

**TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

Address: 6F, No.139, Zhengzhou Rd., City of Taipei, Taiwan, Republic of China

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these consolidated financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language consolidated financial statements shall prevail.

# TAIWAN SECOM CO., LTD. AND SUBSIDIARIES

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## Independent Auditors' Report

To Taiwan Secom Co., Ltd.

### Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Secom Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. Impairment on Investments Accounted for Under the Equity Method

As of December 31, 2017, the Company's investments accounted for under the equity method amounted to NT\$3,264,815 thousand, which accounted for 16% of consolidated total assets. Management assesses and implements impairment testing whenever there is any indication that an investments accounted for under the equity method is impaired. Given the fact that the amount of investments accounted for under the equity method is significant to the Company, the impairment assessment process involve significant management judgment of assumptions used and the calculation model is complicated as well. We determined the matter as a key audit matter.

To reduce the uncertainty for significant accounting judgement, estimation, and assumption related to the evaluation of assets impairment and the determination of recoverable amount, our audit procedures included, but not limited to:

- (1) For the investments accounted for under the equity method which has the indication of impairment, we analyze the method and assumption used by management for impairment testing, which include the reasonableness, completeness, and relation of expected future cash flow, and examine the recoverable amount.
- (2) We adopt our internal professional appraiser to evaluate the management's assessment to assist us to assess the evaluation assumption and method, especially for the parameters of weighted average cost of capital, expected revenue growth rate, discount rate on pre-tax income and rate of gross profit.

We also consider the estimation and the uncertainty on impairment loss on investments accounted for under the equity method adopted by the Company, and the appropriateness of the disclosures of accounting assumption. Please refer to Notes 5 and 6.

## 2. Revenue Recognition

Revenue recognized by the Company amounted to NT\$13,054,756 thousand for the year ended December 31, 2017, and the revenue consists of security system revenue which is the Company's main source of revenue. Because of the industry characteristics and customer contracts that include various performance conditions and terms, the Company received the prepayment in advance according the conditions set-forth in the contract, and recognized the revenue according to monthly basis over service period. Revenue is recognized based on the aforementioned method, which provides useful information for the degree of rendering service and its performance. Such revenue is recognized by percentage of completion method, and the method of determination for the stage of completion is calculated by the costs incurred accounted for the total estimated cost based on each separate contract. Due to the revenue deprived from rendering service received in advance, the timing to recognize the revenue for the advanced receipt and amount for the Company is determined as a key audit matter.



Our audit procedures included, but not limited to:

- (1) Assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition.
- (2) Selecting samples to perform tests of details and reviewing significant terms and condition of contracts to verify the occurrence of sales transaction.
- (3) Acquiring the detail of the revenue recognition for the advanced receipts for security system revenue by month, and selecting samples to reassess the accuracy of the amount of revenue recognition.
- (4) Sending confirmations for the contract balances to the significant transaction parties, and performing alternative procedures for those counterparties without responding the confirmations.
- (5) Executing cut-off testing procedures.

We also consider the appropriateness of the disclosures of operating revenue. Please refer to note 6.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016.

Yu, Chien-Ju

Hsu, Hsin-Min



Ernst & Young, Taiwan

March 19, 2018

## Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOCOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2017 and December 31, 2016  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4 and 6	\$5,290,440	25	\$4,841,311	24
Financial assets at fair value through profit or loss, current	4 and 6	266	-	1,247	-
Available-for-sale financial assets, current	4 and 6	182,900	1	154,079	1
Debt instrument investment for which no active market exists, current	4 and 6	45,373	-	63,214	-
Notes receivable, net	4 and 6	248,506	1	263,858	1
Accounts receivable, net	4 and 6	747,362	4	892,151	4
Lease receivable	4 and 6	54,686	-	35,040	-
Accounts receivable from related parties, net	4, 6 and 7	157,557	1	169,248	1
Inventories, net	4 and 6	295,266	1	299,771	2
Prepayments	4 and 6	539,495	3	413,165	2
Other current assets		252,182	1	157,912	1
<b>Total current assets</b>		<b>7,814,033</b>	<b>37</b>	<b>7,290,996</b>	<b>36</b>
<b>Non-current assets</b>					
Available-for-sale financial assets, non-current	4 and 6	227,316	1	197,392	1
Financial assets measured at cost, non-current	4 and 6	150,866	1	213,867	1
Investments accounted for under the equity method	4 and 6	3,264,815	16	2,946,492	15
Property, plant and equipment	4, 6, 7 and 8	7,222,354	34	7,200,646	36
Investment property, net	4 and 6	56,367	-	32,756	-
Intangible assets	4 and 6	486,496	2	481,148	2
Deferred tax assets	4 and 6	355,619	2	379,797	2
Prepayment for equipment	4 and 6	778,069	4	957,836	5
Refundable deposits	7	258,913	1	255,874	1
Long-term lease receivable	4 and 6	134,344	1	76,965	-
Prepayment for investments		20,000	-	-	-
Long-term prepaid rent	8	-	-	12,997	-
Other assets, non-current	6 and 8	154,486	1	195,743	1
<b>Total non-current assets</b>		<b>13,109,645</b>	<b>63</b>	<b>12,951,513</b>	<b>64</b>
<b>Total assets</b>		<b>\$20,923,678</b>	<b>100</b>	<b>\$20,242,509</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.



English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOCOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2017 and December 31, 2016  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		December 31, 2017	December 31, 2016
		Amount	Amount
		%	%
<b>Current liabilities</b>			
Short-term loans	4, 6 and 8	\$2,204,385	\$2,835,000
Short-term bills payable	6	154,952	174,960
Notes payable		369,299	318,682
Accounts payable		538,719	461,124
Accounts payable to related parties	7	23,280	39,105
Other payables	6	2,132,136	1,773,860
Current tax liabilities	4 and 6	114,453	234,778
Advanced receipts	6	1,106,179	1,110,688
Current portion of long-term loans	4, 6 and 8	239,000	104,000
Other current liabilities	4 and 6	233,416	193,466
<b>Total current liabilities</b>		<b>7,115,819</b>	<b>7,245,663</b>
<b>Non-current liabilities</b>			
Long-term loans	4, 6 and 8	1,034,000	888,000
Provisions, non-current	4	7,200	9,550
Lease payable, non-current	4 and 6	12,529	24,796
Net defined benefit liabilities, non-current	4 and 6	1,564,957	1,504,159
Deposit-in	6	634,859	627,857
Other liabilities, non-current	6	-	8,250
<b>Total non-current liabilities</b>		<b>3,253,545</b>	<b>3,062,612</b>
<b>Total liabilities</b>		<b>10,369,364</b>	<b>10,308,275</b>
<b>Equity attributable to the parent</b>			
Capital	6		
Common stock		4,511,971	4,511,971
Additional paid-in capital	6	691,334	853,577
Retained earnings	6		
Legal reserve		3,102,274	3,040,743
Special reserve		65,182	61,565
Unappropriated earnings		2,171,354	1,421,990
Other components of equity	4 and 6	(131,578)	(65,182)
Treasury stock	4, 6 and 8	(288,389)	(288,389)
Non-controlling interests	6	432,166	397,959
<b>Total equity</b>		<b>10,554,314</b>	<b>9,934,234</b>
<b>Total liabilities and equity</b>		<b>\$20,923,678</b>	<b>\$20,242,509</b>
		100	100

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

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

Item	Notes	2017		2016	
		Amount	%	Amount	%
<b>Operating revenue</b>	4, 6 and 7	\$13,109,897	100	\$13,549,089	101
<b>Less : Sales returns and allowances</b>	6	(55,141)	-	(68,904)	(1)
<b>Net revenue</b>		13,054,756	100	13,480,185	100
<b>Operating costs</b>	6 and 7	8,406,505	64	8,498,377	63
<b>Gross profit</b>		4,648,251	36	4,981,808	37
<b>Operating expenses</b>	6 and 7				
Sales and marketing expenses		834,133	6	897,603	7
General and administrative expenses		1,499,247	12	1,351,656	10
Research and development expenses		92,945	1	104,020	1
Subtotal		2,426,325	19	2,353,279	18
<b>Operating income</b>		2,221,926	17	2,628,529	19
<b>Non-operating income and loss</b>					
Other income	6	53,330	-	60,848	-
Other gains and losses	6	5,087	-	(635,585)	(4)
Finance costs	6	(36,888)	-	(36,485)	-
Share of profit or loss of associates and joint ventures		378,451	3	(984,200)	(7)
Subtotal		399,980	3	(1,595,422)	(11)
<b>Income before income tax</b>		2,621,906	20	1,033,107	8
<b>Income tax expenses</b>	4 and 6	(387,366)	(3)	(390,043)	(3)
<b>Net income</b>		2,234,540	17	643,064	5
<b>Other comprehensive income</b>	6				
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans		(46,884)	-	(25,109)	-
Share of other comprehensive (loss) income of associates and joint ventures- may not be reclassified subsequently to profit or loss		2,659	-	18,586	-
Income tax related to items that will not be reclassified		4,834	-	1,327	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of foreign operations		(77,307)	(1)	(49,450)	-
Unrealized loss on available-for-sale financial assets		15,897	-	49,677	-
Share of other comprehensive (loss) income of associates and joint ventures- may be reclassified subsequently to profit or loss		(10,002)	-	(12,809)	-
<b>Total other comprehensive (loss) income, net of tax</b>		(110,803)	(1)	(17,778)	-
<b>Total comprehensive income</b>		\$2,123,737	16	\$625,286	5
<b>Net income attributable to:</b>					
Shareholders of the parent		\$2,205,567		\$615,314	
Non-controlling interests	6	28,973		27,750	
<b>Comprehensive income attributable to:</b>					
Shareholders of the parent		\$2,101,707		\$604,804	
Non-controlling interests	6	22,030		20,482	
<b>Earnings per share (NT\$)</b>	6				
Basic earnings per share		\$5.00		\$1.40	
Diluted earnings per share		\$5.00		\$1.39	

The accompanying notes are an integral part of the consolidated financial statements.

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TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Description	2017	2016
<b>Cash flows from operating activities:</b>		
Profit before tax from continuing operations	\$2,621,906	\$1,033,107
Net income before tax	2,621,906	1,033,107
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Bad debt expense	81,063	15,573
Depreciation	1,155,442	1,113,974
Amortization	75,942	75,786
Interest expense	36,888	36,485
Interest revenue	(9,589)	(9,965)
Dividend income	(23,060)	(19,529)
Loss of financial assets at fair value through profit or loss	885	1,301
Gain on disposal of investments	(88,295)	(24,851)
Loss (gain) on disposal of property, plant and equipment	2,140	(20,310)
Loss on disposal of intangible assets	-	16
Share of loss of associates and joint ventures	(378,451)	984,200
Impairment loss	116,126	742,242
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss, current		
Notes receivable, net	15,352	2,407
Accounts receivable, net	33,327	128,853
Accounts receivable from related parties, net	11,688	(51,753)
Inventories, net	4,505	174,553
Prepayments	(126,330)	(49,063)
Other current assets	15,019	(1,640)
Lease receivables	(77,025)	(6,638)
Notes payable	50,617	104,368
Accounts payable	77,595	(7,051)
Accounts payable to related parties	(15,825)	(961)
Other payables	358,276	(101,840)
Advanced receipts	(4,509)	28,816
Other current liabilities	(17,506)	25,558
Provisions	(5,352)	-
Net defined liabilities, non-current	11,915	(52,021)
Cash generated from operations	3,922,744	4,121,617
Interest received	9,547	9,924
Interest paid	(36,873)	(36,473)
Income tax paid	(481,994)	(507,599)
Net cash provided by operating activities	3,413,424	3,587,469
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(39,793)	(38,526)
Proceeds from disposal of available-for-sale financial assets	314	18,555
Proceeds from disposal of debt instruments investment for which no active market exists	18,832	51,883
Acquisition of held-to-maturity financial assets	(81,217)	-
Proceeds from repayments of held-to-maturity financial assets	81,259	10,000
Acquisition of financial assets measured at cost	(4,978)	(16,802)
Proceeds from disposal of financial assets measured at cost	280	-
Capital deducted by cash of financial assets measured at cost	21,520	18,967
Acquisition of investments accounted for using the equity method	-	(250,000)
Increase in prepayment for investments	(20,000)	-
Acquisition of a subsidiary (deduct the cash from acquisition)	(8,043)	(436,550)
Proceeds from disposal of subsidiaries	161,242	32,295
Acquisition of property, plant and equipment	(1,295,654)	(1,012,836)
Proceeds from disposal of property, plant and equipment	50,044	78,003
Acquisition of intangible assets	(67,945)	(70,201)
Disposal of intangible assets	-	120
Decrease (increase) in prepayment for equipment	179,767	(123,912)
(Increase) decrease in refundable deposits	(3,039)	22,208
Increase in other assets	(38,309)	(25,408)
Dividends received	28,427	44,015
Net cash used in investing activities	(1,017,293)	(1,698,189)
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans	(630,615)	(100,913)
Decrease in short-term bills payable	(20,008)	(15,030)
Increase in long-term loans	425,000	1,000,000
Decrease in long-term loans	(144,000)	(91,296)
Decrease in lease payable	(15,697)	(11,971)
Increase in deposit-in	7,002	22,405
Cash dividends paid	(1,579,190)	(1,804,788)
Disposal of ownership interests in subsidiaries (without losing control)	-	52,442
Changes in non-controlling interests	4,827	(56,268)
Net cash used in financing activities	(1,952,681)	(1,005,419)
Effect of exchange rate changes on cash and cash equivalents	5,679	(5,814)
Net increase in cash and cash equivalents	449,129	878,047
Cash and cash equivalents at beginning of year	4,841,311	3,963,264
Cash and cash equivalents at end of year	\$5,290,440	\$4,841,311

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and Organization

Taiwan Secom Co., Ltd. ("the Company") was incorporated under the laws of the Republic of China ("R.O.C.") on November 8, 1977. The Company is engaged mainly in the security service. In December 1993, the Company listed its shares of stock on the Taiwan Stock Exchange ("TWSE"). The Company's registered office and the main business location is at 6F., No.139, Zhengzhou Rd., Datong Dist., Taipei, R.O.C..

