7,151	18,071	118,682
Decreases (early termination)	-	(32,076)	(865)	(1,274)	(34,215)
Effect of changes in exchange rates	65	1,225	(1,192)	669	767
Balance at June 30, 2023	<u>\$ 5,743</u>	<u>434,196</u>	<u>37,893</u>	<u>110,200</u>	<u>588,032</u>
Balance at January 1, 2022	\$ 7,222	289,674	21,582	58,186	376,664
Depreciation	(3,121)	73,066	7,755	15,578	93,278
Decreases (early termination)	-	(33,414)	(2,134)	(4,044)	(39,592)
Effect of changes in exchange rates	417	13,972	682	3,115	18,186
Balance at June 30, 2022	<u>\$ 4,518</u>	<u>343,298</u>	<u>27,885</u>	<u>72,835</u>	<u>448,536</u>
Carrying amounts:					
January 1, 2023	<u>\$ 42,702</u>	<u>278,267</u>	<u>18,987</u>	<u>50,314</u>	<u>390,270</u>
June 30, 2023	<u>\$ 42,848</u>	<u>228,521</u>	<u>15,860</u>	<u>59,497</u>	<u>346,726</u>
June 30, 2022	<u>\$ 41,885</u>	<u>206,657</u>	<u>19,105</u>	<u>56,825</u>	<u>324,472</u>

(h) Intangible assets

	Goodwill	Trademarks	Customer relationships	Software	Total
Cost:					
Balance at January 1, 2023	\$ 58,253	3,073	15,365	3,064	79,755
Effect of changes in exchange rates	466	35	174	5	680
Balance at June 30, 2023	<u>\$ 58,719</u>	<u>3,108</u>	<u>15,539</u>	<u>3,069</u>	<u>80,435</u>
Balance at January 1, 2022	\$ 32,780	-	-	2,742	35,522
Acquisition of subsidiary	21,431	2,767	13,837	-	38,035
Additions	-	-	-	121	121
Effect of changes in exchange rates	2,650	201	1,002	11	3,864
Balance at June 30, 2022	<u>\$ 56,861</u>	<u>2,968</u>	<u>14,839</u>	<u>2,874</u>	<u>77,542</u>
Accumulated amortization and impairment losses :					
Balance at January 1, 2023	\$ -	307	3,073	2,635	6,015
Amortization	-	153	1,528	222	1,903
Effect of changes in exchange rates	-	6	61	5	72
Balance at June 30, 2023	<u>\$ -</u>	<u>466</u>	<u>4,662</u>	<u>2,862</u>	<u>7,990</u>
Balance at January 1, 2022	\$ -	-	-	2,454	2,454
Amortization	-	144	1,435	100	1,679
Effect of changes in exchange rates	-	4	49	5	58
Balance at June 30, 2022	<u>\$ -</u>	<u>148</u>	<u>1,484</u>	<u>2,559</u>	<u>4,191</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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	Goodwill	Trademarks	Customer relationships	Software	Total
Carrying amounts:					
January 1, 2023	\$ 58,253	2,766	12,292	429	73,740
June 30, 2023	\$ 58,719	2,642	10,877	207	72,445
June 30, 2022	\$ 56,861	2,820	13,355	315	73,351

(i) Borrowings

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

(i) Short-term borrowings

	June 30, 2023		
	Interest rate	Maturity	
	(%)	year	Amount
Unsecured bank loans	1.35~1.45	2023	\$ <u><u>410,000</u></u>

	December 31, 2022		
	Interest rate	Maturity	
	(%)	year	Amount
Unsecured bank loans	1.15~1.5	2023	\$ <u><u>430,000</u></u>

	June 30, 2022		
	Interest rate	Maturity	
	(%)	year	Amount
Unsecured bank loans	0.55~1.17	2022	\$ <u><u>658,567</u></u>

As of June 30, 2023, December 31 and June 30, 2022, the unused credit facilities of the Group's short-term borrowings amounted to \$1,426,333 thousand, \$1,303,952 thousand and \$825,183 thousand, respectively.

(ii) Long-term borrowings

As of June 30, 2023, December 31 and June 30, 2022, the unused credit facilities of the Group's long-term borrowings all amounted to \$150,000 thousand.

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

(j) Lease liabilities

The Group's lease liabilities were as follow:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ 175,887	191,023	157,496
Non-current	139,248	167,111	131,403
	<u><u>\$ 315,135</u></u>	<u><u>358,134</u></u>	<u><u>288,899</u></u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interests on lease liabilities	<u>\$ 3,129</u>	<u>2,208</u>	<u>5,900</u>	<u>5,452</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 9,880</u>	<u>13,991</u>	<u>23,399</u>	<u>22,089</u>

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

	For the six months ended June 30	
	2023	2022
Total cash outflow for leases	<u>\$ 144,488</u>	<u>119,886</u>

1. Leases of land, buildings and improvement

The Group leases land, buildings and improvement for its office and business space. The leases of land run for a period of fifty years, and of buildings typically for one to ten years.

2. Other leases

The Group leases transportation and equipment, with lease terms of one to three years. In some cases, the Group also leased transportation and equipment with contract terms less than one year. These leases were short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

The Group also leases office equipment and office with contract terms of one to three years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Employee benefits

(i) Defined benefit plans

Since there were no significant market fluctuations, curtailments, reimbursement and settlement, or other material one-time events since prior fiscal year, the pension cost for the interim periods was measured according to the actuarial report as of December 31, 2022 and 2021.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating expenses	<u>\$ 721</u>	<u>737</u>	<u>\$ 1,437</u>	<u>1,484</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(ii) Defined contribution plans

For the three months and six months ended June 30, 2023 and 2022, the pension costs under the defined contribution method were \$8,817 thousand, \$9,171 thousand, \$20,527 thousand and \$18,527 thousand, respectively.

