中興保全股份有限公司・一〇七年年報

中華民國一〇八年三月三十一日刊印

中興保全股份有限公司
TAIWAN SECOM COMPANY LTD.

股票代碼：9917

107年年報

中保無限

旅美球星　王建民

本公司年報相關資料查詢網址

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中華民國108年3月31日 刊印

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4 最近年度財務報告簽證會計師姓名、事務所名稱、地址、電話、網址

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5 海外有價證券掛牌買賣之交易場所名稱及查詢該海外有價證券資訊之方式：不適用

6 公司網址 http://www.secom.com.tw

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I、LETTER TO SHAREHOLDERS

To all shareholders:

The consolidated revenue of the Company and its subsidiaries for 2018 was NT$ 13,393,619,000, with an increase of NT$ 338,863,000 over the same period of the previous year, representing a growth of 2.60%. The consolidated operating income was NT$ 2,560,635,000 in 2018, with an increase of NT$ 338,709,000 over the same period of the previous year. The growth rate was 15.24%. The consolidated net income before tax was NT$2,544,775,000, which decreased by NT$77,131,000 compared with the same period of the previous year. In 2018, the earnings per share (EPS) reached NT$4.64. The growth drivers of the Company's sales and operating income include the growing business of disaster prevention of Smart City, parking space and catering (including in-flight meals), as well as adjusted strategies of stationed security services, and players in cash delievery industry dropping out of the competition.

In 2015, the Company launched the "MyVita+" Internet of Things (IOT) system, established the "MyVita+ Living Store" in 2016, and enhanced the Online-to-Offline marketing in 2017. In 2018, the Company focused on the development of smart city related projects, including smart disaster prevention, smart healthcare, smart transportation, smart buildings and smart energy management, etc. The Company has been expanding its business and services step by step from Smart Home to Smart City, and actively builds smart communities to connect and integrate the above-mentioned solutions.

1. In 2019, the Company's operations will focus on the "MyVita+" IoT system integration services, and add more AI intelligent functions into its products to enhance its product unit price. Also, the Company adopts big data analytics to identify problems and opportunities. Moreover, the Company will keep strengthening the humanized care service to improve the service quality so as to reduce the cancellation rate. In response to the advent of the 5G era, there are a variety of communication technologies coming out to enable much faster, stable and reliable communications, driving development of more and more AIOT services. The Company employs technologies to replace part of the security staff with "Cloud Guarding" and "MyVita+" equipment to provide intelligent community services in Taiwan, build the Online-to-Offline service platform through the internet to connect the residents in the community to the suppliers of various types of products and service, offering the best experiences of residential service for domestic community residents along with value-added services. Furthermore, the Company makes use of the big data collected from the community to integrate the services and cash flow services, and connect the customers (property owners and community residents) and the vendors (store owners and suppliers), generating more revenue from the services of "Taiwan Secom Colour Life".

2. As the cash delievery player closed their business, the cash carrier industry is going back to the uncontested market space from a bloody red ocean of rivals fighting over a shrinking profit pool. In the future, the Company will keep working on the business of high-priced delivery services, and continue looking for new business models of integrated services (cross-border and cross-industry integration) to enlarge the scale of economics and increase the profits.

3. Smart healthcare is one of the government's major items for development. The Company will focus on the cross-industry AI integration platform. At present, the Taipei City Hospital has commissioned the Company via a service contract to investigate the service needs of the medical and caregiving industries and to combine the hospital's medical and community security services to create business opportunities in the home and community. In the long-term care service business, day care centers will be set up and the healthcare services with the help of technology will be introduced. The healthcare system will be providing equipment leasing service to the long-term care institutions or individuals needing such equipment to reduce the initial cost burden. With regard to the AI usage in medical application, the Company will introduce portable diagnostic and treatment instruments from foreign vendors, and build the cloud-enabled medical imaging services. In the future, AI technology can be used to assist medical personnel to analyze the symptoms of patients on site by intelligent image analysis. Besides, the Company will continually forge the overseas and domestic medical and healthcare markets, and introduce homecare, first aid, in vitro diagnostic devices, dietary supplements, etc. to build a complete market channel.

4. When it comes to smart disaster prevention, the Company will continue to launch various flexible and modular warning services for natural disasters, and provide disaster prevention education, disaster contingency plans and post-disaster recovery plans in the public and private sectors as precautionary measures to minimize disaster losses. In addition, the Company provides structural inspection services to monitor the structural health of the bridges and buildings, as well as safety evaluations after the disaster for the government, enterprises and individuals to ensure the safety standards are met and reduce the damages.

5. The Company integrates all the resources of the Group, including electromechanical, weak electricity and fire protection and other mechanical-and-electrical contracting methods along with the "MyVita+" IoT technology. With experiences of the smart green building project, the Company is capable of implementing smart building engineering projects. The experiences are helpful to integrate services and property management related to "MyVita+" projects.

6. Developing innovative services like the introduction of AI functions to enable smart parking, smart streetlights, smart and secure communities, smart beds, smart energy monitoring, and so on. The Company enhances its competitiveness and stands out from its competitors by deploying and integrating the smart city, smart community and smart home applications.

The future business model of Taiwan Secom has been expanded from security, and disaster monitoring to creating smart cities, smart homes, smart healthcare, smart community and other services, getting closer to consumers. IoT is a powerful tool for collecting big data to help companies to expand and update service content and models, keeping enterprises at the forefront of the times. The Group's central control center, information units and sales representatives, are responsible for collecting the customers' demands and feedback. The analysis and review of the big data and information on the cloud can provide insights that are helpful to determining solutions and generating more services.

“We have full of confidence at this moment." The company’s business is booming in 2019, and will be getting better year by year. In the next 10 years, AI will change the lives of human beings. In the ever-changing world, the Company needs to be revolutionized via innovations, changes and smarts, and seeks newer technologies and outstanding talents, which will surely push Taiwan Secom to perform at its peak.

Lastly, we would like to wish you all good health and prosperity!

Chairman: LIN, SIAO-SHEN

II. COMPANY PROFILE

2-1. Date of Incorporation: November 8, 1977

2-2. Brief History of the Company:

November 1977	Mr. LIN Hsiao-Hsin (the current chairman) founded a security service company and started a joint venture for the technical cooperation with Japan's SECOM, which led to the formal establishment of Taiwan Secom Co., Ltd., the first security service company in the Republic of China. After the incorporation of Taiwan Secom Co., Ltd. ("the Company"), the National Police Agency issued a memorandum (Police No. 268) in February 1979 to all regional police offices regarding their conformity to strengthen communication and cooperation in accepting reports and providing full support to Taiwan Secom Company. The milestones in the company's history for over 30 years are as follows:
June 1981	Residential security service (human security guards) was added to its business as well as fire prevention and anti-theft equipment.
May 1983	The Company started bank cash delivery services, which had favorable results that gradually strengthened its popularity.
December 1987	With an annual turnover of NT$751 million (approximately US$30.04 million), the Company ranked 137th among top 300 companies in the service industry of the Republic of China.
November 1990	In May of 1992, Taiwan Secom completed its acquisition of the STRATUS computer system and automated its operations, enabling the province's security service signals and dispatch operations to be uniformly computerized and managed.
June 1992	The family security system which combines different functions such as anti-theft, fire prevention, gas leak detection, access control, etc., was launched and operated using remote control to manipulate 4 sets of electrical equipment at home in order to automate household chores
December 1992	After completion of the province's high-speed fiber-optic network construction, the information transmission speed between Taipei, Taichung and Kaohsiung improved significantly.
June 1993	Upon approval of the Stock Exchange Review Committee, the Company became publicly listed, which made it the first listed security service company.
December 1993	The Company had a capital of NT$800 million, with an offering price of NT$49 per share. During the underwriting period, a record high of 961,940 new share subscriptions and a record low of 0.84% demand-to-offer ratio were achieved for that year.
December 1995	Company stock was approved for promotion to First Class in the Taiwan Stock Exchange.
July 1996	Taiwan Secom Cultural Foundation was formally established.
October 1997	The international quality assurance verification: British SGS ISO/9002 was obtained.
May 2001	The Company ranked 176th in the CommonWealth Magazine's Top 500 companies in the service industry worldwide; ranked 37 th in the post-tax net profit and ranked 29 th in the profit rate.
December 2005	The first MiniBond Global Positioning Service was launched to help search for missing people and revolutionized "Mobile Security" using high technology. It was the first and only carry-on device in the world using A-GPS technology. Taiwan Secom was also the first and only company to offer this device, which simultaneously combined with labor dispatch to help search for missing persons. To expand the scope and improve service quality, Jiali Office was upgraded to a liaison office.
June 2008	Mr. Hirofumi Onodera was appointed Chief Executive Officer of the company.
February 2009	In response to the National AED (Automated External Defibrillator) Policy, the Company promoted AED programs to colleges and universities in order to create a safe learning environment and to educate students on first-aid.
May 2009	Smart Home Management systems of Taiwan Secom was redesigned and optimized to be in alignment with the construction of new buildings and the need of multiple MyCASA mainframes. MyCASA for building management was officially presented to the market.
July 2009	A new generation of Smart Home Management system named "MyCASA Home Care Service" was launched with two-in-one blood test machine (blood glucose and blood pressure) and WALL PAD touch control functions, that offer "Health Care Service" to customers.

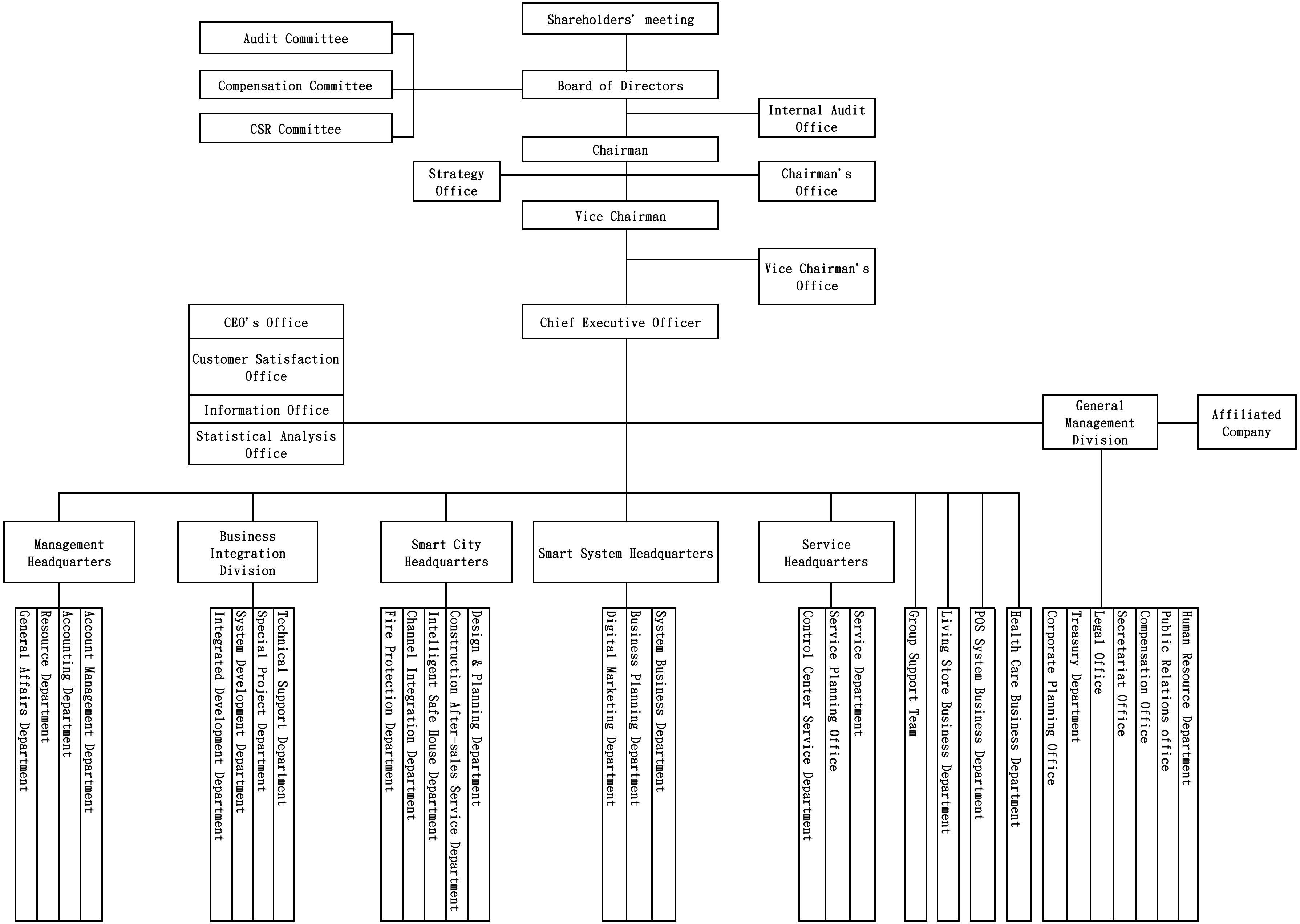
February 2010	MyCASA health care service, i.e., "Medication Delivery to Homes by Pharmacists" was launched. By strengthening and improving the quality of its service, the Company promoted self-health management and upgraded the content of its health care services.
June 2010	With the TVS 15" Combo DVR "Touch" integrated digital monitoring host, the administrator can remotely monitor through the Internet and 3G cell phones. The Company enhanced its product competitiveness through a touch-based operating system
March 2011	The MiniBond Car Device was officially introduced to the market. In response to market demand for Car Device Group Management, the Company developed its own MiniBond Car Device, which has instant monitoring, dashboard camera recording, daily report inquiry, daily driving report, driving route planning and other functions. Taiwan Secom MiniBond II was officially launched. This device has an LCD screen, which is light to carry around and more user-friendly. The functions are the same as the MiniBond I, which include location search, definite time relay, and emergency assistance. Simple calls can be made through the webpage to perform various functions and settings.
August 2011	In accordance with the directive of the Executive Yuan on December 25th, 2010, five municipalities were upgraded to special municipalities; namely, Taipei County (New Taipei City), Taichung County and City Merger (Taichung City), Tainan County and City Merger (Tainan City), Kaohsiung County and City (Kaohsiung City). The company's Sanchong branch changed its name to New Taipei City Branch; The Taipei County Branch was renamed New Taipei City Second Branch; Taichung County Branch changed its name to Taichung Second Branch; The Tainan County Branch was renamed Tainan Second Branch and Kaohsiung County Branch was renamed Kaohsiung Second Branch.
September 2011	The NXT Smart Business Management System was first introduced to the public and a country-wide tour was held to let people experience the new system and service.
December 2011	Taiwan Secom Group and Saint Mary's Hospital Luodong formed an alliance to launch the “Health Care Cloud” mechanism, making full use of cloud technology to assist regional hospitals with distance health care.
June 2012	The NXT Smart Business Management System was officially launched. It featured a security system, energy-saving mechanisms and various management functions to meet customers’ business and commercial requirements.
September 2012	The company’s affiliate, CHOPPA Tech Co., Ltd, launched the "My Biz -POS Cloud Store Management System". As an industry leader in POS leasing, it provided services for catering, retail, chain franchise and other industries.
November 2012	A book launch party was held to present ‘Ahead of the trend - The leader of smart life, Taiwan Secom’, which is about the company's entrepreneurial growth, business philosophy, management performance and future layout.
February 2013	The Company cooperated with the Taipei City Government to provide the " Elderly Guardian: I Care Emergency Rescue System" service. It offered a “safe and free” living environment to the elderly. The number of beneficiaries has reached more than 5,000 elderly.
September 2013	Won the 23rd "National Quality Award" - The highest national award for overall quality management given to outstanding enterprises approved by the Executive Yuan.
May 2014	Taiwan Secom entered into the smart home market and formally opened “MyVITA Smart Home Experience Room”.
September 2014	With the opening of the “Taipei MRT Health Convenience Station” to the public, Taiwan. Secom collaborated with the Department of Health, Taipei City Government for the "Citizens' Healthy Life Care Service".
November 2014	Taiwan Secom released its "Corporate Social Responsibility (CSR) Report" for the first time. It demonstrated the company's trustworthiness and sustainable business philosophy. The CSR committee and management mechanism were established to implement corporate social responsibility programs and initiatives.
December 2014	The Company collaborated with the National Center for Research on Earthquake Engineering（NCREE）of the National Applied Research Laboratories to jointly publish an "Earthquake Early Warning" system, which started a new era for earthquake and disaster prevention.
December 2014	Taiwan Secom signed a technical authorization contract with China University of Technology was able to obtain 3 patents and 6 techniques that can be used for disaster prevention and monitoring. These can be used for structural safety monitoring and flood risk notification, as well as completion of services for disaster prevention.
January 2015	Taiwan Secom integrated relevant technologies and equipment to launch the “MyVita+”, which provided smart living with the Internet of Things (IoT) and facilitated the company’s official entry to the IoT market.

July 2015	Taiwan Secom invested in the construction of the Neihu Exhibition Center. Four main areas of technology were integrated; namely, Smart Home, Smart City, Smart Building and Smart Business, which enabled customers to experience Smart Technology.
November 2015	Taiwan Secom and Tatung Smart Home Appliances officially formed a cross-industry alliance, which enabled the Company to crossover into the “Smart Living with the IoT” industry.
November 2015	Taiwan Secom invested in GAMA PAY Co., Ltd. which was founded by Gamania. GAMA PAY was expected to bring approximately 230,000 users in mobile payment services to enhance convenience of its IoT applications.
March 2016	MyVita+ first brick-and-mortar store “MyVita Yanshou Living Store” was officially opened. Resources were integrated into the neighborhood to expand access and provide services, as well as continue to grow brick-and-mortar/retail outlets in Taiwan going forward.
March 2016	The Company acquired TransAsia Catering Services Ltd. and utilized its catering technology and manpower combined with MyVita+, to build a more rewarding living service platform. In the future, it will closely integrate with “MyVita Living Stores” to expand its service orientation.
May 2016	A brand launch party was held to present MyVita+. IoT technology was used to integrate the Group's resources, forming a cross-industry alliance and expanding into catering, hospitality, living services, transportation and entertainment, as well as upgrading services in general.
July 2016	“MyVita Living Stores” 2nd brick-and-mortar store “MyVita Jianguo Living Store” was opened, providing customers with a full range of IoT living services.
September 2016	Taiwan Secom successfully used system integration and wireless transmission technology to build a monitoring and management security system for National Taichung Theater, which was namely the most difficult building to construct in the world.
December 2016	Taiwan Secom ranked 1st in the【Best Brand Award for Business Today】 as the ideal business brand for the 8th consecutive year.
December 2016	The Yilan Training Center was officially opened.
February 2017	Two “MyVita Living Stores” brick-and-mortar stores were opened in Daan District, Taipei City and Luzhou District, New Taipei City to expand sales channels for serving customers. There are 9 stores in the Greater Taipei area that provide services to customers.
March 2017	Taiwan Secom partnered with the Taipei City Government’s Department of Social Welfare to donate AED for the protection of nursing homes and to create a safe living environment for Taipei citizens.
August 2017	Taiwan Secom sponsored Security Monitoring System, AED, MyVita+ and other equipment for venue of the “2017 Taipei Summer Universiade”.
September 2017	The Company took part in the Innovation Industry, Ministry of Economic Affairs - TAF Air Force Command Headquarters Innovation Project. "MyVia+ IoT Innovation Base " was officially opened to the public, offering the experience of future smart living
February 2018	Taiwan Secom Co., Ltd together with Goldsun Electronics Co., Ltd. donate NT$5 million to help rebuild Hualien after the February 6th Hualien Earthquake.
March 2018	Participated in 2019 Smart City Summit & Expo with the topic of “unlimited future”, presented the value-added service of MyVita+ Smart Speaker, Smart Care Solutions and our prospects for future smart cities with IoT.
July 2018	Invited the famous American-based baseball player, WANG Chien-Ming to be the brand spokesperson for “MyVita+”. Though filming a series of videos and advertisements, the public can understand the image of our products and services.
December 2018	In cooperation with the government’s Long-term Care 2.0 and business opportunities in the future, the Taiwan Secom Group crossovers to long-term care business, and established the “Taiwan Secom Elderly Center” in Taishan together with the government agencies of New Taipei City.

III、CORPORATE GOVERNANCE REPORT

3-1. Organizational System

3-1-1. Organizational Chart



3-1-2. Department Functions

Department	Functions
Audit Office	• Audits the soundness, rationality and effectiveness of the internal control system • Regularly surveys and evaluates the efficiency of each unit in implementing various projects or policies and assigned functions
Chairman's Office	• Responsible for corporate public relations matters
Strategy Office	• Responsible for corporate strategy planning and cross-departmental coordination.
Vice Chairman's Office	• Assist in the introduction of new product development. • Optimization of existing products and services. • Optimization of existing internal processes. • Reduction of purchasing cost. • Assist in supplier evaluation. • Establishment and revision of overall policies and strategies of education and training, as well as the integration and planning of training needs at all levels. • Planning, integration and implementation of the education and training system.
General Management Office	• Handles joint venture investment evaluation and management, business performance review, information collection and analysis of industrial environment • Manages market diversification requirements, keeps the harmony between the company and the media through public relations, promotes the company's brand image • Assists in staff recruitment and development of personnel regulations • Assists in resolving issues between employees and employers • Develops the company's intellectual property rights system and helps manage patent applications • Audits various types of contracts and assists in handling legal matters • Manages the distribution of employee salaries and various bonuses • Handles settlement and payment of accounts payable
Chief Executive Officer's Office	• Communicates with SECOM company in Japan and assists in Japanese translation • Handles the development and introduction of commodities as well as process management • Introduces and promotes the personal data protection system
Customer Satisfaction Office	• Comprehensively review and improve the problems reported by customers regarding their satisfaction towards the company's services. • Value the costumer's sincerity and effectively reduce the number of cancelled cases.
Information Office	• Manages information affairs (including Notes, EIS, security verification) • Performs big data analysis
Statistical Analysis Office	• Handles the development of a review and bonus system • Conducts business performance analysis • Assesses operational performance
Smart System Headquarters	• Handles marketing, development, management, planning and execution of business • Responsible for market information collection, implementation and evaluation of promotional activities • Promotion of e-commerce marketing and channel sales. Signing, quotation and other matters.
Smart City Headquarters	• Promotion of business systems. • Project design and planning. • Integration of new property developments. • Sales and planning of fire system equipment. • Promotion of after-sales system connection. • Provision of product and functional information. • Support business development. • System maintenance, safety inspection, engineering coordination and tracking.
Business Integration Division	• Conducts research on consumer and market demand • Plans and designs innovative services, evaluates business models • Handles R&D of new products and technical guidelines • Handles soft and firmware interface development and design, and image integration • Provides technical support, education and training for various types of systems • Responsible for the development and implementation of quality control system • Assists in the search and introduction of new products for business divisions

	• Establishment of technical specifications and repairs related to the installation, construction and inspection of the system. • Handles import and selection of purchased products
Service Headquarters	• In charge of customer security maintenance • Conducts regular training and technical verification for technicians • Supervises and ensures task execution of control centers and service centers • Promotes the improvement of service quality and security management programs and policy implementation
Management Headquarters	• Strengthens accounting transactions and handles accounting system development and planning • Provides correct and instant accounting and financial information for decision- making • Responsible for receiving payment, data management, planning and management of resources • Handles purchase of raw materials, stock control, management of regular inventory • In charge of purchasing and negotiating various items, management of documents and letters • Responsible for sales, lease and maintenance of land, buildings, offices and dormitories

3-2. Information regarding the Company's Directors, Supervisors, General Managers, Vice Presidents, Assistant Vice Presidents, and the Supervisors of all the company's divisions and branch units.

3-2-1. Board of Directors

(1) Information about Directors

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding listed under the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation
Chairman	R.O.C.	Cheng Hsin Investment Co., Ltd.	-	2017.06.22	1996.04.20	3 years	19,090,337	4.23%	19,997,337	4.43%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative： LIN Hsiao-Hsin	Male				4,045,918	0.90%	4,045,918	0.90%	-	-	-	-	Bachelor of Engineering, Tokyo University of Science	Chairman, Goldsun Building Materials Co., Ltd.	Vice	LIN Chien-Han	Father and Son
																	Director	LIN Ming-Sheng	Father and Son
																	Director	LIN Chun-Mei	Brother and
Vice chairman	R.O.C.	Hsin Lan Investment Co., Ltd	-	2017.06.22	2014.06.24	3 years	3,910,585	0.87%	3,940,585	0.87%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative：LIN Chien-Han	Male				1,101,315	0.24%	1,101,315	0.24%	-	-	-	-	Master of Marketing Management, University of Middlesex	Diector, Goldsun Building Materials Co., Ltd. CEO, Taiwan Secom Co., Ltd.	Chairman	LIN Hsiao-Hsin	Father and Son
																	Director	LIN Ming-Sheng	Brothers
Executive Director	Japan	SECOM Co., LTD.	-	2017.06.22	1981.12.09	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
	Japan	Representative：Sadahiro Sato	Male				-	-	-	-	-	-	-	-	Bachelor of Economics, Waseda University	Executive Director, SECOM Co., LTD.	-	-	-
Director	Japan	SECOM Co., LTD.	-	2017.06.22	1981.12.09	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
	Japan	Representative：Kenji Murakami	Male				-	-	-	-	-	-	-	-	Master of Economics, Okayama University	Head of Global Business Planning Dept., SECOM Co., LTD.	-	-	-
Director	R.O.C.	TIEN Hung-Mao	Male	2017.06.22	2008.06.13	3 years	147,025	0.03%	147,025	0.03%	20,300	-	-	-	Ph.D. in Political Science, University of Wisconsin-Madison	Chairman, Straits Exchange Foundation	-	-	-
Director	R.O.C.	WEI Chi-Lin	Male	2017.06.22	2014.06.24	3 years	-	-	150,000	0.03%	-	-	-	-	Ph.D. in Economics, University of Paris	Chairman, Waterland Financial Holdings	-	-	-
Director	R.O.C.	TU Heng-Yi	Male	2017.06.22	2011.06.15	3 years	50,750	0.01%	50,750	0.01%	-	-	-	-	Master of Business Administration, University of Hawaii	Chairman, Wan Yuan Textiles Co., Ltd.	-	-	-
Director	Japan	SECOM Co., LTD.	-	2017.06.22	1993.03.30	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
	Japan	Representative：Hirofumi Onodera	Male				115,429	0.03%	115,429	0.03%	-	-	-	-	Bachelor of Mechanical Engineering, Faculty of Engineering, Muroran Institute of Technology	General Chief Executive Officer, Taiwan Secom Co., Ltd.	-	-	-
Director	R.O.C.	Yuan Hsin Investment Co., Ltd	-	2017.06.22	2002.06.19	3 years	7,858,190	1.74%	7,962,190	1.76%	-	-			-	-	-	-	-
	R.O.C.	Representative：LIN Ming-Sheng	Male				1,191,941	0.26%	1,213,941	0.27%	100,005	0.02%	-	-	Ph.D. in Law, The University of California, Hastings College of the Law	Director, Goldsun Building Materials Co., Ltd.	Chairman	LIN Hsiao-Hsin	Father and Son
																	Vice Chairman	LIN Chien-Han	Brothers
Director	R.O.C.	Chin Kuei Investment Co., Ltd	-	2017.06.22	2008.06.13	3 years	900,195	0.20%	1,100,195	0.24%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative： LIN Chun-Mei	Female				393,514	0.09%	393,514	0.09%	-	-	-	-	Bachelor of International Trade, Ming Chuan University	NO	Chairman	LIN Hsiao-Hsin	Brother and Sister
Director	R.O.C.	Shang Ching Investment Co., Ltd	-	2017.06.22	2017.06.22	3 years	3,312,112	0.73%	3,312,112	0.73%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative：YU Ming-Hsien	Male				-	-	-	-	-	-	-	-	Bachelor of Electrical Engineering, National Taiwan University	NO	-	-	-
Executive / Independent Director	R.O.C.	CHEN Tien-Wen	Male	2017.06.22	2017	3 years	-	-	-	-	-	-	-	-	Master of Business Administration, University of Southern California	Chairman, CAI Global Holdings Ltd.	-	-	-
Independent Director	R.O.C.	CHANG Chin-Fu	Male	2017.06.22	2017.06.22	3 years	-	-	-	-	-	-	-	-	Ph.D. in Electrical Engineering and Computer Science, University of California, Berkeley	Emeritus Professor, National Chi Nan University	-	-	-
Independent Director	R.O.C.	CHANG Jui-Meng	Male	2017.06.22	2017.06.22	3 years	2,885	0.00%	2,885	0.00%	-	-	-	-	Ph.D. in Economics, Columbia University	Chairman, Cheng Hung Ltd.	-	-	-

(2) Major Shareholders of Institutional Shareholders

2019/3/31

Name of institutional shareholders	Major shareholders of institutional shareholders(shareholding ratio)
Cheng Hsin Investment Co., Ltd.	LIN Hsiao-Hsin (44.27%), CHUANG Su-Chu (22.20%), LIN Ming-Sheng (16.76%), LIN Chien-Han (16.76%)
Hsin Lan Investment Co., Ltd.	LIN Hsiao-Hsin (14.67%), CHUANG Su-Chu (14.25%), LIN Ming-Sheng (1.21%), LIN Chien-Han (1.21%), LIN Hsiu-Te (0.33%), Cheng Hsin Investment Co., Ltd. (68.33%)
SECOM Co., LTD.	The Master Trust Bank of Japan, Ltd. (Trust Account) (13.05%), Japan Trustee Services Bank, Ltd. (7.01%), JPMorgan Chase Bank (6.66%), JP Morgan Chase Bank 4.09%
Yuan Hsin Investment Co., Ltd.	LIN Hsiao-Hsin (22.05%), CHUANG Su-Chu (27.37%), LIN Ming-Sheng (25.29%), LIN Chien-Han (25.29%)
Chin Kuei Investment Co., Ltd.	HSU Ming-Te (18.86%), LIN Chun-Mei (68.99%), CHANG Li-Ying (3.46%), TSAI Chia-Jung (2.07%), HSU Tsung-Li (4.51%), HU Shu-Ching (2.07%), LIN Fu-Mei (0.01%), LI Ho-Yuan (0.01%), CHU Pao-Hui (0.01%), HUANG Li-Jung (0.01%)
Shang Ching Investment Co., Ltd.	LIN Ching-Yi (25.47%), LIN Hung-Chun (25.47%), LIN Chia-Ling (25.16%), YU Li-Jung (19.44%), YU Ming-Hsien (4.41%)

(3) Major shareholders of institutional shareholders who belong to the representatives of institutional shareholders: not applicable

(4) Professional Qualifications and Independence Analysis of Directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at least 5 Years of Work Experience			Independent Attribute (See Note Below)										Number of Holding Concurrent Independent Director Position in other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or other Academic Departments Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or other Professional or Technical Specialist who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having work experience in the area of Commerce, Law, Finance, or Accounting, or other areas necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman LIN Hsiao-Hsin			v	v				v		v		v		0
Vice Chairman LIN Chien-Han			v					v		v		v		0
Executive Director Sadahiro Sato			v	v		v	v			v	v	v		0
Director Kenji Murakami			v	v		v	v			v	v	v		0
Director Hirofumi Onodera			v	v		v	v			v	v	v		0
Director LIN Ming-Sheng			v					v		v		v		0
Director YU Ming-Hsien			v	v	v	v	v	v		v	v	v		0
Director LIN Chun-Mei			v	v		v		v		v		v		0
Director TU Heng-Yi			v	v		v	v	v	v	v	v	v	v	0
Director WEI Chi-Lin	v		v	v	v	v	v	v	v	v	v	v	v	3
Director TIEN Hung-Mao	v		v	v		v	v	v		v	v	v	v	3
Executive / Independent Director CHEN Tien-Wen			v	v	v	v	v	v		v	v	v		1
Independent Director CHANG Chin-Fu			v	v	v	v	v	v		v	v	v		0
Independent Director CHANG Jui-Meng	v		v	v	v	v	v	v		v	v	v		0

Note 1: If the Directors and Supervisors comply with the following conditions from 2 years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.
1. Not an employee of this company or its affiliates
2. Not a director or supervisor of the company or its affiliates. (However, this does not apply, in cases where the person is an independent director of the company or its subsidiary a according to this Act or local country ordinances).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the company or ranking in the top 10 shareholders.
4. Not a spouse, second-degree relative or third-degree relative of those listed in the above three items
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of outstanding shares of the company or that holds shares ranking in the top 5 in holdings.
6. Not a director, supervisor, manager or a shareholder holding 5 percent or more of the shares of a company or institution that has a business or financial relationship with the company.
7. Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
9. Has not been a person of any of the conditions defined in Article 30 of the company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3-2-2. Information on the company's General Managers, Vice Presidents, Assistant Vice Presidents, and the Supervisors of all the company's divisions and branch units.