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2017 and 2016 were authorized for issue by the Board of Directors on March 19, 2018.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

*IAS 36 "Impairment of Assets" (Amendment)*

This amendments relate to the amendments issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

*A. IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

*B. IFRS 9 “Financial Instruments”*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

**Classification and measurement:** Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

**Impairment:** Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.



Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after 1 January 2018.

*C. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

*D. IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

*E. Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

#### *F. IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

#### *G. IFRS 2 “Share-Based Payment” — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

#### *H. Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

## *I. Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

## *J. Improvements to International Financial Reporting Standards (2014-2016 cycle):*

### *IFRS 1 "First-time Adoption of International Financial Reporting Standards"*

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

### *IFRS 12 "Disclosure of Interests in Other Entities"*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

### *IAS 28 "Investments in Associates and Joint Ventures"*

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.



#### K. IFRIC 22 “*Foreign Currency Transactions and Advance Consideration*”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2018. Apart from the potential impact of the standards and interpretations listed under A, B, E and F, which is described below, all other standards and interpretations have no material impact on the Group:

#### A. IFRS 15 “Revenue from Contracts with Customers” and F Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”.

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- a. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group’s revenue recognition from sale of goods.
- b. Revenue from rendering of services is currently recognized by reference to the stage of completion. However, for some rendering of services the non-refundable upfront fees were received from customers at service inception shall recognized revenue by amortization during the contracts period. Starting from the date of initial application, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and will decrease retained earnings by NT\$9,770 thousand.

- c. For some rendering of services contracts, if the Group has the right to render the service to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing accounts receivable before the date of initial application; if the part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently, these contracts should be presented as contract liabilities. It is different from the accounting treatment of recognizing advanced receipts before the date of initial application. The amount reclassified from accounts receivable to contracts assets and from other current liabilities to contracts liabilities of the Group as at the date of initial application were NT\$35,397 thousand and NT\$1,008,524 thousand, respectively.
- d. In addition to the above influence, the Group still continues evaluating other standards and the amendment of the definition to the financial situation and financial performance, related influence will be disclosed when the evaluation is completed.
- e. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

#### B. IFRS 9 “Financial Instruments”

The Group elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

- a. Classification and measurement of financial assets

##### Available-for-sale financial assets – equity instrument investments

The assessment of the cash flow characteristics will be based on the facts and circumstances that existed as at the date of initial application.

As these equity instrument investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets (including financial assets measured at cost NT\$150,866 thousand) to financial assets measured at fair value through other comprehensive income of NT\$553,267 thousand. Other related adjustments are described as follow:

- (a) The stocks of unlisted companies currently measured at cost in accordance with IAS 39 had an original cost of NT\$224,963 thousand and was recognized impairment loss NT\$74,097 thousand. The current carrying amount was NT\$150,866 thousand. However, in accordance with the requirement of IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was NT\$148,293 thousand as at the date of initial application. The Group will adjust the carrying amount NT\$150,866 thousand of financial assets measured at fair value through other comprehensive income by NT\$148,293 thousand and will also adjust retained earnings and other components of equity by increased NT\$74,097 thousand and decreased NT\$76,670 thousand, respectively.
- (b) The stocks of listed companies are currently measured at fair value was NT\$402,401 thousand. As at the date of initial application, except for the reclassification to financial assets measured at fair value through other comprehensive income and other equity accounts, no other difference will incur.

#### Available-for-sale financial assets – funds investments

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

As at the date of initial application, the Group will reclassify available-for-sale financial assets of NT\$7,815 thousand to financial assets mandatorily measured at fair value through profit or loss. Besides, changes in fair value of NT\$(30,720) thousand previously recognized in other components of equity will be reclassified to retained earnings.

#### Available-for-sale financial assets – de-recognition of equity investments measured at fair value

Upon de-recognition of equity investments currently classified as available-for-sale measured at fair value, the accumulated gains or losses previously recognized in other comprehensive income was recycled to profit or loss from equity. However, under IFRS 9, subsequent fair value changes of the aforementioned equity investments are recognized in other comprehensive income and cannot be recycled to profit or loss. Upon de-recognition, the accumulated amounts in other components of equity is reclassified to retained earnings (reclassification to profit or loss is not allowed).

### Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Group.

Besides, under IFRS 9, impairment assessment is not required for equity instruments. Therefore, as the Group elects to classify certain equity investments as financial assets measured at fair value through other comprehensive income, the Group will reclassify an accumulated impairment loss of NT\$19,506 thousand from retained earnings to other components of equity.

#### b. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

### E. Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

#### A. IFRS 16 “Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

#### B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

### C. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- a. estimates of future cash flows;
- b. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

### D. IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

### E. Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

### F. Improvements to International Financial Reporting Standards (2015-2017 cycle):

#### *IFRS 3 “Business Combinations”*

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.



### *IFRS 11 “Joint Arrangements”*

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *IAS 12 “Income Taxes”*

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *IAS 23 “Borrowing Costs”*

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *G. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after 1 January 2019.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under A, B and F, it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

## **4. Summary of Significant Accounting Policies**

### **(1) Statement of compliance**

The consolidated financial statements of the Group for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
The Company	Speed Investment Co., Ltd.	Investment holding	100.00%	100.00%
The Company	Goyun Security Co., Ltd.	Security services providing	100.00%	100.00%
The Company	Lee Bao Security Co., Ltd.	Security services providing	100.00%	100.00%
The Company	Chung Pao Tzu Tung Corporation	Sales of electric, telecommunications and fireproof products	100.00%	100.00%
The Company	Goldsun Express & Logistics Co., Ltd.	Air cargo transporting services	100.00%	100.00%
The Company	Aion Computer Communication Co., Ltd.	Technology support services	73.75%	73.75%
The Company, Speed Investment Co., Ltd., Kuo Hsing Security Co., Ltd., Lee Way Electronics Co., Ltd. and Titan Star International Co., Ltd.	TransAsia Catering Service Ltd.	Production and sales of instant foods and in-flight catering (Note 1)	91.82%	90.02%
The Company, Goyun Security Co., Ltd., and Kuo Hsing Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Building management services providing	100.00%	100.00%
The Company, Speed Investment Co., Ltd., and Kuo Hsing Security Co., Ltd.	Lee Way Electronics Co., Ltd.	Police-Citizen connection and AED rental services	90.24%	90.24%
The Company and Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Video Sales and rental services	100.00%	100.00%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)	
			December 31,	December 31,
			2017	2016
The Company and Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	Corporate security guarding services	85.22%	85.22%
The Company and Speed Investment Co., Ltd.	Zhong Bao Insurance Broker Inc.	Insurance broker	70.00%	70.00%
The Company, Speed Investment Co., Ltd and Titan Enterprise Co., Ltd.	Taiwan Video System Co., Ltd.	Sales and manufacture of digital signage and monitors	82.53%	81.08%
TransAsia Catering Services Ltd.	TransAsia Culinary Ltd.	Catering services (Note 2)	-	-
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Automated Teller Machine(ATM) services	100.00%	100.00%
Lee Bao Security Co., Ltd.	Goldsun Holiday Co., Ltd.	Travel agent (Note 3)	-	-
Lee Way Electronics Co., Ltd.	Lee-Unison Medical Equipment Co., Ltd.	Medical equipment (Note 4)	-	-
Lee Way Electronics Co., Ltd.	Lee Yuan Biomedical Co., Ltd.	Medical equipment and AED rental services	100.00%	100.00%
Speed Investment Co., Ltd.	Titan Star International Co., Ltd.	Manufacturing, selling and processing of security-related equipment and parts	100.00%	100.00%
Speed Investment Co., Ltd.	Zhong Bao Security Holding (Samoa) Company Limited	Investment holding	100.00%	100.00%
Speed Investment Co., Ltd.	CPMI Corporation	Marketing service providing (Note 5)	-	-
Speed Investment Co., Ltd.	SVS Corporation	Vehicles maintenance services	100.00%	100.00%
Speed Investment Co., Ltd. and Titan Enterprise Co., Ltd.	Comlink Fire Systems Inc.	Wholesale of fire safety equipment	99.30%	99.30%
Speed Investment Co., Ltd. and Titan Enterprise Co., Ltd.	SIGMU D.P.T. Co., Ltd.	Wholesale and installation of fire safety equipment (Note 6)	95.39%	100.00%
Speed Investment Co., Ltd. and Goyun Security Co., Ltd.	Babyboss Co., Ltd.	Educational and recreational services	88.47%	88.47%
Speed Investment Co., Ltd. and Goyun Security Co., Ltd.	CHOPPA Tech Co., Ltd.	POS system for retail	62.87%	62.87%
CHOPPA Tech Co., Ltd.	CHOPPA Tech (Shanghai) Ltd.	Research and sale of computer software (Note 7)	-	100.00%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
CHOPPA Tech Co., Ltd.	Zhan Food Team Inc.	Catering services (Note 8)	88.00%	-
Zhong Bao Security Holding (Samoa) Company Limited	Zhong Bao Security Holding (Mauritius) Company Limited	Investment holding	100.00%	100.00%
Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	The custom broker services	100.00%	100.00%
Kuo Hsing Security Co., Ltd.	Zhong Bao Lease Co., Ltd.	Mini-Storage rental services	100.00%	100.00%
Goyun Security Co., Ltd.	Goyun Science and Technology Co., Ltd.	Car parking lot services	100.00%	100.00%
Gowin Building Management and Maintenance Co., Ltd.	Gowin Security Co., Ltd.	Buildings' security guarding services	100.00%	100.00%
Gowin Building Management and Maintenance Co., Ltd.	Goyun Parking Co., Ltd.	Car parking lot services	100.00%	100.00%
Aion Computer Communication Co., Ltd.	Peregrine Soleil Asset Holdings Limited	Investment holding	100.00%	100.00%
Aion Computer Communication Co., Ltd. and Titan Enterprise Co., Ltd.	LITENET Corporation	Light controlling system services	100.00%	100.00%
Peregrine Soleil Asset Holdings Limited	GC&C Holdings Limited	Investment holding	100.00%	100.00%
Taiwan Video System Co., Ltd.	TVS Electric Co., Ltd.	Investment holding and international trading	100.00%	100.00%
Taiwan Video System Co., Ltd.	TVS Germany GmbH	Sales of digital signage, monitors, and etc.	100.00%	100.00%
TVS Electric Co., Ltd. and Zhong Bao Security Holding (Mauritius) Company Limited	CHUN-SECURITY Video System Co., Ltd.	Investment holding and international trading	100.00%	100.00%
CHUN-SECURITY Video System Co., Ltd.	Tech Video System (Suzhou) Co., Ltd.	Design and manufacture of digital signage, monitors and etc. (Note 9)	-	100.00%

Note 1: On November 24, 2017, the Board of Directors of TransAsia Catering Services Ltd. approved the cash injection of NT\$187,879 thousand. The Company, Speed Investment Co., Ltd., Kuo Hsing Security Co., Ltd., Lee Way Electronics Co., Ltd., and Titan Star International Co., Ltd. did not subscribed new shares in proportionate to their original ownership interest. Consequently, the percentage of ownership was increased to 91.82% after the cash injection.