(l) Income tax

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

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Current income tax expense				
Current period	\$ 17,456	111,607	68,396	228,868
Additional tax on undistributed earnings	<u>67,701</u>	<u>-</u>	<u>67,701</u>	<u>28,611</u>
Income tax expense from continuing operations	<u>\$ 85,157</u>	<u>111,607</u>	<u>136,097</u>	<u>257,479</u>

The tax returns of DIMTW have been examined by the tax authorities through 2021.

(m) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in capital and other equity during the six months ended June 30, 2023 and 2022. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2022, for related information.

(i) Common stock

The resolution was passed during the general meeting of shareholders held on June 6, 2023 to issue stock dividends for 50.05 shares per thousand shares, with the record date of capital increase on July 9, 2023. The relevant statutory registration procedures have been completed.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus as of June 30, 2023, December 31 and June 30, 2022, were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Share capital	\$ 15,000	15,000	15,000
Changes in ownership interests in subsidiaries	984	4,334	4,334
Treasury share transactions	46,046	-	-
Gain on disposal of assets	28	28	28
Others	176	-	-
	<u><u>\$ 62,234</u></u>	<u><u>19,362</u></u>	<u><u>19,362</u></u>

(iii) Retained earnings

The amount of cash dividends of appropriations of earnings for 2022 had been approved in the meeting of the board of directors on March 15, 2023, and the amount of share dividends and other items of appropriations of earnings for 2022 had been approved in the shareholders' meeting on June 6, 2023. The amount of cash dividends of appropriations of earnings for 2021 had been approved in the meeting of the board of directors on March 17, 2022. These earnings were appropriated as follows:

	2022		2021	
	Amount per share (NTD)	Total Amount	Amount per share (NTD)	Total Amount
Dividends distributed to ordinary stockholders:				
Cash	\$ 10.71	1,456,056	10.20	1,388,016
Stock	0.50	68,040	-	-
Total		<u><u>\$ 1,524,096</u></u>		<u><u>1,388,016</u></u>

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

(iv) Treasury stock

In order to motivate the employees and improve the operating performance, as well as to maintain the Company's credit and shareholders' right, the Company's Board of Directors approved a resolution to purchase its own common stock as treasury shares in accordance with the requirements under section 28(2) of the Securities and Exchange Act on October 12, 2022. The Company has purchased 3,000,000 shares from October 17, 2022 to December 8, 2022, and total cost amounted to \$201,000 thousand.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in treasury stocks is as follows:

	Unit: thousand shares	
	2023	2022
Balance at January 1	3,000	-
Purchase of stock	-	-
Transferred to employees	(2,860)	-
Balance at June 30	<u>140</u>	<u>-</u>

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. The maximum shares and the maximum total cost of the treasury stock hold by the Company from January 1 to June 30, 2023 has complied with the foregoing regulations. Furthermore, treasury shares cannot be pledged for debts, and treasury shares dose not carry any shareholder rights until it is transferred.

(v) Other equities (net of income tax)

	Foreign exchange differences arising from foreign operations	
	2023	2022
Balance at January 1	\$ 177,589	(557,281)
Foreign exchange differences arising from foreign operations	88,243	458,209
Balance at June 30	<u>\$ 265,832</u>	<u>(99,072)</u>

(n) Share-based payment

The Company transferred 2,860 thousand treasury shares that it acquired in 2022 to employees base on the resolution approved during the board meeting held on May 10, 2023. The treasury shares were granted to the full-time employees of the Company and certain subsidiaries, who meet the specific requirements and vested immediately. The Company adopted the Black-Sholes model to calculate the fair value of the share-based payment at the grant date. The assumptions adopted in this valuation model were as follows:

	Transfer of treasury shares to employees
Fair value at grant date (in dollars)	\$ 15.1
Stock price at grant date (in dollars)	84.5
Exercise price (in dollars)	68.0
Expected duration of the option	0.09 years
Expected volatility (%)	1.36 %
Risk-free interest rate (%)	0.58 %

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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The Company recognized the salary costs of \$43,186 thousand for the share-based payment for the six months ended June 30, 2023.

(o) Earnings per share

The calculation of DIMITW's basic earnings per share and diluted earnings per share for the six months ended June 30, 2023 and 2022, was as follows:

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company	\$ <u>298,498</u>	<u>1,006,012</u>	<u>564,524</u>	<u>1,623,477</u>
Weighted-average number of ordinary shares	<u>140,481</u>	<u>142,884</u>	<u>140,184</u>	<u>142,884</u>
Basic earnings per share (in NT dollars)	\$ <u>2.12</u>	<u>7.04</u>	<u>4.03</u>	<u>11.36</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company	\$ <u>298,498</u>	<u>1,006,012</u>	<u>564,524</u>	<u>1,623,477</u>
Weighted-average number of ordinary shares (basic)	140,481	142,884	140,184	142,884
Impact of dilutive potential common shares				
Effect of employee stock bonus	<u>385</u>	<u>1,459</u>	<u>1,138</u>	<u>2,057</u>
Weighted-average number of ordinary shares (diluted)	<u>140,866</u>	<u>144,343</u>	<u>141,322</u>	<u>144,941</u>
Diluted earnings per share (in NT dollars)	\$ <u>2.12</u>	<u>6.97</u>	<u>3.99</u>	<u>11.20</u>