Title	Nationaliy	Name	Gender	Inauguration Date	Shareholding		Spouses & Minor Shareholding		Experience (Education)	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship		
					Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Chief Strategy Officer	R.O.C.	LIN Ming-Sheng	Male	2007.03.29	1,213,941	0.27%	100,005	0.02%	Ph.D. in Law, The University of California, Hastings College of the Law	Director, Goldsun Building Materials Co., Ltd.	Chief Executive Officer	LIN Chien-Han	Brothers
Head of Chief Executive Officer	Japan	Hirofumi Onodera	Male	2016.01.01	115,429	0.03%	-	-	Bachelor of Mechanical Engineering, Faculty of Engineering, Muroran Institute of Technology	NO	-	-	-
Chief Executive Officer	R.O.C.	LIN Chien-Han	Male	2016.01.01	1,101,315	0.24%	-	-	Master of Marketing Management, University of Middlesex	Director, Goldsun Building Materials Co., Ltd.	Chief Strategy Officer	LIN Ming-Sheng	Brothers
Chief Executive Officer	R.O.C.	LI Jung-Kuei	Male	2016.01.01	21,156	-	21	-	Bachelor of Electrical Engineering, Taipei City University of Science & Technology	Chairman, SIGMU D.P.T. Co., Ltd.	-	-	-
Chief Executive Officer	R.O.C.	CHOU Hsing-Kuo	Male	2016.01.01	-	-	-	-	Master of Civil Engineering and Disaster Prevention, National Taipei University of Technology	Chairman, CHOPPA Tech Co., Ltd.	-	-	-
Chief Executive Officer	R.O.C.	CHEN Su-Ling	Female	2016.01.01	-	-	-	-	Diploma of Business, Taipei Municipal Shilin High School of Commerce	Supervisor, TransAsia Catering Services Ltd.	-	-	-
General Manager	R.O.C.	HSU Lan-Ying	Female	2005.03.25	-	-	-	-	Bachelor of Oriental Literature, Fu Jen Catholic University	Chairman, ESKYLINK Inc. Vice Chairman, Goldsun Building Materials Co., Ltd.	-	-	-
General Manager	R.O.C.	CHIANG Wen-Liang	Male	2014.03.01	-	-	-	-	Bachelor of Electrical Engineering, Taipei City University of Science & Technology	Chairman, LITENET Corporation	-	-	-
General Manager	R.O.C.	LIU Fu-Hsing	Male	2014.03.01	-	-	-	-	Xieheyoude High School	Chairman, Chung Pao Tzu Tung	-	-	-
General Manager	R.O.C.	CHANG Chun-Yuan	Male	2016.02.22	20,190	-	480	-	Master of Agricultural Engineering, National Taiwan University	NO	-	-	-
General Manager	R.O.C.	CHU Han-Kuang	Male	2016.02.22	6,961	-	-	-	Master of Design, National Taiwan Normal University	Director, Lots Home Entertainment Co., Ltd.	-	-	-
General Manager	R.O.C.	LEI Ching-Ming	Male	2017.03.01	1,065	-	-	-	Bachelor of Law, National Taiwan University	Chairman, Zhong Bao Insurance Broker Inc.	-	-	-
Vice President	R.O.C.	CHEN Chia-Ying	Female	2014.10.30	-	-	-	-	Master of Development Economics, University of Manchester	Vice Chairman's Special Assistant, Goldsun Building Materials Co., Ltd.	-	-	-
Vice President	R.O.C.	SU Ying-Chang	Male	2014.12.02	5,000	-	-	-	Master of Public Finance, National Chengchi University	Chairman, SVS Corporation	-	-	-

Vice President	R.O.C.	YU Hsun-Ming	Male	2016.02.22	334,736	0.07%	-	-	Bachelor of Statistics, Feng Chia University	Supervisor, LITENET Corporation	-	-	-
Vice President	R.O.C.	WENG Chin-Lai	Male	2016.02.22	-	-	-	-	Republic of China Military Academy	NO	-	-	-
Vice President	Japan	Hidenori Takahata	Male	2017.11.01	-	-	-	-	Bachelor of Law, Tokai University	NO	-	-	-
Vice President	R.O.C.	TENG Ching-Chung	Male	2018.09.25	-	-	-	-	Bachelor of Industrial Management, Lunghwa University of Science and Technology	General Manager, Comlink Fire Systems Inc.	-	-	-
Vice President	R.O.C.	CHANG Nai-Sen	Male	2018.09.25	-	-	-	-	Bachelor of Business Administration, Concordia University	Supervisor, RAIXIN Quality Products Ltd.	-	-	-
Vice President	R.O.C.	LIN Chia-Hui	Female	2019.03.01	-	-	-	-	Master of Business Administration, National Chengchi University	NO	-	-	-
Vice President	R.O.C.	CHENG Sheng-Ying	Female	2019.03.01	-	-	-	-	Master of Business Administration, University of Southern California	Independent Director and compensation committee, Weikeng Industrial Co., Ltd. Independent Director and compensation committee, News World Wu Co., Ltd. Independent Director and compensation committee, LEOSYS Co., Ltd.	-	-	-
Vice President	R.O.C.	WANG Chih-Chiang	Male	2019.03.01	-	-	-	-	Bachelor of Printing and Mass Communication, Chinese Culture University	NO	-	-	-
Vice President	R.O.C.	HUANG Hsien-Kue	Male	2019.03.01	139	-	-	-	Department of Auto Maintenance, Taipei Jingwen High School	NO	-	-	-
Vice President	R.O.C.	LU Chen-Lung	Male	2019.03.01	-	-	-	-	Bachelor of Electrical Engineering, Republic of China Military Academy	NO	-	-	-

Note 1：The accounting supervisor of the Company is CHEN Su-Ling, the Chief Executive Officer.
Note 2：The financial supervisor of the Company is CHENG Sheng-Ying, the Vice President.
Note 3：The managers of the Company have not used the name of others to hold any share of the Company.

3-2-3. Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Managers, and Vice Presidents.

(1) Remuneration of Directors

Unit: NT$ Thousand

Title	Name	Remuneration Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income		Companies on paid to directors from an invested company other than the company's subsidiary
		Base Compensation(A)		Severance Pay (B)		Directors Compensation(C）		Allowances(D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
																The Company		All companies in the consolidated financial				
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	Cash	Stock	Cash	Stock	The Company	All companies in the consolidated financial statement	
Chairman	Cheng Hsin Investment Co., Ltd. Representative：LIN Hsiao-Hsin	10,300	10,300	-	-	28,653	28,653	4,075	4,075	2.10%	2.10%	-	-	-	-	-	-	-	-	2.10%	2.10%	5,440
Vice Chairman	Hsin Lan Investment Co., Ltd Representative：LIN Chien-Han	420	420	-	-	17,191	17,191	40	163	0.86%	0.87%	9,194	9,409	-	-	11	-	11	-	1.31%	1.33%	1,714
xecutive Direct	SECOM Co., LTD. Representative：Sadahiro Sato	420	420	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	SECOM Co., LTD. Representative：Kenji Murakami	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	TIEN Hung-Mao	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	
Director	WEI Chi-Lin	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	TU Heng-Yi	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	SECOM Co., LTD. Representative：Hirofumi Onodera	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	5,523	5,523	-	-	11	-	11	-	0.57%	0.57%	-
Director	Yuan Hsin Investment Co., Ltd Representative：LIN Ming-Sheng	280	280	-	-	5,731	5,731	40	163	0.30%	0.30%	7,968	7,968	-	-	-	-	-	-	0.68%	0.69%	1,714
Director	Chin Kuei Investment Co., Ltd Representative：LIN Chun-Mei	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	Shang Ching Investment Co., Ltd Representative：YU Ming-Hsien	280	280	-	-	5,731	5,731	40	40	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Executive Director/ Independent Director	CHEN Tien-Wen	2,400	2,400	-	-	-	-	40	40	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
Independent Director	CHANG Chin-Fu	2,400	2,400	-	-	-	-	40	40	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
Independen Director	CHANG Jui-Meng	2,400	2,400	-	-	-	-	40	40	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-

Note 1：The Company did not provide the cost of car purchasing for directors.

Note 2：The Company provides chauffeurs with salaries of NT$ 813 thousand for directors' cars.

Note 3：Except for the disclosed in the above table, the company directors did not receive any remuneration for their services from all companies listed in the financial report in the recent year.

Range of Remunerations

<table>
<tr><td rowspan="3">Range of Remunerations</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Total of (A+B+C+D)</td><td colspan="2">Total of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company</td><td>All companies in the consolidated financial statement
I</td><td>The Company</td><td>All investment business
J</td></tr>
<tr><td>Under NT$ 2,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$2,000,000 (included) ～ NT$5,000,000 (excluded)</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td></tr>
<tr><td>NT$5,000,000 (included) ～ NT$10,000,000 (excluded)</td><td>SECOM Co., Ltd.
(Representative：Sadahiro Sato)
(Representative：Kenji Murakami)
(Representative：Hirofumi Onodera)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Yuan Hsin Investment Co., Ltd.
(Representative：LIN Ming-Sheng)
Chin Kuei Investment Co., Ltd
(Representative：LIN Chun-Mei)
Shang Ching Investment Co., Ltd
(Representative：YU Ming-Hsien)</td><td>SECOM Co., Ltd.
(Representative：Sadahiro Sato)
(Representative：Kenji Murakami)
(Representative：Hirofumi Onodera)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Yuan Hsin Investment Co., Ltd.
(Representative：LIN Ming-Sheng)
Chin Kuei Investment Co., Ltd
(Representative：LIN Chun-Mei)
Shang Ching Investment Co., Ltd
(Representative：YU Ming-Hsien)</td><td>SECOM Co., Ltd.
(Representative：Sadahiro Sato)
(Representative：Kenji Murakami)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Chin Kuei Investment Co., Ltd
(Representative：LIN Chun-Mei)
Shang Ching Investment Co., Ltd
(Representative：YU Ming-Hsien)</td><td>SECOM Co., Ltd.
(Representative：Sadahiro Sato)
(Representative：Kenji Murakami)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Chin Kuei Investment Co., Ltd
(Representative：LIN Chun-Mei)
Shang Ching Investment Co., Ltd
(Representative：YU Ming-Hsien)</td></tr>
<tr><td>NT$10,000,000 (included) ～ NT$15,000,000 (excluded)</td><td>-</td><td>-</td><td>SECOM Co., Ltd.
(Representative：Hirofumi Onodera)
Yuan Hsin Investment Co., Ltd.
(Representative：LIN Ming-Sheng)</td><td>SECOM Co., Ltd.
(Representative：Hirofumi Onodera)</td></tr>
<tr><td>NT$15,000,000 (included) ～ NT$30,000,000 (excluded)</td><td>Hsin Lan Investment Co., Ltd.
(Representative：LIN Chien-Han)</td><td>Hsin Lan Investment Co., Ltd.
(Representative：LIN Chien-Han)</td><td>Hsin Lan Investment Co., Ltd.
(Representative：LIN Chien-Han)</td><td>Hsin Lan Investment Co., Ltd.
(Representative：LIN Chien-Han)
Yuan Hsin Investment Co., Ltd.
(Representative：LIN Ming-Sheng)</td></tr>
<tr><td>NT$30,000,000 (included) ～ NT$50,000,000 (excluded)</td><td>Cheng Hsin Investment Co., Ltd.
(Representative：LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Representative：LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Representative：LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Representative：LIN Hsiao-Hsin)</td></tr>
<tr><td>NT$50,000,000 (included) ～ NT$100,000,000 (excluded)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>14</td><td>14</td><td>14</td><td>14</td></tr>
</table>

(2) Remenerations of Chief Strategy Officer, Head of Chief Executive Officer, Chief Executive Officers, General Managers and Vice Presidents

Unit: NT$ Thousand

Title	Name	Salary (A)		Separation Pay (B) (Note 4)		Bonus and Allowances (C)		Employee compensation(D)				Ration of Total Remuneration (A＋B＋C+D) to Net Income(%)		Compensation on paid to directors from an invested company other than the company's subsidiary
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		The Company	All companies in the consolidated financial statement	
								cash	stock	cash	stock			
Chief Strategy Officer	LIN Ming-Sheng	57,884	60,091	-	-	34,991	39,755	210	-	210	-	4.55%	4.89%	10,651
Head of Chief Executive Officer	Hirofumi Onodera													
Chief Executive Officer	LIN Chien-Han													
Chief Executive Officer	LI Jung-Kuei													
Chief Executive Officer	CHOU Hsing-Kuo													
Chief Executive Officer	CHEN Su-Ling													
General Manager	HSU Lan-Ying													
General Manager	CHIANG Wen-Liang													
General Manager	LIU Fu-Hsing													
General Manager	CHANG Chun-Yuan													
General Manager	CHU Han-Kuang													
General Manager	LEI Ching-Ming													
Vice President	CHEN Chia-Ying													
Vice President	SU Ying-Chang													
Vice President	HUANG Ming-Yu													
Vice President	YU Hsun-Ming													
Vice President	CHANG Cheng-Fa													
Vice President	HSU Te-Min													
Vice President	WENG Chin-Lai													
Vice President	Hidenori Takahata													
Vice President	TENG Ching-Chung													
Vice President	CHANG Nai-Sen													

Note 1：The managers of this form are the ones who have been paid the remuneration in 2018.

Note 2：All companies in the consolidated statement did not provide the car purchasing cost for the managers.

Note 3：All companies in the consolidated statement provide chauffeurs with salaries of NT$ 1,163 thousand for managers' cars.

Note 4：The separation pays listed in the above table are all actual issuances. All companies in the consolidated statement and the company proposed NT$ 1,934 thousand in total.

Range of Remunerations

Range of remunerations paid to Chief Executive Officers, General Managers and Vice Presidents	Name of CEOs, General Managers and Vice Presidents	
	The Company	All other investment business (E)
Under NT$ 2,000,000	HUANG Ming-Yu, CHANG Cheng-Fa	CHANG Cheng-Fa
NT$ 2,000,000 ～ NT$5,000,000 (included) (excluded)	HSU Lan-Ying, LIU Fu-Hsing, CHANG Chun-Yuan, CHU Han-Kuang, LEI Ching-Ming, CHEN Chia-Ying, SU Ying-Chang, YU Hsun-Ming, HSU Te-Min, WENG Chin-Lai, Hidenori Takahata, TENG Ching-Chung, CHANG Nai-Sen	LIU Fu-Hsing, CHANG Chun-Yuan, CHU Han-Kuang, LEI Ching-Ming, CHEN Chia-Ying, SU Ying-Chang, HUANG Ming-Yu, YU Hsun-Ming, HSU Te-Min, WENG Chin-Lai, Hidenori Takahata, TENG Ching-Chung, CHANG Nai-Sen
NT$5,000,000 ～ NT$10,000,000 (included) (excluded)	LIN Ming-Sheng, Hirofumi Onodera, LIN Chien-Han, LI Jung-Kuei, CHOU Hsing-Kuo, CHEN Su-Ling, CHIANG Wen-Liang	LIN Ming-Sheng, Hirofumi Onodera, LI Jung-Kuei, CHOU Hsing-Kuo, CHEN Su-Ling, CHIANG Wen-Liang
NT$10,000,000 ～ NT$15,000,000 (included) (excluded)	-	LIN Chien-Han, HSU Lan-Ying
NT$15,000,000 ～ NT$30,000,000 (included) (excluded)	-	-
NT$30,000,000 ～ NT$50,000,000 (included) (excluded)	-	-
NT$50,000,000 ～ NT$100,000,000 (included) (excluded)	-	-
Over NT$100,000,000	-	-
Total	22	22

(3) Employees Profit Sharing Granted to the Management Team

2019/03/31

Unit: NT$ Thousand

	Title	Name	Amount of Stock Dividend	Amount of Cash Bonus	Total Amount	Ratio of Total Remuneration to Net Income(%)
Manager	Chief Strategy Officer	LIN Ming-Sheng	-	221	221	0.01%
	Head of Chief Executive Officer	Hirofumi Onodera				
	Chief Executive Officer	LIN Chien-Han				
	Chief Executive Officer	LI Jung-Kuei				
	Chief Executive Officer	CHOU Hsing-Kuo				
	Chief Executive Officer	CHEN Su-Ling				
	General Manager	HSU Lan-Ying				
	General Manager	CHIANG Wen-Liang				
	General Manager	LIU Fu-Hsing				
	General Manager	CHANG Chun-Yuan				
	General Manager	CHU Han-Kuang				
	General Manager	LEI Ching-Ming				
	Vice President	CHEN Chia-Ying				
	Vice President	SU Ying-Chang				
	Vice President	HUANG Ming-Yu				
	Vice President	YU Hsun-Ming				
	Vice President	CHANG Cheng-Fa				
	Vice President	HSU Te-Min				
	Vice President	WENG Chin-Lai				
	Vice President	Hidenori Takahata				
	Vice President	TENG Ching-Chung				
	Vice President	CHANG Nai-Sen				
	Financial Supervisor	CHENG Sheng-Ying				
	Financial Supervisor (Note 1)	CHEN Yu-Wen				

Note：The remuneration paid by the Company to employees is based on the number of employees.

Note 1：The Company's former financial supervisor and is retired.

(4). The analysis on the ratio of the total remuneration paid in after-tax net profit to individual directors, supervisors, general managers and vice presidents of this company and the companies in this consolidated statement in the last two years and the statement of the remuneration policy, standard, combination, remuneration setting procedure and the relation between the operating performance and future risk:

A. The analysis of the ratio of the remuneration paid to Direcotrs, Supervisors, General Managers and Vice Presidents in the last two years from after-tax earnings of the Company and the companies consolidated in its consolidated financial statements in the last two years is as follows:

Job Title	Ratio of Remuneration in After Tax Profit			
	2018		2017	
	The Company	All Companies in the Consolidation Statement	The Company	All Companies in the Consolidation Statement
Directors	7.10%	7.12%	5.93%	5.97%
Supervisors (Note)	-	-	0.02%	0.02%
Head of CEO, CEO, General Manager ,and Vice Presidents	4.55%	4.89%	3.50%	3.89%

Note: The Company has set up independent directors since June 22th, 2017, therefore no supervisors has been set yet.

B. The remuneration policy, standards and composition, the remuneration setting procedure, and the relationship between managerial performance and future risk:

The remuneration of the directors is determined by authorizing the board of directors to discuss and decide, in accordance with the degree of participation in the operation of the company and the value of contribution from each director and in consideration of the payment standard in the industry. The remuneration of managers of this company is discussed and determined by the Remuneration Committee, and presented to be approved by the board of directors.

The company remuneration policy is regulated in accordance with the financial status and the managerial result of that year and in consideration of future plans and capital allocation to distribute the remuneration to employees and directors according to Article 26 of the Articles of Incorporation of the Company, so as to keep the possibility of the occurrence of risks in the future down to a minimum.

3-3. The State of the Company’s Implementation of Corporate Governance

3-3-1. The state of operations of the Board of Directors

A total of four (A) meetings of the 15th Board of Directors were held from 2018 to the date of publication of the annual report. The attendance of Directors was as follows:

Title	Name	Attendance (B)	By proxy	Attendance Rate (%)(B/A)	Remarks
Chairman	Cheng Hsin Investment Co., Ltd. Representative: LIN Hsiao-Hsin	3	1	75%	
Director	Yuan Hsin Investment Co., Ltd Representative: LIN Ming-Sheng	4	0	100%	
Vice Chairman	Hsin Lan Investment Co., Ltd Representative: LIN Chien-Han	4	0	100%	
Executive Director	SECOM Co., Ltd. Representative: Sadahiro Sato	4	0	100%	
Director	SECOM Co., Ltd. Representative: Kenji Murakami	4	0	100%	
Director	SECOM Co., Ltd. Representative: Hirofumi Onodera	4	0	100%	
Director	TIEN Hung-Mao	4	0	100%	
Director	TU Heng-Yi	3	1	75%	
Director	WEI Chi-Lin	4	0	100%	
Director	Chin Kuei Investment Co., Ltd Representative: LIN Chun-Mei	3	1	75%	
Director	Shang Ching Investment Co., Ltd Representative: YU Ming-Hsien	4	0	100%	
Executive Director (Independent Director)	CHEN Tien-Wen	4	0	100%	
Independent Director	CHANG Chin-Fu	4	0	100%	
Independent Director	CHANG Jui-Meng	4	0	100%	

Other matters to be recorded

I. If there are any of the following circumstances, the dates of meetings, sessions, contents of motion, resolutions of the the Board of Directors'meetings and the Company's response to Independent Director's opinions should be specified,

i. Matters specified in Article 14-3 of the Securities and Exchange Act or any opposition or qualified opinions that Independent Directors have expressed and were recorded or declared in writing: None.

ii. If there is any avoidance of conflict of interest by a Director, names of director, contents of motion, reasons for avoidance, and state of participation should be specified:

1. Motion of managers' appointment and remuneration :

(1) Name of director: Hirofumi Onodera, LIN Chien-Han, and LIN Ming-Sheng

(2) Reason for avoidance: conflict of interest due to serving as employees in the Company.

(3) State of participation:

a. Hirofumi Onodera, LIN Chien-Han, and LIN Ming-Sheng do not participate in the discussion and resolution of the motion in accord with the law as they are concurrently serving as Head of CEO, CEO, and Chef Strategy Office of the Company respectively.

b. All directors (including independent directors) present at the meeting (excluding Hirofumi Onodera, LIN Chien-Han, and LIN Ming-Sheng) consent to the passing of such resolution without raising any objection when the Chairman puts forward the motion for approval.

2. Motion of the signing between the Company and a related party on the "Joint Investment Memorandum" for the urban renewal project.

(1) Name of director: LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng

(2) Reason for avoidance: conflict of interest due to serving as directors in the related company.

(3) State of participation:

a. LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng do not participate in the discussion and resolution of the motion in accord with the law.

b. All directors (including independent directors) present at the meeting (excluding LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng) consent to the passing of such resolution without raising any objection when the Acting Chairman puts forward the motion for approval.

3. Motion of paying cash to the Taipei City Government in exchange for additional building capacity and obtain certificate for transfer of building capacity in accordance with the Regulations of Urban Building Capacity Transfer.

(1) Name of director: LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng

(2) Reason for avoidance: conflict of interest due to serving as directors in the related company.

(3) State of participation:

a. LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng do not participate in the discussion and resolution of the motion in accord with the law.

b. All directors (including independent directors) present at the meeting (excluding LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng) consent to the passing of such resolution without raising any objection when the Acting Chairman puts forward the motion for approval.

II. Objectives of enhancing the Board of Directors' functions in the current year: None

III. Assessment of implementation: The Company comply with "Procedure for Board of Directors Meetings" and improve information transparency of the Board to maximize its functionalities.

Note 1: Where the director or supervisor is a juristic person, the name of corporate shareholder and representative shall be disclosed.

Note 2: (1) Where a supervisor or director leaves the company before the end of the year, the date of resignation shall be indicated in the remarks column and his actual attendance rate shall be calculated based on his attendance during his tenure. (2) Where a reelection of Directors and Supervisors takes place before the end of the year, both the old and new Directors and Supervisors shall be disclosed, and whether the Director and Supervisor is new, old or re-elected and the date of re-election shall be indicated in the remarks column. Their actual attendance rate shall be calculated based on their attendance during their tenure in the Board.

3-3-2. The state of operations of the Audit Committee

(1) The state of operations of the Audit Committee

A total of four (A) meetings of the the Audit Committee were held from 2018 to the date of publication of the annual report. The attendance of Independent Directors was as follows:

Title	Name	Attendance (B)	By proxy	Attendance Rate (%)(B/A)	Remarks
Independent Directors	CHEN Tien-Wen	4	0	100%	Newly-elected on June 22, 2017
Independent Directors	CHANG Chin-Fu	4	0	100%	Newly-elected on June 22, 2017
Independent Directors	CHANG Jui-Meng	4	0	100%	Newly-elected on June 22, 2017

Other matters to be recorded

1. If there are any of the following circumstances, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified,
   (1) Matters specified in the Article 14-5 of the Securities and Exchange Act: None
   (2) Except for the matters stated above, other resolutions rejected by the Audit Committee but were approved by two thirds or more directors: None
2. If there is any avoidance of conflict of interest by an Independent Director, names of independent director, contents of motion, reasons for avoidance, and state of participation should be specified: None
3. Communications between Independent Directors, the Company's chief internal auditor and CPA :
   (1) During meetings of the Audit Committee, the independent directors listen to the chief internal auditor's report to check important findings and improvements, and provide comments or instructions, and provide audit reports every month. In addition, communication through telephone or email also takes place and is effective for the implementation of the Company's internal control.
   (2) The independent directors and the CPA hold talks before the meeting of the Audit Committee to communicate major matters regarding the Company's Financial Statements and the Company's operations.

There was no difference of opinion in the results of the communications.

Note: (1) Where an independent director leaves the company before the end of the year, the date of resignation shall be indicated in the remarks column and his actual attendance rate shall be calculated based on his attendance during his tenure. (2) Where a re-election of independent directors takes place before the end of the year, both the old and new independent directors shall be disclosed, and whether the independent director is new, old or re-elected and the date of re-election shall be indicated in the remarks column. Their actual attendance rate shall be calculated based on their attendance during their tenure in the Audit Committee.

3-3-3. The state of the company’s implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure:

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		The company has formed and reviewed the appropriateness of the regulation from time to time to amend it and disclosed the regulation on the company's official website (http://www.sigmu.com.tw)	No Difference
2. Shareholding structure and shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) In order to ensure shareholders' rights and interests, the company has appointed a spokesman or a deputy spokesman as the contact window to deal with shareholders' suggestions in accordance with the matters raised by the shareholders (referring to the inquiry or at the shareholders' meeting or in other written ways).	No Difference
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) Each major shareholder informs the company of the increase or decrease of equity in the previous month at the beginning of each month. The company aggregates information of change in equity of all major shareholders and declares it at the Market Observation Post System (TSE MOPS). .	No Difference
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The operation, business and financial transactions between the Company and its affiliates are clearly defined, and the risk assessment and the establishment of appropriate firewalls are implemented. The audit procedures are regularly implemented to achieve the risk control mechanism.	No Difference
(4) Does the company establish internal rules against insider trading with undisclosed information?	✓		(4) In order to prevent insider trading, the Company established internal procedures for major information and the provisions of Article 21 of the Integrity Operation Procedures and Conduct Guidelines.	No Difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The board of directors of the company has 14 directors, and those who have the capacity to act are elected for a term of 3 years, and are eligible for re-election. It is to consider the overall configuration of the board of directors. Board members generally have the knowledge, experience, skills and literacy to perform their duties.	No Difference
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company's Audit Committee with all 3 members who are independent directors. Compensation Committee with 3 members, one of which is an independent director. The Corporate Social Responsibility Committee consists of a management team and regularly reports to the board of directors on the status of implementation and achievement.	No Difference
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		(3) The Company conducts the Board of Directors' performance assessment before the end of each year. It evaluates meeting attendance, the degree of participation and motivation in the meeting, and the number of hours spent annually in training.	No Difference
(4) Does the company regularly evaluate the independence of its CPA?	✓		(4) The Company's Board of Directors evaluates the independence of the CPA once a year. The results were submitted to the board of directors for review and approval on November 13th, 2018. Both YU Chien-Ju and HSU Hsin-Min, accountants of Ernst & Young's, are in compliance with the company's independent evaluation criteria, and are sufficient to serve as the company's CPA and a statement of independence from Ernst & Young is issued. (Note 1)	No Difference
4. Does the Company have set a corporate governance (concurrent) unit or personnel that is responsible for the concerned affairs (including but not limited to offer necessary materials for the directors and supervisors, executing matters pursuant to board of directors'	✓		The Company's Corporate Planning Office is responsible for corporate governance. It is in charge of providing all necessary materials for directors and audit committees, handle matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, handling corporate registration and change of registration, managing proceedings for the	No Difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on)?			Board of Directors as well as shareholder meetings, and regularly assessing the independence and suitability of the CPA.	
5. Does the Company establish communication channels and a dedicated section for stakeholders on its website to respond to important issues regarding corporate social responsibility?	✓		Complete information on the corporate website, including: spokesman, deputy spokesman, stock affairs, customer service, etc., have been provided and the communication pipeline is smooth.	No Difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company authorized Yuanta Securities as shareholder services agent.	No Difference
7. Information disclosure: (1) Does the company have a corporate website to disclose both financial positions and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓		(1) The company's website http://www.secom.com.tw discloses financial, business, corporate governance and other important information. (2) The corporate website: http://www.secom.com.tw is mainly in Chinese, and the relevant units are responsible for the collection and disclosure of information. A spokesman and a deputy spokesman are also available to implement the spokesman system	No Difference No Difference
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Interests and rights of employees: the company protects the legitimate rights and interests of employees according to the law. (2) Care for employees: The Company pays great attention to employee benefits and sets up employee welfare committees, and provides employee benefits in accordance with the law to facilitate employees to enjoy various welfare measures. (3) Investor relations: The company's website is set up by a designated unit to disclose the company's financial status and related information in an appropriate time. The company has established a spokesman and deputy spokesman system to publish financial and business information to the public through MOPS, newspapers and magazines. (4) Supplier relations: The company signs	No Difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
			purchase contracts with manufacturers, handles the purchase according to the contract, and regularly evaluates them based on the price, payment terms, delivery date, degree of cooperation and quality. (5) Stakeholders relations: The company is committed to the development of the industry, and actively strives for opportunities for cross-industry alliance. For the benefit of employee, creditors and shareholders, it strives to pursue the harmony of information, rights and obligations. (6) Continuing education opportunities for directors and supervisors: The company provides training courses of corporate governance for directors and supervisors from time to time. (7) Implementation of risk management policy and risk measurement standards: 1. The company has established management methods for related parties and affiliated company management methods. In addition to the implementation of the management measures, the endorsement guarantees and other relevant management methods are subject to the approval of the board of directors through the company's professional evaluation meeting. 2. The Company operates steadily and is fully focused on the investments and operations of the security industry. (8). Implementation of customer policies: The company has a customer service center, regularly conducts provincial customer satisfaction surveys, and establishes a complete customer complaint handling mechanism to protect consumer rights. (9) Liability insurance for the Company's directors and supervisors: The Company purchases liability insurance for the directors and supervisors to protect the potential legal liabilities of the directors and supervisors due to their duties.	
9. The latest results of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE explains the amendments or proposed priority measurements to the items that have not improved (unnecessary for the excluded companies): In 2018, the company's corporate governance evaluation did not score points. In 2019, it will focus on improving information transparency and implementing corporate social responsibility. It is expected to complete the improvement-required items, and continue to work hard to enhance the transparency of information, implement corporate social responsibility; handle corporate governance evaluation to strengthen corporate governance information.				

Note 1: Statement of Independence Issued by Ernst & Young Accounting Firm:

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會計師獨立性聲明書

(107)安永字第 100217 號文

中興保全股份有限公司董事會及審計委員會　公鑒:

本聲明書係依照我國審計準則公報之規定，針對民國一〇七年度合併財務報表之查核，就會計師獨立性所作之年度溝通。

依照我國審計準則公報之規定，會計師應向治理單位提供會計師所隸屬事務所受獨立性規範之人員、事務所及聯盟事務所已遵循會計師職業道德規範中有關獨立性之聲明，並溝通所有可能被認為會影響本會計師獨立性之關係及其他事項（包括相關防護措施）。

依本會計師之專業判斷，並未察覺本事務所或聯盟事務所與　貴公司間，存在可能被認為會影響獨立性之關係及其他事項。

本聲明書僅供　貴公司董事會、審計委員會、管理階層以及　貴公司內部其他人員參考，不得用於任何其他目的。

敬頌商祺

安永聯合會計師事務所

會計師: 余倩如

許新民

中華民國 107 年 11 月 13 日

Statement of Independence Issued by Ernst & Young Accounting Firm
(Translated from the above Chinese version)

To Taiwan Secom Co., Ltd. Board of Directors and Audit Committee

This statement is an annual communication on the independence of accountants in accordance with the provisions of the National Standards on Auditing for the review of the consolidated financial statements of 2018.

In accordance with the provisions of the National Standards on Auditing, the accountant shall provide to the governing unit the personnel, the firm and the affiliated firm that are subject to the independence of the firm. It has complied with the statement of independence in the accountant's ethical practice and communicated all possible matters (including related protective measures) that are considered to affect the independence of the accountant.

Based on the professional judgment of the accountant, it is not aware that there is a relationship between the firm or the alliance firm and your company that may be recognized as affecting independence and other matters.

This statement is for your company's board of directors, audit committee, management, and other personnel within your company and may not be used for any other purpose.

Best Regards

Ernst & Young Global Limited
Accountants: Yu, Chien-Ju and Hsu, Hsin-Min
November 13th, 2017

3-3-4. The composition, duties, and operation of the Company's Compensation Committee disclosed

(1) Information on members of the Compensation Committee

Identity (Note1)	Criteria / Name	Meet one of the following professional qualification requirements, together with at least 5 years work experience			Independence Attribute (Note2)								Concurrent compensation committee position in other publicly listed companies	Remarks (Note 3)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Departments Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or other Professional or Technical Specialist who has passed a National Examination and been awarded a Certificate in a Profession Necessary for the Business of the Company	Has Work Experience in the areas of Commerce, Law, Finance, or Accounting, or otherwise necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	CHANG Jui-Meng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	LI Hsien-Yuan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Non-director
Others	CHEN Tai-Jan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Non-director

Note 1: Fill in the Identity with directors, independent directors or others

Note 2: All members should comply with the following conditions from two years before being elected and appointed, and during his term of office. Please tick the appropriate corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

Note 3: If the members are directors, please indicate whether it meets the requirements of Article 6-5of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over-the-Counter".