Note 2: TransAsia Culinary Ltd. had been dissolved in October 2016 and liquidated in July 2017.

Note 3: Lee Bao Security Co., Ltd. acquired 100% shares of Goldsun Holiday Co, Ltd. in March 2017, and Goldsun Holiday Co, Ltd. liquidated on October 1, 2017.

Note 4: Lee-Unison Medical Equipment Co., Ltd. has been dissolved in July 2016 and liquidated in January 2017.

Note 5: For the purpose of simplifying the Group's organization, the Company sold 100% shares of CPMI Corporation in August 2016, and loss of control thereafter.

Note 6: Speed Investment Co., Ltd. established SIGMU D.P.T. Co., Ltd. in August 2016. Part of the stock options had been exercised by employees in the third quarter of 2017, and related registration processes have been completed.

Note 7: CHOPPA Tech (Shanghai) Ltd. has been dissolved in September 2017 and liquidated in November 2017.

Note 8: CHOPPA Tech Co., Ltd. acquired 80% shares of Zhan Food Team Inc. in April 2017 and acquired additional 8% shares by participated the capital injection by cash. The percentage of ownership was increased to 88% in May 2017.

Note 9: For the purpose of simplifying the Group's organization, the Company sold 100% shares of Tech Video System (Suzhou) Co., Ltd. in May 2017, and loss of control thereafter.

#### (4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its own functional currency and items included in the financial statements of each foreign operation are measured at that functional currency. While preparing the Company's financial statements, the assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The partial disposals are accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation and when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities of 3 months from the date of acquisition).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

## A. Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as of fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as of the reporting date.

### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as of the reporting date.

### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as of fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.



### Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments;  
or
- c. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- d. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired.
- b. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

## B. Financial liabilities and equity

### Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. A financial liability is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as of fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as of the reporting date.

#### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### (9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### (10)Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted average basis

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (11) Investments accounted for under the equity method

The Group's investment in its associate is accounted for under the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.



Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

#### (12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	51~61 years
Machinery and equipment	4~9 years
Security equipment	6~20 years
Office equipment	4~11 years
Transportation equipment	4~7 years
Leased assets	6~51 years
Other equipment	6~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### (13) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	9~61 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

### (14) Leases

#### Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### Group as a lessor

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and service.

The Group aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating lease is recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

### (15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Customer relationship
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

#### (16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

#### (17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

##### Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

#### (18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

## (19) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- A. the significant risks and rewards of ownership of the goods have passed to the buyer;
- B. neither continuing managerial involvement nor effective control over the goods sold have been retained;
- C. the amount of revenue can be measured reliably;
- D. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- E. the costs incurred in respect of the transaction can be measured reliably.

### Rendering of services

Revenue from security service is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

### Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

### Dividends

Revenue is recognized when the Group's right to receive the payment is established.

## (20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## (21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

## (22) Share-based payment transactions

The cost of equity-settled transactions between the Group and employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.



The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

## (23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (24) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Judgment

In the process of applying the Group's accounting policies, management made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### A. Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

## B. Operating lease commitment-Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties, and accounts for the contracts as operating leases.

## (2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

### B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

### C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

### D. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

### E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax assets of the Group as of December 31, 2017.

## 6. Contents of Significant Accounts

### (1) Cash and cash equivalents

	As of December 31,	
	2017	2016
Petty cash	\$12,080	\$37,136
Cash on hand for cash delivery service	967,790	967,788
Checking and saving accounts	2,987,791	2,429,918
Time deposits	9,528	12,038
Cash equivalents	1,313,251	1,394,431
Total	<u>\$5,290,440</u>	<u>\$4,841,311</u>

### (2) Financial assets at fair value through profit and loss

	As of December 31,	
	2017	2016
Held for trading:		
Non-derivative financial assets		
Open-end funds	\$9,422	\$10,210
Valuation adjustment	(9,156)	(8,963)
Total	<u>\$266</u>	<u>\$1,247</u>

Financial assets held for trading were not pledged.

### (3) Available-for-sale financial assets

	As of December 31,	
	2017	2016
Stocks	\$438,349	\$399,474
Open-end funds	11,995	11,995
Valuation adjustment	(40,128)	(59,998)
Total	<u>\$410,216</u>	<u>\$351,471</u>
Current	\$182,900	\$154,079
Non-current	227,316	197,392
Total	<u>\$410,216</u>	<u>\$351,471</u>

The investment value of part of the Group's available-for-sale financial assets has impaired, and the impairment loss recognized in 2017 and 2016 amounted to NT\$0 thousand and NT\$97,200 thousand, respectively.

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost

	As of December 31,	
	2017	2016
Available-for-sale financial assets		
Stocks	\$150,866	\$213,867
Current	\$-	\$-
Non-current	150,866	213,867
Total	\$150,866	\$213,867

The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Capital deducted by cash of financial assets measured at cost in 2017 and 2016 amounted to NT\$21,520 thousand and NT\$18,967 thousand, respectively and recognized loss on disposal of investments amounted to NT\$3,130 thousand and NT\$0 thousand, respectively.

The investment value of part of the Group's financial assets measured at cost has impaired, and the impairment loss recognized in 2017 and 2016 amounted to NT\$41,270 thousand and NT\$0 thousand, respectively.

Financial assets measured at cost were not pledged.

(5) Debt instrument investments for which no active market exists

	As of December 31,	
	2017	2016
Time deposit	\$45,373	\$63,214
Current	\$45,373	\$63,214
Non-current	-	-
Total	\$45,373	\$63,214

Debt instrument investments for which no active market exists were not pledged.



(6) Notes receivable

	As of December 31,	
	2017	2016
Notes receivables arising from operating activities	\$248,506	\$263,858
Less: allowance for doubtful debts	-	-
Total	<u>\$248,506</u>	<u>\$263,858</u>

Notes receivable were not pledged.

(7) Accounts receivable and accounts receivable from related parties

	As of December 31,	
	2017	2016
Accounts receivable	\$778,689	\$934,991
Less: allowance for doubtful debts	(31,327)	(42,840)
Subtotal	<u>747,362</u>	<u>892,151</u>
Accounts receivable from related parties	230,429	169,248
Less: allowance for doubtful accounts	(72,872)	-
Subtotal	<u>157,557</u>	<u>169,248</u>
Total	<u>\$904,919</u>	<u>\$1,061,399</u>

Accounts receivable were not pledged.

Accounts receivable are generally on 15-120 day terms. The movements in the provision for impairment of accounts receivable and accounts receivable from related parties are as follows (please refer to Note 12 for disclosure on credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$-	\$42,840	\$42,840
Charge (reversal) for the current period	72,872	8,191	81,063
Write off	-	(19,627)	(19,627)
Exchange effect	-	(77)	(77)
As of December 31, 2017	<u>\$72,872</u>	<u>\$31,327</u>	<u>\$104,199</u>
As of January 1, 2016	\$-	\$33,483	\$33,483
Charge (reversal) for the current period	-	15,573	15,573
Write off	-	(6,772)	(6,772)
Acquisitions through business combinations	-	1,000	1,000
Exchange effect	-	(444)	(444)
As of December 31, 2016	<u>\$-</u>	<u>\$42,840</u>	<u>\$42,840</u>

Aging analysis of accounts receivable and accounts receivable from related parties that are past due as of the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired				Total
		<=90 days	91~180 days	181~365 days	>=366 days	
December 31, 2017	\$852,208	\$36,328	\$2,055	\$12,014	\$2,314	\$904,919
December 31, 2016	865,637	148,042	31,667	14,078	1,975	1,061,399

(8) Lease receivable

	As of December 31,			
	2017		2016	
	Current	Non-current	Current	Non-current
Lease receivable	\$58,667	\$140,308	\$38,332	\$80,577
Less: Unearned finance income on finance lease	(3,981)	(5,964)	(3,292)	(3,612)
Lease receivable, net	<u>\$54,686</u>	<u>\$134,344</u>	<u>\$35,040</u>	<u>\$76,965</u>

The expected recovery of the lease receivable is as follows:

	As of December 31,	
	2017	2016
Within one year	\$58,667	\$38,332
Over one year and within five years	138,335	79,939
Over five years	1,973	638
Total	<u>\$198,975</u>	<u>\$118,909</u>

(9) Inventories

	As of December 31,	
	2017	2016
Merchandise inventories	\$237,744	\$227,686
Finished goods	1,992	5,861
Raw materials	41,751	49,688
Others	13,779	16,536
Total	<u>\$295,266</u>	<u>\$299,771</u>

The cost of inventories recognized in expenses amounted to NT\$858,437 thousand and NT\$1,145,409 thousand for the year ended December 31, 2017 and 2016, respectively, including the write-down of inventories of NT\$30,215 thousand and NT\$40,204 thousand, respectively.

No inventories were pledged.

(10) Investments accounted for under the equity method

The following table lists the investments accounted for under the equity method of the Group:

Investees	As of December 31,			
	2017		2016	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
<u>Listed companies</u>				
Goldsun Building Materials Co., Ltd.	\$2,904,960	13	\$2,530,126	13
TransAsia Airways Corp.	-	12	-	12
Subtotal	<u>2,904,960</u>		<u>2,530,126</u>	
<u>Non-listed companies</u>				
Tech Elite Holdings Ltd.	-	39	55,720	39
Yon Geng Healthcare Management Co., Ltd.	11,199	38	12,863	38
Anfeng Enterprise Co., Ltd.	13,385	30	13,165	30
Huaya Development Co., Ltd.	297,457	50	298,206	50
ESKYLINK INC.	15,922	20	15,136	20
Tian-sha Food, Ltd.	21,892	30	21,276	30
Subtotal	<u>359,855</u>		<u>416,366</u>	
Total	<u>\$3,264,815</u>		<u>\$2,946,492</u>	

The Group possessed less than 20% of ownership of Goldsun Building Material Co., Ltd.. However, the chairman of the board of the Group and Goldsun Building Materials Co., Ltd. are tier two blood relatives. As such, the significant influence of the Group over the Goldsun Building Materials Co., Ltd. was presumed to exist, and the investments were accounted for using the equity method.

On January 11, 2017, the shareholders meeting of TransAsia Corp., which is the Group's investee recognized in investments accounted for under the equity method, approved the liquidation proposal. Full impairment loss has been provided to the related balance of investments accounted for under the equity method after assessing the impairment test in 2016.

Information on the material associate of the Group:

Company name: Goldsun Building Materials Co., Ltd.

Nature of the relationship with the associate: The chairman of the board of the Group and Goldsun Building Materials Co., Ltd. are tier two blood relatives.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Goldsun Building Materials Co., Ltd. is listed on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Goldsun Building Materials Co., Ltd. is NT\$1,851,516 thousand and NT\$1,256,453 thousand, as of December 31, 2017 and 2016, respectively.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

The summarized financial information of the associate is as follows:

	As of December 31,	
	2017	2016
Current assets	\$11,639,682	\$14,343,429
Non-current assets	23,371,660	38,800,539
Current liabilities	(9,980,241)	(27,864,755)
Non-current liabilities	(3,911,096)	(6,387,365)
Equity	21,120,005	18,891,848
Non-controlling interests	(1,437,503)	(1,353,116)
Shareholders of the parent	19,682,502	17,538,732
Proportion of the Group's ownership	13.45%	13.05%
Subtotal	2,647,297	2,288,805
Goodwill	222,792	222,792
Others	34,871	18,529
Carrying amount of the investment	<u>\$2,904,960</u>	<u>\$2,530,126</u>
For the years ended December 31,		
	2017	2016
Operating revenue	\$16,413,796	\$25,999,313
Profit or loss from continuing operations	2,868,733	(9,412,074)
Other comprehensive income	(247,068)	(263,362)
Total comprehensive income	<u>\$2,621,665</u>	<u>\$(9,675,436)</u>

The Group's investments in other companies are not individually material. The aggregate carrying amount of the Group's interests in other companies is NT\$359,855 thousand. The aggregate financial information based on Group's share of other companies is as follows:

	For the years ended December 31,	
	2017	2016
Profit or loss from continuing operations	\$4,199	\$(350,786)
Other comprehensive income (post-tax)	383	(1,114)
Total comprehensive income	<u>\$4,582</u>	<u>\$(351,900)</u>

The associates had no contingent liabilities or capital commitments as of December 31, 2017 and 2016.