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended June 30, 2023				
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 2,434,343	533,607	29,429	2,997,379
Ocean freight forwarding	1,225,201	467,374	55,298	1,747,873
Others	409,825	78,913	659	489,397
	\$ 4,069,369	1,079,894	85,386	5,234,649
For the three months ended June 30, 2022				
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 4,853,787	1,375,513	40,482	6,269,782
Ocean freight forwarding	2,890,570	1,346,301	252,937	4,489,808
Others	724,722	71,926	(299)	796,349
	\$ 8,469,079	2,793,740	293,120	11,555,939
For the six months ended June 30, 2023				
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 4,807,392	1,228,229	71,712	6,107,333
Ocean freight forwarding	2,522,093	972,163	71,370	3,565,626
Others	786,124	154,650	37,071	977,845
	\$ 8,115,609	2,355,042	180,153	10,650,804
For the six months ended June 30, 2022				
	Asia	Americas	Europe	Total
Major products/services lines:				
Air freight forwarding	\$ 9,450,729	2,497,399	99,642	12,047,770
Ocean freight forwarding	6,200,067	2,652,581	590,221	9,442,869
Others	1,261,375	148,901	35,953	1,446,229
	\$ 16,912,171	5,298,881	725,816	22,936,868

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 4,956	16,726	33,755
Accounts receivable	2,220,222	2,945,645	4,427,410
Overdue receivable	5,955	5,485	8,005
Less: Loss allowance—accounts receivable	(105,535)	(117,623)	(141,111)
Loss allowance—overdue receivable	(5,955)	(5,485)	(8,005)
Total	<u><u>\$ 2,119,643</u></u>	<u><u>2,844,748</u></u>	<u><u>4,320,054</u></u>

Please refer to note 6(c) for the disclosure of accounts receivable and its impairment.

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

In accordance with the Company's articles, it 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. The revision to the Company's articles has been approved by the Company's shareholders' meeting on June 8, 2022, and the directors' and supervisors' remuneration was replaced by directors' remuneration. 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 must be in the form of cash.

For the three months and six months ended June 30, 2023 and 2022, the Company recognized its employees' compensation of \$18,785 thousand, \$63,379 thousand, \$35,565 thousand and \$102,279 thousand, respectively, and directors' and supervisors' remuneration of \$5,373 thousand, \$18,109 thousand, \$10,161 thousand and \$29,223 thousand, respectively. The employees' compensation, and directors' and supervisors' remuneration were recognized as operating expenses on a specific percentage of the net income. These amounts are calculated by using the Company's net income before tax (excluding the employees' compensation, and directors' and supervisors' remuneration), multiplied by the percentage specified in the Company's article for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

In its financial statements for the years ended December 31, 2022 and 2021, the Company accrued employees' compensation amounting to \$147,501 thousand and \$145,689 thousand, respectively, and directors' and supervisors' remuneration amounting to \$42,071 thousand and \$41,625 thousand, respectively, which was identical to the actual distribution. The information mentioned above can be accessed on the Market Observation Post System.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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(r) Non-operating income and expenses

(i) Interest income

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ <u>20,481</u>	<u>4,054</u>	<u>40,465</u>	<u>6,063</u>

(ii) Other income

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Dividend income	\$ 104	78	104	78
Government grants	255	9,414	3,364	12,265
Other	<u>3,587</u>	<u>(1,966)</u>	<u>18,470</u>	<u>51</u>
Total other income	\$ <u>3,946</u>	<u>7,526</u>	<u>21,938</u>	<u>12,394</u>

(iii) Other gains and losses

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ 127	-	37	(16)
Gains on foreign exchange	28,552	114,748	30,462	135,681
Others losses	<u>(190)</u>	<u>(852)</u>	<u>(444)</u>	<u>(3,140)</u>
Other gains and losses, net	\$ <u>28,489</u>	<u>113,896</u>	<u>30,055</u>	<u>132,525</u>

(iv) Finance costs

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest expense				
Bank loan	\$ 1,552	1,436	3,374	2,868
Lease liabilities	<u>3,129</u>	<u>2,208</u>	<u>5,900</u>	<u>5,452</u>
Net finance cost	\$ <u>4,681</u>	<u>3,644</u>	<u>9,274</u>	<u>8,320</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Financial instruments

(i) Credit risk

As of June 30, 2023, December 31 and June 30, 2022, there was no concentration of credit risk in accounts receivable.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2023							
Non-derivative financial liabilities							
Short-term borrowings	\$ 410,000	415,740	415,740	-	-	-	-
Notes payable	16,482	16,482	16,482	-	-	-	-
Accounts payable	1,973,785	1,973,785	1,973,785	-	-	-	-
Lease liabilities	315,135	323,959	90,406	90,406	106,191	35,600	1,356
Dividends payable	1,476,480	1,476,480	1,476,480	-	-	-	-
Other payables	244,470	244,470	244,470	-	-	-	-
	<u>\$ 4,436,352</u>	<u>4,450,916</u>	<u>4,217,363</u>	<u>90,406</u>	<u>106,191</u>	<u>35,600</u>	<u>1,356</u>
December 31, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 430,000	435,977	435,977	-	-	-	-
Notes payable	26,780	26,780	26,780	-	-	-	-
Accounts payable	2,815,136	2,815,136	2,815,136	-	-	-	-
Lease liabilities	358,134	368,161	98,186	98,186	114,357	57,432	-
Dividends payable	20,665	20,665	20,665	-	-	-	-
Other payables	437,178	437,178	437,178	-	-	-	-
	<u>\$ 4,087,893</u>	<u>4,103,897</u>	<u>3,833,922</u>	<u>98,186</u>	<u>114,357</u>	<u>57,432</u>	<u>-</u>
June 30, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 658,567	661,414	661,414	-	-	-	-
Notes payable	27,272	27,272	27,272	-	-	-	-
Accounts payable	3,314,572	3,314,572	3,314,572	-	-	-	-
Lease liabilities	288,899	296,988	80,953	80,953	91,419	43,663	-
Dividends payable	1,393,711	1,393,711	1,393,711	-	-	-	-
Other payables	380,267	380,267	380,267	-	-	-	-
	<u>\$ 6,063,288</u>	<u>6,074,224</u>	<u>5,858,189</u>	<u>80,953</u>	<u>91,419</u>	<u>43,663</u>	<u>-</u>