(2) Operation status of the Compensation Committee

A. There are 3 members in the Company's Compensation Committee.

B. Current term of service: From June 22, 2017 to June 21, 2020. The Compensation Committee held 3 meetings (A) in the recent year up to the date of publication of the annual report, and the qualifications and attendance of the Committee are shown as follows:

Title	Name	In-person Attendance（B）	By proxy	In-person Attendance Rate (%)（B/A）	Remarks
Chairman	CHANG Jui-Meng	2	1	66.67%	
Member	LI Hsien-Yuan	3	0	100%	
Member	CHEN Tai-Jan	3	0	100%	
Other matters to be recorded 1. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., if the remuneration passed by the board of directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

3-3-5. The state of the Company's commitment to Corporate Social Responsibilities

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		(1) The Company has established a corporate social responsibility policy and issued a social responsibility report.	No Difference
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		(2) In 2014, the company's CSR training received the recognition and certificate of the TTQS silver medal of the Labor Legislation Department of the Ministry of Labor, and added a "care program" to implement the promotion of corporate social responsibility. In order to achieve the transfer and inheritance of knowledge and skills, we will cultivate about 200 outstanding internal lecturers. For details, please refer to our website: http://www.secom.com.tw/crs/, page P69-P70.	No Difference
(3) Does the company establish exclusively (or concurrently) dedicated first-line units authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) The company's corporate social responsibility unit is Concurrently the "HR Department". The head of the unit is also part of the board of directors and is responsible for handling related operations such as revision and implementation of these regulations, and reports to the board of directors on a regular basis.	No Difference
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and	✓		(4) In order to encourage and urge employees to be dedicated and diligent, the company has established clear rules and regulations. If an employee violates the rules, in addition to requesting immediate improvement, he or she will be reported according to his or her circumstances. Reward and punishment results link to the performance appraisal system and	No Difference

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
disciplinary system?			reward system. When employees are engaged in various operational activities, they can follow relevant regulations and internal control mechanisms to implement the spirit of corporate social responsibility.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The company's security mainframes and peripheral equipment provide customer service in a leasing manner. Each security host and peripheral equipment can be recycled and reused to reduce the impact on the environmental load.	No Difference
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The company is in the security service industry and does not involve a manufacturing environment management. It only concerns itself with manufacturing, materials, procedures, quality and corporate social responsibility. In particular, the 100%-owned subsidiary Titan Star International Co., Ltd.(with ISO14000 certification) is responsible for the maintenance of equipment production and implementation of lead-free environmentally friendly materials and process management.	No Difference
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(3) The company is fully committed to promoting smart green buildings and energy conservation and environmental protection. In addition to the establishment of an energy-saving management system in the Neihu Science and Technology Building and various operating offices, the next-generation NXT next-generation business management host has obtained various environmental labels such as EU WEEE, EU ErP, TUVdocCOM and EU RoHS. In addition to the above-mentioned carbon reduction management, the company conducts MyCASA smart house management, NXT next-generation business management, and building automation management systems. All of them have functions such as power measurement and demand control, which can further assist customers to jointly promote energy conservation and carbon reduction and greenhouse gas emission reduction.	No Difference

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The company complies with relevant labor laws. Rules and regulations are set for employees providing a gender-equal working environment. Salary and promotion are based on job performance and contribution to the Company. Salary standards are based on the job positions, are not different due to gender differences. There is also a maternity/paternity leave for both men and women, and there is no violation of the international personnel convention.	No Difference
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) The company has an HR, and cooperates with relevant departments to formulate open, fair and equitable rewards and punishments. If the employee has a complaint, he/she can file his/her complaint with HR personally or via e-mail to SHR, HR will initiate an investigation. If necessary, it will initiate an inter-departmental supervisory investigation meeting. In addition, the company's executive director's "employee advice and complaints mailbox", etc., also provide the same function.	No Difference
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The company has been awarded the "Healthy Workplace Self-Certification Health Promotion Label" by the Taipei City Government for many years. It has also won the "Health Excellence Award", and " LE CHUN Health Award". The company also regularly conducts employee health checks in accordance with the Labor Health Protection Rules.	No Difference
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) If there are major operational changes, the internal notice will be used to inform the entire staff and, if necessary, a communication briefing will be held. The company uses the Notes system to establish notifications, bulletin boards, knowledge bases, emails, etc. as an internal communication platform for messages and activities. In addition, the branch has a mechanism for communication such as Honor Unity Meeting, morning meetings, routine business meetings and security meetings.	No Difference

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
(5) Does the company provide its employees with career development and training sessions?	✓		(5) In the job classification system, based on the needs of the company, it establishes a career path for employees, and implements a training system. It provides training in skills, management, and self-development with courses from 7 universities. It establishes a relevant training knowledge base to provide online reference for employees.	No Difference
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) 1. At present, the targets for entrusted development or the manufacturers that commission the production of products will include provisions for insuring product liability insurance, such as warranty, and non-infringement of intellectual property rights. Therefore, consumers can be protected externally, and the company can be protected internally. If the damage is caused by a related product, it can provide relevant protection. 2. If the customer is currently using a product, and there is a product defect or a problem when using it, the company can also provide after-sales service such as warranty through the customer service help line.	No Difference
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) According to the category attributes, the products will be subject to relevant regulations in Taiwan, such as: BSMI, NCC and other related certification procedures. If it is imported from abroad, it must first provide the CE, FCC and other certificated documents by the importer, and supplement the relevant certification procedures required for sales in Taiwan in accordance with the relevant regulations.	No Difference
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	✓		(8) In the procurement contract, the relevant provisions of the “Corporate Social Responsibility” (CSR) have been added to announce the relevant constraints on the procurement target. The provisions are as follows: Article 8 of CSR, Party B is committed to Party A's commitment to CSR based on the concept of sustainable management, and is willing to work with stakeholders affected by business operations, including employees, customers, suppliers, partners, shareholders, and even the natural environment, together to create sustainable harmony and mutually beneficial development. Its commitments are as follows:	No Difference
			1. Do not use force, coercion, debt-forcing, contractual	

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
			or involuntary labor. 2. It is forbidden to employ child laborers under the age of 15 to perform labor. For minors under the age of 18, they shall not be allowed to engage in heavy and dangerous work, and shall not engage in night shift work. 3.The salaries and benefits paid to employees shall be in accordance with all current legal requirements: including laws related to the calculation of minimum wages, overtime pay and statutory benefits. A payroll or related document is also required as a basis for employees to understand the salary content. 4. Treat each employee fairly, do not treat employees with inhumane methods such as brutality, insult, abuse, etc. In addition, the company must ensure that employees are not discriminated against on opportunities such as hiring, promotion, rewards, and training due to factors such as race, skin color, age, gender, disability, pregnancy, religion, political faction, or marital status. 5. Employees must not be forced to undergo discriminatory medical examinations. 6. Provide a healthy and safe working environment, protect women and create a safe night working environment. It also set up policies for sexual harassment prevention and control. Moreover, it set up service lines and mailboxes, and announced that to all employees. At the same time, the restrictions from the Labor Safety and Health Act on female employees who are not allowed to engage in dangerous or harmful work should be adhered to. The relevant regulations of the Labor Standards Act on women's working hours, working night shift and maternity protection should also be complied with.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) According to the spirit of CSR, Taiwan Secom Co., Ltd. has the responsibility to assist suppliers to meet the requirements of CSR, and fulfill their social responsibility. If the supplier fails to meet the relevant requirements, it will naturally be excluded from the company's partnership.	No Difference
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information	✓		The company is completely fair, transparent and open to the public. It strengthens the Company's financial business information disclosure, helps stakeholders understand the company's actual	No Difference

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?			operational information and protects shareholders' rights. The company complies with the relevant laws and regulations and exposes relevant information in the online reporting system. It lets investors know about the company's operations by holding annual shareholders' meetings, holding quarterly corporate briefings and monthly announcements of revenue. At the same time, it also discloses important information on the Market Observation Post System (MOPS). In addition, the company's website exposes information and annual reports, strengthens the disclosure of information, and enables investors to understand the company's operating principles.	
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has ensures that it conducts its corporate social responsibilities and is devoted to promote CSR, it has no difference with the Rules.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: i. The company actively participates in social welfare activities, and regularly donates funds to relevant organizations. ii. The company established Taiwan Secom Cultural Foundation to care for the disadvantaged children. It also sponsors the development of “Children's Potential Development Classes”, which currently covers elementary, junior, and high schools. More than 1,000 children have been included in the care, just like cultivating a seed. iii. The company supports organizations such as the Domestic Professional Public Guilds (Associations). According to the application of technology service attribute, it actively participates in the promotion of the "Safety Equipment and Service Industry Association" and the "Remote Care Service Industry Association" and serves as its director.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: In 2018, the company completed the 2017 Corporate Social Responsibility Report, and on July 10, 2018, it passed the verification by Ernst & Young Co., Ltd.				

Note 1：Whether the "Yes" box is ticked or the "No" box is ticked, it should be clarified in the summary description section.

Note 2：The company has compiled a corporate social responsibility report, and the summary description indicates the method of reviewing the CSR report and the index page.

3-3-6. Ethical Corporate Management Status

Item	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to	✓ ✓		(1) The company has regulatory provisions relating to integrity management, which will be actively implemented by the board of directors and management, and firmly executed in	No Difference

Item	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
implement these policies?			internal management and external business activities.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, business conduct guidelines, penalties for violations, appeal rules, and commitment to implement these policies?	✓		(2) The company's regulations include relevant programs that prevent dishonesty, such as work procedures, behavioral guidelines, educational admonitions, etc. to ensure that all employees are well-aware of these and can check the company's website under the employee NOTES section.	No Difference
(3) Does the company establish appropriate precautions against high-potential unethical conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?			(3) The company's regulations include relevant programs that prevent dishonesty and strengthen measures on dealing with activities that have a higher risk of dishonesty in terms of business scope.	No Difference
2. Fulfillment of operational integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓ ✓		(1) The company and its subsidiaries deal with customers, suppliers, distributors, competitors and employees in a fair and impartial manner. Gaining competitive advantage through dishonesty is prohibited. The company has clearly defined the "Integrity Operating Procedures and Behavior Guidelines".	No Difference
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? Does the Company work out policies to prevent conflict of interest and provide proper statement channels?	✓		(2) The company's corporate integrity management unit serves as the "business planning office". It is responsible for handling related operations such as revision and implementation of regulations. The head of unit is a member of the board of directors. Institutional compliance: The internal audit unit sets an annual audit plan based on the results of the risk assessment. It submits a report to the board of directors for approval, and regularly reports to the board of directors on the implementation of audit operations.	No Difference
(3) Does the company establish policies to prevent conflict of interest and provide appropriate communication channels, and implement them?	✓		(3) According to Article 13 of the Rules of Procedure of the Board of Directors, directors who have interests in matters related to meetings or his/her corporate	No Difference
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓			

Item	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			representative who is a stakeholder; the important content of the stakes should be explained by the current board of director. If there is potential damage to the company, the opinions and answers may be excluded from the discussion and voting, and should be avoided and prevented from representing other directors’ right to vote. (4)The internal audit regularly reports to the board of directors on the implementation of audit operations. (5) The company reminds colleagues of its integrity management rules in training newcomers. It also provides relevant information, to keep colleagues up to date regarding facts related to integrity.	 No Difference No Difference
3. Operation of integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential incident reporting of cases involving false accusations? (3) Does the company provide proper whistleblower protection?	✓ ✓ ✓		(1) The communication channel of the company's internal structure is efficient, providing mailboxes to receive sexual harassment complaints, employee suggestions, etc. The report box is found in the stakeholder section of the company's website, while the report is handled by experts. Unless otherwise provided by law, appropriate protection and confidentiality measures are applied to the individual, information and privacy. If the report is considered valid, the company imposes severe punishment on the person who committed the wrongful act. (2) The Company has established an appeal method for accepting reports and related confidentiality mechanisms.	No Difference No Difference

Item	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			(3) The Company shall take appropriate protection and confidentiality measures to deal with the individual, information and privacy provided by the whistleblower, unless otherwise required by law.	No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and implementation results on the company's website and MOPS?	✓		Integrity management related to information is disclosed on the company's website. (http://www.secom.com.tw)	No Difference
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The company has established regulations regarding integrity management, while relevant operating procedures are carried out in accordance with these regulations.				
6. Other important information to facilitate better understanding of the company's ethical corporate management policies (such as review and revision of regulations): None				

3-3-7. If the company has adopted the Corporate Governance Best-Practice Principles or related by laws, disclose how these are to be searched: The Company has adopted the Corporate Governance Best-Practice Principles or related by laws, disclosed by the internal staff of the NOTES system and external website.

3-3-8. Other significant information to be disclosed that will provide better understanding of the state of the company's implementation of corporate governance:
(1) Completion of financial report.
(2) Disclosure of the latest annual board meeting minutes and important resolutions with implementation status.
(3) Disclosure of important internal regulations, such as "Procedures for Acquisition and Disposal of Assets", "Procedures for Endorsement and Guarantee", "Codes of Ethical Conduct for Directors, Supervisors and Managers", and "Procedures for Election of Directors and Supervisors".
(4) Disclosure of the Company's Articles of Incorporation.
(5) Disclosure of the Company's organizational chart and departmental staff.
(6) Announcement of revenue and dividend, company press releases, and disclosure of material information.

3-3-9. Internal Control System Execution Status
(1) Statement on Internal Control System

Taiwan Secom Co., Ltd.
Statement on Internal Control System

March 22, 2019

Based on the results of the control self-assessment, Taiwan Secom Co., Ltd. makes the following declarations with regard to its internal control system for 2018:

1. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, that have provided reasonable assurance regarding the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets). The reliability, timeliness, and transparency of the report, as well as its compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how it is perfectly designed, an effective internal control system can only provide reasonable assurance that the three above mentioned objectives would be accomplished. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond the Company's control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and immediate remedial actions have been taken in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance regarding our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed during the board of directors meeting held on March 22, 2019, with none of the 14 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Secom Co., Ltd.
Chairman: LIN Hsiao-Hsin
Chief Executive Officer：Hirofumi Onodera

(2) Where the CPA was engaged to conduct a special audit of internal control system, the audit report shall be provided: None.

3-3-10. For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements.: None.

3-3-11. Major resolutions of shareholders' meetings and Board meetings held in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

i. Major resolutions of the 2018 annual shareholders' meeting

A total of one annual shareholders' meeting was held in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report. The Company's 2018 annual shareholders' meeting was held in Changhua on June 7, 2018. An abstract of the resolutions of that meeting is as follows,

- Recognition of 2017 Financial Statements
- Recognition of the proposed distribution of 2017 earnings

  The Company's 2017 distributable net profit was NT$1,804.780 million. The proposed cash dividend was NT$4 per share.

ii. Implementation of major resolutions of the 2018 annual shareholders' meeting

- Recognition of 2017 Business Report and Financial Statements: Relevant statements have been submitted to the competent authority for inspection and announced in accordance with the Company Act and other relevant laws and regulations.
- Recognition of the proposed distribution of 2017 earnings: Cash dividend of NT$4 a share has been distributed on August 24, 2018.

iii. Implementation of major resolutions of board meetings held in 2018

A total of four board meetings were held in 2018 and during the current fiscal year up to the date of publication of the annual report. An abstract of the resolutions of the meetings is as follows,

The 5th meeting of the 15th Board of Directors (May 14, 2018)

- There were no motions during the meeting.

The 6th meeting of the 15th Board of Directors (August 13, 2018)

- Approval of application for a credit line from the bank.

The 7th meeting of the 15th Board of Directors (November 13, 2018)

- Approval of independent assessment of the CPA.
- Approval of amendment to the Company's "Organizational Regulations".
- Approval of the 2019 audit plan.
- Approval of the appointment of the Company's Financial Supervisor.
- Approval of application for a credit line from the bank.

The 8th meeting of the 15th Board of Directors (March 22, 2019)

- Approval of the Company's 2018 Financial Statements.
- Approval of the Company's 3rd and 4th resolutions of the 4th Remuneration Committee.
- Approval of the Company's 2018 Employees' and Directors' remunerations.
- Approval of the Company's proposed distribution of 2018 earnings.
- Approval of the 2018 "Internal Control System Statement".
- Approval of the 2019 Business plan.
- Approval of the Company's management compensation.
- Approval of the amendment to the Company's "Articles of Incorporation"
- Approval of the Amendment to the Company's "Procedures for Acquisition and Disposal of

Assets”

- Approval of the Amendment to the Company’s “Corporate Governance Best Practice Principles”
- Approval of the Amendment to the Company’s “Standard Operational Procedures for Acceptance of Director Requests”
- Approval of matters regarding the 2019 Shareholders’ Meeting
- Approval of the signing between the Company and a related party on the “Joint Investment Memorandum” for the urban renewal project.
- Approval to pay cash to the Taipei City government in exchange for additional building capacity and obtain certificate for transfer of building capacity in accordance with the Regulations of Urban Building Capacity Transfer

3-3-12. Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

3-3-13. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer.

2019/03/31

Title	Name	Date of Inauguration	Date of Dismissal	Reason for Resignation or Dismissal
Vice President	HSU Te-Min	February 24, 2016	May 8, 2018	Job adjustment
Financial Supervisor	CHEN Yu-Wen	August 13, 2014	August 31, 2018	Retire
Vice President	CHANG Cheng-Fa	February 23, 2016	Sep. 20, 2018	Retire
Vice President	HUANG Ming-Yu	February 22, 2016	October 17, 2018	Retire

3-4. Information regarding CPA's Professional Fees

3-4-1. Information on CPA professional fees

CPA Firm	Name of the accountant		Period covered by CPA's Audit	Remarks
Ernst & Young Global Limited	YU Chien-Ju	HSU Hsin-Min	2018.1.1～2018.12.31	

3-4-2. Table of range of remunerations for audit fees

NT$ Thousand

Fee Range \ Audit Items	Audit fee	Non-Audit fee	Total
Under NT$ 2,000,000 元		455	455
NT$2,000,000 (included) ~ 4,000,000 (excluded)	3,019		3,019
4,000,000 (included) ~ 6,000,000 (excluded)			
6,000,000 (included) ~ 8,000,000 (excluded)			
8,000,000 (included) ~ 10,000,000 (excluded)			
Over NT$100,000,000			

3-4-3. The non-audit fee paid to a certified CPA, certified office of the CPA and affiliated companies accounts for over 1/4 of the audit fee: None

NT$ Thousand

CPA Firm	Name of the accountant	Audit fee	Non- Audit fee					Period covered by CPA's Audit	Remark
			System Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young Global Limited		3,019	-	-	-	455	455	2018.01.01 2018.12.31	Non-Audit fee - such as the administration fee of corporate social responsibility reports, etc..

3-4-4. Any change of the CPA Firm and the audit fee in the year of such change is less than the audit fee in the previous year: None

3-4-5. The audit fee is reduced by over 15% compared with the previous year: None

3-5. Information regarding the Replacement of CPA: None

3-6. Information regarding the Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates in the past year: None

3-7. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Title	Name	2018		Current Year to March 31	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease
Chairman	Cheng Hsin Investment Co., Ltd.	669,000	200,000	25,000	-
	Representative: LIN Hsiao-Hsin	-	200,000	-	-
Vice chairman	Hsin Lan Investment Co., Ltd	20,000	695,000	10,000	-
	Representative: LIN Chien-Han	-	-	-	-
Executive Director（Note1）	SECOM Co., Ltd.	-	-	-	-
	Representative: Sadahiro Sato	-	-	-	-
Director（Note1）	SECOM Co., Ltd.	-	-	-	-
	Representative: Kenji Murakami	-	-	-	-
Director	TIEN Hung-Mao	-	-	-	-
Director	WEI Chi-Lin	-	-	-	-
Director	TU Heng-Yi	-	-	-	-
Director（Note1）	SECOM Co., Ltd.	-	-	-	-
	Representative: Hiroshi Onodera	-	-	-	-
Director	Yuan Hsin Investment Co., Ltd	54,000	-	-	-
	Representative: LIN Ming-Sheng	-	290,000	22,000	-
Director	Chin Kuei Investment Co., Ltd	200,000	-	-	-
	Representative: LIN Chun-Mei	-	-	-	-
Director	Shang Ching Investment Co., Ltd	-	-	-	-
	Representative: YU Ming-Hsien	-	-	-	-
Executive Director / Independent Director	CHEN Tien-Wen	-	-	-	-
Independent Director	CHANG Chin-Fu	-	-	-	-
Independent Director	CHANG Jui-Meng	-	-	-	-
Chief Strategy Officer	LIN Ming-Sheng	-	290,000-	22,000	-
Head of Chief Executive Officer	Hirofumi Onodera	-	-	-	-
Chief Executive Officer	LIN Chien-Han	-	-	-	-
Chief Executive Officer	LI Jung-Kuei	-	-	-	-
Chief Executive Officer	CHOU Hsing-Kuo	-	-	-	-
Chief Executive Officer	CHEN Su-Ling	-	-	-	-
General Manager	HSU Lan-Ying	-	-	-	-

General Manager	CHIANG Wen-Liang	-	-	-	-
General Manager	LIU Fu-Hsing	-	-	-	-
General Manager	CHANG Chun-Yuan	-	-	-	-
General Manager	CHU Han-Kuang	-	-	-	-
General Manager	LEI Ching-Ming	-	-	-	-
Vice President	CHEN Chia-Ying	-	-	-	-
Vice President	SU Ying-Chang	-	-	-	-
Vice President	YU Hsun-Ming	-	-	-	-
Vice President	WENG Chin-Lai	-	-	-	-
Vice President	Hidenori Takahata	-	-	-	-
Vice President	TENG Ching-Chung	-	-	-	-
Vice President	CHANG Nai-Sen	-	-	-	-
Vice President	LIN Chia-Hui	-	-	-	-
Vice President	CHENG Sheng-Ying				
Vice President	WANG Chih-Chiang				
Vice President	HUANG Hsien-Kuei				
Vice President	LU Chen-Lung				

Note 1: SECOM Co., Ltd. is the only shareholder that holds more than 10% of the shares of the company and the company's equity transfer and equity pledge changes as shown in the table above.
Note 2: All the personnel listed in the equity transfer or equity pledge are not related.

3-8. Information and Relationship among the Top 10 Shareholders

Name	Shareholding		Spouse & Minor Current Shareholding		Current Shareholding listed under the name of others		Relationship among the top 10 shareholders, anyone who is a related party according to the regulations of Financial Reporting Standards No.6, spouse, or second-degree kinship of another: Name and relationship.		Remarks
	share	%	share	%	share	%	Name	Relationship	
SECOM Co., Ltd.	123,110,870	27.29%	-	-	3,609,498-	0.80%-	-	-	
Representative: Yasuo Nakayama	-	-	-	-	-	-	-	-	
Shin Kong Life Insurance Co., Ltd	40,142,205	8.90%	-	-	-	-	-	-	
Representative: WU Tung-Chin	-	-	-	-	-	-	-	-	
Cheng Hsin Investment Co., Ltd.	19,997,337	4.43%	-	-	-	-	-	-	
Representative: LIN Hsiao-Hsin	4,045,918	0.90%	-	-	-	-		Second-degree of kinship to the representative of Yuan Hsin	
Chunghwa Post Co., Ltd.	17,203,740	3.81%	-	-	-	-	-	-	
Representative: WEI Chien-Hung	-	-	-	-	-	-	-	-	
Hsin Lan Investment Co., Ltd.	14,095,063	3.12%	-	-	-	-	-	-	
Representative: LIN Chien-Han	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd	13,160,595	2.92%	-	-	-	-	-	-	
Representative: TSAI Ming-Hsing	-	-	-	-	-	-	-	-	
HSBC Bank as Trustees of Matthews Asian Growth and Income Fund	11,131,000	2.47%							
Wan-Quan DU Charity Foundation	8,568,216	1.90%	-	-	-	-	-	-	
Representative: TU Heng-Yi	50,750	0.01%	-	-	-	-	-	-	
JPMorgan Chase Bank N.A., Taipei Branch as Trustees of First Eagle Global Oversea Fund	8,545,694	1.89%	-	-	-	-	-	-	
Yuan Hsin Investment Co., Ltd.	7,962,190	1.76%	-	-	-	-	-	-	
Representative: LIN Ming-Sheng	1,213,941	0.27%	100,005	0.02%	-	-		Second degree of consanguinity to the representative of Cheng Hsin	

3-9. Total Number of Shares in Any Business held by the Company, it's Directors, Supervisors & Managers, and Any Enterprise Controlled either directly or indirectly by the Company, and combined to calculate the Comprehensive Shareholding Ratio:

Unit: NT$ thousand share / %

Re-invested businesses	The company's investment		Directors or managers controlling the investment business directly or indirectly		Total investment	
	share	%	share	%	share	%
Kuo Hsing Security Co., Ltd.	29,322	83.77%	1,266	3.62%	30,587	87.39%
Gowin Building Management and Maintenance Co., Ltd.	28,463	80.96%	6,694	19.04%	35,158	100.00%
Aion Computer Communication Co., Ltd.	12,740	73.75%	1,512	8.75%	14,252	82.50%
TransAsia Catering Service Ltd.	24,563	67.02%	11,479	31.32%	36,042	98.34%
Zhong Bao Insurance Broker Inc.	608	60.00%	101	10.00%	710	70.00%
Taiwan Video System Co., Ltd.	11,357	39.07%	14,779	50.84%	26,137	89.91%
Tech Elite Holdings Ltd.	2,000	39.22%	-	-	2,000	39.22%
Yon Geng Healthcare Management Co., Ltd.	2,000	35.71%	100	1.79%	2,100	37.50%
Lee Way Electronics Co., Ltd	10,288	34.29%	18,172	60.57%	28,461	94.86%
Anfeng Enterprise Co., Ltd.	900	30.00%	-	-	900	30.00%
SIGMU D.P.T. Co., Ltd.	2,734	21.99%	8,741	70.31%	11,475	92.30%
Lots Home Entertainment Co., Ltd.	4,308	21.02%	16,192	78.98%	20,500	100.00%
Huaya Development Co., Ltd.	25,513	49.83%	-	-	25,513	49.83%
TransAsia Airways Corp.	76,246	10.05%	46,414	6.12%	122,660	16.17%
Goldsun Building Materials Co., Ltd.	89,876	6.49%	222,662	16.08%	312,538	22.57%

Note 1: The table shows the long-term equity held by the company on 2018.12.31

Note 2: The companies that the Company directly holds 100% of its shares include: Speed Investment Co., Ltd.、Lee Bao Security Co., Ltd.、Goyun Security Co., Ltd.、Chung Pao Tzu Tung and Goldsun Express & Logistics Co., Ltd.

IV. Capital Raising Activities

4-1. Company's Capital and Shares

4-1-1. Share Capital

(1) Source of Capital Stock

Unit: share / NT$ thousand

Year/ Month	Issue Price	Authorized capital stock		Paid in capital		Remarks			
		Shares	Amount	Shares	Amount	Sources of Capital		Capital Increased by Assets other than Cash	Others (Approval date and document number)
1996/6	10	169,000,000	1,690,000	169,000,000	1,690,000	Profit/surplus Additional Paid In Capital	260,000 130,000	none	1996.05.03
1997/6	10	219,700,000	2,197,000	219,700,000	2,197,000	Profit/surplus	507,000	none	1997.06.05
1998/8	10	285,610,000	2,856,100	285,610,000	2,856,100	Profit/surplus Additional Paid In Capital	439,400 219,700	none	1998.05.25
1998/9	65	300,610,000	3,006,100	300,610,000	3,006,100	Cash	150,000	none	1998.06.24
1999/6	10	336,683,200	3,366,832	336,683,200	3,366,832	Profit/surplus	360,732	none	1999.05.18
2000/7	10	393,919,344	3,939,193	393,919,344	3,939,193	Profit/surplus	572,361	none	2000.06.09
2001/3	10	393,919,344	3,939,193	378,919,344	3,789,193	Treasury stock reduction	150,000	none	2001.02.05
2001/7	10	416,811,280	4,168,113	416,811,280	4,168,113	Profit/surplus Additional Paid In Capital	189,460 189,460	none	2001.05.31
2001/12	10	416,811,280	4,168,113	401,811,280	4,018,113	Treasury stock reduction	150,000	none	2001.09.07
2002/9	10	421,901,844	4,219,018	421,901,844	4,219,018	profit/surplus	200,905	none	2002.07.15
2003/3	10	421,901,844	4,219,018	414,901,844	4,149,018	Treasury stock reduction	70,000	none	2002.12.11
2003/8	10	431,497,918	4,314,979	431,497,918	4,314,979	Additional Paid In Capital	165,961	none	2003.07.02
2005/9	10	440,127,877	4,401,279	440,127,877	4,401,279	Profit/surplus	86,300	none	2005.08.11
2006/6	10	444,529,156	4,445,291	444,529,156	4,445,291	Additional Paid In Capital	44,012	none	2006.07.18
2014/10	10	500,000,000	5,000,000	451,197,093	4,511,971	Profit/surplus	66,679	none	2014.08.01

(2) Type of Stock and General Category

Type of Stock	Authorized Capital			Remarks
	Issued Shares（Note）	Un-issued Shares	Total	
Common Stock	451,197,093	-	451,197,093	As of 2018/12/31
Common Stock	451,197,093	-	451,197,093	As of 2019/03/31

Note: Publicly traded stock

4-1-2. Shareholder Structure

2019/03/31

Shareholder Structure / Quantity	Government Apparatus	Financial Institution	Other Juridical Person	Natural-born Citizen of the Country	Foreign Institutions and Foreign People	Total
Number of Shareholders	1	11	147	19,771	222	20,152
Shareholding	499,770	73,795,215	105,614,795	65,235,562	206,051,751	451,197,093
Holding Percentage (%)	0.11%	16.35%	23.41%	14.46%	45.67%	100.00%

Note: The shareholding ratio of investment from China is 0%

4-1-3. Shareholding Dispersal Status of Common Stocks

2019/03/31

Class of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 ~ 999	11,466	965,427	0.21%
1,000 ~ 5,000	6,892	12,652,415	2.80%
5,001 ~ 10,000	848	6,013,778	1.33%
10,001 ~ 15,000	301	3,593,933	0.80%
15,001 ~ 20,000	105	1,828,574	0.41%
20,001 30,000	152	3,703,297	0.82%
30,001 ~ 50,000	101	3,884,229	0.86%
50,001 ~ 100,000	84	6,230,273	1.38%
100,001 ~ 200,000	58	8,256,061	1.83%
200,001 ~ 400,000	51	14,695,459	3.26%
400,001 ~ 600,000	24	11,941,590	2.65%
600,001 ~ 800,000	9	5,995,588	1.33%
800,001 ~ 1,000,000	4	3,406,680	0.75%
Over 1,000,001	57	368,029,789	81.57%
Total	20,152	451,197,093	100.00%

Note 1: NT$ 10 par value for per share

Note 2: The Company has not issued special shares, and there is no shareholding distribution status of it.

4-1-4. Major Shareholders

2019/03/31

Shares / Name of the Shareholder	Shareholding	Percentage (%)
SECOM Co., Ltd.	123,110,870	27.29%
Shin Kong Life Insurance Co., Ltd	40,142,205	8.90%
Cheng Hsin Investment Co., Ltd.	19,997,337	4.43%
Chunghwa Post Co., Ltd.	17,203,740	3.81%
Hsin Lan Investment Co., Ltd.	14,095,063	3.12%
Fubon Life Insurance Co., Ltd	13,160,595	2.92%
HSBC Bank as Trustees of Matthews Asian Growth and Income Fund	11,131,000	2.47%
Wan-Quan DU Charity Foundation	8,568,216	1.90%
JPMorgan Chase Bank N.A., Taipei Branch as Trustees of First Eagle Global Oversea Fund	8,545,694	1.89%
Yuan Hsin Investment Co., Ltd.	7,962,190	1.76%

4-1-5. Share Price, Net Worth, Earnings and Dividends for the Last Two Years

Year / Item			2017	2018	Current year to 2019/03/31
Market Price Per Share	Highest		95.00	92.70	88.50
	Lowest		86.60	83.60	85.30
	Average		89.51	88.60	86.32
Net Value Per Share (Note1)	Before distribution		22.43	22.87	-
	Before distribution		18.43		-
Earnings per share	Weighted average shares		440,923,000	440,923,000	-
	Earnings per share	Before adjustment	5.00	5.00	-
		After adjustment	5.00	-	-
Dividend per Share (Note1)	Cash dividend		4.00	4.00	-
	Stock Dividends	From retained earnings	-	-	-
		From capital reserve	-	-	-
	Accumulated undistributed dividends		-		-
Return on Investment	P/E ratio		17.90	17.72	-
	Price-dividend ratio		22.37	22.15	-
	Cash dividend yield		4.47%	4.51%	-

Note 1: List the highest and lowest market prices in each year, and adjust according to the proportion of each year's surplus or capital reserve to capital increase.