The investment value of part of the Group's investments accounted for under the equity method has impaired, and the impairment loss recognized in 2017 and 2016 amounted to NT\$ 51,018 thousand and NT\$614,873 thousand, respectively. The assessment of the impairment loss is mainly due to the fact that management evaluates the recoverable amounts of the investment in the associates cannot be recovered and investment cost or salable price drops significantly due to the passage of the liquidation proposal. Therefore, the impairment loss needs be recognized in the consolidated statement of comprehensive income.

## (11)Property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Leased assets	Other equipment	Total
Cost:									
As of January 1, 2017	\$2,315,464	\$1,351,552	\$785,308	\$8,145,819	\$662,211	\$954,999	\$258,414	\$1,685,243	\$16,159,010
Additions	5,500	98,516	19,354	680,996	71,646	72,533	-	257,700	1,206,245
Acquisitions through business combinations	-	-	-	-	2,344	-	-	4,371	6,715
Disposal of subsidiaries	-	(145,888)	(1,652)	-	(1,886)	-	-	(813)	(150,239)
Disposals	-	-	(94,643)	(455,648)	(64,407)	(120,572)	-	(67,416)	(802,686)
Transfers	(18,802)	(5,720)	-	-	-	-	-	-	(24,522)
Exchange effect	-	(5,162)	701	-	(202)	(86)	-	(28)	(4,777)
Other changes	-	-	-	139,058	-	-	-	-	139,058
As of December 31, 2017	\$2,302,162	\$1,293,298	\$709,068	\$8,510,225	\$669,706	\$906,874	\$258,414	\$1,879,057	\$16,528,804
As of January 1, 2016	\$2,093,559	\$1,317,303	\$726,336	\$7,587,373	\$658,235	\$830,500	\$258,414	\$1,479,469	\$14,951,189
Additions	-	6,732	19,798	688,006	42,399	110,682	-	128,829	996,446
Acquisitions through business combinations	229,495	95,950	91,267	-	72,544	67,691	-	45,213	602,160
Disposal of subsidiaries	-	(11,377)	-	-	(7,271)	-	-	(3,941)	(22,589)
Disposals	(7,166)	(44,484)	(45,938)	(204,036)	(39,479)	(53,668)	-	(22,728)	(417,499)
Transfers	-	-	-	-	(63,634)	-	-	63,134	(500)
Exchange effect	(44)	(12,952)	(6,155)	-	(583)	(206)	-	(261)	(20,201)
Other changes	(380)	380	-	74,476	-	-	-	(4,472)	70,004
As of December 31, 2016	\$2,315,464	\$1,351,552	\$785,308	\$8,145,819	\$662,211	\$954,999	\$258,414	\$1,685,243	\$16,159,010
Depreciation and impairment:									
As of January 1, 2017	\$-	\$345,109	\$666,585	\$5,790,748	\$545,738	\$451,059	\$56,358	\$1,102,767	\$8,958,364
	-	29,811	34,649	724,161	53,874	114,411	2,259	196,115	1,155,280
Depreciation	-	-	-	-	271	-	-	485	756
Acquisitions through business combinations	-	(51,864)	(1,418)	-	(1,723)	-	-	(809)	(55,814)
Disposal of subsidiaries	-	-	(92,694)	(455,071)	(62,149)	(77,755)	-	(62,833)	(750,502)
Disposals	-	(749)	-	-	-	-	-	-	(749)
Transfers	-	(1,797)	749	-	(187)	(86)	-	34	(1,287)
Exchange effect	-	-	-	-	-	-	-	-	-
Other changes	-	-	44	-	-	-	-	358	402
As of December 31, 2017	\$-	\$320,510	\$607,915	\$6,059,838	\$535,824	\$487,629	\$58,617	\$1,236,117	\$9,306,450
As of January 1, 2016	\$-	\$311,839	\$629,934	\$5,299,146	\$530,692	\$345,357	\$54,099	\$883,542	\$8,054,609
Depreciation	-	31,592	35,572	694,951	53,015	114,758	2,259	181,682	1,113,829
Acquisitions through business combinations	-	14,121	55,545	-	41,616	39,053	-	18,231	168,566
Disposal of subsidiaries	-	(725)	-	-	(5,457)	-	-	(717)	(6,899)
Disposals	-	(6,666)	(48,411)	(203,349)	(38,673)	(47,901)	-	(14,806)	(359,806)
Transfers	-	-	-	-	(34,926)	-	-	34,905	(21)
Exchange effect	-	(4,321)	(6,055)	-	(529)	(208)	-	(70)	(11,183)
Other changes	-	(731)	-	-	-	-	-	-	(731)
As of December 31, 2016	\$-	\$345,109	\$666,585	\$5,790,748	\$545,738	\$451,059	\$56,358	\$1,102,767	\$8,958,364
Net carrying amount as of:									
December 31, 2017	\$2,302,162	\$972,788	\$101,153	\$2,450,387	\$133,882	\$419,245	\$199,797	\$642,940	\$7,222,354
December 31, 2016	\$2,315,464	\$1,006,443	\$118,723	\$2,355,071	\$116,473	\$503,940	\$202,056	\$582,476	\$7,200,646

The major components of the buildings are main building structure, air conditioning units and elevators, which are depreciated over 51 years, 6 years and 16 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(12)Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2017	\$26,011	\$8,130	\$34,141
Transfers	18,802	5,720	24,522
As of December 31, 2017	<u>\$44,813</u>	<u>\$13,850</u>	<u>\$58,663</u>
As of January 1, 2016	\$26,011	\$8,130	\$34,141
Transfers	-	-	-
As of December 31, 2016	<u>\$26,011</u>	<u>\$8,130</u>	<u>\$34,141</u>
Depreciation and impairment:			
As of January 1, 2017	\$-	\$1,385	\$1,385
Depreciation	-	162	162
As of December 31, 2017	<u>\$-</u>	<u>749</u>	<u>749</u>
As of January 1, 2016	\$-	\$1,240	\$1,240
Depreciation	-	145	145
As of December 31, 2016	<u>\$-</u>	<u>\$1,385</u>	<u>\$1,385</u>
Net carrying amount as of:			
December 31, 2017	<u>\$44,813</u>	<u>\$11,554</u>	<u>\$56,367</u>
December 31, 2016	<u>\$26,011</u>	<u>\$6,745</u>	<u>\$32,756</u>
	For the years ended		
	December 31,		
	2017	2016	
Rental income from investment property	\$1,730	\$1,766	
Less : Direct operating expense generated from rental income of investment property	(162)	(145)	
	<u>\$1,568</u>	<u>\$1,621</u>	

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT\$104,121 thousand and NT\$60,814 thousand, as of December 31, 2017 and 2016, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used is direct capitalized method, and the inputs used are discount rates and growth rates:

	As of December 31,	
	2017	2016
Capitalization Rate	1.36%~1.62%	1.59%~1.72%

(13) Intangible assets

	Goodwill	Computer software	Customer relationship	Total
Cost:				
As of January 1, 2017	\$546,919	\$255,562	\$17,432	\$819,913
Addition-acquired separately	-	67,945	-	67,945
Acquisitions through business combination	2,903	-	-	2,903
Disposal of subsidiaries	-	(1,026)	-	(1,026)
Reach amortized life	-	(75,402)	-	(75,402)
Exchange effect	-	(55)	-	(55)
As of December 31, 2017	<u>\$549,822</u>	<u>\$247,024</u>	<u>\$17,432</u>	<u>\$814,278</u>
As of January 1, 2016	\$403,851	\$259,509	\$-	\$663,360
Addition-acquired separately	-	70,201	-	70,201
Acquisitions through business combination	143,068	866	17,432	161,366
Disposal of subsidiaries	-	(15,914)	-	(15,914)
Disposals	-	(315)	-	(315)
Reach amortized life	-	(59,198)	-	(59,198)
Transfers	-	500	-	500
Exchange effect	-	(87)	-	(87)
As of December 31, 2016	<u>\$546,919</u>	<u>\$255,562</u>	<u>\$17,432</u>	<u>\$819,913</u>
Amortization and impairment:				
As of January 1, 2017	\$168,169	\$168,728	\$1,868	\$338,765
Amortization	-	63,009	2,491	65,500
Acquisitions through business combination	-	-	-	-
Disposal of subsidiaries	-	(1,026)	-	(1,026)
Reach amortized life	-	(75,402)	-	(75,402)
Exchange effect	-	(55)	-	(55)
As of December 31, 2017	<u>\$168,169</u>	<u>\$155,254</u>	<u>\$4,359</u>	<u>\$327,782</u>
As of January 1, 2016	\$138,000	\$171,843	\$-	\$309,843
Amortization	-	64,365	1,868	66,233
Acquisitions through business combination	-	741	-	741
Disposal of subsidiaries	-	(8,778)	-	(8,778)
Disposals	-	(179)	-	(179)
Reach amortized life	-	(59,198)	-	(59,198)
Impairments	30,169	-	-	30,169
Transfers	-	21	-	21
Exchange effect	-	(87)	-	(87)
As of December 31, 2016	<u>\$168,169</u>	<u>\$168,728</u>	<u>\$1,868</u>	<u>\$338,765</u>
Net carrying amount as of:				
December 31, 2017	<u>\$381,653</u>	<u>\$91,770</u>	<u>\$13,073</u>	<u>\$486,496</u>
December 31, 2016	<u>\$378,750</u>	<u>\$86,834</u>	<u>\$15,564</u>	<u>\$481,148</u>

(14) Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and licences with indefinite lives have been allocated to four cash-generating units, which are also reportable operating segments, for impairment testing as follows:

- A. Security guard cash-generating unit;
- B. Entertainment cash-generating unit;
- C. Catering service cash-generating unit; and
- D. Other business cash-generating unit.

Carrying amount of goodwill and licences allocated to each of the cash-generating units:

As of December 31	Security guard unit		Entertainment unit	
	2017	2016	2017	2016
Goodwill	\$27,548	\$27,548	\$111,808	\$111,808

As of December 31	Catering service unit		Other business unit		Total	
	2017	2016	2017	2016	2017	2016
Goodwill	\$145,971	\$143,068	\$96,326	\$96,326	\$381,653	\$378,750

Security guard cash-generating unit

The recoverable amount of the security guard unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The post-tax discount rate applied to cash flow projections is 8.70% (2016: 8.85%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2016: 2%) that is the same as the long-term average growth rate for the security guard industry. As a result of this analysis, management has identified no impairment loss for goodwill which is allocated to this cash-generating unit.

Entertainment cash-generating unit

The recoverable amount of the entertainment unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The post-tax discount rate applied to cash flow projections is 11.82% (2016: 11.59%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2016: -1%) that is the same as the long-term average growth rate for the entertainment industry.



#### Catering service cash-generating unit

For the purpose of integrating the Group's resources, the Company acquired 100% shares of TransAsia Catering Services Ltd. in March 2016, which Purchase Price Allocation Report was issued in 2016. No material differences existed between the estimates and assumptions in December 31, 2016 and therefore, no need to perform impairment loss assessment.

The recoverable amount of the catering service unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The post-tax discount rate applied to cash flow projections is 10.95% and cash flows beyond the five-year period are extrapolated using a -1% growth rate that is the same as the long-term average growth rate for the other business industry. As a result of this analysis, management has identified no impairment loss for good will which is allocated to this cash-generating unit.

#### Other business cash-generating unit

The recoverable amount of the other business unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The post-tax discount rate applied to cash flow projections is 6% (2016: 6 %) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2016: 0%) that is the same as the long-term average growth rate for the other business industry. As a result of this analysis, management has identified no impairment loss for good will which is allocated to this cash-generating unit.

#### Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

- A. Discount rates; and
- B. Growth rate used to extrapolate cash flows beyond the budget period.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates - Rates are based on published industry research. For the reasons explained above, the long-term average growth rate used to extrapolate the budget for the Entertainment unit has been adjusted in a conservative way.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use calculation of the Cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions which would cause the carrying value of the unit to materially exceed its recoverable amount.

#### (15) Short-term loans

	Interest Rates (%)	As of December 31,	
		2017	2016
Unsecured bank loans	0.51%-1.72%	\$2,204,385	\$2,835,000

The Group's unused short-term lines of credits amount to NT\$1,205,000 thousand and NT\$1,144,500 thousand, as of December 31, 2017 and 2016, respectively.