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

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
June 30, 2023			
Financial assets:			
USD	\$ 15,664	31.077	486,791
HKD	11,001	3.965	43,615
EUR	2,268	33.821	76,705
CNY	13,620	4.289	58,413
Financial liabilities:			
Monetary items:			
USD	7,468	31.077	232,093
EUR	9	33.821	314
December 31, 2022			
Financial assets:			
USD	\$ 34,647	30.730	1,064,707
HKD	6,196	4.053	24,407
EUR	835	32.814	27,409
GBP	323	37.005	11,951
Financial liabilities:			
Monetary items:			
USD	9,529	30.730	292,827
EUR	29	32.814	951
June 30, 2022			
Financial assets:			
Monetary items:			
USD	\$ 34,560	29.678	1,025,659
HKD	7,994	3.782	30,235
GBP	368	36.062	13,270
Financial liabilities:			
Monetary items:			
USD	10,158	29.678	301,469
EUR	2,941	31.085	91,413

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other payables that are denominated in foreign currency. A weakening (strengthening) of 3% of the NTD against USD, HKD, EUR, CNY and GBP of June 30, 2023 and 2022, would have increased or decreased the net income before tax by \$12,994 thousand and \$20,288 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2023 and 2022, foreign exchange gain (including realized and unrealized portions) amounted to \$28,552 thousand, \$114,748 thousand, \$30,462 thousand and \$135,681 thousand, respectively.

2) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of 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 before tax would have decreased or increased by \$2,050 thousand and \$3,293 thousand for the six months ended June 30, 2023 and 2022, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fair value

The management of the Group believes that the carrying amount of the financial assets and financial liabilities of the Group measured at amortized cost in the consolidated financial statements is close to its fair value.

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	June 30, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 449	-	-	449	449
Financial assets measured at amortized cost					
Cash and cash equivalents	6,361,172	-	-	-	-
Notes and accounts receivables	2,119,643	-	-	-	-
Financial assets measured at amortised cost—current	46,714	-	-	-	-
Refundable deposits	97,836	-	-	-	-
Restricted certificate of deposit	5,847	-	-	-	-
Subtotal	8,631,212	-	-	-	-
Total	<u>\$ 8,631,661</u>	<u>-</u>	<u>-</u>	<u>449</u>	<u>449</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 410,000	-	-	-	-
Notes and accounts payable	1,990,267	-	-	-	-
Other payables	244,470	-	-	-	-
Lease liabilities	315,135	-	-	-	-
Dividends payable	1,476,480	-	-	-	-
Total	<u>\$ 4,436,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 449	-	-	449	449
Financial assets measured at amortized cost					
Cash and cash equivalents	5,809,475	-	-	-	-
Notes and accounts receivables	2,844,748	-	-	-	-
Financial assets measured at amortised cost—current	9,775	-	-	-	-
Refundable deposits	104,581	-	-	-	-
Restricted certificate of deposit	4,723	-	-	-	-
Subtotal	8,773,302	-	-	-	-
Total	<u>\$ 8,773,751</u>	<u>-</u>	<u>-</u>	<u>449</u>	<u>449</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 430,000	-	-	-	-
Notes and accounts payable	2,841,916	-	-	-	-
Other payables	437,178	-	-	-	-
Lease liabilities	358,134	-	-	-	-
Dividends payable	20,665	-	-	-	-
Total	<u>\$ 4,087,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	June 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	\$ 445	-	-	445	445
Financial assets measured at amortized cost					
Cash and cash equivalents	5,611,384	-	-	-	-
Notes and accounts receivables	4,320,054	-	-	-	-
Refundable deposits	98,223	-	-	-	-
Restricted certificate of deposit	4,649	-	-	-	-
Subtotal	10,034,310	-	-	-	-
Total	<u>\$ 10,034,755</u>	<u>-</u>	<u>-</u>	<u>445</u>	<u>445</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		June 30, 2022			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 658,567	-	-	-	-
Notes and accounts payable	3,341,844	-	-	-	-
Other payables	380,267	-	-	-	-
Lease liabilities	288,899	-	-	-	-
Dividends payable	1,393,711	-	-	-	-
Total	\$ 6,063,288	-	-	-	-

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

Financial instruments held by the Group constitute equity instruments that are not publicly quoted in an active market. The fair value of those financial instruments is estimated using the market comparables approach. The main assumptions of the market comparables approach are based on the after-tax net profit or equity net worth of the investee and the earnings or book value multipliers derived from market quotations of comparable listed companies. This estimate has been adjusted for the discounting effect of the lack of market liquidity of the equity securities. The amount of equity investment estimated by the Group using the market comparable company method to estimate the fair value is not significant, and thus there is no intention to disclose quantitative information.

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 Group reclassified the financial instruments from one level to another during the reporting periods.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at June 30, 2023	<u><u>\$ 449</u></u>
Balance at January 1, 2022	<u>\$ 442</u>
Effect of changes in exchange rates	<u>3</u>
Balance at June 30, 2022	<u><u>\$ 445</u></u>

(t) Financial risk management

The disclosures of objectives and policies of the Group's financial risk management are the same as those in the note 6(t) to the consolidated financial statements for the year ended December 31, 2022.

(u) Capital management

The disclosures of objectives, policies and procedures of the Group's capital management are the same as those of the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2022.

(v) Financing activities not affecting current cash flow

The Group's reconciliation of liabilities arising from financing activities for the six months ended June 30, 2023 and 2022 were as follows:

For right-of-use assets under leases, please refer to note 6(g).