4-1-6. Dividend Policy and Implementation Status

(1) Dividend Policy provided in the Company's Articles of Incorporation:

Article 26 of the Company's Article of Incorporation states: If the company is profitable in the year (the so-called profit refers to the pre-tax net profit, after deducting the employee's salary and the director's remuneration), it shall be no less than 1% for the employee's remuneration and no more than 4% for the director's remuneration. However, while the company still has accumulated losses (including the adjustments to the undistributed surplus amount), the amount of compensation should be retained in advance. The employee's remuneration can be obtained by stock or cash, and the payee may include a subordinate company employee

who meets the conditions set by the board of directors. The directors' remunerations are only paid in cash.
Article 27 of the Company's Article of Incorporation states: If the company's annual final accounts have net profit after tax for the current period, they should make up for the accumulated losses (including adjusting the undistributed surplus amount). 10% of the net profit after tax is allocated to legal reserve according to the law. However, when the statutory surplus accumulation has reached the total paid-in capital of the company, this does not apply to special surplus reserve required by the authority. After the surplus, together with the undistributed surplus at the beginning of the period (including adjustment of the undistributed surplus amount), the board of directors proposed a surplus distribution proposal and submitted a resolution to the shareholders' meeting to distribute dividends to shareholders.
The company's business environment is still growing, and it will take advantage of the economic environment for sustainable operations and long-term development. When the board of directors drafts the surplus allocation, it will focus on the stability and growth of dividends. The dividend policy will be cash or stock. The cash portion is not less than 10% and the amount of the payment is based on the principle of accumulating more than 50% of the distributable surplus.

(2) Distribution of Stock Dividends at the Shareholders' Meeting:
The 2018 earnings distribution was approved by the Board of Directors on March 22, 2019. The proposed cash dividend is NT$ 4 per share and will be discussed at the shareholders meeting.

(3) Expected Changes in Dividend Policy: None.

4-1-7. Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: None

4-1-8. Compensation of Employees, Directors and Supervisors
(1) Article 26 of the Company's Article of Incorporation states:
If the company is profitable in the year (the so-called profit refers to the net profit before tax, after deducting the employee's salary and the director's remuneration), it shall be no less than 1% for the employee's remuneration and no more than 4% for the director's remuneration. However, when the company still has accumulated losses (including adjustments to the undistributed surplus amount), the amount of compensation should be retained in advance. The employee's remuneration can be obtained by stock or cash, and the payee may include a subordinate company employee who meets the conditions set by the board of directors. The director's remuneration is only paid in cash.

(2) The basis for the assessment of the remuneration of employees and directors for the current year is determined by the board of directors in accordance with the Company's Article of Incorporation and in accordance with the rules and regulation. It is recognized as part of the operating costs or operating expenses of the current year. However, if there is a discrepancy between the actual allotment amount and the estimated number in the subsequent shareholders' meeting, it will be included in the profit and loss of the following year.

(3) Information on the proposed distribution of staff and directors' remuneration through the board of directors:
A. The resolution of the Board of Directors approved the dividend distribution date: 2019/3/22.
B. Allocating staff cash compensation, stock remuneration and directors' compensation:

Unit: NT$ thousand

Employee cash compensation	Employee stock compensation	Director's compensation
24,356	0	97,423

The total compensation for employees and directors estimated in the current year was NT$ 121,549 thousand which is different from the actual amount of NT$ 121,779 thousand with a discrepancy of NT$ 230 thousand. The difference between the estimated amount and the actual allotment amount will be listed as the annual cost adjustment for 2019.

C. Ratio of Proposed Allotment of Employee Stocks in the Current Period After-tax Net Profit, and Total Compensation for Employees: 0%.

(4) The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (2017): The total compensation for employees and directors estimated in 2017 was NT$ 131,857 thousand which is different from the actual amount of NT$ 127,475 thousand with a discrepancy of NT$ 4,382 thousand. The difference between the estimated amount and the actual allotment amount was listed as the annual cost adjustment for 2018.

4-1-9. Share repurchases: the company has not bought back its shares in the most recent year and up to the date of printing of the annual report.

4-2. Other matters that should be disclosed: (including corporate bonds, special shares, overseas depositary receipts, employee stock option certificates and mergers (including mergers, acquisitions and divisions) or transfer of new shares issued by other companies): None.

4-3. Financing Plans and Implementation

4-3-1. Content of the Plan:

The previous issue or private placement of securities has not been completed or the plan has been completed in the last three years with no evidence of efficiency:

(1) The previous issuance of securities plans of the Company has been completed.。

(2) The company has no capital increase in the last three years.

4-3-2. The Status of Implementation: Not applicable.

V. Operational Profile

5-1. Business Activities

5-1-1. Business Scope

(1) Main areas of business operations

A. “The practitioner of IoT”- the security system integrated with information and communication technology

- Systems for Businesses

(1) Multi Area Security System (MA)

Specifically designed for the safety of schools, larger business premises and independent buildings, the system can be set up with 30 individual security management areas for small commercial buildings, factories and research units, which can be connected to the Company's control center 24 hours every day. In the event of emergencies, the control center will dispatch service engineers to the scene to handle the situation.

(2) “My Vita” Commercial Area Smart Management System (CA)

In addition to basic security protection, the commercial management system that integrates multi-value-added services has a variety of expanded features such as image monitoring, energy-saving management, smart disaster prevention, smart control, multi-area security protection mechanism, etc. With the electronic door lock and the transition of operation interface on to an APP for mobile devices, the system is able to provide a diversified service solution, meet different business needs at one time, and become more in line with the trend of future changes. In addition to the thoughtful feeling of convenient living, the system also guarantees the necessary property security at business premises.

- Systems for Homes

(3) “My Vita” Home Area Smart Management System (HA)

In order to make smart home security services popular in households, the system is equipped with mechanisms specifically designed for home living and safety. The Company has further integrated the needs of smart home management and home automation to actively develop a new generation of home systems, from disaster prevention, environmental management, energy conservation management and security anti-theft to friends and family guardian and other multi-functional high integration, with wireless transmission to show the professional customer-made linkage expansion. With the electronic door lock and the transition of operation interface on to an APP for mobile devices, the system is able to help customers master a convenient life right in their palms.

- Financial Institutions

(4) Dedicated Line System for ATMs (CS)

The company provides professional services such as anti-theft and damage detection for ATMs installed in banks and automatic service areas to achieve 24-hour perfect and safe protection for unmanned banks.

- Computer Lottery Betting Station

(5) Security System for Lottery Betting Stations (EL)

A well-planned, tailor-made security system based on the security needs of the computer lottery betting station. In addition to the Company's professional and 24-hour security, we also provide monitoring systems and vaults for a special price with interest-free installment plan to pay attention and protection for hard-working lottery dealers.

(6) Value-added Service for Access Control Systems

The Company provides system customers with more convenient and safe protection, combined with access control equipment to prevent trespassing. We also provide a card reader that can set the "Password + Card Swipe" function, so that customers won’t need to worry about the loss and misuse of the card. In addition, our access control card controls the access and timing management, and controls the internal and external access status of each unit. In case of being forced to open door by offenders, our customer is able to use the card reader to secretly transmit signals to the control center to trigger a counter-threat mechanism.

(7) Video Security Value-added Service (SVA)

Our customers are able to view images through the Internet, combining the Internet, video, and anti-theft technologies into a single service platform. This system is an integrated system host that combine anti-theft and video technologies, allowing our customers to query the image remotely through the APP on their mobile devices or the webpage on their computers. Moreover, when the abnormal condition is triggered, the system automatically generates video photos to help the controller to judge the abnormal signal, and decide whether to dispatch personnel to the site in real time. This further highlights the uniqueness and practicability of the service design.

B. MiniBond Satellite Positioning and Search Service

(1) Personal Mobile Satellite Positioning and Search Service

Our mobile locator that exclusively uses the AGPS satellite positioning system is more energy-sufficient, faster, and more accurate and has wider applicability. It can even track position in some indoor facilities. Therefore, our locator achieves high applicability, convenience and security, at any time through the fixed-point internet access, mobile Internet access, telephone enquiry, etc., to understand the where-about of its carrier. In the event of incidents, the carries is able to seek help with the “emergency button”. When the carrier feels that his safety is under threat, he can activate "Remote Guardian" to receive security monitoring immediately, and enjoy safe, real time and high-tech personal service.

(2) MiniBond Car Fleet Positioning and Management System

The fleet management system provides service for those who require real-time monitoring of commercial vehicles, dispatch of vehicles, and oil and mileage control Through the real-time monitoring feature on the webpage, the location of each vehicle can be reported immediately, and the user can have real time update of the movement of the vehicle. In addition, the system also provides oil, idling, speeding, mileage and daily travel reports, as well as Dr. Car Maintenance System Management. Our customers can also select to add thermometers, anti-theft devices and other services to carry out all-round team advanced action management, which can effectively improve efficiency and reduce administrative and sales costs.

In order to provide more convenient services for existing vehicle customers, we have successively developed the "Vehicle Cloud Task Dispatching App", "MiniBond Car Positioning Management System APP" and the "Refuse Collection All Access APP” for the refuse collection team of all district offices in the country, etc. The Company aims to fully provide customers with more convenient and cost-effective e-services for different needs.

“Vehicle Cloud Task Dispatching App”

When dispatching for tasks, our customers won’t need to purchase additional dispatchers. Instead, the administrator will only have to send task dispatching messages to the drivers of their respective areas through their own computer or smart phones. In addition to eliminating the cost of large-scale procurement of dispatch equipment, customers can easily achieve task dispatching purposes and effectively improve overall customer satisfaction.

“MiniBond Car Positioning Management System APP”

Through GPS satellite positioning, the administrator is able to conduct vehicle monitoring and positioning for its own fleet, and instantly track the location of the group and the distribution of vehicle in the country. In the event of any abnormal incident, the administrator will be acknowledged at any time. The APP’s intuitive menu operations can help the administrator to manage the fleet with ease through features such as "current status query", "vehicle status list", "track query" and "daily abnormal incident".

“Refuse Collection All Access APP”

With the satellite positioning device installed in the refuse collecting truck, users can immediately track the location of the refuse collecting truck on their tablets and mobile phones. No more waiting for refuse collecting trucks! With features such as "Instant Collecting Point", "Add New Collecting Point", "Reminder List", "Search Rout ", "Change City/County" and "Latest News", etc., the public can be updated with the movements of the refuse collecting truck with a single finger and solve the most important refuse problems with ease.

(3) MiniBond Video Vehicle Positioning and Management System

An upgrade of the fleet management system, in addition to the positioning and fleet management features, the system is now officially enhanced with additional video monitoring management features to support 8-channel video footages. It automatically records after start-up and delivers real-time images. It is also equipped with GPS/G-Sensor/4G modules enabling it to automatically detect the side impact, trigger mandatory image, and completely record the location and driving speed to make driving more secure. The video supports 1080P, 720P, and D1 formats to meet customer needs. In the event of accidents, the device's built-in gold capacitors is able to save real time video record without loss in case that it is impossible to clarify responsibilities of the accident, or the vehicle shuts down due to an abnormal collision to help clarify responsibilities of the accident.

C. Digital Surveillance and Video Intercom System

(1) Closed-Circuit Television (CCTV) System

The system consists of five categories: Technicolor camera, digital video recorder (DVR), monitor, lens and other peripheral equipment. It can be used not only with anti-theft system, but also for on-site monitoring according to different scales and needs, or using software for remote operation of IE browsing, mobile APP monitoring, CMS multi-point group and EMS comprehensive monitoring management. In addition to the guarantee of the Company's reputation, the product itself is combined with a service network throughout Taiwan to provide perfect after-sales service.

(2) Video Intercom System

The high-tech anti-theft video intercom system is suitable for new community buildings, plants and factories and large medical institutions, as well as the replacement of existing video intercom systems in public housing communities to increase the efficiency safe environment management.

(3) Internet Protocol Camera (IP Camera)

In response to the trend of Internet technology and the decreasing cost of connecting to the Internet declined, the Company has introduced the internet protocol camera (IP camera) for individuals, families, stores, SMEs and chain companies to meet the increasing demand for remote monitoring. The product features the simple interface of the IE standard browser and allows the user to view high-quality footages sent from the IP cameras anytime, anywhere, and also start the side-record feature and play back video on a PC, if necessary. The built-in microphone allows the IP camera user to listen to the live sound while watching the footage, or connect the speaker through the IP camera to enable the viewer to make a two-way conversation with a remote site.

(4) Surveillance Equipment Signal Hosting Service

In September 2018, the Company launched the video hosting service, including video loss, hard disk failure, network disconnection (blackout), stop recording and other signals, to provide signal hosting for specific models. The signal is transmitted to the Company's control desk through the network and is monitored by a dedicated person 24 hours. In the event of any abnormal activity, the customer will be notified immediately, increasing the added value of the surveillance equipment.

D. Fire System

(1) FE-13 Automatic Clean Agent Fire Extinguishing System (TOMAHAWK-III)

Installed with smoke and heat dual-sensor, the system uses New Halon's clean agent air to extinguish fire, causing no harm to human and organisms and no pollution to painting, calligraphy art, materials and instruments. From the sensing of fire to spraying of fire extinguishing agent, all operations are automatically controlled by computers, no need for manual operation.

(2) ARGON Clean Agent Fire Extinguishing System (Argotec)

With zero ozone depletion potential and global warming potential, the system uses natural, environmentally friendly and safe fire-extinguishing air agent. From detection to distinguishing of fire, all operations are automatically controlled by computer. Users can use the selection valve to design multiple protection zones, saving the cost and space required and achieving economic efficiency.

(3) FM-200 Automatic Clean Agent Fire Extinguishing System

The product is introduced in a packaged system and a non-packaged pressurized system, making the product line more complete and meeting the various needs of our customer and the needs of the site. The product has been approved by the fire department of the National Fire Agency, Ministry of the Interior, and is in line with relevant laws and regulations to be applied to the design and installation in local sites.

(4) NovecTM1230 Automatic Clean Agent Fire Extinguishing System

The agent of the product is stored in a cylinder in a liquid state and pressurized with nitrogen to increase the smoothness of the spray. When being sprayed, the agent will evaporate at the radiation nozzle and fully mix with the air in the protected area to reach the fire extinguishing concentration. In addition to protecting the important equipment assets, it also has a very environmentally friendly effect. It is a new generation of clean fire extinguishing agent that the human body can withstand.

(5) Early Warning System (NS)

The system is used in the environments such as clean rooms, computer facilities, electricity and distribution facilities and adopts the front diffraction principle to form a small angle reflection by the collision of the laser beam with the smoke particles, which can detect smoke and trigger alarm in the initial stage of visible smoke generating.

(6) Fire Detection System for Cabinets

This product is installed in semiconductor manufacturing plants or laboratories to detect fire in small places and quickly sense the smoke generated in the cabinet. It also has a self-detection feature to automatically detect malfunctions.

(7) Fire-fighting Facility Engineering (FE)

The service provides planning, design, audit, construction, supervision, and survey services for fire-fighting facilities to provide customers a completely fire-proof equipment, design, installation and technical support, and help customers obtain fire approval qualifications.

(8) Fire Detection System (FLAME CHECKER)

The system is able to instantly detect the unique infrared and ultraviolet rays of the flame with a microcomputer, and its detection range can reach 50 meters. Installed with a system that can automatically detect malfunctions, the system is suitable for any location where smoke detectors cannot be installed.

(9) Fire Escape Series (TE)

The main equipment is the fire escape pack, which includes a smoke mask, oxidized fiber fireproof blanket, heat-resistant gloves, dual sound rescue whistle, and can also be sold separately according to customer needs. The new smoke mask can filter smoke in the scene and protect the user from being severely choked by thick smoke. The oxidized fiber fireproof blanket can be used to isolate and extinguish fire extinguishing source and is suitable for early stages of the fire or escape in important passages.

(10) Carbon Monoxide Detection Alarm Series (KD)

Produced by incomplete combustion, carbon monoxide is a colorless, odorless, extremely toxic and lethal gas that causes numerous serious casualties every year in Taiwan. The series of products can detect carbon monoxide concentration with advanced technology and act as an early warning mechanism. In addition, the Company has also introduced compound models with flammable gas detection or smoke detection features to provide comprehensive protection for the lives and property of individuals and families.

(11) Residential Standalone Fire Alarm (FA)

The product is suitable for kitchens, living rooms, bedrooms and stairwells, to protect the safety in the rooms. Its power-saving design allows the battery to be used for about 10 years. In the event of fire, the alarm generates a sound of 70db or more along with a warning light. The alarm can be easily assembled on the ceiling or wall without the need for wiring or additional constructions. The alarm stops when the smoke dissipates, the detector automatically stops the alarm to avoid unnecessary turmoil.

E. Access Control and Attendance System

(1) Basic Access Control System: Mifare (specifications same as EasyCard) Access Card Model

With this system, our customers can choose to open door lock in three ways (access card, password and access card with password). The components can be used for a single control electronic door lock, or with a controller and a computer management system to form a network system for access control management.

(2) Thermal Touch Password Electronic Lock

After setting, the user can use the Mifare card or EasyCard to open the lock, or unlock with the default password. Its design is in line with ergonomics. The lock combines the "My Vita" system and transitions its operation interface to the APP on smart devices, providing a diversified service solution, which is more in line with the trend of future changes. In addition to the thoughtful feeling of convenient living, the system also guarantees the necessary property security at business premises.

(3) Fingerprint Recognition Electronic Lock

With a maximum of twenty fingerprints, the whole family can register their fingerprints into the electronic lock, allowing all members to enjoy the safety and convenience of high technology. The lock also provides a set of changeable password to set the door lock so that the user no longer need to carry a bunch of keys and cards around. When an outsider attempts to open the door and enter the wrong password five times or without his fingerprint registered, the lock will start the 3-minute auto-lock, which will bring more security to the home life.

(4) Fingerprint Recognition System

The system can register 5,000 people and 10,000 fingerprints to manage access control. It can also be combined with PC network, attendance system and integrated customer back-end HR system for exceptional convenience.

(5) Cloud Access Control and Attendance System

The Company has fully updated the access control and attendance management software to support on-line instant browsing management on different operating systems such as PC, mobile phone or tablet. Through cloud computing, the platform automatically backs up attendance reports, and can instantly push various abnormal messages and announcements by APP, achieving full management through the internet. Users can log in to the platform with account, password and unique key generator. The system can also integrate access control products such as "Access Control + Attendance + Elevator Management + DVR Image + Image Control Management and Biotechnology System" to carry out real-time monitoring and management through remote connection.

F. Vault Series

(1) Large Modular Fireproof Vault

The vault, which is made up of six alloy steel plates, can be entered through different doors and cannot be removed after being installed. It is fireproof, heatproof, and unbreakable and is installed with electronic antitheft system, as well as a password lock that can freely switch between one million numbers, making it impossible to be freely opened and moved and is extremely safe and reliable.

(2) Large and Medium Commercial Fireproof Vault

The integrated fireproof vault cannot be dismantled, is highly safe, fireproof, heatproof and unbreakable and has an electronic anti-theft system. It has a password lock that can freely switch between one million numbers and cannot be freely opened and moved, making it fully secured.

(3) Medium and Small Home Fireproof Vault

With households as its main target, the vault is fireproof and unbreakable. Its locking structure consists of a cylinder lock and a password lock. In order to respond to internal crimes, the user can use the printer or computer display software (accessory) carry out confirmation of the operation record of the password lock. In addition, it can be connected to the sensor to monitor the switcher of the door and the cylinder lock.

(4) Medium Commercial Vault

The Vault is consisted of high-strength pure steel plate, laser cutting front, high-pressure integrated molding, making it impossible to be broken by men. Its hidden alloy rolling hinge can resist damage from all angles. The high-pressure integrated door frame of the vault is able to resist oil pressure tools. Its luxurious back design and rounded corner can help prevent personal injuries.

(5) Small Home Vault and Small Upcast Anti-hanging Vault

The Vault is consisted of high-strength pure steel plate, laser cutting front, high-pressure integrated molding, making it resistance to oil pressure tools. The uncast vault is used when the vault manager is absent or off duty, and others can also cast revenue and property into the vault for safekeeping. When abstracting objects from the vault, the manager has to open the door of the vault. In addition to being easy to manage, it also avoids the risk revenue being stolen or carried home at nighttime.

(6) Casting Vault

The traditional mechanical rotary vault with a front casting hole, its design embodies the spirit of segregation of duties. The vault is suitable for chain stores or small storefronts and is the basic style of an entry vault.

G. Detection System

(1) Outdoor Infrared Detection System (BORDER-N/BOREDR-W)

The System is specifically designed for the security for large outdoor areas. It can also run on solar energy, making it more power-efficient and eliminating the need for wiring. The security range of the system spans is up to 100 meters. The unique shape of its cylindrical makes it impossible for outsiders to tell the direction and height of infrared detection, improving safety performance.

H. Health Care Services (HC)

Taiwan is now an aging society. With the population of senior citizens over 65 years old surpassing 14% for the first time in 2018, Taiwan has met the threshold of an “aging society” defined by the World Health Organization and is facing issues such as short-handed care facilities and high cost of overall social care. With the increasing senior population and the need for welfare care, in the face of the aging population and the burden of health care costs for chronic diseases, health care service imported message and ICT (Information and Communication Technologies, ICT) has become an inevitable innovative model for the preparation of household care. The Company is committed to the development of IoT and health care services, providing customized service solutions for senior customers, working with the medical system to digitally apply and analyze data to lead family and personal health care and improving service accessibility and affordability.

In response to the global trend of elderly care in the local area, the Company actively uses technology tools to improve the quality and scope of health care for senior citizens, and to provide them with a healthy, safe, dignified, comfortable and convenient quality of life. At the same time, we also focus on the health management of the daily life of elders by monitoring and recording the physiological data of the user with IoT technology on a daily basis to meet the needs of the users.

At the end of 2018, the Company introduced the smart mattresses by which the user’s physiological data can be recorded in real time without wearing any other smart devices and it can improve sleep quality. The data collected in the users’ everyday activities will be provided to medical units to help improve quality of care.

In the future, the Company plans to carry out a cross-industry integration of medical equipment’s, assistive devices, elder tourism, health care products, physical examination center and healthy diet into mobile health management, and provide different care modes to improve the health of elders anytime, anywhere.

(1) Personal Monitoring of Physiological Data

- Through the wireless transmission of physiological measurement equipment (such as sphygmomanometer, blood glucose monitor, ear Thermometer, weight scale and body fat monitor, etc.), personal health status is uploaded to the health care cloud platform, to establish a complete measurement record.
- Secom health APP or Secom+ LINE@ Instant search and measure.
- Measurement reminder and abnormal record care
- Provision of online health advisory
- Personalized health data analysis and recommendations provided by nurses, and health reports sent to home on a regular basis.
- Weekly telephone check and providing care and support.

(2) Public Health Monitor Station

- Provision of personal ID of health account
- Measurements include HRV testing (providing heart quality, sleep, mood, stress, fatigue index and positive/negative body constitution), blood pressure, temperature and body fat (weight)
- Measurement record uploaded to health care cloud platform
- Secom Health APP or Secom Health+ APP real time description and suggestions for measurement results
- Push reminder for Overtime measurement or abnormal measurement result by Secom Health APP
- Provision of health advisory service to the public
- Linkage to medical units and provision of drug delivery service by pharmacists

(3) Emergency Services for Solitary Elders

- Emergency notification sent by registered nurses to the family or police unit upon the

solitary elder presses the emergency button
- Daily self-report service
- Report system for homecoming elders to ensure their whereabouts
- 24-hour notification of emergency contact or police unit service
- Weekly telephone check, providing elders with care and support.

(4) Home Service
- Professional caregivers accompany elders unable to take care of themselves to seek medical care
- Assist in the purchase of essential necessities, food and drink, medication, housework and paperwork
- Help the elders to bathe and clean, turn over and take back, etc., taking into account the daily life and physical care of the elderly.

(5) Drug Delivery Service by Pharmacists
- Provision of drug delivery service to households by professional pharmacists
- With the continuous prescription for chronic diseases prescribed by doctors, the chronic disease drugs that must be collected by the hospital in person every month are sent to households by the pharmacist who holds the professional license, and provide free information and precaution, saving time and inconvenience of commuting to hospitals and saving more processing time to make the elders feel more comfortable taking drugs
- The service currently covers Taipei City, New Taipei City, Keelung City, Taichung City and Kaohsiung City and will continue to expand to other areas.

(6) Smart Electric Bed Set with Voice Assistant
- Provisi on of assistive device (and smart voice control) leasing service
- Bed and light control by voice
- Smart mattress and electronics control linkage
- Sleep quality recording and management and LINE@ notification push
- Management and tracking of Abnormal leave of and stay in bed

I. Cloud POS Store Management System (MyBiz)

In order to provide a complete solution for modern business activities, strengthen research and development results and integrate with existing products, the Company has launched the Cloud POS Store Management System APP, MyBiz. It combines storefront management, monitoring and anti-theft features into one single application, leading the industry to provide comprehensive professional services for catering, retail and franchise companies through leasing.

(1) Cloud POS Store Management System-Catering Edition

The system is specifically designed for the basic management required by the catering industry, which is convenient for customers to carry out various system operations and displays, such as ordering, meal combination, promotion, desktop display and checkout, etc., as well as various unique functions such as cloud attendance software and instant uploading and backup of checkout data, which can help avoid human error, make delivery of food more efficient and let the store owner easily manage and master business information. The system also uses rental services, and the user can choose between PCs, tablets or other mobile devices according their need to order for meals. Selection of software application and peripheral products can be adjusted at any time according to needs, making management more economically efficient.

(2) Cloud POS Store Management System-Retail Edition

The system is the ERP software specifically designed for the retail industry. With features such as customer transaction details, inventory transfer, inventory loss adjustment, inventory management, purchase and sales management, customer data management, etc., the system is able to simplify in-store inventory operations, reduce inventory, increase turnover of goods. It also has a number of unique features such as cloud attendance software and instant upload and backup of checkout data. The system also uses rental services, and the user can choose between PCs, tablets or other mobile devices according their need to order for meals. Selection of software application and peripheral products can be adjusted at any time according to needs, making management more economically efficient.

J. AED Life Security Integration System

Integrating existing business research and development results and service energy, the

Company exclusively launched the AED back-end connection management service system (the AED caring system) to comply with government regulations to actively promote the deployment of AED (Automated External Defibrillator) equipment installed in the eight major public places and other public and private area and to provide users with better services. The system is able to monitor and control the AED conditions, such as door opening/closing, AED being taken out, abnormality of AED equipment, etc., on the site at any time to reduce the burden on the AED manager and ensuring the availability of on-site AED equipment.

In order to respond to the national AED policy and universal social awareness of life security and to raise awareness of remote residents for safety and the golden window for rescue, the Company and the Group’s foundation jointly started the “CPR+AED for Remote Resident” campaign in 2017 support the implementation of the public AED in local townships with actual action and achieve the goal of "CPR and AED for everyone, everywhere." We also cooperate with other property management companies and security companies to promote the "AEDs among Communities" campaign to share the concept with more people and families, and to avoid missing the golden window for rescue. In 2018, the Company and the Taipei City Fire Department jointly presented the “Safe Guardian APP” to call upon public for the awareness of emergency rescue. The "People's Guardian App" can be connected to the Dispatch Center of the fire Taipei City Fire Department. Upon receiving of a 119 call, the App will take the initiative to notify the nearby CPR "guardian", so that the people who are "guardians" can arrive before the ambulance to perform CPR or AED electric shock on the injured in time of the golden window of rescue and build a safe environment.

K. Community Solutions

(1) Smart Building Management Systems

Unlike any average antitheft system in the market, the Company understands the need for package service. As a respond to this demand and to the one-fixed-day-off-and-one-flexible-rest-day labor policy, we have specifically planned the “Cloud Security Guard” one-stop service for those with specific requirements by substituting nighttime police force with a smart building management system, we are able to help old communities to adapt to smart managing and strengthen loyalty of our community customers.

(2) Property Management System

The “Secom Cloud Butler” system is a property management platform and APP integration service. It is used by community customers in conjunction with the “My Vita Smart Security System”. This property management system fixes the common management problems of manpower and paperwork in the community with digitalized system. Through the smart App, the Secom My Vita online store is brought to the customer's eyes, increasing the exposure of the My Vita brand products. Additional features will be added to meet the needs of users in the future.

L. Disaster Prevention and Planning Service

(1) Earthquake Alarm Service

Using the characteristics of seismic wave transmission, when a less destructive bust faster P wave (initial wave, compression wave) is detected, a warning is issued immediately, so that the public can be able to respond before more destructive but slower S wave (second wave, shear wave) arrives and evacuate. According to the distance of the center of the earthquake, this could help save many seconds to many minutes of time.

(2) Disaster Prevention Monitoring System

Integrated with construction safety characteristics research, disaster prevention service operation, customer display platform, event control platform, action disaster investigation, monitoring data query and other technologies, the disaster prevention services is able to intellectualise its operation to achieve regular monitoring of building structures, real-time warning, disaster response, after-disaster diagnosis and recovery and other purposes.

M. My Vita Demonstration Center

The My Vita Demonstration Center is a one-stop service that takes the My Vita Platform as the starting point, and integrates the Group's resources that provide food, medical, residential, and entertainment services, making your busy life more secure and convenient. Whether for personal, family or business purposes, our customers are able to enjoy IoT smart service with ease. The demonstration center also provides high-quality products from TransAsia Catering Service, featuring its oil-free and sugar-free healthy meals and annual gift boxes to help the public endure a healthier diet.

N. New Retail E-commerce Service

In order to respond to the trend of the new retail era, and to strengthen the merchandising channel, in addition to the physical channels of the My Vita Demonstration Center, the Company continues to expand new channels and join forces with other industries. We are expanding from the traditional door-to-door marketing of our sales representative to multi-channel marketing. Through different consumer fields, we will discover potential customers and import consumer list in mass quantities. By providing customers with comprehensive, all-channel, uninterrupted service, we will be able maintain and further enhance the quality experience.

O. Home Repair Service

In addition to monitoring and disaster prevention needs in the building, home repair is also a burning issue in our customers' everyday lives. In April 2016, the Company officially launched the "Home Environment Cleaning Expert" service, a one-stop cleaning service for air-conditioning and home appliance, to sale a variety of installation, maintenance and cleaning services for household appliances and air conditioners. Through our unique 12-stage treatment, we can effectively sterilize and mold-proof air conditioners and bring customers a comfortable environment away from allergens. Starting from 2018, in response to the requirements of home customers, we have successively extend "Home Environment Cleaning Expert" cleaning service to water pipes, water towers and washing machines and have also accepted customers' order of home appliances, providing another growing force for the Company's revenues.