#### (16) Short-term bills payable

Nature	Guarantee Agency	As of December 31, 2017	Interest Rate (%)	Period
Commercial paper	Ta Ching Bills Finance Corporation	\$25,000	1.19%	60
Commercial paper	China Bills Finance Corporation	75,000	1.14%	31
Commercial paper	China Bills Finance Corporation	30,000	0.57%	31
Commercial paper	Mega Bills Finance Corporation	25,000	1.11%	59
Subtotal		155,000		
Less: discount on short-term bills payable		(48)		
Net		\$154,952		

Nature	Guarantee Agency	As of December 31, 2016	Interest Rate (%)	Period
Commercial paper	Ta Ching Bills Finance Corporation	\$30,000	1.51%	28
Commercial paper	China Bills Finance Corporation	10,000	1.51%	60
Commercial paper	China Bills Finance Corporation	30,000	0.57%	58
Commercial paper	China Bills Finance Corporation	30,000	0.57%	60
Commercial paper	Mega Bills Finance Corporation	30,000	1.39%	90
Commercial paper	International Bills Finance Corporation	45,000	1.39%	58
Subtotal		175,000		
Less: discount on short-term bills payable		(40)		
Net		<u>\$174,960</u>		

(17) Other payables

	As of December 31,	
	2017	2016
Other accrued expenses	\$1,010,703	\$1,009,072
ATM replenishment payable	1,005,814	666,795
Others	115,619	97,993
Total	<u>\$2,132,136</u>	<u>\$1,773,860</u>

(18) Advanced receipts

	As of December 31,	
	2017	2016
Advanced from security service fee	\$951,593	\$957,255
Advanced from security system fee	93,691	43,133
Others advanced	60,895	110,300
Total	<u>\$1,106,179</u>	<u>\$1,110,688</u>

(19) Long-term loans

Details of long-term loans are as follows:

Lenders	As of December 31, 2017	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from O-Bank	\$55,000	1.71%	Loan starting August 23, 2016 till August 23, 2018; the repayment will be due in a lump-sum payment on the expiration of the term; interest paid monthly.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	158,000	0.88%~1.2%	Loan starting March 25, 2016 till March 25, 2021; repayable every 3 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	200,000	0.85%~1.2%	Loan starting May 13, 2016 till May 13, 2021; repayable every 3 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	360,000	0.70%~1.55%	Loan starting May 18, 2017 till May 18, 2022; repayment every 6 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Sumitomo Mitsui Banking Corporation	500,000	1.08%	Loan starting March 24, 2016 till March 22, 2019; the repayment will be due in a lump-sum payment on the expiration of the term; interest paid monthly.
Subtotal	1,273,000		
Less: current portion	(239,000)		
Total	<u>\$1,034,000</u>		

Lenders	As of December 31, 2016	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from O-Bank	\$30,000	1.71%	Loan starting August 23, 2016 till August 23, 2018; the repayment will be due in a lump-sum payment on the expiration of the term; interest paid monthly.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	206,000	0.88%~1.2%	Loan starting March 25, 2016 till March 25, 2021; repayable every 3 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	256,000	0.85%~1.2%	Loan starting May 13, 2016 till May 13, 2021; repayable every 3 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Sumitomo Mitsui Banking Corporation	500,000	1.08%	Loan starting March 24, 2016 till March 22, 2019; the repayment will be due in a lump-sum payment on the expiration of the term; interest paid monthly.
Subtotal	992,000		
Less: current portion	(104,000)		
Total	<u>\$888,000</u>		

Please refer to Note 8 for more details on long-term loans under pledge.

(20)Lease payable

The Group has finance leases for various items of transportation equipment. These leases contain purchase options for lessee. Future minimum lease payments under finance leases along with the present value of the minimum lease payments are as follows:

	As of December 31,			
	2017		2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	\$13,651	\$12,268	\$18,076	\$15,698
Over one year and within five years	13,362	12,529	27,012	24,796
Total minimum lease payments	27,013		45,088	
Less: finance charges on finance lease	(2,216)		(4,594)	
Present value of minimum lease payments	\$24,797	\$24,797	\$40,494	\$40,494
Current		12,268		\$15,698
Non-Current		12,529		24,796

(21)Deposit-in

	As of December 31,	
	2017	2016
Performance security deposit	\$466,609	\$445,294
Security line deposit	159,796	166,701
Others	8,454	15,862
Total	\$634,859	\$627,857

(22)Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C.. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 are NT\$181,999 thousand and NT\$175,024 thousand, respectively.

#### Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$43,645 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

The average duration of the defined benefits plan obligation are 10 years as of December 31, 2017 and 2016.

Pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016:

	For the years ended December 31,	
	2017	2016
Current period service costs	\$66,633	\$63,905
Prior period service costs	8,406	7,645
Interest expense (income) of net defined benefit liabilities (assets)	22,185	22,527
Settlement gains and losses	6,899	-
Total	<u>\$104,123</u>	<u>\$94,077</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of December 31,	
	2017	2016
Defined benefit obligation	\$1,824,498	\$1,886,483
Plan assets at fair value	(259,541)	(389,223)
Other non-current liabilities – Net defined benefit liabilities recognized on the consolidated balance sheets	<u>\$1,564,957</u>	<u>\$1,497,260</u>

For consolidated balance sheet disclosure:

	As of December 31,	
	2017	2016
Net defined benefit assets	\$-	\$6,899
Net defined benefit liabilities	<u>\$1,564,957</u>	<u>\$1,504,159</u>

Reconciliation of liability of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2016	\$1,910,164	\$(411,509)	\$1,498,655
Acquisitions through business combinations	45,303	(15,604)	29,699
Current period service costs	63,905	-	63,905
Net interest expense (income)	28,744	(6,217)	22,527
Subtotal	<u>2,048,116</u>	<u>(433,330)</u>	<u>1,614,786</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	84,378	-	84,378
Actuarial gains and losses arising from changes in financial assumptions	3,444	-	3,444
Experience adjustments	(65,429)	1,742	(63,687)
Subtotal	<u>22,393</u>	<u>1,742</u>	<u>24,135</u>
Payments from the plan	(191,671)	191,671	-
Prior period service costs	7,645	-	7,645
Contributions by employer	-	(149,306)	(149,306)
As of December 31, 2016	<u>1,886,483</u>	<u>(389,223)</u>	<u>1,497,260</u>
Current period service costs	66,633	-	66,633
Net interest expense (income)	27,558	(5,373)	22,185
Settlement gains and losses	(6,223)	13,122	6,899
Subtotal	<u>1,974,451</u>	<u>(381,474)</u>	<u>1,592,977</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(3,993)	-	(3,993)
Actuarial gains and losses arising from changes in financial assumptions	6,508	-	6,508
Experience adjustments	50,681	1,330	52,011
Subtotal	<u>53,196</u>	<u>1,330</u>	<u>54,526</u>
Payments from the plan	(211,555)	211,555	-
Prior period service costs	8,406	-	8,406
Contributions by employer	-	(90,952)	(90,952)
As of December 31, 2017	<u>\$1,824,498</u>	<u>\$(259,541)</u>	<u>\$1,564,957</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2017	2016
Discount rate	1.07%~1.47%	1.19%~1.80%
Expected rate of salary increases	1.00%~1.50%	1.00%~1.50%

A sensitivity analysis for significant assumption as of December 31, 2017 and 2016 is, as shown below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	\$-	\$108,888	\$-	\$115,822
Discount rate decreases by 0.5%	122,389	-	129,790	-
Future salary increases by 0.5%	129,368	-	137,291	-
Future salary decreases by 0.5%	-	104,339	-	116,769

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (23)Equity

### A. Common stock

The Company's authorized and issued capital were both NT\$5,000,000 thousand and NT\$4,511,971 thousand, and divided into 451,197,093 shares at NT\$10 par value, as of December 31, 2017 and December 31, 2016. Each share has one voting right and a right to receive dividends.

### B. Capital surplus

	As of December 31,	
	2017	2016
Additional paid-in capital	\$40,387	\$265,986
Treasury share transactions	547,464	513,362
Changes in net assets of associates and joint ventures accounted for under the equity method	103,483	74,229
Total	\$691,334	\$853,577



According to the Company Act, the capital reserve shall not be used except for filling the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

#### C. Treasury stock

As of December 31, 2017 and December 31, 2016, the Company's shares held by the subsidiaries were NT\$288,389 thousand, and the number of the Company's shares held by subsidiaries were 10,273,805 shares. These shares held by subsidiaries were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

#### D. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, the Company's annual earnings, if any, shall be distributed as follows:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The growth potential of the Company's business environment remains. The Company would, therefore, focus on the economic environment to pursue perpetual operation and long-term development. As a result, the earnings distribution proposal made by the Board of Directors should reflect the stability and growth of the dividends. Distribution shall be made by way of cash dividend and stock dividend, with at least 10% of cash dividend.

According to the Company Act, a company needs distribute the legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to fill the deficit of a company. When a company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital, by issuing new shares or by distributing cash in proportion to the number of shares held by each shareholder.

When distributing earnings, the Company was obligated to set a special reserve for other net equity deductions, a reserve that can be distributed after the reversal of such deductions. The Company has appropriated the NT\$3,617 thousand special reserve to undistributed earnings. As of December 31, 2017 and December 31, 2016, the special reserve were NT\$65,182 thousand and NT\$61,565 thousand, respectively.

Details of the 2017 and 2016 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 19, 2018 and June 22, 2017, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$220,557	\$61,531		
Special reserve	66,397	3,617		
Common stock-cash dividend	1,804,788	1,353,591	\$4	\$3
Total	<u>\$2,091,742</u>	<u>\$1,418,739</u>		

Please refer to Note 6(27) for further details on employees' compensation and remuneration to directors and supervisors.

#### E. Capital surplus cash dividend

The shareholders' meeting resolved cash dividend NT\$225,599 thousand of capital surplus by additional paid-in capital and dividend per share at NT\$0.5 on June 22, 2017.

#### F. Non-controlling interests

	For the years ended December 31,	
	2017	2016
Beginning balance	\$397,959	\$432,399
Profit attributable to non-controlling interests	28,973	27,750
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(7,646)	(3,966)
Unrealized gains (losses) on available-for-sale financial assets	2,631	(4,999)
Remeasurements of defined benefit plan	(1,928)	1,697
Share of changes in joint venters accounted for under the equity method	(3,448)	(1,789)
Acquisition of cash divided in a subsidiary	(37,966)	(45,677)
Capital deducted by cash from a subsidiary	-	(11,625)
Disposal of subsidiaries	-	(51,189)
Acquisition of subsidiaries' issued shares	-	55,358
Acquisition of new shares in subsidiary not in proportionate to ownership interest	48,857	-
Acquisition of subsidiary	1,964	-
Issuance of employee stock option by subsidiary	2,770	-
Ending balance	<u>\$432,166</u>	<u>\$397,959</u>

#### (24) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

##### Share-based payment plan for employees of the subsidiary

On September 9, 2004, October 3, 2006, January 9, 2008, September 30, 2008, October 28, 2009 and January 4, 2011, Taiwan Video System Co., Ltd. was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue employee share options with a total number of 1,500, 3,000, 1,500, 2,000, 2,000, and 2,000 units, respectively. Each unit entitles an optionee to subscribe for 1,000 shares of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares by the subsidiary. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting two years from the grant date.

The fair value of the share options is estimated at the grant date using the Black-Schoules option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the option was set at the closing price of the subsidiary's common share on the grant date. The contractual term of each option granted is six years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan are as follows:

Authorization date	Option (units)	Total amounts of Outstanding stock options		Price at beginnings (NT\$)	After adjustment (NT\$)
		2017	2016		
2009.03.31	1,235	-	-	\$13.23	\$35.10
2009.05.13	140	-	-	\$13.23	\$35.10
2011.06.28	1,565	-	530	\$10.38	\$23.96
2011.08.29	85	-	25	\$10.00	\$23.27

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31,			
	2017		2016	
	Number of share options outstanding	Weighted average exercise price of share options (NT\$)	Number of share options outstanding	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	555	\$23.94	727	\$23.94
Granted	-	-	-	-
Forfeited	(555)	23.94	(172)	23.94
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	-	-	555	23.94
Exercisable at end of period	-	-	389	-

For share options granted during the period,  
weighted average fair value of those  
options at the measurement date (NT\$)

\$-

\$389

	Range of exercise price	Weighted average remaining contractual life (Years)
As of December 31, 2016		
share options outstanding at the end of the period	\$23.27-\$23.96	0.49

For the fiscal years 2017 and 2016, no share-based payment plan were available. Therefore, no estimation of the fair value on the grant date was made based on the Black-Schoules option pricing mode.