Reconciliation of liabilities arising from financing activities were as follows:

	Non-cash changes						
	January 1, 2023	Cash flows	Foreign exchange movement	Additions	Decreases	Lease modification	June 30, 2023
Short term borrowings	\$ 430,000	(20,000)	-	-	-	-	410,000
Lease liabilities	358,134	(115,189)	(4,316)	82,462	(5,956)	-	315,135
Total liabilities from financing activities	<u><u>\$ 788,134</u></u>	<u><u>(135,189)</u></u>	<u><u>(4,316)</u></u>	<u><u>82,462</u></u>	<u><u>(5,956)</u></u>	<u><u>-</u></u>	<u><u>725,135</u></u>

	Non-cash changes						
	January 1, 2022	Cash flows	Foreign exchange movement	Additions	Decreases	Lease modification	June 30, 2022
Short term borrowings	\$ 676,592	(18,025)	-	-	-	-	658,567
Lease liabilities	270,020	(92,345)	5,962	105,756	(479)	(15)	288,899
Total liabilities from financing activities	<u><u>\$ 946,612</u></u>	<u><u>(110,370)</u></u>	<u><u>5,962</u></u>	<u><u>105,756</u></u>	<u><u>(479)</u></u>	<u><u>(15)</u></u>	<u><u>947,466</u></u>

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Names and relationship with related parties

In this consolidated financial report, the related parties having transactions with the Group are listed as below:

<u>Name of related party</u>	<u>Relationship with the Group</u>
ITG Air & Sea GmbH	An associate

(c) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ <u>75,436</u>	<u>80,036</u>	<u>138,098</u>	<u>179,868</u>

The Group recorded the above revenue deriving from providing air and ocean freight services to the associates.

The conditions and terms to related parties are the same as those offered to other customers.

(ii) Collection and payment on behalf of other parties (recognized as deduction of operation income)

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ <u>8,614</u>	<u>21,912</u>	<u>24,953</u>	<u>70,927</u>

The Group collects the above income deriving from imported freight and shipment on behalf of the associates.

The conditions and terms on business transactions to related parties are the same as those offered to other vendors.

(iii) Receivables from related parties

The details of the Group's receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable	Associates	\$ <u>6,793</u>	<u>9,099</u>	<u>20,591</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, no allowance for loss is required for the above-mentioned related parties.

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DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to related parties

The details of the Group's payables to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts payable	Associates	\$ <u>1,525</u>	<u>4,265</u>	<u>6,812</u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 32,134	19,465	50,202	35,586
Post-employment benefits	193	197	387	399
Share-based payment	<u>25,142</u>	<u>-</u>	<u>25,142</u>	<u>-</u>
	<u>\$ 57,469</u>	<u>19,662</u>	<u>75,731</u>	<u>35,985</u>

(8) Assets pledged as security

The carrying amount of assets pledged as security were as follows:

<u>Assets pledged as security</u>	<u>Liabilities secured by pledged</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Restricted certificates of deposit (recorded under other current assets)	Guarantee for the Group's logistics operations	\$ 2,187	1,063	989
Restricted certificates of deposit (recorded under other non-current assets)	Guarantee for customs	3,000	3,000	3,000
Restricted certificates of deposit (recorded under other non-current assets)	Guarantee for the Group's logistics operations	660	660	660
Property, plant and equipment:				
Land	Guarantee for long-term and short-term borrowings and the Group's logistics operations	41,792	41,792	41,792
Buildings	"	<u>15,144</u>	<u>15,416</u>	<u>15,689</u>
		<u>\$ 62,783</u>	<u>61,931</u>	<u>62,130</u>

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

- (a) The Group provided certificates of deposit, land, and buildings as collateral to the banks for the performance of freight forwarding contracts in 2023 and 2022. As of June 30, 2023, December 31 and June 30, 2022, the guarantees from the banks were \$341,416 thousand, \$349,527 thousand and \$222,919 thousand, respectively, and the used amounts were \$209,052 thousand, \$226,246 thousand and \$171,348 thousand, respectively.
- (b) As of June 30, 2023, December 31 and June 30, 2022, the Group had outstanding guaranteed notes deposited totaling \$134,016 thousand, \$142,127 thousand and \$85,519 thousand, respectively. As of June 30, 2023, December 31 and June 30, 2022, the guarantees recorded for customs duty were \$5,739 thousand, \$5,739 thousand and \$5,598 thousand, respectively.
- (c) In 2014, a customer of the consolidated subsidiary had an unclaimed shipment. After notifying the customer and failing to obtain any response from it, resulting in the consolidated subsidiary unable to collect the storage fee from the customer in April 2014, the consolidated subsidiary held an auction and sold the shipment in June 2014. However, the customer filed a lawsuit against the consolidated subsidiary in June 2016 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 in October 2016. On June 4, 2019, the Court ruled that the consolidated subsidiary should compensate the customer the amount of CNY5,615 thousand. However, the consolidated subsidiary disagreed with the ruling and filed an appeal to the court on June 19, 2019. The court, on the other hand, rescinded the original judgement, and handed the case over to the Guangzhou maritime court of PRC on March 15, 2021. The Guangzhou Maritime Court held a hearing on November 10, 2021, and the final result has not yet been determined. The Group assessed that the consolidated subsidiary is likely being liable for compensation, thus recognized the possible loss in 2021.
- (d) In 2021, the Group was defending a lawsuit filed by its former employees for her alleged wrongful treatment during her tenure and the termination of employment. The case has been resolved through mediation with total settlement USD1,000 thousand, among which USD637 thousand was paid by insurance and USD363 thousand was paid by the Group which was recorded under administrative expenses in 2021.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

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

By function By item	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	9,588	456,354	465,942	9,799	525,845	535,644
Labor and health insurance	41	60,087	60,128	214	49,237	49,451
Pension	251	9,287	9,538	282	9,626	9,908
Others	154	30,461	30,615	218	33,468	33,686
Depreciation	553	67,006	67,559	1,532	51,414	52,946
Amortization	-	1,077	1,077	-	1,625	1,625

By function By item	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	18,904	897,741	916,645	20,321	1,016,456	1,036,777
Labor and health insurance	508	120,075	120,583	590	100,243	100,833
Pension	495	21,469	21,964	586	19,425	20,011
Others	304	63,471	63,775	649	66,704	67,353
Depreciation	1,825	135,832	137,657	2,988	110,754	113,742
Amortization	-	1,903	1,903	-	1,679	1,679

- (b) Seasonality or cyclically of interim operations

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

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

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

(i) Loans extended to other parties

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	28,864	26,067	26,067	-	(2)	-	Operating capital	-		-	278,847	1,115,390
2	FSC	The Company	Accounts receivable from related parties	Yes	119,550	119,550	119,550	-	(2)	-	Operating capital	-		-	138,464	553,856

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 aggregate amount of financing provided to others cannot exceed 40% of the Company's stockholders' equity, and the maximum financing provided to an individual counterparty cannot exceed 10% of the Company's stockholders' equity.