(2) Revenue distribution

Unit: NT$ thousands

Sales and % / Item	2018	
	Sales	(%) of Total Sales
Electronic system income	6,508,762	48.60%
Static guard service income	2,307,056	17.22%
Cash delivery income	893,812	6.67%
Logistics service income	952,162	7.11%
Other operating income	2,731,827	20.40%
Total	13,393,619	100.00%

*(the revenue is presented in net value)

(3) Current Products (Services) and New Products (Services) Development

A. Current Products (Services)

1. IoT Smart Security and Control System Service
2. MiniBond Satellite Positioning and Search Service
3. MiniBond Fleet Positioning and Management System
4. Digital Surveillance and Video Intercom System
5. Professional Fire Safety Planning and Construction
6. Access Control and Attendance system construction service
7. Building Environment Integration and Planning service
8. Surveillance Equipment Integration and Planning service
9. Cash (and bills) Carrier Service
10. Resident Security Guard Service
11. Smart Building Management Service
12. Smart Care Service
13. Public Health Station Service
14. AED Life Security Integration Service
15. Public Elderly Care Service
16. Cloud POS Store Management Service

17. AED Life Security Integration Service
18. Public Housing Security Solutions
19. Disaster Prevention Integration and Planning Service
20. My Vita Demonstration Center
21. New Retail E-commerce Service
22. Home Repair Service

B. New Products (Services) Development

a. Development of Cloud Attendance and Payroll System Development
b. Integration and Development of Face Recognition System
c. Development of MiniBond Eco-friendly Car System
d. Development of MiniBond Human Positioning System (NB-IoT/4G)
e. Development of AED Communication Module (NB-IoT)
f. Research and Development of New Functions (blue tooth communication/abnormality analysis /OBDII/4G) for the Secom Vehicle System
g. Development of Network Smart Mailbox
h. Development of Secom Cloud Logistics System
i. Research and development of new functions for the My Vita system (voice recognition/sensor/communication module)
j. Development of 119 Report Host
k. Research and development of public transportation NVR and video central management system
l. Research and development of low-power long-distance IoT platform (Sigfox/NB-IoT/LoRa)

5-1-2. Industry Overview

Since its establishment in1977, the Company has been leading the industry with the goal of becoming an industry standard. In the very beginning, we started from the basic passive anti-theft service and expanded to the current industry that has integrated multi-functional, high value-added, all-round social security system. Through the vertical integration and horizontal development strategy, our service including a variety of smart security control system services , digital surveillance system, access control and attendance system, fire system, professional vault, mobile satellite positioning, and search, fleet management, smart care service, public health station service, AED life insurance integration service, POS store management system integration service, introduction of smart green building projects, earthquake warning and other security related projects. The company has always insisted on the investment of research and development expenses, and under the drive of high-quality talents and R&D team, we have established a complete safety management integration solution for our customers. As we face the changing trend of a digital age, the application of AI, IoT (IoT; Internet of Things) and cloud (AI+IoT=AIoT) technologies will help us realize invisible requirements through big data analysis to achieve the ultimate goal of higher customer satisfaction. The Company's industry profile is described as follows:

1. The Company's business covers the public, commercial and residential areas. At present, the number of customers exceeds 200,000. We are the oldest and largest company in the domestic security system industry and have long been the leading brand in the market with the firmest foundation.
2. Under the influence of the development of science and technology and global competition, the simple anti-theft functions can no longer meet the needs of existing industry customers. In order to provide more thorough security peripheral services and added value for various formats and home customers, we have combined global trends such as green energy, environmental protection, disaster prevention, IoT, etc., to work towards the development of the role of an intelligent security integrated service provider. In the fourth quarter of 2014, we launched the “My Vita” service, utilizing existing competitive advantages (channel, platform, dispatch) and strong R&D integration capabilities to focus on six major life services – smart home, smart disaster prevention, smart home appliances, smart care, smart energy saving, intelligent anti-theft, actively research and develop applications that meet the needs of users. Through data collection and analysis, we have developed services that are closer to the living needs of consumers. As the IoT environment matures, more possibilities will be opened in the service areas.
3. The market for surveillance systems has entered a completion of red ocean strategies. After the video technology upgrade has turned into digital and cloud-based, in response to the remote monitoring demand of network technology popularization, it is necessary to continuously develop evolutionary

functions. In addition to providing a large central monitoring platform, we manage to give video data reliable transmission, storage and intelligent identification analysis, and will also move toward smart cloud analysis and processing in the future. With an emphasis on crowd control management, we will be guiding marketing development of the industry.

4. Fire systems are still focused on automation management and environmental protection. With the steady growth of market demand for cutting-edge technology, we will continue to introduce more innovative products and strengthen systemic performance in order to meet the needs of the market and amplify revenue results.
5. In addition to access management, the core development of the access control and attendance system integrates resources for payroll and attendance software development, and develops into a stable and expandable system that can be combined with various sensory equipment, such as license plate recognition, biometrics, smart electronic locks, and even extended POS systems for business management, etc., driving the momentum of the market.
6. The demand for high-quality and secured vaults has always guarantee steady growth in the market. In addition to ongoing development and introduction of relevant new products, the integration of the IoT concept and other system product is also a way to add value to the products and help us keep up with the ever-changing market demand.
7. The Company is the first in the industry to introduce mobile security services, breaking limits of fixed target security and expanding the protection to moving targets to provide location search and emergency service to children, elderly, women and underprivileged groups. Our services are also aimed at positioning and anti-theft notifications for auto motors and valuables. Recently, The Company's services focus on the development of APP functions in different types of vehicle management systems, such as dispatching system APP and refuse collection APP By providing an impeccable fleet management platform, we are able to help commercial users and government units to improve management efficiency with mobile devices and online inquiries at any time, and further realizing the improvement of efficiency
8. Instead of real-time monitoring and dispatching requirements of the commercial fleet, customers are more urgently in need of image monitoring and management. The Company is currently working on the development of a video vehicle monitoring and management system. When a vehicles collide or an abnormal situation occurs, the instant recording of the driving can help clarify the incident, further providing impenetrable protection and positioning for vehicles.
9. According the World Health Organization at the United Nations, when a society’s proportion of the elderly population over 65 years old reaches 7 percent of the total population, it is called an "aging society". When the proportion reaches 14 percent, it is called an "aged society". When it reaches 20%, it is called a "super-aged society." In 2018, Taiwan's population over 65 years old exceeded 14% for the first time, indicating that Taiwan is indeed an "aged society". It is also expected that Taiwan will become a "super-aged society" in 2025. Due to the burden of the cost of an aging society and the care of chronic diseases, our society has an increasing demand for daily care and welfare care for the elderly. According to researches by the Industrial Technology Research Institute, the market value of the health care market for elderlies is expected to reach US$108.9 billion by 2025, which is about 4.4 times higher than the US$24.6 billion in 2001. The Company actively invest in the integration of the integrated application of health care, electronic medical equipment and AI equipment, for instance, wireless physiological monitoring system, telemedicine, personal emergency report system, smart mobile care, multi-functional home care bed, portable ultra-sonic machine and multi-functional remote home care platform, etc. Through the Company's scheduled integration, we aim to take the perspective of the consumer and introduce information and other technologies, to provide the health care programs that meet the needs of the elderly, create new service models and product applications, and establish a profitable business model.
10. The security industry is no longer a competition for a single product or service. In order to be closer to customers, we have to observe consumer behavior and keep updated of the demand. In 2016, the Company opened the first My Vita Demonstration Cater on Yanshou Street, Songshan District, Taipei, and with localized services and application of the latest marketing tools (AR Technology, VR V Technology), we presented security concepts and applications to customers in a more specific way and operated towards an online and offline "O2O" direction.
11. More and more market players (Market Player), such as retail and logistics, enter the e-commerce market and invest in membership development, looking forward to creating a complete online and

offline ecosystem. In addition to the continuous effort of the "My Vita Demonstration Center" in local community and development of membership, we also collaborating with LINE, Facebook and other social platforms to develop potential customers. By analyzing and feeding back to the shopping and browsing information collected by the CRM from both sides, we can create a win-win situation and provide added value for the customers of both parties.

12. In order to be close to the family market and have a more life-oriented interaction with customers, the Company launched a series of home cleaning service, such as air-conditioning sterilization, water pipes and washing machines cleaning, , household appliances, home appliances. The home cleaning industry is a perfectly competitive market, meaning that there are many competitors in the industry. The quality of our competitors tends to vary rapidly and they are constantly engaged in a price competition. Therefore, only by ensuring stable service quality, prompt maintenance and after-sales service, and combining mobile devices to achieve complete online and offline services, can the Company thrive in this competitive market and maintain a competitive edge.

5-1-3. Research and Development

(1) Research and dvelopment epenses in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

2018	NT$ 105,347 thousands
2019 (up to the date of publication of the annual report)	NT$ 25,739 thousands

(2) Research and Development Achievements

1. Research and development of surveillance equipment malfunction signal system

In recent years, with the increasing emphasis on the materials and personal safety of consumers and government agencies at all levels, various facilities such as storefronts, offices, homes, neighborhoods, schools, roads, etc., are equipped with surveillance systems to transmit images to the screen of the central monitoring computer. User are able to not only monitor real-time footages to act immediately when any suspicious situation occurs, but also use the 24-hour recording as evidence for future investigations.

Although surveillance technology is becoming more mature and advanced, technologies such as device reliability, network digitization, high-resolution image quality, high image compression ratio technology, image balance under low illumination or strong light, and intelligent image analysis are constantly evolving and updating. Because the monitoring is carried out by human, equipment malfunctions are usually hard to detect, causing difficulty to react in the moment it occurs, or it would be later discovered that the system has already shut down for quite a while.

As a provider of social security services, Secom has established a control center, and trained professional control personnel to immediate grasp the occurrence and handle any abnormal events 24 hours a day. In order to solve the above problems, especially when the image monitoring equipment has malfunctioned without being discovered or even being discovered but is yet to be repaired, the Company has developed a signal malfunction signal system, once the equipment malfunctions, the control center will be acknowledge of the abnormal situation in real time and notify the customer to confirm in his earliest convenience. If the malfunction is still not ruled out, we will arrange for the nearest Secom service base to dispatch workers to provide repair and maintenance service on the site. The features of the system include,

- Upload of malfunction signal to the Secom control center

  In the event of the hard drive failing, camera signal weakened or interrupted, the recording stops, the external network interrupted, or the external sensor in abnormal contact, the abnormal signals generated by these malfunction are immediately transmitted back to the Secom control center. When the computer system of the control center receives these signals, the malfunction will be displayed on the central monitoring screen by different categories. At this time, the controller will start to confirm whether the fault signal can be eliminated in the first time according to the standard operation procedure. In addition to informing the customer, when necessary, the dispatch of maintenance technicians will be arranged to contact the customer and arrive at the site to eliminate the fault signal and restore normal operation of the system.

- Malfunction push notifications sent to customers

  When the malfunction signal is generated, in addition to immediately uploading to Secom control center, Secom will also send the message to the device manager through instant push service, so that the customer can also be acknowledged of the situation regarding the equipment, wiring or network in real time and check in person.

- Professional Secom service network

  Secom has established professionally trained technical service engineers in its branches across the nation to understand, plan and confirm the diversified needs of customers, as well as using mobile APP or computer to digitally archive customer needs in the Secom cloud information system.

  After the malfunction signal is generated, Secom's automated information system, based on its judgement and the time of malfunction, will notify the branch office according to the standard operation procedure. The service engineer and the customer will establish further contact and schedule for the repair, allowing customers to enjoy exclusive services.

2. Research and development of video GPS fleet management system

   With the ever-changing technology and technique, more applications in different fields have been created. In the security industry, customers are no longer limited to static traditional asset management such as anti-theft, fire detection, access control, monitoring, etc., and thus derive to the level of management of moving objects. Therefore, there is increasing demand for applications of 3C products in the security industry, for example the use of IOT, etc.

   Internet technology is constantly evolving, especially the increase of network speed and transmission volume, and the application field is more and more diversified. Among them, the change of consumer shopping habits has created the prosperity of online shopping, which has further boosted the logistics industry. Transportation has become an essential part of today's human lives. Whether it is a carrier or a cargo, it is hoped that the people or goods can be safely and punctually transported to their destinations. In order to achieve this goal, it is necessary to rely on the relevant software and hardware to carry out such management, and thus highlighting the importance of the "video GPS fleet management system", so that people can arrive "on time and safely", and relevant images and alarm data (such as lane offset, collision, over speed, GPS, etc.) can be used to analyze the driving behavior of people through big data analysis, reducing the occurrence of accidents, and the loss of personnel, property and company reputation. In the event of an accident, the instant footage and alarm data can also be analyzed afterwards to facilitate the subsequent clarification of the situation at the time of the incident, which can be used as a basis for improvement of overall safety, achieve the essence of the "security" of the Secom philosophy. The features of the system include,

   - Central monitoring service

     The Secom control center can monitor the condition of the equipment at any time and provide the services required by the customer immediately. In the event of any equipment exemption, the control center will take the initiative to contact the customer. In addition, the center also provides alarm and collaborative searching services.
   - Complete information acquisition (GPS positioning, video surveillance and recording, abnormal alarm report, driving record report) can be accessed or monitored by the internet or APP on computers or mobile phones to become a central management system. Features required for fleet management, such as remote monitoring, video playback, GPS tracking, event alerts, etc., are also provided.
   - GPS positioning and tracking to display real-time position and driving trajectory on the map, and keep updated of the position of each vehicle at any time.
   - Video recording of each channel is independent and can be stored on the hard drive.
   - Instant footages can be viewed simultaneously and multi-segmented, as the picture is presented in a nine-segment picture.
   - Video files can be backed up to the USB flash drive at once and played on the computer.
   - Provision of relevant driving information, including speed, idle speed, ACC ON/OFF, mileage and other driving conditions, abnormal report, including hard error, Video Loss, SOS, and even external thermometer or anti-theft device, can report temperature data and abnormal report of the anti-theft device can be closer to the various needs of the customer.

3. Research and Development of IoT Wireless Sensors (energy saving type)

   In the past few years, the importance of the stability and continuous use of IoT front-end equipment has been the valued in Secom when providing customers with safe and convenient services and collected huge amounts of information. While predicting that the front-end equipment is being deployed in large quantities, the power consumption of the parts that were previously designed in the product must be minimized as much as possible. In order to maximize battery life, the generated current must be kept to an absolute minimum, and to achieve this, low-power components and efficient technology must be used to interrupt components not in use. For the reduction of the power consumption of the equipment and improvement of the service life of the equipment, after continuous trial and improvement, the following projects have been completed,

- Reduction of unnecessary current loss in board circuits and parts of the equipment

  The circuit design must be micro-adjusted according to the nature of the chip and the part. In the layout process, unnecessary impedance should be prevented from generating in the circuit to increase the additional power consumption.
- Improvement of the fixing method of the battery base to provide a more stable current supply

  The traditional method of using shrapnel to fix batteries may lead to incomplete battery contact. The use of a fixed connector can avoid battery loss and increase the stability of the power supply.
- Enhanced design of antenna design to improve communication quality

  Antennas are a very important part of IoT equipment products when designing. Under the legally required emissive power, the antenna transmission and reception capability can be improved to maintain communication stability, and can also avoid battery loss due to poor signal caused by repeated beacon actions.
- The search for a stable and efficient battery

  Extend the continuity of product operation by matching the applicable and stable battery according to the nature of the endpoint device and usage.
- Enhanced endpoint devices and gateway wireless communications protocol

  Reducing the communication frequency of equipment and host without affecting the safety and normal operation of the system, and reduce the amount of necessary communication. All of the above can increase battery life.

For the operators who provide IOT services, the life and stability of the equipment battery directly affects the operating cost. With the continuous improvement of the power-saving solutions, it can not only reduce the unnecessary attendance costs, but also improve customer satisfaction.

4. Integration and development of the face recognition system

The access card and card reader commonly used in access control systems may seem considerably safe due to it low error rate, low equipment cost, and is anti-copy. However, biometrics, on the other hand, due to the personal biological characteristics of the user, the user isn’t required to carry additional objects, meaning that it is hard to be misused by others, and is more convenient and safer than cards.

At present, the most common case of biometrics used in access control and attendance systems is the fingerprint scanner. Compared with other biometric devices, such as finger veins, palm veins, irises, etc., the price of fingerprint machines is relatively affordable, meaning that it is more likely to be favored by users and has high market acceptance. .

With the evolution of biometrics technology and the introduction of face recognition by Apple's mobile phone, iPhone, face recognition devices have been a welcomed addition in the market for the past two years, leading the completion among brands. The product development in China is particularly fast-growing. Due the government’s support of the biometric technology, and the lack of concern of privacy, unlike most developed countries, the advantage of a gigantic population has been critical for the growing demand of the technology in China, providing a complete test platform with a large number of samples that make products more mature and competitively priced.

Due to the fact that face recognition is performed after the device collects relevant data, devices are usually capable of image capture. In the monitoring market, where imaging devices are widely used, the integration schedule of the device with the existing system has been accelerated.

Secom is committed to the development of security monitoring systems. The Company has also been improving the access control system for more than 10 years. Not only has the card reader evolved for several generations, but it has also integrated various biometric devices such as fingerprint scanners, finger veins scanner and first generation face recognition device. We expect to integrate a new type of face recognition device into the system to make improvements all at once and bring face recognition closer to the market, increasing sales

Functional item	First generation face recognition device	New generation face recognition device
Verification method	Face and card (card: limited to Mifare serial number)	Face, card and password (Secom card integrated)
Number of face recognition	300	1,500
Face device setting	●	●
Manual time adjustment	●	●
Shift setting	Plug-in module	Customizable
Employee goral setting	●	●
Employee mass permission download	●	●
Working hour time zone		●
Working hour time display		●
Face recognition group setting	●	●
Face recognition group report	●	●
Replacement of equipment	●	●

- Number of face recognition
  The number of face recognition of the first generation model was only 300, which is insufficient for small and medium-sized customers. The number of face recognition of the new generation model has reached 1,500, with an average one second recognition time.
- Shift setting
  The original model required additional device to display shift information, while the new model displays the information on its screen, reducing the cost of additional devices.
- Working hour time zone setting
  The original model did not provide time zone management for working hours, while the new model provides working hour time zone setting, making it more convenient for our customers to operate.

5-1-4. Long-term and Short-term Business Development Plan

(1) Future Development Plans

No.	Development Plan
1	Development of cloud attendance and payroll system development
2	Integration and development of face recognition system
3	Development of eco-friendly car system
4	Development of MiniBond human positioning system (NB-IoT/4G)
5	Development of AED communication module (NB-IoT)
6	Research and development of new functions (blue tooth communication/abnormality analysis /OBDII/4G) for the Secom vehicle system
7	Development of network smart mailbox 發
8	Development of Secom cloud logistics system
9	Research and development of new functions for the My Vita system (voice

	recognition/sensor/communication module)
10	Development of 119 report host
11	Research and development of public transportation NVR and video central management system
12	Research and development of low-power long-distance IoT platform (Sigfox/NB-IoT/LoRa)

(2) Development plan of the current year, current progress of ongoing R&D plan, additional R&D expenses to be invested, expected completion time of mass production, and main factors expected to affect the success of R&D in the future

R&D project	Current progress of ongoing R&D plan	Additional R&D expenses to be invested (in NT$ thousands)	Expected completion time of mass production	main factors expected to affect the success of R&D in the future
Development of My Vita ZigBee and RF sensor	• In Development	420	2019/09	Functional and technical specifications have been confirmed and development risks are low.
Development of 119 emergency report host	• In Development	545	2019/05	Functional and technical specifications have been confirmed and development risks are low.
Development of eco-friendly vehicle system	• In Development	None	2019/03	Functional and technical specifications have been confirmed and development risks are low.

A. Short-term Business Development Plan

(1) Product Strategy

a. Continue to view "wireless linkage and cloud analysis" as the core to expand customer life experience, and introduce more smart home products or brands into the "My Vita" product circle, such as new electronic locks, home-type wireless intercommunication systems, and provide customers with more Intelligent controlling options.

b. Use popularity and downloads of LINE to combine the "My Vita" service with LINE@ official account to vastly improve the convenience and satisfaction of customer operations.

c. In order to solve the problem of the increase of labor cost for community customers, My Vita provides smart building management monitoring and management platform, App to solve the shortage of manpower or operation, and continuously expands the solution (such as wireless intercom, automatic door control system, gateway system, etc.), strengthen loyalty of our customers.

d. Through the construction of daytime long-term care center and introduction of smart medical IoT technology applications, we are able to balance the medical resources between the regions, providing the home service from the daytime care center, and connecting the community with households, and setting up physical service channels. By cooperating with the government's long-term care resources, medical industry, community organizations and groups, we continue to expand the new channels for the Group's products and services to enter the community and households.

(2) Channel Strategy

a. Establish long-term mutually beneficial relationships with interest groups and communities, and let sales reach every market through an institutionalized distribution model.

b. Integrate various channels of the Group (such as My Vita demonstration center, financial public enterprises, etc.), and provide special product packaging for different industrial types to bring comprehensive benefits.

c. Participate in cross-industry collaborations, such as 3C channel, life insurance, etc. Through the reciprocal method of bonus/gift exchange, providing preferential content for customers of both parties, and reach different market segments to increase product visibility.

d. Invest in online advertising resources, pay attention to social network relationship management, and establish a direct communication platform. Through big data analysis, data management is used to conduct customer relationship management, further segmentation of customer categories and differentiated marketing, and it is expected to increase the output value of each customer's contribution revenue.

e. Optimize website to become a new channel for customer development. In addition to using network exposure, digital advertising, search engine optimization to improve word of mouse, the Company will operate official social networking sites, adding interactive games to potential consumers for the "Home Security" service experience and have a deeper understanding of My Vita services.

(3) Promotion Strategy

a. Attract public attention with the Company’s service and products, follow public policies or social trends to conduct strategic band communication, such as TV shows on specific topics.

b. In 2018, the Company invited international baseball player Jian-min Wang to act as the celebrity endorser of the “My Vita” brand. Wang’s sportsmanship and his compelling story of playing overseas match the values Secom conveys and the determination to overturn the stereotypes of the security industry.

B. Long-term Business Development Plan

(1) Product Strategy

a. Combined with cloud storage and analysis, supplemented by AI intelligent image recognition and two-way voice patrol, we aim to replace human labor, improve safety and perform early warning of abnormality, and can be applied across industries/

b. Perform big data analysis on historical data, identify high-value customer groups, develop and plan additional services required by each customer group, and strengthen the connection with customers.

c. Actively cooperate with cross-industry manufacturers to create new market demand and commodity services through sharing of resources and core capabilities.

(2) Channel Strategy

a. Integrate Secom product lines to create a blueprint for one-stop-shopping and total solution, regularly hold product presentations for different interest groups and corporate contacts to gain a certain degree of media exposure.

b. With the all channel business philosophy, combined with the business channels, demonstration centers, the life of the store, and the virtual and real channels of Strategic alliances, the Company will form the “My Vita Life Circle” and make good use of the data driven community, CRM and big data to provide exceptional service to loyal members and promote accurate marketing.

c. In the future, we will reduce the proportion of human sales channels to actively seek cross-industry cooperation channels, and design exclusive activities to assess the growth potential of new markets and new channels.

(3) Promotion strategy

a. We are committed to elevating the brand awareness of the “My Vita” brand, familiarizing the mass market with and accepting the IoT service model of My Vita, and establishing a brand identity of “all-round security, peace, convenience and comfort”.

b. By building public relations, we are increasing the visibility of the Company in the media. With integrated multi-channel resources, we are creating opportunities for cross-industry marketing cooperation.

c. Because we value the importance to the industrial environment and corporate responsibility, we have established a corporate responsibility committee, worked hard to safeguard the interests of stakeholders, and established a diversified communication channel to form a good interactive relationship.

d. We have made good effort to be honored corporate social responsibility (CSR), national quality awards and other relevant certification, and have also gradually improved and strengthen the Company's structure and internal processes.

5.2 Market and Sales Overview

5-2-1. Market Analysis

(1) Sales (Service) Region: The Company's service areas are distributed in Taiwan, Penghu, and Republic of China.

(2) Market Share

The traditional security service industry is in full competition, and the market development has entered a mature stage. However, due to the rapid changes in science, technology and international competition, the demand for "safety" among citizens has been overturned. In order to maintain stable growth, we are constantly seeking opportunities for cross-industry collaborations and innovative applications to enrich the “My Vita” product line and exceed our customers' expectations. At present, the number of customers in the service has exceeded 200,000, making Secom the leading brand and model company of the industry.

(3) Market Supply and Demand Situation and Growth in the Future

With techniques of AI, image recognition, NB-IOT and voice control, the young and middle-aged generations have different ways to interact with “safety”, this also brings new prospects for the future. Due to the popularity of technology and the lowering of technical thresholds, the public has a deeper concept of the application of IoT. In the future, the acceptance of wireless smart systems in the consumer market will indeed increase.

As world-renowned large enterprises continue to invest in the application of IoT, the security industry is facing many challenges. Even so, overviewing the Taiwan market, most of the demand for security control industry in the country still relies on 24-hour remote control services. To households and enterprises, the crisis management of immediate dispatch is still a key value that cannot be replaced. This is also one of the competitive advantages of the Company.

The company took the lead in launching the AIoT (AI+Internet of Things) concept of security services at the end of 2014, combining the Microsoft Azure cloud platform with big data analysis, customer relationship management (CRM). With the emphasis of IoT combined with cloud analysis, the concept is dedicated to create tailor-made active care and personalized smart home services for each individuals. We expected this will expand the market and create a win-win situation for the Company and users.

(4) Competitive Advantage

The Company adheres to the principle of "customer safety, service first" and has invested billions to become the first in the industry to establish five centers, information center, control center, research and development center, the country's largest security industry education and training center, and customer service center, the direct channel for 24-hour customer complaints.

In the face of the ever-changing criminal tactics, in addition to the R&D center's improved, well-developed and intelligent security products, we also collaborated with Japan's largest security company SECOM (SECOM Co., Ltd) to synchronize with the international market and introduce the latest smart security control system or disaster prevention products from time to time.

The Company has always adhered to the principle of "providing service before demand, caring based on humanity" and viewed the establishment of a complete social system industry as the main duty. With the legacy of over thirty years of security control experience, the Company's service network reaches every corner of Taiwan.

In every small step, we check the customers, save the cost and risk of misunderstanding, win the trust of the customers, and maintain the leading position in the industry. It naturally becomes a competitive advantage that the industry can't match. We have managed to keep our customers’ best interest in mind for every small step, save the cost and risk of mistakes, win the trust of customers, and maintain the leading position in the industry. This naturally becomes a competitive advantage that the industry can't match.

5-2-2. Favorable, Unfavorable Factors and Countermeasures

(1) Favorable Factors

A. The operating scale of dense service that spreads throughout Taiwan, the rich practical experience of entering the market at the earliest, the demand for security control services based on the trust of the people, and the effect of word of mouth, are the advantages the Company has in the market.

B. The depth of the Company’s products is able to provide multiple security solutions while integrating the Group's resources to create more opportunities to reach different markets are provide exclusive security planning services.

C. With the technical ability of wireless transmission and integration, and one-on-one custom planning, the Company has a high degree of equipment expansion to help customers connect smart mechanisms with ease.

D. The Company, as a TWSE-listed company, has the strong financial system and sufficient resources to invest in innovative services.

E. The collaboration of technology and market information with SECOM (SECOM Co., Ltd.), the largest security brand in the Japan helps keep us updated with the latest market trends.

(2) Unfavorable Factors

A. With the advancement of science and technology, the life cycle of goods is becoming short and rapid. In a highly competitive environment, for organizations, effective cost control and internal value chain management are the key to success and failure in many product lines.

B. Affected by an unsteady climate in politics and the economic, local and overseas, (for example, the US-China trade war), the lack of confidence in business investment and consumerism are risk to the market growth and corporate operations.

C. The lack of stability is making fresh graduates vulnerable to external environment and stresses, resulting in higher resignation rate and education and training costs.

D. Cross-border potential competitors emerge, such as Apple's Homekit platform, which converts an iPhone or iPad into a command system for many smart home devices such as thermostats, garage doors or door locks. Users can manage all smart home devices that are compatible with the HomeKit platform through this application, instead of installing an app for each home product.

E. In the business of e-commerce, domestic and foreign e-commerce companies not only have a complete logistics mechanism and a rich product line, but also continue to bet on advertising and marketing resources, and actively seize market share. In addition, the cost of domestic logistics continues to rise, which in turn reduces the gross profit margin of merchandise sales.

(3) Countermeasures

A. The use of consumer data, big data, and enhanced accurate marketing

(1) Continuous use of cross selling and bundling selling to increase the unit price for each consumer.

(2) Online and offline seamless integration services adopted by a channels to enhance the consumer's experience, stay close to the ultimate consumers, and reduce logistics costs.

(3) Big data to provide personalized product information and recommend customized products.

(4) Through the experience of members, analyze the advantages and disadvantages of commodities. Increase sales to people with the sales of goods.

B. Carry out marketing with a story and increase click rate and cross-selling opportunities on e-commerce platform

(1) Card-based webpage presentation and optimized links to articles make it more appealing for users to browse and click on.

(2) Articles are added with social networking features, making it easier for platform member to share information and carry out viral marketing.

C. A communication platform with social networking as its major purpose (CRM)

Membership system: increase customer loyalty through member discounts, bonus spending, and point redemption for customers such as neighborhoods, employees at commercial system customers, home system customers, etc.

D. Develop indispensable life service for customers, such as companion services, home appliance air conditioning repair and procurement services, water pipes and washing machine cleaning, etc., to break the price of traditional market services and the uneven quality of service providers. Expand the existing service market, and give customers a better option. In the near future, we will look for partner who complement and benefit with the Company’s resources to form strategic alliances and create a smart life circle and deepen the width and breadth of services.

E. In order to keep updated with potential market information, we provide more real-time management and marketing tools, such as the My Vita mobile quotation and signing System, which can help operate business anytime, anywhere, without restrictions of the environment, and can make quotations, save information of potential customers at any time, carry out electronic signing and provide product information, speeding up the response time to the market.

F. The establishment of a unique community channel will bring demonstration center services into the neighborhood without any trace. Services such as setting up health measurement stations in the center, increasing cross-industry cooperation, health care courses (for example, junior medical technician program, junior medical technician AED scavenger hunt) that we hold are different from other channel businesses. The My Vita demonstration center is becoming the spiritual charging station for the community.

G. In order to actively build a talent pool and develop training programs, we established the Secom Academy website in 2017, and gradually implement knowledge management in the usual personnel training. The preserving and sharing of experience will help accelerate the replication and re-engineering of quality business apprentices. Since 2018, the Company has provided opportunities for business apprentices to visit SECOM foreign branches to increase information and talent exchange for business development

5-2-3 Main Application and Production Procedure of Major Products

1. Main Application of Major Products

Major Service	Main Use
Electrinic security system	With the use of communication network and computer equipment, and collabortion with professional electronic security equipment and personnel to maintain the safety of customers' lives and properties.

2. Production Procedure: production has been outsourced

5-2-4. Supply Status of Main Raw Materials

The Company's main materials and security-related equipment are imported from abroad, through technology transfer from the Japanese company SECOM and developed from the Company's R&D department with outsourced manufacturing by local venders.

5-2-5. Any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in the two most recent fiscal years

A. Based on the number of suppliers and their procurement amount and proportion that accounted for more than 10% of the total procurement amount: There is no supplier accounting for 10 percent or more of the company's total procurement amount in the two most recent fiscal years.

B. Based on the number of clients and their procurement amount and proportion that accounted for more than 10% of the total sales amount: There are no clients accounting for 10 percent or more of the company's total sales amount in the two most recent fiscal years.

5-2-6. An indication of the production volume for the two most recent fiscal years: Not applicable.

5-2-7. An indication of the volume of units sold for the two most recent fiscal years:

Unit: NT$ thousand

Item \ Year	2018				2017			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Electronic system service	-	6,508,762	-	-	-	6,534,377	-	-
Static guard service	-	2,307,056	-	-	-	2,263,310	-	-
Cash delivery service	-	893,812	-	-	-	880,983	-	-
Logistics service	-	952,162	-	-	-	985,983	-	-
Other	-	2,731,827	-	-	-	2,379,694	-	10,409
Total	-	13,393,619	-	-	-	13,044,347	-	10,409

5-3. An overview of employees for the two most recent fiscal years and during the current fiscal year up to the date of publication of the annual report

		2017	2018	Current year to 2019/03/31
Job	Salespersons	557	514	510
	Service Engineers	4178	4361	4274
	Manager	365	373	368
	Technicians	802	809	796
	R&D Engineers	83	83	83
	Others	2935	3018	2925
	Total	8920	9158	8956
Average Years of Age		39.30	40.17	40.88
Average Years of Service		6.20	6.35	6.55
Education	Ph.D.	0.00%	0.40%	0.40%
	Master’s	4.31%	6.06%	5.80%
	Bachelor’s	55.08%	54.06%	56.10%
	High School	32.77%	31.67%	31.94%
	Lower Schools	7.84%	7.81%	5.76%

Source: The Company’s data

5-4. Disbursements for environmental protection and social responsibility information

(1) The main business field of our company is to provide security service, and there is no situation wherein we polluted the environment, thus our company has no disbursements for environmental protection. In order to coordinate with the government's environmental protection policy for sorting garbage and not generating plastic bag trash, our company actively disseminates and encourages the employees to do environmental protection work. Taiwan Secom Cultural Foundation also holds various environmental protection and volunteer activities.

(2) In 2018, our company donated NT$14,872 thousand to educational institutes, cultural institutes, and research institutes including Taiwan bands, Taipei Veterans General Hospital and several social welfare foundations related to culture, art and education to make a contribution to the society.

5-5. Labor Relations

(1) Human resource management:

A. Relationship and communication with employees: The Company maintains a good relationship with employees and there is no labor dispute or serious dispute during this year.

B. Communication of labor and management: The Company regularly holds a management and labor council to communicate with each other and periodically holds a communication meeting depending on the actual needs.

C. Retirement system: The Company allocates the retirement funds from the old system and deposits these funds to the special-purpose bank account in the Bank of Taiwan; the company voluntarily contributes to the retirement funds and deposits these funds to the personal retirement account of employees in accordance with the law. There are 33 retired employees in accordance with the law this year.

D. The company hires disabled employees and aboriginal employees in accordance with the law and conducts measures for prenatal leave, accompanying maternity leave, family care leave and unpaid parental leave for raising children in accordance with related laws and regulations. There are 126 employees applying for family care leave, and there are 17 employees applying for unpaid parental leave.

E. The company organizes promotion work regarding corporate governance and enterprise ethics including insider trading prevention, handling inside information, personal information protection, management measures, etc. This is combined with the performance management system and a definite award and discipline system was also set up.

F. The company allows internship of students from institutes of higher education during the summer vacation for four to five weeks. There are a total of 10 people this year including 8 people from Ming Chuan University and 2 people from Chinese Culture University.

G. The company cooperates with the CSR certification of the company, completes relevant certification requirements for the human resource management, and publishes it on the website of the company.