The expense recognized for employee services received during the years ended December 31, 2017 and 2016, is shown in the following table:

	For the years ended December 31,	
	2017	2016
Total expense arising from equity-settled share-based payment transactions	\$-	\$-

The Company did not modify or cancel the share-based payment plan for the years ended December 31, 2017 and 2016.

(25) Operating revenue

	For the years ended December 31,	
	2017	2016
Security system revenue	\$6,575,560	\$6,494,744
Static guard revenue	2,264,088	2,434,662
Cash delivery revenue	882,201	1,013,137
Logistics service revenue	986,858	872,389
Other operating revenue	2,401,190	2,734,157
Less: sales returns, discounts and allowances	(55,141)	(68,904)
Total	<u>\$13,054,756</u>	<u>\$13,480,185</u>

(26) Operating leases

A. Operating lease commitments - Group as lessee

The Group has entered into commercial leases on branch office and dormitories. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and December 31, 2016, are as follows:

	As of December 31,	
	2017	2016
Within one year	\$286,516	\$269,870
Over one year but within five years	362,311	456,976
Over five years	219,004	216,700
Total	<u>\$867,831</u>	<u>\$943,546</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2017	2016
Minimum lease payments	<u>\$324,095</u>	<u>\$287,203</u>

B. Operating lease commitments - Group as lessor

The Group has entered into commercial property leases with one to five years remaining terms. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2017 and 2016, are as follows:

	As of December 31,	
	2017	2016
Within one year	\$13,362	\$26,443
Over one year but within five years	20,460	28,502
Over five years	-	-
Total	\$33,822	\$54,945

The contingent rent recognized as income amounted to NT\$20,681 thousand and NT\$31,354 thousand for the years ended December 31, 2017 and 2016, respectively.

(27) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2017 and 2016:

	For the years ended December 31,					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$3,408,678	\$1,477,818	\$4,886,496	\$3,505,285	\$1,486,429	\$4,991,714
Labor and health insurance	316,039	108,749	424,788	310,447	110,623	421,070
Pension	196,505	82,718	279,223	183,616	85,485	269,101
Other employee benefits expense	160,493	35,206	195,699	165,153	36,415	201,568
Depreciation	1,009,587	145,855	1,155,442	987,722	126,252	1,113,974
Amortization	22,375	53,567	75,942	25,407	50,379	75,786

According to the Articles of Incorporation, no less than 1% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be 1% of profit of the current year and 4% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2017 amount to NT\$26,766 thousand and NT\$105,091 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 19, 2018 to distribute NT\$25,495 thousand and NT\$101,980 thousand in cash as employees' compensation and remuneration to directors of 2017, respectively.

No material differences exist between the estimated amount and the actual distribution of NT\$25,882 thousand and NT\$34,424 thousand in cash as the employees' compensation and remuneration to directors for the year ended December 31, 2016.

(28) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2017	2016
Rental income	\$20,681	\$31,354
Interest income	9,589	9,965
Dividend income	23,060	19,529
Total	<u>\$53,330</u>	<u>\$60,848</u>

B. Other gains and losses

	For the years ended December 31,	
	2017	2016
(Loss) gains on disposal of property, plant and equipment	\$(2,140)	\$20,310
Loss on disposal of intangible assets	-	(16)
Gains on disposal of investments	88,295	24,851
Foreign exchange loss, net	(12,987)	(8,515)
Loss on financial assets at fair value through profit or loss	(885)	(1,301)
Impairment losses		
Available-for-sale financial assets	-	(97,200)
Financial assets measured at cost	(41,270)	-
Investments accounted for under the equity method	(51,018)	(614,873)
Other assets	(23,838)	(30,169)
Other income	48,930	71,328
Total	<u>\$5,087</u>	<u>\$(635,585)</u>

## C. Finance costs

	For the years ended December 31,	
	2017	2016
Interest on borrowings from bank	\$29,405	\$29,546
Interest for finance lease	7,483	6,904
Total interest expenses	36,888	36,450
Unwinding of discount on provisions	-	35
Total finance costs	\$36,888	\$36,485

## (29) Components of other comprehensive income

For the year ended December 31, 2017

		Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(46,884)	\$-	\$(46,884)	\$4,834	\$(42,050)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	2,659	-	2,659	-	2,659
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(77,307)	-	(77,307)	-	(77,307)
Unrealized gains or losses from available-for- sale financial assets	15,897	-	15,897	-	15,897
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	(10,002)	-	(10,002)	-	(10,002)
Total of other comprehensive (loss) income	\$(115,637)	\$-	\$(115,637)	\$4,834	\$(110,803)



For the year ended December 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(25,109)	\$-	\$(25,109)	\$1,327	\$(23,782)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	20,255	(1,669)	18,586	-	18,586
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(49,450)	-	(49,450)	-	(49,450)
Unrealized gains or losses from available-for- sale financial assets	146,906	(97,229)	49,677	-	49,677
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(11,531)	(1,278)	(12,809)	-	(12,809)
Total of other comprehensive (loss) income	\$81,071	\$(100,176)	\$(19,105)	\$1,327	\$(17,778)

### (30)Income tax

The major components of income tax expense (income) are as follows:

#### Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2017	2016
Current income tax expense (income):		
Current income tax charge	\$351,289	477,154
Adjustments in respect of current income tax of prior periods	6,503	3,189
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	29,416	(98,541)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(404)	12,538
Other components of deferred tax expense	562	869
Total income tax expense (income)	\$387,366	\$390,043

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2017	2016
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$ (4,834)</u>	<u>\$ (1,327)</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2017	2016
Accounting profit before tax from continuing operations	<u>\$2,621,906</u>	<u>\$1,033,107</u>
Tax at the domestic rates applicable to profits in the country concerned	\$464,059	\$185,705
Investment tax credit and loss carryforward	(2,383)	(3,090)
Tax effect of deferred tax assets / liabilities	46,261	(85,089)
Tax effect of revenues exempt from taxation	(83,356)	155,105
Tax effect of non-deductible expenses from taxation	406	7,449
Adjustments in respect of current income tax of prior periods	6,503	3,189
10% surtax on unappropriated retained earnings	7,112	1,173
Others	(51,236)	125,601
Total income tax expense recognized in profit or loss	<u>\$387,366</u>	<u>\$390,043</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2017
Temporary differences				
Unrealized bad debt expense	\$5,220	\$9,300	\$-	\$14,520
Allowance for loss on decline in market value and obsolescence of inventories	14,104	(12,155)	-	1,949
Depreciation difference for tax purpose	12,722	502	-	13,224
Investments accounted for under the equity method	42,310	(24,798)	-	17,512
Compensated absences	15,431	1,380	-	16,811
Decommissioning costs	1,624	(400)	-	1,224
Defined benefit liabilities, non-current	168,140	(2,217)	4,834	170,757
Unused tax losses	11,825	404	-	12,229
Impairment losses	106,263	-	-	106,263
Others	2,158	(1,028)	-	1,130
Deferred tax (expense)/income		<u>\$ (29,012)</u>	<u>\$4,834</u>	
Net deferred tax assets/(liabilities)	<u>\$379,797</u>			<u>\$355,619</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$379,797</u>			<u>\$355,619</u>

For the year ended December 31, 2016

		Deferred tax	Deferred tax	Deferred tax
		income	(expense)	
	Beginning	income	recognized in	Ending
	balance as of	(expense)	other	balance as of
	January 1,	recognized in	comprehensive	December
	2016	profit or loss	income	31, 2016
Temporary differences				
Unrealized bad debt expense	\$3,569	\$1,651	\$-	\$5,220
Allowance for loss on decline in market value and obsolescence of inventories	8,976	5,128	-	14,104
Depreciation difference for tax purpose	12,115	607	-	12,722
Investments accounted for under the equity method	52,610	(10,300)	-	42,310
Compensated absences	15,593	(162)	-	15,431
Decommissioning costs	1,624	-	-	1,624
Defined benefit liabilities, non-current	168,625	(1,812)	1,327	168,140
Unused tax losses	24,363	(12,538)	-	11,825
Impairment losses	-	106,263	-	106,263
Others	(174)	2,332	-	2,158
Deferred tax (expense)/income		\$91,169	\$1,327	
Net deferred tax assets/(liabilities)	\$287,301			\$379,797
Reflected in balance sheet as follows:				
Deferred tax assets	\$287,301			\$379,797

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of		Expiration year
		December 31, 2017	December 31, 2016	
2007	\$40,784	\$9,487	\$10,769	2017
2008	182,969	137,235	109,343	2018
2009	294,102	250,265	294,102	2019
2010	186,876	186,533	186,876	2020
2011	112,024	111,128	112,024	2021
2012	90,047	90,029	90,047	2022
2013	72,161	65,613	65,613	2023
2014	63,441	63,441	63,441	2024
2015	12,523	9,982	12,523	2025
2016	90,386	90,137	104,118	2026
2017	29,461	29,461	-	2027
		\$1,043,311	\$1,048,856	

### Unrecognized deferred tax assets

As of December 31, 2017 and December 31, 2016, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to NT\$197,793 thousand and NT\$310,406 thousand, respectively.

### Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

### Imputation credit information

	As of December 31,
	2016
Balances of imputation credit amounts	\$494,762

The actual creditable ratio for 2016 was 25.26%.

According to the Article 66-6 of Income Tax Act, the imputation credit ratio for the earnings of 2016 distributed to individual stockholders residing in R.O.C. is half of the original ratio. On January 18, 2018, the Legislative Yuan passed the amendments to the Income Tax Act that abolished the imputation tax scheme under the integrated income tax system, and effect on January 1, 2018. Balances of imputation credit amounts will no longer apply.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

### The assessment of income tax returns

As of December 31, 2017, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns	Notes
The Company	Assessed and approved up to 2015	-
Speed Investment Co., Ltd.	Assessed and approved up to 2015	-
Goyun Security Co., Ltd.	Assessed and approved up to 2015	-
Gowin Building Management and Maintenance Co., Ltd.	Assessed and approved up to 2015	-
Gowin Security Co., Ltd.	Assessed and approved up to 2015	-
Kuo Hsing Security Co., Ltd.	Assessed and approved up to 2015	-
Lee Bao Security Co., Ltd.	Assessed and approved up to 2015	-
Lee Bao Technology Co., Ltd.	Assessed and approved up to 2015	-
Lee Way Electronics Co., Ltd.	Assessed and approved up to 2015	-
Titan Star International Co., Ltd.	Assessed and approved up to 2015	-

	The assessment of income tax returns	Notes
Goldsun Express & Logistics Co., Ltd.	Assessed and approved up to 2015	-
Goldsun Express Ltd.	Assessed and approved up to 2015	-
Zhong Bao Insurance Broker Inc.	Assessed and approved up to 2015	-
Baby boss Co., Ltd.	Assessed and approved up to 2015	-
Chung Pao Tzu Tung Corporation	Assessed and approved up to 2015	-
SVS Corporation	Assessed and approved up to 2015	-
LITENET Corporation	Assessed and approved up to 2015	-
Taiwan Video System Co., Ltd.	Assessed and approved up to 2015	Note 1
Lots Home Entertainment Co., Ltd.	Assessed and approved up to 2015	-
Aion Computer Communication Co., Ltd.	Assessed and approved up to 2015	-
CHOPPA Tech Co., Ltd.	Assessed and approved up to 2015	-
Goyun Science and Technology Co., Ltd.	Assessed and approved up to 2015	-
Comlink Fire Systems Inc.	Assessed and approved up to 2015	-
TransAsia Catering Services Ltd.	Assessed and approved up to 2015	-
Goldsun Holiday Co., Ltd.	Assessed and approved up to 2015	-
Goyun Parking Co., Ltd.	-	Note 2
Zhong Bao Lease Co., Ltd.	-	Note 2
SIGMU D.P.T. Co., Ltd.	-	Note 2
Lee Yuan Biomedical Co., Ltd.	-	Note 2
Zhan Food Team Inc.	-	Note 2

Note 1: Income tax returns of Taiwan Video System Co., Ltd has not been assessed and approved in 2013 yet.

Note 2: Goyun Parking Co., Ltd., Zhong Bao Lease Co., Ltd., SIGMU D.P.T. Co., Ltd., Lee Yuan Biomedical Co., Ltd., and Zhan Food Team Inc. were incorporated in 2016, hence there is no any assessed and approved information.