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

(ii) Guarantees and endorsements for other parties

No.	Name of Guarantees	Counter-party of guarantee or endorsement	Relationship with the Company (Note 1)	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											
0	The Company	DIMVN	2	272,160	4,416	4,416	4,416	4,416	0.08 %	544,320	Y	N	N
0	The Company	DIMIN & DIMTH	2	272,160	308	308	308	308	0.01 %	544,320	Y	N	N
0	The Company	DILTW	2	272,160	250	250	250	250	- %	544,320	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 aggregate amount of guarantee and endorsement provided to others cannot exceed 40% of the Company's issued capital, while the guarantee and endorsement for an individual counterparty cannot exceed 20% of the Company's issued capital.

(iii) Information regarding securities held as of June 30, 2023 (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				Note
				Number of shares	Carrying amount	Percentage of ownership	Fair value	
The Company	Global Sky Express Taiwan Ltd.	—	Financial assets at fair value through other comprehensive income — non-current	10,000	100	1.00 %	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	
DIMSG	Burwill Holdings Ltd.	—	Financial assets at fair value through other comprehensive income — non-current	22,000	19	-	19	
DIMSG	Stamford Land	—	Financial assets at fair value through other comprehensive income — non-current	5,000	40	-	40	

(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.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vii) Sales to or purchases from related parties in excess of NT\$100 million or 20% of DIMTW's issued share capital:

Name of company	Counter-party	Relationship	Transaction details				Arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase (Sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
ZJDCN	DIMCN	Subsidiary and Sub-Subsidiary	Freight revenue	337,549	17.00 %	Note 1	-		47,952	8 %	
DIMCN	ZJDCN	Subsidiary and Sub-Subsidiary	Freight expense	(337,549)	Note 2	Note 1	-		(47,952)	4 %	
DIMCN	DIMUS	Subsidiary and Sub-Subsidiary	Freight revenue	240,467	17.19 %	Note 1	-		19,185	6 %	
DIMUS	DIMCN	Subsidiary and Sub-Subsidiary	Freight expense	(240,467)	Note 2	Note 1	-		(19,185)	5 %	
DIMKR	DIMUS	Subsidiary and Sub-Subsidiary	Freight revenue	123,975	36.84 %	Note 1	-		32,639	42 %	
DIMUS	DIMKR	Subsidiary and Sub-Subsidiary	Freight expense	(123,975)	Note 2	Note 1	-		(32,639)	8 %	

Note 1: The freight was charged according to market price. No significant difference in terms and conditions from third-party vendors.

Note 2: The freight expenses were paid on behalf of other affiliates. Because the freight expenses were not recognized as revenue nor cost, there was no calculation of the percentage of the total purchases (sales).

(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 4)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
The Company	ZJDCN	Subsidiary	102,333 (Note 1)	- %	-		-	-
FSC	The Company	Subsidiary	169,274 (Note 2)	- %	-		-	-
FSC	DIL	Subsidiary	216,717 (Note 3)	- %	-		-	-
GSCHK	FSCHK	Subsidiary	143,827 (Note 3)	- %	-		-	-

Note 1: Accounts receivable of \$9,637 thousand and other receivables of \$92,696 thousand.

Note 2: Loan from the subsidiary of \$119,550 thousand and other receivables of \$49,724 thousand.

Note 3: Receivables from paid on behalf of other offiliates.

Note 4: 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 (Notes 3 and 4)	Terms of trading	Percentage of total consolidated revenue or total assets
0	The Company	FSCHK	1	Management revenue — deduction of management expense	126,124	Negotiated	1.18 %
1	FSC	The Company	2	Accounts receivable — related parties	169,274	Negotiated	1.64 %
1	FSC	The Company	2	Prepayments — related parties	716,964	Negotiated	6.93 %
1	FSC	DIL	3	Accounts receivable — related parties	216,717	Negotiated	2.09 %
3	FSCHK	The Company	2	Prepayments — related parties	4,090,525	Negotiated	39.53 %
3	GSCHK	FSCHK	3	Accounts receivable — related parties	143,827	Negotiated	1.39 %

Note 1: Company numbering is as follows:

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

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

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

Note 3: Only an transaction amount over \$100,000 thousand and a balance amount over total consolidated assets 1% shall be disclosed.