(2) Human resource development (HRD):

A. Our company established a professional training and education department that is in charge of training employees and cultivating high-quality talents for the sustainable growth of the company. Our company spends more than tens of thousands of NT dollars in education and training expenses. The invested resource is quite dramatic which also gained a silver medal from the TTQS training quality evaluation.

B. The training and education unit is attached to the Vice Chairman’s office (there is a total of 15 people including supervisors and trainers.) They technically undertake the centralized training of staff in the headquarters and orientation training and other related matters in the branches (including employee counseling). They also set up several multifunctional training and education classrooms in Taiwan.

C. The training structure is mainly based on seven programs (operations, service, management, administration, innovation, cultivation and exclusive field program) in order to suit the demand of all positions and capacities, private security service act, occupational safety and health act, etc. The training course is as follows: the career life training of “business executive and service engineers (SE)” is divided into a one-year training program for new employees, annual intensive training and annual cadre training. Except for business executives and SEs, new employees undergo the SECOM vocational training, SECOM growth training, personal staff training, agency management associate training, supervisor training and charging meeting for executives (celebrity speech and book club), etc.

D. In order to strengthen the ability and capability of employees from all units, the company implements various job training (JT) programs through the morning paper, the evening paper, honor unity and monthly meeting in branches and management offices to develop team consensus and practice all kinds of skills of colleagues.

E. In this era of explosion of knowledge and the advent of the times for license, to sufficiently make use of external training resources, our company formulates external training measures (cost subsidy) to encourage employees to continue to learn and be inspired to expand their vision and strengthen their competitiveness. The company also encourages employees to accept job education programs in school.

F. To maintain the service quality, the company focuses on the technical ability of the service employees and regularly organizes an annual skills test to check if the technical ability of the service employees reaches the standard for all levels. The employees who passed this skills test gets a reward.

G. Set up a ”MyVita+ Planner’s Competence” test to check the professional ability of the employees ”MyVita+” and organizes a database for ”MyVita+” sales talents as reference for future appointments and promotions.

H. Cooperates with the extension of ”MyVita+” system and integrate the applied service with the Internet of Things(IoT). Apart from basic product training of safety monitoring, the company shall also strengthen the basic knowledge for other professional fields, for example: Smart Disaster Prevention, Smart Care, Smart Home Control System, Smart Energy-saving System, Smart Security System, etc.

I. To strengthen the ability and capability of service employees, the company revised the SE new employees training course (6 days) which new employees undergo upon arrival and within 30 days from their first day on the job and trained by the auxiliary staff in all regions for basic service training1 (in resident area /4 days) and basic service training 2(intensive training /4 days). The company constantly optimizes the educational training platform “SECOM Elite School”. The website address is as follows: http://school.secom.com.tw/

(3) Welfare measures:

A. Salary: The Company gives a Dragon Boat Festival Bonus, Moon Festival Bonus, and Spring Festival Bonus depending on the annual operating status. There is also bonus sharing.

B. Provides the uniforms: The Company provides the uniforms for the service personnel on the front line to reduce the wardrobe cost of employees.

C. Employee insurance: For the employee’s insurance and occupational safety, the company provides Labor Insurance and Health Insurance in accordance with the law. Besides, the company provides group medical insurance for employees which is paid in full by the company.

D. Arranges insurance coverage at liberty: Provides “Safe as Rock Insurance” low insurance premium and allows employees and their spouse and dependents take advantage of this offer if they like in order to increase their protection from economic risks.

E. Health care: The company organizes health examinations for employees and supervisors. The company sets up a physical fitness center in the headquarters to provide employees sports and entertainment activities and organizes the parents-children activities, such as health lectures and art lectures. The company sets up a professional massage service in the technology building in Neihu district.

F. Other welfares: Provides educational assistance for employees and their children, birthday gift, Dragon Boat Festival, Moon Festival, and Spring Festival bonuses, subsidy for marriage, childbirth and funeral coverage, subsidy for hospitalization, emergency loan and subsidy for club activities.

5-6. Important Contracts

Type of contract	Party	Contract Duration	Contract content	Restrictions
Operational and technical cooperation contract of security business and other businesses	Taiwan Secom Co., Ltd. (Party A) SECOM Co., Ltd (Party B)	2018.4.14 ~ 2023.4.13	(1)Provide the associate with all kinds of equipment of disaster prevention, burglar prevention, and fire prevention and technical data of the security system to speed up the plan and installation work of the security system and make it more efficient. (2)Agreement on intellectual property rights. (3)Reach the operational goal of managing rationalization and managing efficiency through professional knowledge of security business and the security system which was provided from technical staffs in order to offer the customers with high-quality service of the security system. (4)Provide professional knowledge of the marketing method and estimating method for the rent of a security system to efficiently expand the sales network and increase the profit margin. (5)Provide various management manuals and send technical staffs to assist for guidance, advise, speech and training to dramatically increase the professional knowledge and technique of technical staff of the associate. During the cooperation period, there is 1 permanent instructor in the company of the associate. The company should send technical staffs to teach for several times in the Republic of China every year, and the company sends a couple of technical staff every time.	(1) Party A could grant theimplementation of Intellectual Property to the third party inside of the "region." The implementation of the contract shall not be turned over to a third party without the prior written consent of Party B. (2) Any agreement on Intellectual Property could not be used outside of the "region."

Note: The "region" means the area under the jurisdiction of the Government of the Republic of China

VI、FINANCIAL INFORMATION PROFILE

6-1. Condensed Balance Sheet and Income Statement in the Past 5 Years

6-1-1. Condensed Individual Balance Sheet

Unit: NT$ Thousand

Item \ Year		Financial Information of the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current Assets		2,185,289	1,812,185	2,272,740	1,990,918	2,408,678
Property, Plant and Equipment		3,575,551	5,020,236	4,966,761	5,185,551	5,023,609
Intangible Assets		67,447	65,375	75,087	80,967	73,197
Other Assets		10,502,798	10,377,492	9,914,329	10,519,284	10,643,723
Total Assets		16,331,085	17,275,288	17,228,917	17,776,720	18,149,207
Current Liabilities	Before Distribution	4,068,522	4,876,902	5,009,662	4,717,344	5,576,402
	After Distribution	5,873,310	6,681,690	6,588,852	6,522,132	-
Non-current Liabilities		1,651,247	1,731,893	2,682,980	2,937,228	2,253,384
Total Indebtedness	Before Distribution	5,719,769	6,608,795	7,692,642	7,654,572	7,829,786
	After Distribution	7,524,557	8,413,583	9,271,832	9,459,360	-
Share Capital		4,511,971	4,511,971	4,511,971	4,511,971	4,511,971
Additional Paid-In Capital		702,372	783,811	853,577	691,334	724,912
Retained Earnings	Before Distribution	5,550,062	5,720,665	4,524,298	5,338,810	5,541,725
	After Distribution	3,745,274	3,915,877	2,945,108	3,534,022	-
Other Equities		142,693	(61,565)	(65,182)	(131,578)	(170,798)
Treasury Stock		(295,782)	(288,389)	(288,389)	(288,389)	(288,389)
Total Equities	Before Distribution	10,611,316	10,666,493	9,536,275	10,122,148	10,319,421
	After Distribution	8,806,528	8,861,705	7,957,085	8,317,360	-

6-1-2. Condensed Consolidated Balance Sheet

Unit: NT$ Thousand

Item \ Year		Financial Information of the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current Assets		7,589,065	6,568,147	7,290,996	7,814,033	7,766,130
Property, Plant and Equipment		5,382,038	6,896,580	7,200,646	7,222,354	7,016,933
Intangible Assets		326,041	353,517	481,148	486,496	430,940
Other Assets		6,601,908	6,453,913	5,269,719	5,400,795	5,674,176
Total Assets		19,899,052	20,272,157	20,242,509	20,923,678	20,888,179
Current Liabilities	Before Distribution	6,688,900	6,958,347	7,245,663	7,115,819	7,480,454
	After Distribution	8,493,688	8,763,135	8,824,853	8,920,607	-
Non-current Liabilities		2,139,140	2,214,918	3,062,612	3,253,545	2,606,987
Total Indebtedness	Before Distribution	8,828,040	9,173,265	10,308,275	10,369,364	10,087,441
	After Distribution	10,632,828	10,978,053	11,887,465	12,174,152	-
Equities Attributable to Shareholders of the Parent		10,611,316	10,666,493	9,536,275	10,122,148	10,319,421
Shared Capital		4,511,971	4,511,971	4,511,971	4,511,971	4,511,971
Additional Paid-In Capital		702,372	783,811	853,577	691,334	724,912
Retained Earnings	Before Distribution	5,550,062	5,720,665	4,524,298	5,338,810	5,541,725
	After Distribution	3,745,274	3,915,877	2,945,108	3,534,022	-
Other Equities		142,693	(61,565)	(65,182)	(131,578)	(170,798)
Treasury Stock		(295,782)	(288,389)	(288,389)	(288,389)	(288,389)
Non-Controlling Interests		459,696	432,399	397,959	432,166	481,317
Total Equities	Before Distribution	11,071,012	11,098,892	9,934,234	10,554,314	10,800,738
	After Distribution	9,266,224	9,294,104	8,355,044	8,749,526	-

6-1-3. Condensed Individual Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Information of the Most Recent Five Years				
	2014	2015	2016	2017	2018
Revenue	6,565,051	6,830,160	6,893,000	6,989,637	6,909,346
Gross Operating Profit	3,323,340	3,450,551	3,548,202	3,477,559	3,425,157
Operating Profit and Loss	1,451,726	1,533,686	1,662,230	1,526,990	1,570,095
Non-Operating Income and Expense	885,880	838,196	(862,010)	890,647	743,937
Income Before Tax	2,337,606	2,371,882	800,220	2,417,637	2,314,032
Current Net Profit and Loss of the On-Going Operating Unit	2,033,942	2,062,441	615,314	2,205,567	2,046,828
Profit and Loss of the Non-Operating Unit	-	-	-	-	-
Current Net Profit	2,033,942	2,062,441	615,314	2,205,567	2,046,828
Current Other Comprehensive Income (net amount after tax)	(31,490)	(291,308)	(10,510)	(103,860)	(64,768)
Current Total Comprehensive Income	2,002,452	1,771,133	604,804	2,101,707	1,982,060
Earning Per Share (dollar)	4.62	4.68	1.40	5.00	4.64

6-1-4. Condensed Condensed Consolidated Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Information of the Most Recent Five Years				
	2014	2015	2016	2017	2018
Revenue	13,071,916	13,288,487	13,480,185	13,054,756	13,393,619
Gross Operating Profit	4,840,429	4,785,053	4,981,808	4,648,251	4,907,043
Operating Profit and Loss	2,428,431	2,411,082	2,628,529	2,221,926	2,560,635
Non-Operating Income and Expense	136,022	181,122	(1,595,422)	399,980	(15,860)
Income before Tax	2,564,453	2,592,204	1,033,107	2,621,906	2,544,775
Current Net Profit of the Continued Operating Unit	2,086,789	2,104,393	643,064	2,234,540	2,099,135
Loss of the Non-Operating Unit	-	-	-	-	-
Current Net Profit	2,086,789	2,104,393	643,064	2,234,540	2,099,135
Current other Comprehensive Income (net amount after tax)	(24,321)	(286,001)	(17,778)	(110,803)	(64,144)
Current Total Comprehensive Income	2,062,468	1,818,392	625,286	2,123,737	2,034,991
Net Profit Belonging to the Owner of the Head Company	2,033,942	2,062,441	615,314	2,205,567	2,046,828
Net Profit Belonging to the Non-Control Equities	52,847	41,952	27,750	28,973	52,307
Comprehensive Income Belonging to the Owner of the Head Company	2,002,452	1,771,133	604,804	2,101,707	1,982,060
Comprehensive Income Belonging to the Non-Control Equities	60,016	47,259	20,482	22,030	52,931
Earning Per Share	4.62	4.68	1.40	5.00	4.64

6-1-5. Name of certified public accountant and auditor's report in the past five fiscal years

Year	Names of the Firms	Names of the Accountants	Audit Opinions
2014	Ernst & Young United Accounting Firm	YU Chien-Ju, CHANG Lan-Ching (note)	Unqualified Opinion
2015	Ernst & Young United Accounting Firm	YU Chien-Ju, CHANG Lan-Ching	Unqualified Opinion
2016	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min (note)	Unqualified Opinion
2017	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min	Unqualified Opinion
2018	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min	Unqualified Opinion

Remark: replacing accountant for internal scheduling.

6-2. Financial Analysis for the past five fiscal years

6-2-1. Financial Analysis－Individual Financial Statement

Items	Year	2014	2015	2016	2017	2018
		Financial Analysis of the Most Recent Five Years				
Financial Structure (%)	Debt Asset Ratio	35.02	38.26	44.65	43.06	43.14
	Ratio of Long term funds to Property, Plant and Equipment	342.96	246.97	246.02	251.84	250.27
Debt-Paying Ability (%)	Current Ratio	53.71	37.16	45.37	43.09	43.19
	Quick Ratio	47.48	30.60	38.74	35.55	35.89
	Interest Coverage Ratio	213.07	199.32	35.44	96.42	86.84
Operating Ability	Receivables Turnover Ratio (times)	9.57	9.07	8.60	9.09	9.21
	Average Collection Days	38	40	42	40	40
	Inventory Turnover Rate (times)	5.33	5.95	4.77	4.66	4.72
	Average Inventory Turnover Days	68	61	77	78	77
	Account Payable Turnover Rate (times)	8.44	8.18	7.50	6.27	6.00
	Property, Plant and Equipment Turnover Rate (times)	1.89	1.59	1.38	1.38	1.35
	Total Asset Turnover Rate (times)	0.41	0.41	0.40	0.40	0.38
Profitability	Return on Assets (%)	12.87	12.33	3.68	12.72	11.52
	Return on Equity (%)	19.61	19.39	6.09	22.44	20.03
	Rate of Pre-Tax Net Profit in Paid-in Capital(%)	51.81	52.57	17.74	53.58	51.29
	Net Profit Rate (%)	30.98	30.20	8.93	31.55	29.62
	Earnings Per Share (dollar)	4.62	4.68	1.40	5.00	4.46
Cash flow	Cash Flow Ratio(%)	49.56	44.84	46.92	49.98	40.46
	Cash Flow Adequacy Ratio (%)	86.14	75.57	68.39	69.12	71.82
	Cash Re-Investment Ratio (%)	2.83	2.20	3.10	4.11	2.45
Leverage	Operating Leverage	1.54	1.55	1.54	1.61	1.60
	Financial Leverage	1.01	1.01	1.01	1.02	1.02

The reasons for the any difference of the financial ratio for each item in the last 2 years :
1.Variant difference of [Cash re-investment ratio] compared with the last year is up to 40.39%. The reason is the issue of increased cash ividends

6-2-2. Financial Analysis－Consolidated Financial Statement

Items	Year	Financial Analysis of the Most Recent Five Years				
		2014	2015	2016	2017	2018
Financial Structure (%)	Debt Asset Ratio	44.36	45.25	50.92	49.56	48.29
	Ratio of Long term funds to Property, Plant and Equipment	245.45	193.05	180.50	191.18	191.08
Debt-Paying Ability (%)	Current Ratio	113.46	94.39	100.63	109.81	103.82
	Quick Ratio	98.58	82.08	90.79	98.08	92.66
	Interest Coverage Ratio	100.14	100.62	29.32	72.08	70.56
Operating Ability	Receivables Turnover Ratio (times)	10.40	9.81	9.74	10.23	11.12
	Average Collection Days	36	38	38	36	33
	Inventory Turnover Rate (times)	2.56	3.59	3.87	4.29	4.43
	Average Inventory Turnover Days	143	102	95	86	83
	Account Payable Turnover Rate (times)	11.66	11.56	11.64	9.61	9.52
	Property, Plant and Equipment Turnover Rate (times)	2.53	2.16	1.91	1.81	1.88
	Total Asset Turnover Rate (times)	0.68	0.66	0.67	0.63	0.64
Profitability	Return on Assets (%)	10.91	10.58	3.32	11.00	10.19
	Return on Equity (%)	19.30	18.98	6.11	21.81	19.66
	Rate of Pre-Tax Net Profit in Paid-in Capital (%)	56.84	57.45	22.90	58.11	56.40
	Net Profit Rate(%)	15.96	15.84	4.77	17.12	15.67
	Earnings Per Share (dollar)	4.62	4.68	1.40	5.00	4.64
Cash flow	Cash Flow Ratio(%)	66.75	47.69	49.51	47.97	37.86
	Cash Flow Adequacy Ratio (%)	105.39	97.81	96.63	95.17	107.13
	Cash Re-Investment Ratio (%)	15.25	7.44	8.61	8.41	4.79
Leverage	Operating Leverage	1.42	1.47	1.45	1.55	1.47
	Financial Leverage	1.01	1.01	1.01	1.02	1.01

The reasons for the any difference of the financial ratio for each item in the last 2 years :
1. [Cash Flow Ratio] and [Cash Re-Investment Ratio] compared with the last year are varied up to 21.08% and 43.04% owing to the reduction of cash flow

Remark: calculation formulas are as follows:
1. Financial Structure
(1) Debt Asset Ratio=Total Indebtedness / Total Assets
(2) Ratio of Long term funds to Property, Plant and Equipment=(Net Equity +Non-Current Liabilities) / Real Property, Factories and Facilities Net
2. Debt-Paying Ability
(1) Current Ratio = Current Assets / Current Liabilities
(2) Quick Ratio = (Current Asset - Inventory - Prepaid Expense) / Current Liabilities
(3) Interest Coverage Ratio = Net Income Before Tax and Interest Expense / Interest Expense
3. Operating Ability
account receivable (including accounts receivable and notes receivable resulted from business operation)
(2) Average Collection Days = 365 / Receivables Turnover Rate
(3) Inventory Tu
account payable (including accounts payable and notes payable resulted from business operation)
(5) Average Inventory Turnover Days=365 / Inventory Turnover
(6) Property, Plant and Equipment Turnover Rate = Net Sales / Net of Real Property, Factory and Facility(average)
(7) Total Assets Turnover Rate = Net Sales / Total Assets(average)
4. Profitability
(1) Return on Assets = [Net Income + Interest Expense * (1-tax rate)] / Average Total Assets
(2) Return on Equity = Net Income / Average Net Equity
(3) Profit Ratio = Net Income / Net Sales
(4) Earnings
5. Cash Flow
(1) Cash Flow Ratio = Net Cash Flow from Operating A Activity / Current Liabilities
(2) Cash Flow Adequacy Ratio = (Net Cash Flow from Operating Activities within five year / (Capital Expenditure+Inventory Increase +Cash Dividend) within five years
(3) Cash Re-Investment Ratio = (Net Cash Flow from Operating Activity - Cash Dividend) / (Total Real Property, Factory and Facility + Long-term Investment + Other Assets + Working Capital)
6. Leverage :
(1) Operation Leverage = (Net Pperating Income-Operating Variable Cost and Expense) / Operating Income
(2) Financial Leverage = Operating Income / (Operating Income - Interest Expense)

Inspection Report of Audit Committee

The Board of Directors made the Company's 2018 business report, financial statements (including consolidated financial statements, individual financial statements), and appropriation of earnings. The financial statements have been certified by Yu, Chien-Ju and Hsu, Hsin-Min of Ernst & Young Global Limited Certified Public Accountants who have issued the audit report. The business report, financial statements and appropriation of earnings mentioned above have been approved by the Audit Committee and considered correct and accurate in accordance with the Securities & Exchange Act and Company Act. These reports are hereby submitted for review.

2019 Annual Shareholders' Meeting of Taiwan Secom Co., Ltd.
Taiwan Secom Co., Ltd.
Audit Committee Convener: CHEN Tien-Wen
March 22th, 2019

6-4. Latest Consolidated Financial Statements of the Company Audited and Certified by CPAs

Independent Auditors' Report
(Translated from Chinese)

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, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 2018 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, 2018, the Company's investments accounted for under the equity method amounted to NT$3,217,147 thousand, which accounted for 15% of consolidated total assets. Management assesses and implements impairment testing whenever there is any indication that an investment 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 involves 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$13,393,619 thousand for the year ended December 31, 2018, and the revenue consists of security system revenue which is the Company's main source of revenue. The customer contracts include various performance conditions and terms, due to the practice of the industry. The company need to make the judgment when the performance obligation is completed based on the terms of customer orders or contracts, and recognized revenue when the Company satisfies a performance obligation. Due to the revenue derived from rendering service received in advance, the timing to recognize the revenue is significant judgment 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 and the process of generating and recognizing revenue; evaluating and testing the design and operating effectiveness of

internal controls around revenue recognition.

(2) Selecting samples to perform tests of details, reviewing significant terms and condition of contracts and assessing the performance obligation and the trading price to verify the occurrence of sales transaction.

(3) Acquiring the detail of the revenue recognition for the contract liabilities for security system revenue by month, and selecting samples to renew the contract period and reassess the accuracy of the amount of revenue recognition to verify the reasonableness of the timing of revenue recognition.

(4) 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 2018 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.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Others

We have audited and expressed an unqualified opinion including an Emphasis of Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

YU Chien-Ju

HSU Hsin-Min

Ernst & Young, Taiwan
March 22, 2019

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and December 31, 2017
(Expressed in Thousands of New Taiwan Dollars)

		As of			
		December 31, 2018		December 31, 2017	
Assets	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4 and 6	$5,021,795	24	$5,290,440	25
Financial assets at fair value through profit or loss, current	4 and 6	6,124	-	266	-
Financial assets at fair value through other comprehensive income, current	4 and 6	165,764	1	-	-
Available-for-sale financial assets, current	4 and 6	-	-	182,900	1
Financial assets measured at amortized cost, current	4 and 6	202,982	1	-	-
Contract assets, current	4 and 6	110,715	-	-	-
Debt instrument investment for which no active market exists, current	4 and 6	-	-	45,373	-
Notes receivable, net	4 and 6	233,423	1	248,506	1
Accounts receivable, net	4 and 6	755,237	4	747,362	4
Lease receivable, net	4 and 6	40,483	-	54,686	-
Accounts receivable from related parties, net	4, 6 and 7	198,158	1	157,557	1
Inventories, net	4 and 6	315,774	2	295,266	1
Prepayments		518,897	2	539,495	3
Other current assets		196,778	1	252,182	1
Total current assets		7,766,130	37	7,814,033	37
Non-current assets					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	475,954	2	-	-
Available-for-sale financial assets, non-current	4 and 6	-	-	227,316	1
Financial assets measured at cost, non-current	4 and 6	-	-	150,866	1
Investments accounted for under the equity method	4 and 6	3,217,147	15	3,264,815	16
Property, plant and equipment	4, 6, 7 and 8	7,016,933	34	7,222,354	34
Investment property, net	4 and 6	63,636	-	56,367	-
Intangible assets	4 and 6	430,940	2	486,496	2
Deferred tax assets	4 and 6	413,705	2	355,619	2
Prepayment for equipment		789,301	4	778,069	4
Refundable deposits	7	350,206	2	258,913	1
Long-term receivable	6	42,359	-	41,834	-
Long-term lease receivable	4 and 6	120,499	1	134,344	1
Prepayment for investments		-	-	20,000	-
Other assets, non-current	6 and 8	201,369	1	112,652	1
Total non-current assets		13,122,049	63	13,109,645	63
Total assets		$20,888,179	100	$20,923,678	100

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and December 31, 2017
(Expressed in Thousands of New Taiwan Dollars)

		As of			
		December 31, 2018		December 31, 2017	
Liabilities and Equity	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	4, 6 and 8	$2,550,000	12	$2,204,385	11
Short-term bills payable	6	-	-	154,952	1
Contract liabilities, current	4 and 6	1,289,681	6	-	-
Notes payable		300,520	1	369,299	2
Accounts payable		525,246	3	538,719	3
Accounts payable to related parties	7	25,626	-	23,280	-
Other payables	7	1,560,329	7	2,132,136	10
Current tax liabilities	4 and 6	325,047	2	114,453	1
Advanced receipts	6	-	-	1,106,179	5
Current portion of long-term loans	4, 6 and 8	684,000	3	239,000	1
Other current liabilities	4 and 6	220,005	1	233,416	1
Total current liabilities		7,480,454	35	7,115,819	35
Non-current liabilities					
Long-term loans	4, 6 and 8	350,000	2	1,034,000	5
Provisions, non-current	4	7,200	-	7,200	-
Lease payable, non-current	4 and 6	24,947	-	12,529	-
Net defined benefit liabilities, non-current	4 and 6	1,580,568	8	1,564,957	7
Guarantee deposits	6	644,152	3	634,859	3
Other liabilities, non-current		120	-	-	-
Total non-current liabilities		2,606,987	13	3,253,545	15
Total liabilities		10,087,441	48	10,369,364	50
Equity attributable to the parent					
Capital	6				
Common stock		4,511,971	22	4,511,971	22
Additional paid-in capital	6	724,912	3	691,334	3
Retained earnings	6				
Legal reserve		3,322,832	16	3,102,274	15
Special reserve		131,578	1	65,182	-
Unappropriated earnings		2,087,315	10	2,171,354	10
Other components of equity	4 and 6	(170,798)	(1)	(131,578)	(1)
Treasury stock	4, 6 and 8	(288,389)	(1)	(288,389)	(1)
Non-controlling interests	6	481,317	2	432,166	2
Total equity		10,800,738	52	10,554,314	50
Total liabilities and equity		$20,888,179	100	$20,923,678	100

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, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	2018 Amount	2018 %	2017 Amount	2017 %
Operating revenue	4, 6 and 7	$13,433,426	100	$13,109,897	100
Less : Sales returns and allowances	6	(39,807)	-	(55,141)	-
Net revenue		13,393,619	100	13,054,756	100
Operating costs	6 and 7	8,486,576	63	8,406,505	64
Gross profit		4,907,043	37	4,648,251	36
Operating expenses	6 and 7				
Sales and marketing expenses		793,888	6	834,133	6
General and administrative expenses		1,434,638	11	1,499,247	12
Research and development expenses		105,347	1	92,945	1
Expected credit losses		12,535	-	-	-
Subtotal		2,346,408	18	2,426,325	19
Operating income		2,560,635	19	2,221,926	17
Non-operating income and loss					
Other income	6	48,624	-	53,330	-
Other gains and losses	6	(94,732)	(1)	5,087	-
Finance costs	6	(36,583)	-	(36,888)	-
Share of profit or loss of associates and joint ventures		66,831	1	378,451	3
Subtotal		(15,860)	-	399,980	3
Income before income tax		2,544,775	19	2,621,906	20
Income tax expenses	4 and 6	(445,640)	(3)	(387,366)	(3)
Net income		2,099,135	16	2,234,540	17
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	6	(86,435)	(1)	(46,884)	-
Unrealized gains on financial assets at fair value through other comprehensive income	6	(40,545)	-	-	-
Share of other comprehensive (loss) income of associates and joint ventures-may not be reclassified subsequently to profit or loss	6	(2,147)	-	2,659	-
Income tax related to items that will not be reclassified	6	16,730	-	4,834	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6	50,778	-	(77,307)	(1)
Unrealized loss on available-for-sale financial assets	6	-	-	15,897	-
Share of other comprehensive (loss) income of associates and joint ventures-may be reclassified subsequently to profit or loss	6	(2,525)	-	(10,002)	-
Total other comprehensive (loss) income, net of tax		(64,144)	(1)	(110,803)	(1)
Total comprehensive income		$2,034,991	15	$2,123,737	16
Net income attributable to:					
Shareholders of the parent		$2,046,828		$2,205,567	
Non-controlling interests	6	52,307		28,973	
Comprehensive income attributable to:					
Shareholders of the parent		$1,982,060		$2,101,707	
Non-controlling interests	6	52,931		22,030	
Earnings per share (NT$)	6				
Basic earnings per share		$4.64		$5.00	
Diluted earnings per share		$4.64		$5.00	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company											
			Retained Earnings			Other Components of Equity						
Description	**Common Stock**	**Additional Paid-in Capital**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Exchange Differences on Translation of Foreign Operations**	**Unrealized Gain or Loss on Financial Assets at fair value through other comprehensive income**	**Unrealized Gain or Loss on Available-for-Sale Financial Assets**	**Treasury Stock**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balance as of January 1, 2017	$4,511,971	$853,577	$3,040,743	$61,565	$1,421,990	$(50,537)		$(14,645)	$(288,389)	$9,536,275	$397,959	$9,934,234
Appropriations and distributions of 2016 unappropriated earnings												
Legal reserve	-	-	61,531	-	(61,531)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,617	(3,617)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,353,591)	-	-	-	-	(1,353,591)	-	(1,353,591)
Other changes in capital reserve												
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	29,254	-	-	-	-	-	-	-	29,254	(3,448)	25,806
Lease receivable, net	-	(225,599)	-	-	-	-	-	-	-	(225,599)	-	(225,599)
Net income in 2017	-	-	-	-	2,205,567	-	-	-	-	2,205,567	28,973	2,234,540
Other comprehensive (loss) income, net of tax in 2017	-	-	-	-	(37,464)	(89,913)	-	23,517	-	(103,860)	(6,943)	(110,803)
Total comprehensive income	-	-	-	-	2,168,103	(89,913)	-	23,517	-	2,101,707	22,030	2,123,737
Parent company's cash dividends received by subsidiaries	-	34,102	-	-	-	-	-	-	-	34,102	-	34,102
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	15,625	15,625
Balance as of December 31, 2017	$4,511,971	$691,334	$3,102,274	$65,182	$2,171,354	$(140,450)	$-	$8,872	$(288,389)	$10,122,148	$432,166	$10,554,314
Balance as of January 1, 2018	$4,511,971	$691,334	$3,102,274	$65,182	$2,171,354	$(140,450)	$-	$8,872	$(288,389)	$10,122,148	$432,166	$10,554,314
Impact of retroactive application	-	-	-	-	39,344	-	(44,049)	(8,872)	-	(13,577)	114	(13,463)
Balance as of January 1, 2018 after restatement	$4,511,971	$691,334	$3,102,274	$65,182	$2,210,698	$(140,450)	$(44,049)	$-	$(288,389)	$10,108,571	$432,280	$10,540,851
Appropriations and distributions of 2017 unappropriated earnings												
Legal reserve	-	-	220,558	-	(220,558)	-	-	-	-	-	-	-
Special reserve	-	-	-	66,396	(66,396)	-	-	-	-	-	-	-
Cash dividends	-		-	-	(1,804,788)	-	-	-	-	(1,804,788)	-	(1,804,788)
Other changes in capital reserve												
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(8,354)	-	-	-	-	-	-	-	(8,354)	(141)	(8,495)
Donated surplus	-	2,959	-	-	-	-	-	-	-	2,959	-	2,959
Net income in 2018	-	-	-	-	2,046,828	-	-	-	-	2,046,828	52,307	2,099,135
Other comprehensive (loss) income, net of tax in 2018	-	-	-	-	(73,278)	41,597	(33,087)	-	-	(64,768)	624	(64,144)
Total comprehensive income	-	-	-	-	1,973,550	41,597	(33,087)	-	-	1,982,060	52,931	2,034,991
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(5,191)	-	5,191	-	-	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973	-	38,973
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,753)	(3,753)
Balance as of December 31, 2018	$4,511,971	$724,912	$3,322,832	$131,578	$2,087,315	$(98,853)	$(71,945)	$-	$(288,389)	$10,319,421	$481,317	$10,800,738

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities:		
Profit before tax from continuing operations	$2,544,775	$2,621,906
Net income before tax	2,544,775	2,621,906
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Bad debt expense	-	81,063
Expected credit losses	12,535	-
Depreciation	1,134,958	1,155,442
Amortization	65,580	75,942
Interest expense	36,583	36,888
Interest revenue	(14,233)	(9,589)
Dividend income	(17,130)	(23,060)
Loss of financial assets at fair value through profit or loss	445	885
Loss (gain) on disposal of investments	32,352	(88,295)
Loss (gain) on disposal of property, plant and equipment	10,335	2,140
Loss on disposal of intangible assets	-	-
Share of loss of associates and joint ventures	(66,831)	(378,451)
Impairment loss	46,978	116,126
Changes in operating assets and liabilities:		
Contract assets	(76,188)	-
Notes receivable, net	15,953	15,352
Accounts receivable, net	(94,668)	75,161
Accounts receivable from related parties, net	(27,601)	11,688
Inventories, net	(62,113)	4,505
Prepayments	76,638	(126,330)
Other current assets	45,878	15,019
Lease receivables	28,548	(77,025)
Long-term receivables	4,025	(41,834)
Contract liabilities	111,910	-
Notes payable	(71,269)	50,617
Accounts payable	(14,378)	77,595
Accounts payable to related parties	3,326	(15,825)
Other payables	(565,939)	358,276
Advanced receipts	-	(4,509)
Other current liabilities	42,262	(17,506)
Provisions	-	(5,352)
Net defined liabilities, non-current	(69,176)	11,915
Cash generated from operations	3,133,555	3,922,744
Interest received	11,233	9,547
Interest paid	(36,535)	(36,873)
Income tax paid	(276,298)	(481,994)
Net cash provided by operating activities	2,831,955	3,413,424
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(200,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	30,853	-
Acquisition of financial assets measured at amortized cost	(208,776)	-
Proceeds from disposal of financial assets measured at amortized cost	50,817	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,289	-
Acquisition of available-for-sale financial assets	-	(39,793)
Proceeds from disposal of available-for-sale financial assets	-	314
Capital deducted by cash of financial assets at fair value through other comprehensive income	16,394	-
Proceeds from disposal of debt instruments investment for which no active market exists	-	18,832
Acquisition of held-to-maturity financial assets	-	(81,217)
Proceeds from repayments of held-to-maturity financial assets	-	81,259
Acquisition of financial assets measured at cost	-	(4,978)
Proceeds from disposal of financial assets measured at cost	-	280
Capital deducted by cash of financial assets measured at cost	-	21,520
Acquisition of investments accounted for using the equity method	(4,622)	-
Decrease (increase) in prepayment for investments	20,000	(20,000)
Acquisition of a subsidiary (deduct the cash from acquisition)	-	(8,043)
Proceeds from disposal of subsidiaries	-	161,242
Acquisition of property, plant and equipment	(925,012)	(1,295,654)
Proceeds from disposal of property, plant and equipment	41,074	50,044
Acquisition of intangible assets	(54,517)	(67,945)
(Increase) decrease in prepayment for equipment	(11,233)	179,767
Increase in refundable deposits	(91,893)	(3,039)
Increase in other assets	(41,191)	(38,309)
Dividends received	117,949	28,427
Net cash used in investing activities	(1,258,868)	(1,017,293)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	345,615	(630,615)
Decrease in short-term bills payable	(154,952)	(20,008)
Increase in long-term loans	-	425,000
Decrease in long-term loans	(239,000)	(144,000)
Increase (decrease) in lease payable	14,393	(15,697)
Increase in guarantee deposits	9,282	7,002
Cash dividends paid	(1,801,829)	(1,579,190)
Changes in non-controlling interests	(5,720)	4,827
Net cash used in financing activities	(1,832,211)	(1,952,681)
Effect of exchange rate changes on cash and cash equivalents	(9,521)	5,679
Net (decrease) increase in cash and cash equivalents	(268,645)	449,129
Cash and cash equivalents at beginning of year	5,290,440	4,841,311
Cash and cash equivalents at end of year	$5,021,795	$5,290,440

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
(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, 2018 and 2017 were authorized for issue by the Board of Directors on March 22, 2019.