### (31) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2017	2016
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$2,205,567	\$615,314
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Basic earnings per share (NT\$)	\$5.00	\$1.40

	For the years ended December 31,	
	2017	2016
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$2,205,567	\$615,314
Employee bonus (in thousands)	-	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	<u>\$2,205,567</u>	<u>\$615,314</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	\$440,923	440,923
Effect of dilution:		
Employee bonus-stock (in thousands)	<u>278</u>	<u>292</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>441,201</u>	<u>441,215</u>
Diluted earnings per share (NT\$)	<u>\$5.00</u>	<u>\$1.39</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

### (32) Changes in ownership interests in subsidiaries

#### Acquisition of new shares in a subsidiary not in proportionate to ownership interest

TransAsia Catering Service Ltd. and Taiwan Video System Co., Ltd. issued new shares in 2017, and the Group did not subscribe new shares on pro rate basis to its original ownership interest. Consequently, the ownership interest in both companies changed but control over both companies remained. The difference between the fair value of purchased equity and the increase in the non-controlling interest were NT\$(4,650) thousand and NT\$(10,225) thousand, respectively, and were recognized in equity.

Comlink Fire System Inc. issued new shares in 2016, and the Company did not subscribe new shares on pro rata basis to its original ownership interest. Consequently, the ownership interest in both companies changed but control over both companies remained. The difference between the fair value of purchased equity and the increase in the non-controlling interest was NT\$629 thousand and was recognized in equity.

### (33) Business combinations

#### Purchase the stock of TransAsia Catering Services Ltd.

In March 2016, the Group purchased 100% of the voting shares of TransAsia Catering Services Ltd. ("TransAsia Catering Services"), an unlisted company based in Taiwan specializing in production and sales of instant foods and in-flight catering. The Group acquired TransAsia Catering Services to expand the product lines of the Group and to enable to provide better services to the customers, and to integrate the Group's resources.

The fair value of the identifiable assets and liabilities of TransAsia Catering Services as of the date of stock purchase were:

	Fair value recognized on the stock purchase date
Assets	
Cash and cash equivalents	\$88,450
Trade receivables	114,705
Inventories	14,414
Other current assets	47,022
Investments accounted for under equity method	21,288
Property, plant and equipment	433,594
Intangible assets	17,557
Deferred tax assets	5,849
Other assets, non-current	9,354
	<u>752,233</u>
Liabilities	
Short-term loans	(190,000)
Short-term bills payable	(1,900)
Account payable	(78,642)
Other payables	(58,356)
Current tax liabilities	(9,993)
Advanced receipts	(1,735)
Net defined benefit liabilities, non-current	(25,478)
Other liabilities, non-current	(4,197)
	<u>(370,301)</u>
Identifiable net assets	<u>\$381,932</u>
Goodwill of TransAsia Catering Services is as follows:	
Purchase consideration	\$525,000
Less: identifiable net assets at fair value	<u>(381,932)</u>
Goodwill	<u>\$143,068</u>

The fair value and the total contractual amount of the trade receivables amounts to NT\$114,705 thousand and NT\$114,705 thousand, respectively. The trade receivables have been impaired and the fair value is expected that the full contractual amount can be collected.

From the stock purchase date, TransAsia Catering Services has contributed NT\$592,943 thousand of revenue and NT\$48,533 thousand to the net profit before tax of the Group. If the acquisition had taken place at the beginning of 2016, revenue from the continuing operations would have been NT\$13,730,426 thousand and the profit from continuing operations for the Group would have been NT\$674,269 thousand.

### Purchase consideration

Analysis of cash flows on stock purchase:

Transaction costs of the stock purchase

\$(525,000)

Net cash acquired from with the subsidiary

88,450

Net cash flow on stock purchase

\$(436,550)

The Group sold TransAsia Catering Service Ltd.'s 9.98% shares with voting rights, and obtained cash consideration is NT\$52,600 thousand from non-controlling interests shareholders in the third quarter of 2016, carry amount is NT\$54,471 thousand of non-controlling.

### 7. Related party transactions

Information of the related parties that has transactions with the Group during the financial reporting period is as follows:

#### Name and nature of relationship of the related parties

<u>Related Party Name</u>	<u>The Relationship with The Group</u>
SECOM Co., Ltd.	The Company's director
Wellchang Interior Design and Decoration Co., Ltd.	The chairman of this company is the relative within second degree of kinship of the Company's chairman
CPMI Corporation	The chairman of this company is the relative within second degree of kinship of the Company's chairman
Cheng-Shin Investment Company	Director of this company is the spouse of the Company's chairman
Anfeng Enterprise Co., Ltd.	Investee company investments accounted for under the equity method
Goldsun Building Materials Co., Ltd.	Investee company investments accounted for under the equity method
TransAsia Airways Corp.	Investee company investments accounted for under the equity method
eSkylink Inc.	Investee company investments accounted for under the equity method
Legend Travel Service, Ltd.	Subsidiary of investee company investments accounted for under the equity method
Legend International Investment Co., Ltd.	Subsidiary of investee company investments accounted for under the equity method
V Air Corporation	Subsidiary of investee company investments accounted for under the equity method
Goldsun Nihon Cement Co., Ltd.	Subsidiary of investee company investments accounted for under the equity method
Sanwa Company Rs Taiwan Ltd.	Subsidiary of investee company investments accounted for under the equity method
Kunying Construction and Engineering Co., Ltd.	Subsidiary of investee company investments accounted for under the equity method
Wellpool Co., Ltd.	Subsidiary of investee company investments accounted for under the equity method
Shin Lan Enterprise Inc.	Substantive related party
Azure International Holdings Taiwan	Substantive related party
Yamedia Inc.	Substantive related party, and had been disposed in the first quarter of 2017



(1) Significant transactions with related parties

A. Sales

	For the years ended December 31,	
	2017	2016
Associates	\$1,079,535	\$1,293,007
Other related parties	513	958
Total	<u>\$1,080,048</u>	<u>\$1,293,965</u>

The selling price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 15~190 days, while for third party domestic sales was month-end 15~190 days. The outstanding balance at every quarter end in 2017 and 2016 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Accounts receivable from related parties

	As of December 31,	
	2017	2016
Associates		
Goldsun Building Materials Co., Ltd.	\$105,368	\$47,224
Others	125,057	121,993
Subtotal	<u>230,425</u>	<u>169,217</u>
Other related parties	4	31
Total	<u>230,429</u>	<u>169,248</u>
Less: allowance for doubtful debts	<u>(72,872)</u>	<u>-</u>
Net	<u>\$157,557</u>	<u>\$169,248</u>

C. Accounts payable to related parties

	As of December 31,	
	2017	2016
Entity with joint control or significant influence over the Company	\$2,658	\$1,317
Associates	20,622	37,279
Other related parties	-	509
Total	<u>\$23,280</u>	<u>\$39,105</u>

#### D. Lease expenditure

	For the years ended December 31,	
	2017	2016
Associates	\$1,490	\$400
Other related parties	17,097	17,101
Total	<u>\$18,587</u>	<u>\$17,501</u>

The lease deposits to related parties amounts to NT\$3,223 thousand and NT\$4,004 thousand as of December 31, 2017 and December 31, 2016.

#### E. Property transactions

The Group has purchased electronic anti-theft equipment, electronic anti-fire equipment, and rental decoration equipment, which were recognized as property plant and equipment:

	As of December 31,	
	2017	2016
Entity with joint control or significant influence over the Company	\$15,854	\$14,648
Associates	216,547	-
Other related parties	-	-
Total	<u>\$232,401</u>	<u>\$14,648</u>

Lee Bao Security Co., Ltd. (Subsidiary) acquired 2,000,000 shares of Goldsun Holiday Co., Ltd. from Legend International Investment Co., Ltd. in the first quarter of 2017, which amounted to NT\$15,729 thousand. Also, Goldsun Holiday Co., Ltd. has been liquidated on October 1, 2017.

The Company obtained 15,834,872 shares of TransAsia Catering Services Ltd. and amounted to NT\$525,000 thousand from the associates in the first quarter of 2016. Besides, the Company sold 9.98% shares of TransAsia Catering Services Ltd. and amounted to NT\$52,600 thousand to other related parties for reorganization in the third quarter of 2016.

For the purpose of simplifying the Group's organization, the Company sold 100% share of CPMI Corporation and amounted to NT\$41,926 thousand to other related parties in the third quarter of 2016.

The Company and the associates cosigned other related parties to construct training center, which were recognized as other assets, non-current in the amount of NT\$0 thousand and NT\$162,752 thousand as of December 31, 2017 and 2016, respectively.

#### F. Joint technological development

The Company has signed joint development contract for electronic anti-fire, anti-thief and anti-calamity security systems with the entity with joint control or significant influence over the Company. The development expense was calculated in proportion of annual net sales deducted by related cost. The development expense was NT\$44,270 thousand and NT\$48,286 thousand for the years ended December 31, 2017 and 2016, respectively. The development expense payable was NT\$18,431 thousand and NT\$20,472 thousand for the years ended December 31, 2017 and 2016, respectively, which was recognized as other payables.

#### G. Key management personnel compensation

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	\$206,825	\$129,030
Post-employment benefits	1,821	1,797
Total	<u>\$208,646</u>	<u>\$130,827</u>

#### 8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Assets pledged for security	Carrying amount		Secured liabilities
	December 31, 2017	December 31, 2016	
Other current assets	\$437	\$1,711	Contract security deposit
Property, plant and equipment - land and buildings	151,760	-	Long-term and short-term loans
Other noncurrent assets	66,487	102,889	Contract security deposit and oil passbook guarantee
Total	<u>\$218,684</u>	<u>\$104,600</u>	

#### 9. Commitments and contingencies

The performance guarantee issued by bank as of December 31, 2017 for customs declaration and bids for Government projects are NT\$143,285 thousand.

#### 10. Losses due to major disasters

None.

## 11. Significant subsequent events

The amendments to the Income Tax Act with retrospective effect from January 1, 2018 were passed by the Legislative Yuan on January 18, 2018. According to the amendments, the corporate income tax rate is raised from 17% to 20%. After the change of the tax rates, the deferred tax assets as of December 31, 2017 will be increased by NT\$62,756 thousand.

## 12. Others

### (1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2017	2016
Financial assets at fair value through profit or loss:		
Held for trading	\$266	\$1,247
Subtotal	266	1,247
Available-for-sale financial assets:		
Measured at fair value — current	182,900	154,079
Measured at fair value — noncurrent	227,316	197,392
Measured at cost — noncurrent	150,866	213,867
Subtotal	561,082	565,338
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	4,310,570	3,836,387
Debt instrument investment for which no active market exists	45,373	63,214
Trade receivables	1,342,455	1,437,262
Refundable deposits	258,913	255,874
Subtotal	5,957,311	5,592,737
Total	\$6,518,659	\$6,159,322
<u>Financial liabilities</u>	As of December 31,	
	2017	2016
Financial liabilities at amortized cost:		
Short-term loans	\$2,204,385	\$2,835,000
Short-term bills payable	154,952	174,960
Trade and other payables	3,063,434	2,592,771
Long-term loans	1,273,000	992,000
Lease payables	24,797	40,494
Deposit-in	634,859	627,857
Total	\$7,355,427	\$7,263,082

## (2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

## (3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable. In other words, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

### Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, and the amounts are usually insignificant, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analyses as follows:

- A. When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2017 and 2016 is increased/decreased by NT\$5,570 thousand and NT\$14,311 thousand, respectively.

B. When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2017 and 2016 is increased/decreased by NT\$14,525 thousand and NT\$5,021 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at floating interest rates, bank borrowings with fixed interest rates and floating interest rates.

The Group manages its interest rate risk by maintaining a balanced portfolio of fixed and floating interest loans and debts, along with interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items assumed to be possessed for a fiscal year and exposed to interest rate risk as of the end of the reporting period, including borrowings with floating interest rates. The analysis indicates that when the interest rates increase / decrease by ten basis points, the Group's profit would decrease / increase by NT\$3,477 thousand and NT\$3,817 thousand for the years ended December 31, 2017 and December 31, 2016, respectively.

#### Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed equity securities held for trading could increase/decrease the Group's profit for the years ended December 31, 2017 and 2016 by NT\$27 thousand and NT\$125 thousand, respectively.