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

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

Name of the investor	Name of investee	Location	Main businesses	Initial investment (Amount)		Ending balance			Net income (losses) of investee	Investment income (losses) (Note 2)	Notes (Note 3)
				June 30, 2023	December 31, 2022	Shares	Ratio of shares	Carrying amount (Note 2)			
The Company	DFSTW	Taiwan	Ocean freight forwarding	15,444	15,444	1,200,000	99 %	788,454	701	701	(2)
The Company	HOLDING	Bermuda	Holding company	164,845	164,845	3,089,000	100 %	2,788,474	167,425	167,425	(1)
The Company	DIMSG	Singapore	Global air and ocean freight forwarder and logistics & warehousing	132,266	132,266	5,400,000	100 %	557,608	(41,780)	(41,780)	(2)
The Company	DIL	British Virgin Is.	Holding company	472,313	472,313	(Note 1)	100 %	4,656,991	430,904	430,904	(1)
The Company	FSC	British Virgin Is.	Settlement center	315	315	10,000	20 %	276,928	(363)	(73)	(1)
The Company	FSCHK	Hong Kong	Settlement center	236	236	7,500	15 %	757,344	(68,586)	(10,271)	(1)
The Company	ITG GmbH	Germany	Global air and ocean freight forwarder	183,547	183,547	6,275	25 %	250,767	22,090	5,522	(2)
The Company	DILTW	Taiwan	Logistics & warehousing	8,000	8,000	800,000	80 %	11,840	4,594	3,675	(2)
The Company	DFSSG	Singapore	Logistics & warehousing	13,482	13,482	600,000	100 %	47,900	6,738	6,738	(2)
The Company	DILHK	Hong Kong	Logistics & warehousing	-	-	-	100 %	50,543	(1,010)	(1,010)	(2)
The Company	DILSG	Singapore	Logistics & warehousing	4,215	4,215	-	100 %	1,443	(637)	(637)	(2)
The Company	DIMMY	Malaysia	Global air and ocean freight forwarder	65,516	65,516	250,000	100 %	189,588	(4,272)	(4,272)	(2)
The Company	DTLHK	Hong Kong	Trucking service	41,076	41,076	89,000	100 %	50,886	261	261	(2)
DFSTW	FSCHK	Hong Kong	Settlement center	235	235	7,500	15 %	674,728	(68,586)	(10,271)	(1)
DFSTW	DILTW	Taiwan	Logistics & warehousing	2,000	2,000	200,000	20 %	2,960	4,594	918	(2)
DIL	DIMUS	U.S.A.	Global air and ocean freight forwarder	238,686	238,686	4,961,000	100 %	1,204,996	196,793	196,793	(1)
DIL	DIMGB	U.K	Global air and ocean freight forwarder	12,589	12,589	300,000	37 %	(16,752)	(7,692)	(2,884)	(2)
DIL	GMS	Hong Kong	Logistics & warehousing	-	-	-	100 %	3,468,747	236,995	236,995	(1)
DMCHK	DIMHK	Hong Kong	Global air and ocean freight forwarder and logistics & warehousing	427,348	427,348	300,000	99 %	3,380,787	(26,150)	(26,147)	(1)
DMCHK	DFSHK	Hong Kong	Ocean freight forwarding	25,393	25,393	71,000	99 %	1,994,422	(240)	(240)	(2)
GMS	DIMPH	Philippines	Global air and ocean freight forwarder	38,399	38,399	180,000	60 %	3,571,715	231,473	138,884	(2)
DIMUS	DIMUS	U.S.A.	Brokerage service	13,532	13,532	1,000	100 %	48,094	5,530	5,530	(2)
DIMUS	B.C. Logistics, LLC	U.S.A.		54,103	54,103	-	85 %	18,970	(1,783)	(1,516)	(2)
DIMHK	FSC	British Virgin Is.	Settlement center	954	954	30,000	60 %	897	(363)	(218)	(1)
DIMHK	DIMVN	Vietnam	Trucking service	2,090	2,090	-	75 %	39,949	108	81	(2)
DIMHK	FSCHK	Hong Kong	Settlement center	550	550	17,500	35 %	1,573,805	(68,586)	(24,005)	(1)
DIMPH	GSCHK	Hong Kong	Settlement center	-	-	-	100 %	414,043	407,070	-	(1)
DIMSG	FSC	British Virgin Is.	Settlement center	318	318	10,000	20 %	299	(363)	(73)	(1)
DIMSG	DIMIN	India	Trucking service	17,595	5,303	960,000	100 %	28,489	2,708	2,708	(2)
HOLDING	DIMTH	Thailand	Global air and ocean freight forwarder	7,642	7,642	735,000	49 %	70,991	13,932	6,825	(2)
HOLDING	DIMPH	Philippines	Global air and ocean freight forwarder	4,026	4,026	120,000	40 %	2,380,551	386,611	154,644	(2)
HOLDING	DIMAU	Australia	Global air and ocean freight forwarder	16,460	16,460	60,000	100 %	(29,838)	(47)	(47)	(2)
HOLDING	DIMKR	Korea	Global air and ocean freight forwarder	19,386	19,386	120,000	100 %	130,902	10,609	10,609	(2)
HOLDING	DIMCA	Canada	Air freight forwarder	15,646	15,646	-	100 %	214,503	6,277	6,277	(2)
HOLDING	DIMNL	Netherlands	Global air and ocean freight forwarder	11,644	11,644	1,000	100 %	36,821	2,414	2,414	(2)
HOLDING	DSLUS	U.S.A.	Logistics & warehousing	15,840	15,840	50,000	100 %	26,538	(5,171)	(5,171)	(2)
DIMPH	Peerless Express Forwarders Corp.	Philippines	Trucking service	954	954	1,600,000	40 %	-	877	351	(2)
DIMPH	DFSPH	Philippines	Trucking service	5,231	5,231	96,700	91 %	20,156	6,140	5,564	(2)
DIMPH	DMCHK	Hong Kong	Settlement center	5,382,655	5,382,655	-	100 %	5,789,252	380,680	380,680	(1)
DFSSG	DFSPH	Philippines	Trucking service	541	541	10,000	9 %	1,993	6,140	575	(2)
DFSHK	FSCHK	Hong Kong	Settlement center	566	566	17,500	35 %	1,573,805	(68,586)	(24,005)	(1)
FSCHK	DIMGB	U.K	Global air and ocean freight forwarder	20,126	20,126	500,000	63 %	(9,744)	(7,692)	(4,808)	(2)

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

Note 2: Except for ITG Air & Sea GmbH the amount was eliminated in the consolidated financial statements.