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 recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on The Company is described below:

A. *IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, 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. Please refer to Note 4 for the accounting policies before or after 1 January 2018.

b. Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized 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.

c. Before 1 January 2018, revenue from rendering of services was recognized based on the stage of completion which was measured by the proportion of contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Group’s revenue recognition from rendering of services.

   However, for some rendering of services contracts, if the Group has the right to provide the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. The Group reclassify the contract assets NT$35,397 thousand from account receivables as at January 1, 2018. To compare with the requirements of IAS 18, the trade receivables decreased by NT$110,716 thousand and the contract assets increased by NT$110,716 thousand as at December 31, 2018.

   However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under advanced receipts. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from advanced receipts to contracts liabilities of the Group as at the date of initial application was NT$1,008,524 thousand. In addition, compared with the requirements of IAS 18, advanced receipts decreased by NT$1,289,681 thousand and the contract liabilities increased by NT$1,289,681 thousand as at December 31, 2018.

d. For some rendering of services contracts, the non-refundable upfront fees were received from customers at service inception. Before 1 January 2018, the Group recognized the revenue when received the service fees. Starting from 1 January 2018, the above the non-refundable upfront fees were received from customers at service inception shall recognized revenue by amortization during the contracts period. The revenue in accordance with IFRS 15, the Group recognized revenue when the Group satisfies a performance obligation by transferring a promised service to a customer and will decrease retained earnings by NT$9,770 thousand.

e. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. *IFRS 9“Financial Instruments”*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

a. The Group adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

b. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	$266	Fair value through profit or loss	$8,081
Fair value through other comprehensive income		Fair value through other comprehensive income	550,693
Available-for-sale financial assets (including $150,866 measured at cost)	561,082		
Investments accounted for under the equity method	3,264,815	Investments accounted for under the equity method	3,263,694
At amortized cost			
Loans and receivables (including cash	5,999,145	At amortized cost (including cash and	5,999,145

and cash equivalents, trade receivables, debt instrument investments for which no active market exists and refundable deposits)		cash equivalents, trade receivables, financial assets measured at amortized cost and refundable deposits)	
Total	$9,825,308	Total	$9,821,613

c. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity	Non-controlling interests
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment	Adjustment
Financial assets at fair value through profit or loss (Note 1)							
Held-for-trading	$266	Measured at fair value through profit or loss	$266	$-	$-	$-	$-
Available-for-sale financial assets (including investments measured at cost with initial investment cost of $150,866, reported as a separate line item) (Note 2)	561,082	Measured at fair value through profit or loss	7,815	-	4,180	(4,180)	-
		Measured at fair value through other comprehensive income (equity instruments)	550,693	(2,574)	(52,764)	55,452	(114)
Investments accounted for under the equity method (Note 3)	3,264,815	Investments accounted for under the equity method	3,263,694	1,119	(530)	1,649	-
Loans and receivables (Note 4)							
Cash and cash equivalents	4,310,570	Cash and cash equivalents	4,310,570	-	-	-	-
Debt instrument investments for which no active market exists	45,373	Financial assets measured at amortized costs	45,373	-	-	-	-
Trade receivables	1,384,289	Trade receivables	1,384,289	-	-	-	-
Refundable deposits	258,913	Refundable deposits	258,913	-	-	-	-
Subtotal	5,999,145						
Total	$9,825,308	Total	$9,821,613		$(49,114)	$52,921	$(114)

Notes:

(1) In accordance with IAS 39, financial assets classified as held for trading which

measured at fair value through profit or loss might include investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amounts outstanding, they are classified as financial assets mandatorily measured at fair value through profit or loss.

(2) In accordance with of IAS 39, the Group's available-for-sale financial assets included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Adjustment details are described as follow:

(A) Funds

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at 1 January 2018, the Group reclassified 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$4,180 thousand previously recognized in other components of equity was reclassified to retained earnings.

(B) Stocks (including listed and unlisted companies)

The Group assessed the facts and circumstances existed as at 1 January 2018, and determined these stocks were not held-for-trading; therefore, so the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at 1 January 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$550,693 thousand. Other related adjustments are described as follow:

(a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost NT$198,656 thousand, which was NT$47,790 thousand impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT$148,293 thousand as at 1 January 2018. Accordingly, the Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT$148,293 thousand and also adjusted the retained earnings and other components of equity by NT$47,790 thousand and NT$(50,478) thousand, respectively.

(b) As at 1 January 2018, the Group reclassified the stocks of listed and unlisted companies of NT$402,401 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result any differences in the carrying amounts of assets, but reclassified within equity accounts.

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$4,974 thousand from retained earnings to other components of equity.

(3) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

As at 1 January 2018, financial assets debt instrument investments for which no active market exists of NT$45,373 thousand were reclassified to financial assets measured at amortized cost, totaling NT$45,373 thousand.

d. Other impact

i. The Group adopted the requirements of IFRS 9 since 1 January 2018, the adjustments for non-controlling interests was NT$114 thousand.

ii. The Group adopted the requirements of IFRS 9 since 1 January 2018, the adjustments for investment using equity method reduced by NT$1,119 thousand, retained earnings increased by NT$530 thousand and other components of equity reduced by NT$1,649 thousand.

e. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. 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 the 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 Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

D. *Disclosure Initiative - Amendment to IAS 7 "Statement of Cash Flows":*

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 "Leases"	1 January 2019
B	IFRIC 23 "Uncertainty Over Income Tax Treatments"	1 January 2019
C	IAS 28 "Investment in Associates and Joint Ventures" - Amendments to IAS 28	1 January 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

A. *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

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.

C. *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.

D. *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.

E. *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.

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.

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.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *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 abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item A explained below and B, C, E, and F, the remaining standards and interpretations have no material impact on the Group.

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

a. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

   The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

   i. Leases classified as operating leases

      For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on 1 January 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset will increase by NT$540,836 thousand and the lease liability will increase by NT$540,836 thousand on 1 January 2019.

ii. Leases classified as finance leases

For leases that were classified as finance leases applying IAS 17, the Group expects to reclassify the lease asset of NT$42,173 thousand and the lease payable of NT$39,190 thousand as measured by IAS 17 to the right-of-use asset of NT$42,173 thousand and the lease liability of NT$39,190 thousand, respectively, on 1 January 2019.

b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(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.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	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	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	1 January 2021
C	Definition of a Business (Amendments to IFRS 3)	1 January 2020
D	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

A. *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.

B. 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.

C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet 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 and D, it is not practicable to estimate their impact on the Group at this point in time. The remaining 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, 2018 and 2017 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:

			Percentage of ownership (%)	
Name of the investors	Name of subsidiaries	Nature of Business	December 31, 2018	December 31, 2017
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%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%) December 31, 2018	December 31, 2017
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%	91.82%
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%
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 Star International Co., Ltd.	Taiwan Video System Co., Ltd.	Sales and manufacture of digital signage and monitors (Note 2)	85.48%	84.33%
The Company, Speed Investment Co., Ltd. and Titan Star International Co., Ltd.	SIGMU D.P.T. Co., Ltd.	Wholesale and installation of fire safety equipment (Note 3)	71.42%	95.39%
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Automated Teller Machine (ATM) services	100.00%	100.00%
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.	SVS Corporation	Vehicles maintenance services	100.00%	100.00%
Speed Investment Co., Ltd. and Titan	Comlink Fire Systems Inc.	Wholesale of fire safety	99.30%	99.30%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%) December 31, 2018	Percentage of ownership (%) December 31, 2017
Star International Co., Ltd.		equipment		
Speed Investment Co., Ltd.	Jiansheng International Co., Ltd.	Retail of medical equipment (Note 4)	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 (Note 5)	64.30%	62.87%
CHOPPA Tech Co., Ltd.	Zhan Food Team Inc.	Catering services (Note 6)	92.11%	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 Star International Co., Ltd.	LITENET Corporation	Light controlling system services	100.00%	100.00%
Peregrine Soleil 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 (Note 7)	-	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: On December 6, 2018, the Board of Directors of Taiwan Video System Co., Ltd. approved the cash injection of NT$23,100 thousand. The Company, Speed Investment 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 85.48% after the cash injection.

Note 3: The Company, Speed Investment Co., Ltd. and Titan Star International Co., Ltd. participated the cash injection in July 2018 and did not subscribed new shares in proportionate to their original ownership interest. Consequently, the percentage of ownership was decreased to 71.42% after the cash injection.

Note 4: Speed Investment Co., Ltd. established Jiansheng International Co., Ltd. in January 2018.

Note 5: Speed Investment Co., Ltd. purchased the company's stock amounted to NT$1,870 thousand and NT$280 thousand in September and October 2018, respectively. The percentage of ownership was increased by 1.24% and 0.19%, respectively.

Note 6: CHOPPA Tech Co., Ltd. acquired 80% shares of Zhan Food Team Inc. in April 2017 and participated the cash injection in May 2017 and January 2018. The percentage of ownership was increased by 8% and 4.11%, respectively.

Note 7: CHUN-SECURITY Video System Co., Ltd. has been dissolved in September 2018.

(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 IFRS 9 *Financial Instruments* (Before 1 January 2018: 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 IFRS 9 *Financial Instruments* (Before 1 January 2018: 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 instruments: Recognition and Measurement

The accounting policy from 1 January 2018 as follow:

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Group's business model for managing the financial assets and

b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

   ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 as follow:

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 as 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 at 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 far 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 at 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 far 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 at 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 at 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.

B. Impairment of financial assets

The accounting policy from 1 January 2018 as follow:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b. the time value of money; and

c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

<u>The accounting policy before 1 January 2018 as follow:</u>

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 exits 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.

C. 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.

D. 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 IFRS 9 Financial Instruments (before 1 January

2018: 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 as at 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 at 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.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at 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.

E. 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.

Starting from 1 January 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(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 affects 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 28 *Investments in Associates and Joint Ventures* (before 1 January 2018: 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

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.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

<u>Group as a lessee</u>

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.

<u>Computer software</u>

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

The accounting policy from 1 January 2018 as follow:

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group sells merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is security system equipment and revenue is recognized based on the consideration stated in the contract, as they are not accompanied by volume or other types of discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 15 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

A. The Group provides system security services, corporate security guarding services, and cash deliver services. Services fee is negotiated by contracts or orders, and provided based on contract periods. As the Group provides services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight-line method over the contract period.

   For most of the contractual considerations of the Group, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities. However, part of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets.

B. Most of the rendering of services contracts of the Group provide customized security system services based on customers' needs. The Group have the right to execute the considerations from the service when service already completed. Therefore, revenue is recognized by the proportion of completion of rendering of services. The price of the rendering of services contracts are usually fixed and the contractual considerations are collected according to the schedule agreed with the customers. When the rendering of services provided by the Group exceed the customers' payment, the contract assets are recognized. However, if the customers' payments exceed the services provided by the Group. Contract liabilities should be recognized accordingly.

   The warranty provided by the Group is based on the assurance that the goods provided will operate as expected by the customer and is handled in accordance with International Accounting Standard 37.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

The accounting policy before 1 January 2018 as follow:

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.

<u>Current income tax</u>

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. 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 counties 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, 2018.

E. Accounts receivables–estimation of impairment loss

Starting from 1 January 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before1 January 2018:

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Petty cash	$12,495	$12,080
Cash on hand for cash delivery service	977,780	967,790
Checking and saving accounts	2,791,476	2,987,791
Time deposits	118,570	9,528
Cash equivalents	1,121,474	1,313,251
Total	$5,021,795	$5,290,440

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2018	2017(Note)
Financial assets designated at fair value through profit or loss:		
Fund	$5,991	
Open-end funds	133	
Total	$6,124	
Current	$6,124	
Non-current	-	
Total	$6,124	

	As of December 31,	
	2018(Note)	2017
Held for trading:		
Non-derivative financial assets		
Open-end funds		$9,422
Valuation adjustment		(9,156)
Total		$266

Financial assets held for trading were not pledged.

Note: The Group adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2018	2017(Note)
Equity instrument investments measured at fair value through other comprehensive income:		
Listed companies stocks	$500,673	
Unlisted companies stocks	141,045	
Total	$641,718	

	As of December 31,	
	2018	2017(Note)

Current	$165,764
Non-current	475,954
Total	$641,718

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through other comprehensive income were not pledged.

In consideration of the Group's investment strategy, the Group disposed the listed stock which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT$30,853 thousand, and transferred the cumulative disposal loss of NT$5,191 thousand from other components of equity to retained earnings.

(4) Available-for-sale financial assets

	As of December 31,	
	2018(Note)	2017
Stocks		$438,349
Open-end funds		11,995
Valuation adjustment		(40,128)
Total		$410,216
Current		$182,900
Non-current		227,316
Total		$410,216

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018 and classified certain financial assets as available-for-sale financial assets. Available-for-sale financial assets were not pledged.

(5) Financial assets measured at amortized cost

	As of December 31,	
	2018	2017(Note)
Financial bond	$19,974	
Time deposit	183,008	
Less: loss allowance	-	
Total	$202,982	
Current	$202,982	
Non-current	-	
Total	$202,982	

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group classified certain financial assets as measured at amortized cost. Please refer to Note 6 for more details on accumulated impairment. Financial assets measured at amortized cost were not pledged.

(6) Financial assets measured at cost

	As of December 31,	
	2018(Note)	2017
Available-for-sale financial assets		
Stocks		$150,866
Current		$-
Non-current		150,866
Total		$150,866

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018. 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.

The Group disposed financial assets measured at cost with the carrying amount of NT$62,669 thousand and recognized gain on disposal of investments amounted to NT$30 thousand in 2017.

Financial assets measured at cost were not pledged.

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

	As of December 31,	
	2018(Note)	2017
Time deposit		$45,373
Current		$45,373
Non-current		-
Total		$45,373

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018 and classified certain financial assets as debt instrument investments for which no active market exists. The aforementioned debt instrument investments for which no active market exists were not pledged.

(8) Notes receivable

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	$233,423	$248,506
Less: loss allowance	-	-
Total	$233,423	$248,506

Notes receivable were not pledged.

The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(9) Accounts receivable, accounts receivable from related parties, and long-term receivable

	As of December 31,	
	2018	2017
Accounts receivable	$792,696	$778,689
Less: loss allowance	(37,459)	(31,327)
Subtotal	755,237	747,362
Accounts receivable from related parties	198,158	230,429
Less: loss allowance	-	(72,872)
Subtotal	198,158	157,557
Long-term receivable	42,359	41,834
Less: loss allowance	-	-
Subtotal	42,359	41,834
Total	$995,754	$946,753

Accounts receivable were not pledged.

Accounts receivable are generally on 15-120 day terms. The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6(27) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before 1 January 2018. 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 more details on credit risk management.)

	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	$72,872	$31,327	$104,199

Impairment loss that was individually determined for the December 31, 2017, arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group does not hold any collateral for such trade receivables.

Aging analysis of accounts receivable, accounts receivable from related parties and long-term receivable 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 <=90 days	91~180 days	181~365 days	>=366 days	Total
December 31, 2017	$894,042	$36,328	$2,055	$12,014	$2,314	$946,753

(10) Lease receivable

	As of December 31, 2018		2017	
	Current	Non-current	Current	Non-current
Lease receivable	$43,674	$126,196	$58,667	$140,308
Less: Unearned finance income on finance lease	(3,191)	(5,697)	(3,981)	(5,964)
Lease receivable, net	$40,483	$120,499	$54,686	$134,344

The expected recovery of the lease receivable is as follows:

	As of December 31, 2018	2017
Within one year	$43,674	$58,667
Over one year and within five years	124,147	138,335
Over five years	2,049	1,973
Total	$169,870	$198,975

(11) Inventories

	As of December 31, 2018	2017
Merchandise inventories	$253,423	$237,744
Finished goods	2,454	1,992
Raw materials	45,875	41,751
Others	14,022	13,779
Total	$315,774	$295,266

The cost of inventories recognized in expenses amounted to NT$743,336 thousand and NT$858,437 thousand for the year ended December 31, 2018 and 2017, respectively, including the write-down of inventories of NT$0 thousand and NT$30,215 thousand, respectively.

No inventories were pledged.

(12) Investments accounted for under the equity method

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

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Listed companies				
Goldsun Building Materials Co., Ltd.	$2,856,666	13	$2,904,960	13
TransAsia Airways Corp.	-	12	-	12
Subtotal	2,856,666		2,904,960	
Non-listed companies				
Tech Elite Holdings Ltd.	-	39	-	39
Yon Geng Healthcare Management Co., Ltd.	9,797	38	11,199	38
Anfeng Enterprise Co., Ltd.	13,570	30	13,385	30
Huaya Development Co., Ltd.	296,660	50	297,457	50
ESKYLINK INC.	17,461	20	15,922	20
Tian-sha Food, Ltd.	22,993	30	21,892	30
Subtotal	360,481		359,855	
Total	$3,217,147		$3,264,815	

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 the same. 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 Airways 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 the same.

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$1,588,444 thousand and NT$1,851,516 thousand, as of December 31, 2018 and 2017, 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,	
	2018	2017
Current assets	$12,529,732	$11,334,642
Non-current assets	23,179,348	23,371,660
Current liabilities	(11,021,908)	(9,675,201)
Non-current liabilities	(4,106,880)	(3,911,096)
Equity	20,580,292	21,120,005
Non-controlling interests	(1,097,997)	(1,437,503)
Shareholders of the parent	19,482,295	19,682,502
Proportion of the Group's ownership	13.45%	13.45%
Subtotal	2,620,369	2,647,297
Goodwill	222,792	222,792
Others	13,505	34,871
Carrying amount of the investment	$2,856,666	$2,904,960

	For the years ended December 31,	
	2018	2017
Operating revenue	$18,644,806	$16,413,796
Profit or loss from continuing operations	591,187	2,868,733
Other comprehensive income	(29,426)	(247,068)
Total comprehensive income	$561,761	$2,621,665

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$360,481 thousand. The aggregate financial information based on Group's share of other companies is as follows:

	For the years ended December 31,	
	2018	2017
Profit or loss from continuing operations	$6,886	$4,199
Other comprehensive income (post-tax)	-	383
Total comprehensive income	$6,886	$4,582

The associates had no contingent liabilities or capital commitments as of December 31, 2018 and 2017.

The investment value of part of the Group's investments accounted for under the equity method has impaired, and the impairment loss recognized in 2018 and 2017 amounted to NT$0 thousand and NT$51,018 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.

(13) 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, 2018	$2,302,162	$1,293,298	$709,068	$8,510,225	$669,706	$906,874	$258,414	$1,879,057	$16,528,804
Additions	-	3,762	27,439	649,033	60,719	73,340	-	110,719	925,012
Disposals	-	-	(47,693)	(620,730)	(21,928)	(79,643)	-	(247,921)	(1,017,915)
Transfers	-	(8,856)	-	-	-	-	-	-	(8,856)
Other changes	-	-	157	63,202	(525)	-	-	310	63,144
As of December 31, 2018	$2,302,162	$1,288,204	$688,971	$8,601,730	$707,972	$900,571	$258,414	$1,742,165	$16,490,189
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
Depreciation and impairment:									
As of January 1, 2018	$-	$320,510	$607,915	$6,059,838	$535,824	$487,629	$58,617	$1,236,117	$9,306,450
Depreciation	-	29,893	32,837	736,627	54,562	84,553	2,259	193,717	1,134,448
Disposals	-	-	(47,505)	(605,357)	(21,191)	(57,836)	-	(234,617)	(966,506)
Transfers	-	(1,077)	-	-	-	-	-	-	(1,077)
Gain on reversal of impairment loss	-	-	-	-	-	-	-	(22)	(22)
Other changes	-	-	24	-	(352)	-	-	291	(37)
As of December 31, 2018	$-	$349,326	$593,271	$6,191,108	$568,843	$514,346	$60,876	$1,195,486	$9,473,256
As of January 1, 2017	$-	$345,109	$666,585	$5,790,748	$545,738	$451,059	$56,358	$1,102,767	$8,958,364
Depreciation	-	29,811	34,649	724,161	53,874	114,411	2,259	196,115	1,155,280
Acquisitions through business combinations	-	-	-	-	271	-	-	485	756
Disposal of subsidiaries	-	(51,864)	(1,418)	-	(1,723)	-	-	(809)	(55,814)
Disposals	-	-	(92,694)	(455,071)	(62,149)	(77,755)	-	(62,833)	(750,502)
Transfers	-	(749)	-	-	-	-	-	-	(749)
Exchange effect	-	(1,797)	749	-	(187)	(86)	-	34	(1,287)
Other changes	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	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
Net carrying amount as of:									
December 31, 2018	$2,302,162	$938,878	$95,700	$2,410,622	$139,129	$386,225	$197,538	$546,679	$7,016,933
December 31, 2017	$2,302,162	$972,788	$101,153	$2,450,387	$133,882	$419,245	$199,797	$642,940	$7,222,354

The major components of the buildings are main building structure, air conditioning 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.

(14) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2018	$44,813	$13,850	$58,663
Transfers	-	8,856	8,856
As of December 31, 2018	$44,813	$22,706	$67,519
As of January 1, 2017	$26,011	$8,130	$34,141
Transfers	18,802	5,720	24,522
As of December 31, 2017	$44,813	$13,850	$58,663
Depreciation and impairment:			
As of January 1, 2018	$-	$2,296	$2,296
Depreciation	-	510	510
Transfers	-	1,077	1,077
As of December 31, 2018	$-	$3,883	$3,883
As of January 1, 2017	$-	$1,385	$1,385
Depreciation	-	162	162
Transfers	-	749	749
As of December 31, 2017	$-	$2,296	$2,296
Net carrying amount as of:			
December 31, 2018	$44,813	$18,823	$63,636
December 31, 2017	$44,813	$11,554	$56,367

	For the years ended December 31,	
	2018	2017
Rental income from investment property	$5,720	$1,730
Less：Direct operating expense generated from rental income of investment property	(510)	(162)
	$5,210	$1,568

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$91,190 thousand and NT$104,121 thousand, as of December 31, 2018 and 2017, 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,	
2018	2017

Capitalization Rate	1.36%~1.62%	1.36%~1.62%

(15) Intangible assets

	Goodwill	Computer software	Customer relationship	Total
Cost:				
As of January 1, 2018	$549,822	$247,024	$17,432	$814,278
Addition-acquired separately	-	54,517	-	54,517
Reach amortized life	-	(78,528)	-	(78,528)
As of December 31, 2018	$549,822	$223,013	$17,432	$790,267
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	$549,822	$247,024	$17,432	$814,278
Amortization and impairment:				
As of January 1, 2018	$168,169	$155,254	$4,359	$327,782
Amortization	-	60,583	2,490	63,073
Impairment	47,000	-	-	47,000
Reach amortized life	-	(78,528)	-	(78,528)
As of December 31, 2018	$215,169	$137,309	$6,849	$359,327
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	$168,169	$155,254	$4,359	$327,782
Net carrying amount as of:				
December 31, 2018	$334,653	$85,704	$10,583	$430,940
December 31, 2017	$381,653	$91,770	$13,073	$486,496

Recognized as amortized amount of intangible assets are as follows.

	2018	2017
Operating costs	$17,076	$22,375

Operating expenses	$45,997	$43,125

(16) 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:

	Security guard unit		Entertainment unit	
As of December 31,	2018	2017	2018	2017
Goodwill	$27,548	$27,548	$64,808	$111,808

	Catering service unit		Other business unit		Total	
As of December 31,	2018	2017	2018	2017	2018	2017
Goodwill	$145,971	$145,971	$96,326	$96,326	$334,653	$381,653

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 12.62% (2017: 10.49%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2017: 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 14.05% (2017: 14.25%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2017: 0%) that is the same as the long-term average growth rate for the entertainment industry.

As a result of this analysis, management has recognized an impairment loss of NT$47,000 thousand against goodwill previously carried at NT$111,808 thousand for the years ended December 31, 2018.

Catering service cash-generating unit

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 13.97% (2017: 15.21%) and cash flows beyond the five-year period are extrapolated using a 1% (2017: -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 6.94%~13.91% (2017: 6 %) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2017: 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.

(17) Short-term loans

		As of December 31,	
	Interest Rates (%)	2018	2017
Unsecured bank loans	0.52%-1.55%	$2,550,000	$2,204,385

The Group's unused short-term lines of credits amount to NT$750,000 thousand and NT$1,205,000 thousand, as of December 31, 2018 and 2017, respectively.

(18) 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		

(19) Other payables

	As of December 31, 2018	As of December 31, 2017
Other accrued expenses	$1,072,072	$1,010,703
ATM replenishment payable	378,421	1,005,814
Others	109,836	115,619
Total	$1,560,329	$2,132,136

(20) Advanced receipts

	As of December 31, 2018(Note)	As of December 31, 2017
Advanced from security service fee		$951,593
Advanced from security system fee		93,691
Others advanced		60,895
Total		$1,106,179

Note: The Group adopted IFRS 15 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 15.

(21) Long-term loans

Details of long-term loans are as follows:

Lenders	As of December 31, 2018	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	$110,000	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	144,000	1.88%~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	280,000	0.70%~1.55%	Loan starting May 18, 2017 till May 18, 2022;

from Bank of Tokyo Mitsubishi UFJ			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	1,034,000		
Less: current portion	(684,000)		
Total	$350,000		

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	$1,034,000		

(22) 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,	
	2018	2017

	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	$15,586	$14,243	$13,651	$12,268
Over one year and within five years	27,341	24,947	13,362	12,529
Total minimum lease payments	42,927		27,013	
Less: finance charges on finance lease	(3,737)		(2,216)	
Present value of minimum lease payments	$39,190	$39,190	$24,797	$24,797
Current		14,243		12,268
Non-Current		24,947		12,529

(23) Guarantee deposits

	As of December 31, 2018	As of December 31, 2017
Performance security deposit	$483,813	$466,609
Security line deposit	153,567	159,796
Others	6,772	8,454
Total	$644,152	$634,859

(24) 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, 2018 and 2017 are NT$189,532 thousand and NT$181,999 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 15th 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 mandation, 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$48,720 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The average duration of the defined benefits plan obligation are 10 years as of December 31, 2018 and 2017.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	$56,866	$66,633
Prior period service costs	5,577	8,406

Interest expense (income) of net defined benefit liabilities (assets)	22,691	22,185
Settlement gains and losses	-	6,899
Total	$85,134	$104,123

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

	As of December 31,	
	2018	2017
Defined benefit obligation	$1,830,776	$1,824,498
Plan assets at fair value	(250,208)	(259,541)
Other non-current liabilities – Net defined benefit liabilities recognized on the consolidated balance sheets	$1,580,568	$1,564,957

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, 2017	$1,886,483	$(389,223)	$1,497,260
Current period service costs	66,633	-	66,633
Net interest expense (income)	27,558	(5,373)	22,185
Prior period service costs	8,406	-	8,406
Settlement gains and losses	(6,223)	13,122	6,899
Subtotal	96,374	7,749	104,123
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	53,196	1,330	54,526
Payments from the plan	(211,555)	211,555	-
Contributions by employer	-	(90,952)	(90,952)
As of December 31, 2017	1,824,498	(259,541)	1,564,957
Current period service costs	56,866	-	56,866
Net interest expense (income)	26,037	(3,346)	22,691
Prior period service costs	5,577	-	5,577
Settlement gains and losses	-	-	-
Subtotal	88,480	(3,346)	85,134
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from	(30,427)	-	(30,427)

changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	215,087	-	215,087
Experience adjustments	(88,162)	(9,235)	(97,397)
Subtotal	96,498	(9,235)	87,263
Payments from the plan	(178,700)	178,700	-
Contributions by employer	-	(156,786)	(156,786)
As of December 31, 2018	$1,830,776	$(250,208)	$1,580,568

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

	As of December 31,	
	2018	2017
Discount rate	0.94%~1.16%	1.07%~1.47%
Expected rate of salary increases	1.00%~1.50%	1.00%~1.50%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	$-	$107,677	$-	$108,888
Discount rate decreases by 0.5%	121,081	-	122,389	-
Future salary increases by 0.5%	167,319	-	129,368	-
Future salary decreases by 0.5%	-	108,264	-	104,339

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.

(25) 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, 2018 and 2017. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2018	2017
Additional paid-in capital	$40,387	$40,387
Treasury share transactions	586,437	547,464
Changes in net assets of associates and joint ventures accounted for under the equity method	95,129	103,483
Donated surplus	2,959	-
Total	$724,912	$691,334

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, 2018 and 2017, 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$66,396 thousand special reserve to undistributed earnings. As of December 31, 2018 and 2017, the special reserve were NT$131,578 thousand and NT$65,182 thousand, respectively.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 22, 2019 and June 22, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$204,683	$220,558		
Special reserve	39,220	66,396		
Common stock-cash dividend	1,804,788	1,804,788	$4	$4
Total	$2,048,691	$2,091,742		

Please refer to Note 6(29) 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, 2018.

F. Non-controlling interests

	For the years ended December 31,	
	2018	2017
Beginning balance	$432,166	$397,959
Effects of retrospective application	114	-

Beginning balance after retrospective application	432,280	397,959
Profit attributable to non-controlling interests	52,307	28,973
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	6,655	(7,646)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(3,744)	-
Unrealized gains (losses) on available-for-sale financial assets	-	2,631
Remeasurements of defined benefit plan	(2,287)	(1,927)
Share of changes in joint venters accounted for under the equity method	(141)	(3,448)
Acquisition of cash divided in a subsidiary	(36,148)	(37,966)
Acquisition of new shares in subsidiary not in proportionate to ownership interest	32,395	48,857
Acquisition of subsidiary	-	1,964
Issuance of employee stock option by subsidiary	-	2,770
Ending balance	$481,317	$432,166

(26) Operating revenue

	For the years ended December 31,	
	2018	2017
Revenue from contracts with customers		
Sale of goods revenue	$2,026,773	(Note1)
Rendering of service revenue	11,114,167	(Note1)
Security system revenue	(Note2)	$6,534,377
Static guard revenue	(Note2)	2,263,310
Cash delivery revenue	(Note2)	880,983
Logistics service revenue	(Note2)	985,983
Other operating revenue	(Note2)	2,390,103
Subtotal	13,140,940	13,054,756
Other revenue	252,679	-
Total	$13,393,619	$13,054,756

Note1: The Group has adopted IFRS 15 from 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

Note2: The Group adopted IFRS 15 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 15.