As of December 31, 2017 and 2016, a decrease of 10% in the price of the listed equity securities classified as available-for-sale financial assets could have an impact of NT\$(35,098) thousand and NT\$(30,438) thousand on the income or equity attributable to the Group. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

Please refer to Note 12(7) for sensitivity analysis information of other equity instruments that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

#### (4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2017 and December 31, 2016, amounts receivables from top ten customers are minor compared to the total accounts receivables of the Group. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

#### (5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with floating interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2017					
Borrowings	\$2,603,330	\$880,064	\$168,052	\$-	\$3,651,446
Short-term bills payable	155,000	-	-	-	155,000
Trade and other payables	3,063,434	-	-	-	3,063,434
Lease payable	13,651	12,707	655	-	27,013
As of December 31, 2016					
Borrowings	\$3,124,820	\$751,652	\$151,524	\$-	\$4,027,996
Short-term bills payable	175,000	-	-	-	175,000
Trade and other payables	2,592,771	-	-	-	2,592,771
Lease payable	18,076	22,204	4,808	-	45,088

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).



- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

#### B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

#### C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.7 for fair value measurement hierarchy for financial instruments of the Group.

### (7) Fair value measurement hierarchy

#### A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

## B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Open-end funds	\$266	\$-	\$-	\$266
Available-for-sale financial assets				
Stocks	350,981	-	51,420	402,401
Open-end funds	7,815	-	-	7,815

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Open-end funds	\$1,247	\$-	\$-	\$1,247
Available-for-sale financial assets				
Stocks	304,383	-	38,460	342,843
Open-end funds	8,628	-	-	8,628

### Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

### Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Available-for-sale financial assets
	Stock
Beginning balances as of January 1, 2017	\$38,460
Total losses recognized for the year ended December 31, 2017:	
Amount recognized in OCI	3,960
Acquisition/issue for the year ended December 31, 2017	9,000
Ending balances as of December 31, 2017	\$51,420

	Assets
	Available-for-sale financial assets
	Stock
Beginning balances as of January 1, 2016	\$92,771
Total losses recognized for the year ended December 31, 2016:	
Amount recognized in profit or loss	(97,200)
Amount recognized in OCI	22,889
Acquisition/issue for the year ended December 31, 2016	20,000
Ending balances as of December 31, 2016	\$38,460

#### Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT\$6,487 thousand

As of December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT\$5,147 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6)	\$-	\$-	\$67,080	\$67,080
Investments accounted for under the equity method (please refer to Note 6)	1,851,516	-	-	1,851,516

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6)	\$-	\$-	\$60,814	\$60,814
Investments accounted for under the equity method (please refer to Note 6)	1,256,453	-	-	1,256,453

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$1,897,393	29.7600	\$56,466
EURO	495,270	35.5700	17,617
RMB	31,818,550	4.5650	145,252
Available-for-sale financial assets			
USD	325,670	29.7600	9,692
<u>Financial liabilities</u>			
Monetary items:			
USD	25,867	29.7600	770

December 31, 2016			
	Foreign currencies	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$4,491,079	32.2500	\$144,837
EURO	1,223,662	33.9000	41,482
RMB	12,719,031	4.6170	58,724
Investments accounted for under the equity method			
HKD	13,400,749	4.1580	55,720
Available-for-sale financial assets			
USD	355,862	32.2500	11,477
<u>Financial liabilities</u>			
Monetary items:			
USD	53,523	32.2500	1,726
RMB	1,844,369	4.6170	8,515

The Group's entities' functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies.

The foreign exchange gain (loss) was NT\$(12,987) thousand and NT\$(8,515) thousand for the years ended December 31, 2017 and 2016, respectively.

The above information is disclosed based on book value of foreign currency (after conversion to functional currency).

#### (9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(10) The information of parent company shares held by subsidiaries is as follows

Name of subsidiaries	As of December 31, 2017		
	Shares	Amount	Purpose of holding
Speed Investment Co., Ltd.	2,026,155	\$185,596	Available-for-sale financial assets
Kuo Hsing Security Co., Ltd.	3,625,284	332,076	Available-for-sale financial assets
Gowin Building Management and Maintenance Co., Ltd.	2,232,564	204,503	Available-for-sale financial assets
Goyun Security Co., Ltd.	252,820	23,158	Available-for-sale financial assets
Chung Pao Tzu Tung Corporation	552,655	50,623	Available-for-sale financial assets
Lee Way Electronics Co., Ltd.	163,284	14,957	Available-for-sale financial assets
Titan Star International Co., Ltd.	1,421,043	130,168	Available-for-sale financial assets
Total	10,273,805	\$941,081	

Name of subsidiaries	As of December 31, 2016		
	Shares	Amount	Purpose of holding
Speed Investment Co., Ltd.	2,026,155	\$179,517	Available-for-sale financial assets
Kuo Hsing Security Co., Ltd.	3,625,284	321,200	Available-for-sale financial assets
Gowin Building Management and Maintenance Co., Ltd.	2,232,564	197,805	Available-for-sale financial assets
Goyun Security Co., Ltd.	252,820	22,400	Available-for-sale financial assets
Chung Pao Tzu Tung Corporation	552,655	48,965	Available-for-sale financial assets
Lee Way Electronics Co., Ltd.	163,284	14,467	Available-for-sale financial assets
Titan Star International Co., Ltd.	1,421,043	125,904	Available-for-sale financial assets
Total	10,273,805	\$910,258	

### 13. Segment information

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (1) Security system: segment engages in security system related service.
- (2) Static guard service: segment engages in security guarding related service.
- (3) Cash delivery service: segment engages in cash delivery service.
- (4) Logistics service: segment engages in logistic service.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information on profit or loss, assets and liabilities of the reportable segment:

For the year ended December 31, 2017

	Security system segment	Static guard service segment	Cash delivery segment	Logistics service segment	Subtotal	Other operating segments	Adjustment and elimination	Consolidated
Revenue								
External customer	\$6,534,377	\$2,263,310	\$880,983	\$985,983	\$10,664,653	\$2,390,103	\$-	\$13,054,756
Inter-segment	250,095	298,843	244,243	15,377	808,558	780,316	(1,588,874)	-
Total revenue	<u>\$6,784,472</u>	<u>\$2,562,153</u>	<u>\$1,125,226</u>	<u>\$1,001,360</u>	<u>\$11,473,211</u>	<u>\$3,170,419</u>	<u>\$(1,588,874)</u>	<u>\$13,054,756</u>
Interest revenue	\$2,362	\$1,161	\$339	\$615	\$4,477	\$5,933	\$(821)	\$9,589
Interest expenses	25,337	15	7,483	526	33,361	4,419	(892)	36,888
Depreciation and amortization	935,724	6,154	62,238	49,704	1,053,820	177,564	-	1,231,384
Other material non-cash items:								
Impairment of assets	92,287	-	-	-	92,287	23,839	-	116,126
Segment profit	<u>\$2,212,471</u>	<u>\$555,014</u>	<u>\$347,115</u>	<u>\$59,298</u>	<u>\$3,173,898</u>	<u>\$464,668</u>	<u>\$(1,016,660)</u>	<u>\$2,621,906</u>
Assets								
Investment accounted for under the equity method	<u>\$8,461,742</u>	<u>\$683,319</u>	<u>\$24,419</u>	<u>\$34,933</u>	<u>\$9,204,413</u>	<u>\$3,984,822</u>	<u>\$(9,924,420)</u>	<u>\$3,264,815</u>
Segment assets	<u>\$17,761,988</u>	<u>\$1,852,517</u>	<u>\$2,350,078</u>	<u>\$980,318</u>	<u>\$22,944,901</u>	<u>\$8,784,736</u>	<u>\$(10,805,959)</u>	<u>\$20,923,678</u>
Segment liabilities	<u>\$7,639,839</u>	<u>\$292,118</u>	<u>\$1,309,288</u>	<u>\$314,111</u>	<u>\$9,555,356</u>	<u>\$1,209,978</u>	<u>\$(395,970)</u>	<u>\$10,369,364</u>

For the year ended December 31, 2016

	Security system segment	Static guard service segment	Cash delivery segment	Logistics service segment	Subtotal	Other operating segments	Adjustment and elimination	Consolidated
Revenue								
External customer	\$6,458,168	\$2,432,567	\$1,012,158	\$861,816	\$10,764,709	\$2,715,476	\$-	\$13,480,185
Inter-segment	234,406	326,939	242,851	21,974	826,170	900,140	(1,726,310)	-
Total revenue	<u>\$6,692,574</u>	<u>\$2,759,506</u>	<u>\$1,255,009</u>	<u>\$883,790</u>	<u>\$11,590,879</u>	<u>\$3,615,616</u>	<u>\$(1,726,310)</u>	<u>\$13,480,185</u>
Interest revenue	\$2,269	\$1,275	\$931	\$604	\$5,079	\$6,241	\$(1,355)	\$9,965
Interest expenses	23,232	7	6,904	494	30,637	7,767	(1,919)	36,485
Depreciation and amortization	890,241	5,309	69,360	45,377	1,010,287	179,473	-	1,189,760
Other material non-cash items:								
Impairment of assets	520,143	53,557	-	-	573,700	168,542	-	742,242
Segment profit	<u>\$599,794</u>	<u>\$3,391</u>	<u>\$428,846</u>	<u>\$79,016</u>	<u>\$1,111,047</u>	<u>\$(19,611)</u>	<u>\$(58,329)</u>	<u>\$1,033,107</u>
Assets								
Investment accounted for under the equity method	<u>\$7,789,749</u>	<u>\$523,659</u>	<u>\$36,415</u>	<u>\$35,330</u>	<u>\$8,385,153</u>	<u>\$3,528,147</u>	<u>\$(8,966,808)</u>	<u>\$2,946,492</u>
Segment assets	<u>\$17,228,917</u>	<u>\$1,736,993</u>	<u>\$2,077,661</u>	<u>\$946,248</u>	<u>\$21,989,819</u>	<u>\$8,086,958</u>	<u>\$(9,834,268)</u>	<u>\$20,242,509</u>
Segment liabilities	<u>\$7,681,969</u>	<u>\$308,678</u>	<u>\$991,553</u>	<u>\$291,432</u>	<u>\$9,273,632</u>	<u>\$1,392,469</u>	<u>\$(357,826)</u>	<u>\$10,308,275</u>

Inter-segment revenue is eliminated on consolidation and recorded under the "adjustment and elimination" column. All other adjustments and eliminations are disclosed below.

- (2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue:

	For the years ended December 31,	
	2017	2016
Total revenue from reportable segments	\$11,473,211	\$11,590,879
Other revenue	3,170,419	3,615,616
Elimination of inter-segment revenue	(1,588,874)	(1,726,310)
Total revenue	<u>\$13,054,756</u>	<u>\$13,480,185</u>

B. Profit or loss:

	For the years ended December 31,	
	2017	2016
Total profit or loss for reportable segments	\$3,173,898	\$1,111,047
Other profit	464,668	(19,611)
Elimination of inter-segment profit	(1,016,660)	(58,329)
Profit before tax from continuing operations	<u>\$2,621,906</u>	<u>\$1,033,107</u>

C. Assets:

	As of December 31,	
	2017	2016
Total assets of reportable segments	\$22,944,901	\$21,989,819
Other assets	8,784,736	8,086,958
Elimination of investment accounted for under the equity method	(9,924,420)	(8,966,808)
Elimination of intersegment activities	(881,539)	(867,460)
Segment assets	<u>\$20,923,678</u>	<u>\$20,242,509</u>

D. Liabilities:

	As of December 31,	
	2017	2016
Total liabilities of reportable segments	\$9,555,356	\$9,273,632
Other liabilities	1,209,978	1,392,469
Elimination of intersegment activities	(395,970)	(357,826)
Segment liabilities	<u>\$10,369,364</u>	<u>\$10,308,275</u>



E. Other material items:

For the year ended December 31, 2017

	Reportable segments	Other operating segments	Adjustments	Consolidated
Interest revenue	\$4,477	\$5,933	\$(821)	\$9,589
Interest expenses	33,361	4,419	(892)	36,888
Depreciation and amortization	1,053,820	177,564	-	1,231,384
Impairment of assets	92,287	23,839	-	116,126

For the year ended December 31, 2016

	Reportable segments	Other operating segments	Adjustments	Consolidated
Interest revenue	\$5,079	\$6,241	\$(1,355)	\$9,965
Interest expenses	30,637	7,767	(1,919)	36,485
Depreciation and amortization	1,010,287	179,473	-	1,189,760
Impairment of assets	573,700	168,542	-	742,242

(3) Geographical information

Revenue from external customers

	For the years ended December 31,	
	2017	2016
Europe	\$390	\$152,377
Taiwan	13,044,347	13,154,922
Asia	9,177	157,152
America	-	11,749
Others	842	3,985
Total	<u>\$13,054,756</u>	<u>\$13,480,185</u>