Note 3: The recognition basic of financial statement of the investment column ws as follows:

- (1) The financial statements were reviewed by auditors.
- (2) The financial statements have not been reviewed by auditors.

(Continued)

DIMERCO EXPRESS CORPORATION AND SUBSIDIARIES
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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	Current investment income and losses (Notes 2 and 3)	Carrying amount (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Invested amount	Returned amount						
ZJDCN	Global air and ocean freight forwarder	54,928	(2)	28,031 (USD902)	-	-	28,031 (USD902)	(52,107)	75 %	(39,081) (1)	116,020 (1)	-
DILSHA	Logistics & warehousing	5,970	(2)	6,215 (USD200)	-	-	6,215 (USD200)	138	99 %	138 (2)	(56,225) (2)	-
DIMCN	Global air and ocean freight forwarder	163,377	(2)	-	-	-	-	26,804	100 %	26,804 (1)	439,825 (1)	-
DILSZX	Logistics & warehousing	10,958	(2)	-	-	-	-	(60)	100 %	(60) (2)	(18,780) (2)	-
DFSCN	Global air and ocean freight forwarder	59,777	(2)	-	-	-	-	21,014	100 %	21,014 (1)	346,338 (1)	-
Diversified Transportation (China) Co., Ltd.	Trucking service	29,802	(2)	-	-	-	-	(596)	100 %	(596) (2)	20,608 (2)	-
Yuhang Int'l Logistics (Dalian) Co. Ltd.	Global air and ocean freight forwarder	38,666	(2)	-	-	-	-	8,402	25 %	2,419 (2)	29,312 (2)	-
Diversified (Shanghai) International Logistics Service Company Ltd	Global air and ocean freight forwarder	13,684	(2)	-	-	-	-	5,511	100 %	5,511 (2)	8,989 (2)	-
Diversified (Shenzhen) International Logistics Service Company Ltd	Global air and ocean freight forwarder	1,293	(2)	-	-	-	-	(1,535)	100 %	(1,535) (2)	(69) (2)	-

- Note 1: The method of investment is divided into the following three methods:
- (1) Investing directly in Mainland China.
 - (2) Through transferring the investment to third-region existing companies then investing in Mainland China. (through Bermuda and British Virgin Islands.).
 - (3) Other methods.
- Note 2: Expect for Yuhang Int'l Logistics (Dalian) Co., Ltd. the amount was eliminated in the consolidated financial statements
- Note 3: The recognition basic of financial statement of the investment column ws as follows:
- (1) The financial statements were reviewed by an international accounting firm in cooperation with the ROC accounting firm.
 - (2) The financial statements have not been reviewed by auditors.

- (ii) Limitation on investment in Mainland China

Unit: thousand dollars

Company name	Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note2)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note2)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 1)
DIMTW	34,247 (USD1,102)	74,585 (USD2,400)	3,259,384

- Note 1: It represents 60% of the Company's net equity.
- Note 2: USD:NT\$=1:31.077.

- (iii) Significant transactions

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

- (d) Major shareholders:

Shareholder’s Name	Shareholding	Shares	Percentage
MEC ELECTRONICS CORPORATION		7,279,243	5.34 %

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(14) Segment information

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

	<u>Asia</u>	<u>American</u>	<u>Europe</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Three months ended June 30, 2023					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 4,069,369	1,079,894	85,386	-	5,234,649
From the parent company and subsidiaries	<u>70,967</u>	<u>-</u>	<u>-</u>	<u>(70,967)</u>	<u>-</u>
Total revenue	<u>\$ 4,140,336</u>	<u>1,079,894</u>	<u>85,386</u>	<u>(70,967)</u>	<u>5,234,649</u>
Segment income	<u>\$ 298,004</u>	<u>88,777</u>	<u>(3,111)</u>	<u>-</u>	<u>383,670</u>
Three months ended June 30, 2022					
Revenue:					
From customers other than the parent company and subsidiaries	\$ 8,469,079	2,793,740	293,120	-	11,555,939
From the parent company and subsidiaries	<u>300,962</u>	<u>-</u>	<u>-</u>	<u>(300,962)</u>	<u>-</u>
Total revenue	<u>\$ 8,770,041</u>	<u>2,793,740</u>	<u>293,120</u>	<u>(300,962)</u>	<u>11,555,939</u>
Segment income	<u>\$ 884,348</u>	<u>244,380</u>	<u>(605)</u>	<u>-</u>	<u>1,128,123</u>
Six months ended June 30, 2023					
Revenue:					
From external customers	\$ 8,115,609	2,355,042	180,153	-	10,650,804
From companies within the Group	<u>179,955</u>	<u>-</u>	<u>-</u>	<u>(179,955)</u>	<u>-</u>
Total revenue	<u>\$ 8,295,564</u>	<u>2,355,042</u>	<u>180,153</u>	<u>(179,955)</u>	<u>10,650,804</u>
Segment income	<u>\$ 484,678</u>	<u>215,036</u>	<u>(5,295)</u>	<u>-</u>	<u>694,419</u>
Six months ended June 30, 2022					
Revenue:					
From external customers	\$ 16,912,171	5,298,881	725,816	-	22,936,868
From companies within the Group	<u>517,387</u>	<u>-</u>	<u>-</u>	<u>(517,387)</u>	<u>-</u>
Total revenue	<u>\$ 17,429,558</u>	<u>5,298,881</u>	<u>725,816</u>	<u>(517,387)</u>	<u>22,936,868</u>
Segment income	<u>\$ 1,506,218</u>	<u>404,220</u>	<u>5,018</u>	<u>-</u>	<u>1,915,456</u>

The inter-company revenue of \$70,967 thousand, \$300,962 thousand, \$179,955 thousand and \$517,387 thousand for the three months and six months ended June 30, 2023 and 2022, respectively, was eliminated.