The Group has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

	Electronic Systems Department	Static Guard Department	Cash Delivery Department	Logistics Department	Other Department	Total
Sale of goods	$642,425	$-	$-	$160,571	$1,223,777	$2,026,773
Rendering of services	6,064,105	2,110,554	719,044	742,213	1,478,251	11,114,167
Total	$6,706,530	$2,110,554	$719,044	$902,784	$2,702,028	$13,140,940
Timing of revenue recognition :						
At a point in time	$642,425	$-	$-	$160,571	$1,223,777	$2,026,773
Over time	6,064,105	2,110,554	719,044	742,213	1,478,251	11,114,167
	$6,706,530	$2,110,554	$719,044	$902,784	$2,702,028	$13,140,940

B. Contract balances

a. Contract assets - current

	Beginning balance	Ending balance	Difference
Rendering of services	$35,397	$110,715	$75,318
Total	$35,397	$110,715	$75,318

Contract assets have increased during 2018 as the Group obtained an unconditional right to receive the consideration during the period transferred to trade receivables at the reporting date. Please refer to Note 6(27) for more details on the impairment impact.

b. Contract liabilities - current

	Beginning balance	Ending balance	Difference
Rendering of services	$1,008,524	$1,289,681	$281,157
Total	$1,008,524	$1,289,681	$281,157

Contract liabilities have increased during 2018 as increase in the amount of bills received due to contracts with customers increased, resulting in recognizing as contract liabilities during the period.

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$1,289,681 thousand as at December 31, 2018 will be recognized during 2019 financial year.

D. Assets recognized from costs to fulfil a contract

None.

(27) Expected credit losses

	Period ended 31 Dec.	
	2018	2017 (note)
Operating expenses – Expected credit losses		
Contract assets	$-	
Trade receivables	12,535	
Subtotal		
Non-operating income and expenses - expected credit losses		
Financial assets measured at amortized cost	-	
Total	$12,535	

Note: The Group adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The credit risk for the Group's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). As the trade partners are financial institutions with good credit, the loss allowance is NT$0 thousands measured at an loss ratio of 0%.

The Group measures the loss allowance of its contract assets and trade receivables (including notes receivable, accounts receivable, long-term receivables, and lease payment receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2018 is as follow:

A. The gross carrying amount of contract asset is NT$110,715 thousand, its loss allowance amounting to NT$0 thousand which is measured at expected credit loss ratio of 0%.

B. The Group considers the Companying of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

Group 1		Overdue					
	Not yet due (note)	1-90 days	91-180 days	181-270 days	271-365 days	>=365 days	Total
Gross carrying amount	$880,219	$54,808	$7,594	$1,619	$2,890	$7,547	$954,677
Loss ratio	0-2%	2-10%	10-20%	20-30%	30-50%	50-90%	
Lifetime expected credit losses	(2,343)	(1,798)	(1,375)	(534)	(1,207)	(7,259)	(14,516)
Subtotal	$877,876	$53,010	$6,219	$1,085	$1,683	$288	$940,161

Group 2		Overdue					
	Not yet due (note)	1-90 days	91-180 days	181-270 days	271-365 days	>=365 days	Total
Gross carrying amount	$424,172	$22,116	$2,378	$1,382	$1,097	$21,796	$461,215
Loss ratio	0-2%	2-5%	5-20%	10-30%	5-20%	90-100%	
Lifetime expected credit losses	(717)	(22)	(50)	(331)	(50)	(21,773)	(22,943)
Subtotal	$423,455	$22,094	$2,328	$1,051	$1,047	$23	$449,998
Total							$1,390,159

Note: The Group’s notes receivable, lease payment receivables, and long-term receivables are not overdue.

The movement in the loss allowance of trade receivables during the period ended 31 December 2018 is as follows:

	Trade receivables	Note receivables	Others(Note)
Beginning balance (in accordance with IAS 39)	$104,199	$-	$-
Transition adjustment to retained earnings	-	-	-
Beginning balance (in accordance with IFRS 9)	104,199	-	-
Addition/(reversal) for the current period	12,535	-	-
Write off	(75,933)	-	-
Others	(3,342)	-	-
Ending balance	$37,459	$-	$-

Note: Others contain long-term receivables and lease payment receivables.

(28) Operating leases

A. Operating lease commitments - Group as lessee

The Group has entered into commercial leases on office and dormitories. These leases have an average life of one 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, 2018 and 2017, are as follows:

	As of December 31,	
	2018	2017
Within one year	$255,344	$286,516
Over one year but within five years	221,648	362,311
Over five years	1,654	219,004
Total	$478,646	$867,831

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	$335,139	$324,095

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, 2018 and 2017, are as follows:

	As of December 31,	
	2018	2017
Within one year	$16,656	$13,362
Over one year but within five years	17,340	20,460
Over five years	-	-
Total	$33,996	$33,822

The contingent rent recognized as income amounted to NT$0 thousand and NT$20,681 thousand for the years ended December 31, 2018 and 2017, respectively.

(29) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2018 and 2017:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$3,514,980	$1,423,994	$4,938,974	$3,408,678	$1,477,818	$4,886,496
Labor and health insurance	335,048	106,949	441,997	316,039	108,749	424,788
Pension	203,775	70,892	274,667	196,505	82,718	279,223
Other employee benefits expense	164,076	33,619	197,695	160,493	35,206	195,699
Depreciation	988,054	146,904	1,134,958	1,009,587	145,855	1,155,442
Amortization	17,076	48,504	65,580	22,375	53,567	75,942

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, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 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, 2018 amount to NT$24,310 thousand and NT$97,239 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 22, 2019 to distribute NT$24,356 thousand and NT$97,423 thousand in cash as employees' compensation and remuneration to directors of 2018, respectively.

No material differences exist between the estimated amount and the actual distribution of NT$25,495 thousand and NT$101,980 thousand in cash as the employees' compensation and remuneration to directors for the year ended December 31, 2017.

(30) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2018	2017
Rental income	$17,261	$20,681
Interest income (Note)		9,589
Financial assets measured at amortized cost	1,710	
Cash in banks	4,680	
Short-term commercial papers	4,410	
Others	3,433	
Subtotal	14,233	
Dividend income	17,130	23,060
Total	$48,624	$53,330

Note: The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

B. Other gains and losses

	For the years ended December 31,	
	2018	2017
Loss on disposal of property, plant and equipment	$(10,335)	$(2,140)
(Loss) gains on disposal of investments	(32,352)	88,295
Foreign exchange loss, net	(2,786)	(12,987)
Loss on financial assets at fair value through profit or loss	(445)	(885)
Impairment losses	(46,978)	-
Financial assets measured at cost	-	(41,270)
Investments accounted for under the equity method	-	(51,018)
Other assets	-	(23,838)
Other income (expenditure)	(1,836)	48,930
Total	$(94,732)	$5,087

C. Finance costs

	For the years ended December 31,	
	2018	2017
Interest on borrowings from bank	$32,657	$34,672
Interest for finance lease	3,737	2,216
Total interest expenses	36,394	36,888
Unwinding of discount on provisions	189	-
Total finance costs	$36,583	$36,888

(31) Components of other comprehensive income

For the year ended December 31, 2018

	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	$(86,435)	$-	$(86,435)	$16,730	$(69,705)
Unrealized gains on financial assets at fair value through other comprehensive income	(40,545)	-	(40,545)	-	(40,545)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	(2,147)	-	(2,147)	-	(2,147)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	50,778	-	50,778	-	50,778
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	(2,525)	-	(2,525)	-	(2,525)
Total of other comprehensive (loss) income	$(80,874)	$-	$(80,874)	$16,730	$(64,144)

For the year ended December 31, 2017

	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	$(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	(10,002)	-	(10,002)	-	(10,002)

joint ventures accounted for under the equity method					
Total of other comprehensive (loss) income	$(115,637)	$-	$(115,637)	$4,834	$(110,803)

(32) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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,	
	2018	2017
Current income tax expense (income):		
Current income tax charge	$493,573	$351,289
Adjustments in respect of current income tax of prior periods	(13,033)	6,503
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	23,513	29,416
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(390)	(404)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(59,104)	-
Other components of deferred tax expense	1,081	562
Total income tax expense (income)	$445,640	$387,366

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2018	2017
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(16,730)	$(4,834)

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,	
	2018	2017
Accounting profit before tax from continuing operations	$2,544,775	$2,621,906
Tax at the domestic rates applicable to profits in the country concerned (2018: 20%; 2017: 17%)	$716,388	$464,059
Investment tax credit and loss carryforward	(2,139)	(2,383)
Tax effect of deferred tax assets / liabilities	(981)	46,261
Tax effect of revenues exempt from taxation	(214,157)	(83,356)

Tax effect of non-deductible expenses from taxation	475	406
Adjustments in respect of current income tax of prior periods	(13,033)	6,503
10% surtax on unappropriated retained earnings	7,710	7,112
Others	(48,623)	(51,236)
Total income tax expense recognized in profit or loss	$445,640	$387,366

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Tax rate change impact recognized in profit and loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences					
Unrealized bad debt expense	$14,520	$(13,477)	$2,562	$-	$3,605
Inventory valuation and obsolescence loss	1,949	(12)	345	-	2,282
Depreciation difference for tax purpose	13,224	(127)	2,333	-	15,430
Investments accounted for using the equity method	17,512	45	3,090	-	20,647
Compensated absences	16,811	129	2,967	-	19,907
Decommissioning costs	1,224	-	216	-	1,440
Defined benefit liabilities, non-current	170,757	(9,944)	26,481	16,730	204,024
Loss deduction	12,229	390	2,158	-	14,777
Impairment losses	106,263	-	18,752	-	125,016
Others	1,130	5,248	200	-	6,578
Deferred tax (expense)/income		$(17,748)	$59,104	$16,730	
Net deferred tax assets/(liabilities)	$355,619				$413,705
Reflected in balance sheet as follows:					
Deferred tax assets	$355,619				$413,705

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		$(29,012)	$4,834	
Net deferred tax assets/(liabilities)	$379,797			$355,619
Reflected in balance sheet as follows:				
Deferred tax assets	$379,797			$355,619

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

		Unused tax losses as of		
Year	Tax losses for the period	December 31, 2018	December 31, 2017	Expiration year
2007	$-	$-	$9,487	2017
2008	182,969	107,450	137,235	2018
2009	294,102	294,102	294,102	2019
2010	186,876	186,876	186,533	2020
2011	112,024	112,024	112,024	2021
2012	90,043	88,377	90,029	2022
2013	72,161	65,613	65,613	2023
2014	63,441	58,142	63,441	2024
2015	12,523	9,982	9,982	2025
2016	90,386	90,137	90,137	2026
2017	105,981	105,191	107,245	2027
2018	49,990	49,990	-	2028
		$1,167,884	$1,165,828	

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to NT$218,799 thousand and NT$197,793 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.

The assessment of income tax returns

As of December 31, 2018, 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 2016	-
Speed Investment Co., Ltd.	Assessed and approved up to 2016	-
Goyun Security Co., Ltd.	Assessed and approved up to 2016	-
Gowin Building Management and Maintenance Co., Ltd.	Assessed and approved up to 2016	-
Gowin Security Co., Ltd.	Assessed and approved up to 2016	-
Kuo Hsing Security Co., Ltd.	Assessed and approved up to 2016	-
Lee Bao Security Co., Ltd.	Assessed and approved up to 2016	-
Lee Bao Technology Co., Ltd.	Assessed and approved up to 2016	-
Lee Way Electronics Co., Ltd.	Assessed and approved up to 2016	-
Titan Star International Co., Ltd.	Assessed and approved up to 2016	-
Goldsun Express & Logistics Co., Ltd.	Assessed and approved up to 2016	-
Goldsun Express Ltd.	Assessed and approved up to 2016	-
Zhong Bao Insurance Broker Inc.	Assessed and approved up to 2016	-
Baby boss Co., Ltd.	Assessed and approved up to 2016	-
Chung Pao Tzu Tung Corporation	Assessed and approved up to 2016	-
SVS Corporation	Assessed and approved up to 2017	-
LITENET Corporation	Assessed and approved up to 2016	-
Taiwan Video System Co., Ltd.	Assessed and approved up to 2016	-
Lots Home Entertainment Co., Ltd.	Assessed and approved up to 2016	-
Aion Computer Communication Co., Ltd.	Assessed and approved up to 2016	-
CHOPPA Tech Co., Ltd.	Assessed and approved up to 2016	-
Goyun Science and Technology Co., Ltd.	Assessed and approved up to 2016	-
Comlink Fire Systems Inc.	Assessed and approved up to 2017	-
TransAsia Catering Services Ltd.	Assessed and approved up to 2016	-
Goldsun Holiday Co., Ltd.	Assessed and approved up to 2016	-
Goyun Parking Co., Ltd.	Assessed and approved up to 2017	-
Zhong Bao Lease Co., Ltd.	-	Note 1
SIGMU D.P.T. Co., Ltd.	Assessed and approved up to 2016	-
Lee Yuan Biomedical Co., Ltd.	Assessed and approved up to 2017	-
Zhan Food Team Inc.	Assessed and approved up to 2017	-
Jiansheng International Co., Ltd.	-	Note 2

Note 1: Zhong Bao Lease Co., Ltd. has not been assessed and approved in 2016 yet.

Note 2: Jiansheng International Co., Ltd. has not been assessed and approved in 2018 yet.

(33) 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,	
	2018	2017
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,046,828	$2,205,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Basic earnings per share (NT$)	$4.64	$5.00

	For the years ended December 31,	
	2018	2017
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,046,828	$2,205,567
Employee bonus (in thousands)	-	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	$2,046,828	$2,205,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	$440,923	$440,923
Effect of dilution:		
Employee bonus-stock (in thousands)	276	278
Weighted average number of ordinary shares outstanding after dilution (in thousands)	441,199	441,201
Diluted earnings per share (NT$)	$4.64	$5.00

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.

(34) Changes in ownership interests in subsidiaries

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

Taiwan Video System Co., Ltd. and SIGMU D.P.T. Co., Ltd. issued new shares in 2018, 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$(13,068) thousand and NT$(15,633) thousand, respectively, and were recognized in equity.

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.

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

Related Party Name	The Relationship with The Group
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

Related Party Name	The Relationship with The Group
	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
Kunyung 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

Significant transactions with related parties

(1) Sales

	For the years ended December 31,	
	2018	2017
Associates	$1,021,462	$1,079,535
Other related parties	314	513
Total	$1,021,776	$1,080,048

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 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Accounts receivable from related parties

	As of December 31,	
	2018	2017
Associates		
Goldsun Building Materials Co., Ltd.	$132,343	$105,368
Others	65,759	125,057
Subtotal	198,102	230,425

Other related parties	56	4
Total	198,158	230,429
Less: allowance for doubtful debts	-	(72,872)
Net	$198,158	$157,557

(3) Trade and other payables to related parties

	As of December 31,	
	2018	2017
Entity with joint control or significant influence over the Company	$1,485	$2,658
Associates	24,141	20,622
Total	$25,626	$23,280

(4) Lease expenditure

	For the years ended December 31,	
	2018	2017
Associates	$1,680	$1,490
Other related parties	15,023	17,097
Total	$16,703	$18,587

The lease deposits to related parties amounts to NT$2,817 thousand and NT$3,223 thousand as of December 31, 2018 and 2017.

(5) 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,	
	2018	2017
Entity with joint control or significant influence over the Company	$15,135	$15,854
Associates	16,085	216,547
Other related parties	-	-
Total	$31,220	$232,401

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.

(6) 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$47,576 thousand and NT$44,270 thousand for the years ended December 31, 2018 and 2017, respectively. The development expense payable was NT$23,362 thousand and NT$18,431 thousand for the years ended December 31, 2018 and 2017, respectively, which was recognized as other payables.

(7) Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$222,901	$206,825
Post-employment benefits	1,934	1,821
Total	$224,835	$208,646

8. Assets pledged as security

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

	Carrying amount		
Assets pledged for security	December 31, 2018	December 31, 2017	Secured liabilities
Other current assets	$381	$437	Contract security deposit
Property, plant and equipment - land and buildings	151,760	151,760	Long-term and short-term loans
Other noncurrent assets	99,055	66,487	Contract security deposit and oil passbook guarantee
Total	$251,196	$218,684	

9. Commitments and contingencies

The performance guarantee issued by bank as of December 31, 2018 for customs declaration and bids for Government projects are NT$105,842 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial assets at fair value through profit or loss:		
Held for trading (Note2)	(Note1)	$266
Financial assets designated at fair value through profit or loss	$6,124	(Note1)
Subtotal	6,124	266
Financial assets at fair value through other comprehensive income	641,718	(Note1)
Available-for-sale financial assets: (Note2)		
Measured at fair value-current	(Note1)	182,900
Measured at fair value-noncurrent	(Note1)	227,316
Measured at cost-noncurrent	(Note1)	150,866
Subtotal	641,718	561,082
Financial assets measured at amortized cost (Note3)	5,974,867	(Note1)
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	(Note1)	4,310,570
Debt instrument investment for which no active market exists	(Note1)	45,373
Trade receivables	(Note1)	1,384,289
Refundable deposits	(Note1)	258,913
Subtotal	-	5,999,145
Total	$6,622,709	$6,560,493

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	$2,550,000	$2,204,385
Short-term bills payable	-	154,952
Trade and other payables	2,411,721	3,063,434
Long-term loans	1,034,000	1,273,000
Lease payables	39,190	24,797
Guarantee deposits	644,152	634,859
Total	$6,679,063	$7,355,427

Note:

1. The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior

periods in accordance with the transition provision in IFRS 9.

2. December 31, 2017 contains measured at cost.
3. Contains cash and cash equivalents, financial assets measured at amortized cost, trade receivables, and refundable deposits.

(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 activates. 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.

<u>Foreign currency risk</u>

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, 2018 and 2017 is increased/decreased by NT$11,855 thousand and NT$5,570 thousand, respectively.

B. When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2018 and 2017 is increased/decreased by NT$11,490 thousand and NT$14,525 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$3,240 thousand and NT$3,477 thousand for the years ended December 31, 2018 and 2017, 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.

As of December 31, 2017, 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 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.

As of December 31, 2018, an increase/decrease of 10% in the price of the listed stocks classified as equity instrument investments measured at fair value through other comprehensive income could have an impact of NT$50,067 thousand on the income or equity attributable to the Group.

Please refer to Note 12(8) 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, 2018 and 2017, 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, 2018					
Borrowings	$3,441,942	$333,972	$46,200	$-	$3,822,114
Trade and other payables	2,411,721	-	-	-	2,411,721
Lease payable	15,586	19,068	8,273	-	42,927
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

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

(6) Reconciliation for liabilities arising from financing activities

Information of reconciliation for liabilities during 2018 is as follows:

	Short-term loans	Long-term loans	Lease payable	Short-term bills payable	Balance of liabilities arising from financing activities
2018.1.1	$2,204,385	$1,273,000	$24,797	$154,952	$3,657,134
Cash flow	345,615	(239,000)	14,393	(154,952)	(33,944)
2018.12.31	$2,550,000	$1,034,000	$39,190	$-	$3,623,190

Information of reconciliation for liabilities during 2017 is as follows:

Not applicable.

(7) 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, trade receivables, trade 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(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$5,991	$-	$-	$5,991
Open-end funds	133	-	-	133
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	500,673	-	141,045	641,718

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, 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
	Measured at fair value through other comprehensive income
	Stock
Beginning balances as of January 1, 2018	$199,712
Total losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (present in Unrealized gains or losses on measured at fair value through other comprehensive income equity instrument investment)	(42,273)
Acquisition/issue for the year ended December 31, 2018	-
Disposition/acquittance for the year ended December 31, 2018	(16,394)
Ending balances as of December 31, 2018	$141,045

	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

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, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income					
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$9,329 thousand

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

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, 2018

	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)	$-	$-	$91,190	$91,190
Investments accounted for under the equity method (please refer to Note 6)	1,588,444	-	-	1,588,444

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)	$-	$-	$104,121	$104,121
Investments accounted for under the equity method (please refer to Note 6)	1,851,516	-	-	1,851,516

(9) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$3,931,654	30.7150	$120,761
EURO	184,120	35.2000	6,481
RMB	25,693,186	4.4720	114,900
Financial assets at fair value through profit or loss			
USD	32,767	30.7150	1,006
Financial assets at fair value through other comprehensive income			
USD	242,635	30.7150	7,453
Financial liabilities			
Monetary items:			
USD	71,968	30.7150	2,210

	December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD (thousand)
Financial assets			
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
Financial liabilities			
Monetary items:			
USD	25,867	29.7600	770

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 loss was NT$(2,786) thousand and NT$(12,987) thousand for the years ended December 31, 2018 and 2017, respectively.

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

(10) 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.

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

	As of December 31, 2018		
Name of subsidiaries	Shares	Amount	Purpose of holding
Speed Investment Co., Ltd.	2,026,155	$179,112	Financial assets at fair value through other comprehensive income
Kuo Hsing Security Co., Ltd	3,625,284	320,475	Financial assets at fair value through other comprehensive income
Gowin Building Management and Maintenance Co., Ltd.	2,232,564	197,359	Financial assets at fair value through other comprehensive income
Goyun Security Co., Ltd.	252,820	22,349	Financial assets at fair value through other comprehensive income
Chung Pao Tzu Tung Corporation	552,655	48,855	Financial assets at fair value through other comprehensive income
Lee Way Electronics Co., Ltd.	163,284	14,434	Financial assets at fair value through other comprehensive income
Titan Star International Co., Ltd.	1,421,043	125,620	Financial assets at fair value through other comprehensive income
Total	10,273,805	$908,204	

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	

13. Additional disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

(a) Significant intercompany transactions between consolidated entities: Please refer to Attachment 1.
(b) Financing provided to others: Please refer to Attachment 2.
(c) Endorsement/Guarantee provided to others: Please refer to Attachment 3.
(d) Securities held: Please refer to Attachment 4.
(e) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(f) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(g) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(h) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.
(i) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: None.
(j) Financial instruments and derivative transactions: None.

(2) Information on investees:

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Attachment 6.

(3) Information on investment in Mainland China:

(a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

14. 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) Electronic 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, 2018

	Electronic system segment	Static guard service segment	Cash delivery segment	Logistics service segment	Subtotal	Other operating segments	Adjustment and elimination	Consolidated
Revenue								
External customer	$6,508,762	$2,307,056	$893,812	$952,162	$10,661,792	$2,731,827	$-	$13,393,619
Inter-segment	202,815	299,183	245,250	14,573	761,821	686,488	(1,448,309)	-
Total revenue	$6,711,577	$2,606,239	$1,139,062	$966,735	$11,423,613	$3,418,315	$(1,448,309)	$13,393,619
Interest revenue	$2,571	$978	$247	$529	$4,325	$10,997	$(1,089)	$14,233
Interest expenses	26,956	10	9,254	414	36,634	1,011	(1,062)	36,583
Depreciation and amortization	942,638	5,468	57,877	37,310	1,043,293	157,245	-	1,200,538
Other material non-cash items:								
Impairment of assets	92,287	-	-	-	9,879	37,099	-	46,978
Segment profit	$2,116,264	$514,854	$351,312	$51,696	$3,034,126	$505,357	$(994,708)	$2,544,775
Assets								
Investment accounted for under the equity method	$8,679,403	$668,499	$26,222	$36,164	$9,410,288	$4,042,253	$(10,235,394)	$3,217,147
Segment assets	$18,147,719	$1,846,618	$1,954,507	$925,433	$22,874,277	$9,052,966	$(11,039,064)	$20,888,179
Segment liabilities	$7,828,298	$320,368	$906,853	$260,527	$9,316,046	$1,118,636	$(347,241)	$10,087,441

For the year ended December 31, 2017

	Electronic 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	$6,784,472	$2,562,153	$1,125,226	$1,001,360	$11,473,211	$3,170,419	$(1,588,874)	$13,054,756
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	$2,212,471	$555,014	$347,115	$59,298	$3,173,898	$464,668	$(1,016,660)	$2,621,906
Assets								
Investment accounted for under the equity method	$8,461,742	$683,319	$24,419	$34,933	$9,204,413	$3,984,822	$(9,924,420)	$3,264,815
Segment assets	$17,761,988	$1,852,517	$2,350,078	$980,318	$22,944,901	$8,784,736	$(10,805,959)	$20,923,678
Segment liabilities	$7,639,839	$292,118	$1,309,288	$314,111	$9,555,356	$1,209,978	$(395,970)	$10,369,364

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, 2018	2017
Total revenue from reportable segments	$11,423,613	$11,473,211
Other revenue	3,418,315	3,170,419
Elimination of inter-segment revenue	(1,448,309)	(1,588,874)
Total revenue	$13,393,619	$13,054,756

B. Profit or loss:

	For the years ended December 31, 2018	2017
Total profit or loss for reportable segments	$3,034,126	$3,173,898
Other profit	505,357	464,668
Elimination of inter-segment profit	(994,708)	(1,016,660)
Profit before tax from continuing operations	$2,544,775	$2,621,906

C. Assets:

	As of December 31,	
	2018	2017
Total assets of reportable segments	$22,874,277	$22,944,901
Other assets	9,052,966	8,784,736
Elimination of investment accounted for under the equity method	(10,235,394)	(9,924,420)
Elimination of intersegment activities	(803,670)	(881,539)
Segment assets	$20,888,179	$20,923,678

D. Liabilities:

	As of December 31,	
	2018	2017
Total liabilities of reportable segments	$9,316,046	$9,555,356
Other liabilities	1,118,636	1,209,978
Elimination of intersegment activities	(347,241)	(395,970)
Segment liabilities	$10,087,441	$10,369,364

E. Other material items:

For the year ended December 31, 2018

	Reportable segments	Other operating segments	Adjustments	Consolidated
Interest revenue	$4,325	$10,997	$(1,089)	$14,233
Interest expenses	36,634	1,011	(1,062)	36,583
Depreciation and amortization	1,043,293	157,245	-	1,200,538
Impairment of assets	9,879	37,099	-	46,978

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

(3) Geographical information

Revenue from external customers

	For the years ended December 31,	
	2018	2017
Europe	$-	$390
Taiwan	13,393,619	13,044,347
Asia	-	9,177
Others	-	842
Total	$13,393,619	$13,054,756

Attachement 1

Significant intercompany transactions between consolidated entities (Expressed in Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
	Year of 2018						
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Revenues	$28,449	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Costs	178,677	Note 4	1%
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Accrued expenses	21,850	-	-
0	Taiwan Secom Co., Ltd.	Titan Enterprise Co., Ltd.	1	Guarantee deposits	30,000	-	-
0	Taiwan Secom Co., Ltd.	Titan Enterprise Co., Ltd.	1	Accounts payable	49,078	-	-
0	Taiwan Secom Co., Ltd.	Kuo Hsing Security Co., Ltd.	1	Revenues	18,716	Note 4	-
0	Taiwan Secom Co., Ltd.	CHOPPA Tech Co., Ltd.	1	Revenues	57,900	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Way Electronics Co., Ltd.	1	Revenues	36,076	Note 4	-
1	Titan Star International Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	216,233	Note 4	2%
2	Aion Computer Communication Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	213,650	Note 4	2%
3	Goyun Security Co., Ltd.	Kuo Hsing Security Co., Ltd.	3	Revenues	13,369	Note 4	-

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: When calculating the percentage of transaction amount to the consolidated revenues or the consolidated assets: Items of the balance sheets are calculated as its ending balance to total consolidated assets; items of income statement are calculated by its cumulative balance to the total consolidated income.

Note 4: The trading conditions of revenues and costs are in accordance with the general market conditions, and the terms of payment are equivalent to non-related parties.

Attachement 2

Financing provided to others for the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Speed Investment Co., Ltd.	Taiwan Video System Co., Ltd.	Other receivables - related parties	Yes	$85,000 (Note 1)	$52,000	$30,000 (Note 1)	1.0%	(Note 8(2))	$-	Business turnover	$-	-	$-	$574,277 (Note 1)	$1,148,554 (Note 2)
2	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 1)	30,000	30,000 (Note 1)	1.0%	(Note 8(2))	-	Business turnover	-	-	-	574,277 (Note 1)	1,148,554 (Note 2)
3	Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	Other receivables - related parties	Yes	60,000 (Note 3)	60,000	27,000 (Note 3)	1.3%	(Note 8(2))	-	Business turnover	-	-	-	125,748	251,497
4	Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 5)	-	- (Note 5)	1.5%	(Note 8(2))	-	Business turnover	-	-	-	209,531	419,062

Note 1：According to Fund loan and operating procedures of Speed Investment Co., Ltd., limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Speed Investment Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Speed Investment Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 2：Total financing amount of Speed Investment Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 3：According to Fund loan and operating procedures of Goldsun Express & Logistics Co., Ltd., limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Goldsun Express & Logistics Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Goldsun Express & Logistics Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 4：Total financing amount of Goldsun Express & Logistics Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 5：According to Fund loan and operating procedures of Lee Bao Security Co., Ltd, limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Lee Bao Security Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Lee Bao Security Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 6：Total financing amount of Lee Bao Security Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 7：According to the Interpretation Letter of (93) Basic Secret No. 167, the accounts receivable of the related parties that exceed the normal credit period are transferred to other receivables and are regarded as financing.

Note 8：(1) Total amount of the financing is disclosed herein if the financing is related to business transactions.

(2) The reasons and counterparties of the financing are addressed herein as the financing was associated with short-term capital needs.

Attachement 3

Endorsement/Guarantee provided to others for the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company (Note 5)	Guarantee provided by a subsidiary (Note 5)	Guarantee provided to subsidiaries in Mainland China (Note 5)
		Company name	Relationship										
0	Taiwan Secom Co., Ltd.	Taiwan Video System Co., Ltd.	An investee which holds directly 39.08% of equity interest.	$3,095,826 (Note 1)	$120,000	$-	$-	$-	0.00%	$5,159,711 (Note 1)	Y	N	N
2	Aion Computer Communication Co., Ltd.	LITENET Corporation	An investee which holds directly 73% of equity interest.	49,088 (Note 2)	2,095	2,095	2,095	-	0.85%	49,088 (Note 2)	N	N	N
3	Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	An investee which holds 1.45% of equity interest.	3,824 (Note 3)	500	500	500	-	0.07%	5,159,711 (Note 3)	N	N	N
3	Gowin Building Management and Maintenance Co., Ltd.	Taiwan Secom Co., Ltd.	Parent company	3,095,826 (Note 3)	2,651	2,651	2,651	-	0.35%	5,159,711 (Note 3)	N	Y	N
4	Gowin Building Management and Maintenance Co., Ltd.	Goyun Parking Co., Ltd.	An investee which holds directly 100% of equity interest.	3,095,826 (Note 3)	50,000	50,000	-	-	6.69%	5,159,711 (Note 3)	N	N	N
5	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	An investee which holds directly 78.98% of equity interest.	3,095,826 (Note 4)	25,000	25,000	25,000	-	0.87%	5,159,711 (Note 4)	N	N	N

Note 1： A subsidiary in which Taiwan Secom Co., Ltd. holds directly or indirectly over 50% of equity interest. Guarantee/endorsement amount are as follows：

(1) Percentage of accumulated guarantee amount to net assets value from the latest financial statement of Taiwan Secom Co., Ltd. shall not exceed 50%.

(2) Guarantee/endorsement amount for receiving party to net assets value from the latest financial statement of Taiwan Secom Co., Ltd. shall not exceed 50%.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 2： Limit of guarantee/endorsement amount of Aion Computer Communication Co., Ltd. are as follows：

(1) Total guarantee amount of the Company to net assets value from the latest financial statement shall not exceed 50%.

(2) Guarantee/endorsement amount for receiving party to net assets value from the latest financial statement shall not exceed 50%.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 3： Limit of guarantee/endorsement amount of Gowin Building Management and Maintenance Co., Ltd. are as follows：

(1) Total guarantee amount of the Company and its subsidiaries to net assets value of open-released parent company shall not exceed 50%.

(2) Total guarantee amount for receiving party of the Company and its subsidiaries to net assets value of the Company shall not exceed 30%. Except for open-released parent company directly or indirectly owned exceed 90% of equity interest, and its amount to net assets value of parent company shall not exceed 10%. But not for the case of guarantee/endorsement among companies owned 100% equity interests by open-released parent company.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 4： A subsidiary in which Speed Investment Co., Ltd. holds directly or indirectly over 50% of equity interest. Guarantee/endorsement amount are as follows：

(1) Total guarantee amount of the Company and its subsidiaries to net assets value of open-released parent company shall not exceed 50%.

(2) Total guarantee amount for receiving party of the Company and its subsidiaries to net assets value of the Company shall not exceed 30%. Except for open-released parent company directly or indirectly owned exceed 90% of equity interest, and its amount to net assets value of parent company shall not exceed 10%. But not for the case of guarantee/endorsement among companies owned 100% equity interests by open-released parent company.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 5： A company is coded "Y" when a subsidiary is endorsed by the listed parent company, or a listed parent company is endorsed by a subsidiary, or a company with an endorsement in Mainland China.

Attachement 4-1

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Expressed in Thousands of New Taiwan Dollars)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Taiwan Secom Co., Ltd.	Fund-							
	Yuanta Global Active Allocation Fund of Bond Funds	-	Financial assets at fair value through profit or loss-current	490,588	$4,985	-	$10.16	
	Listed companies stocks-							
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	3,300,000	117,480	0.08%	35.60	
	O-Bank Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	15,577,154	124,617	0.65%	8.00	
	Unlisted companies stocks-							
	Common stock							
	BlissCloud Group Holdings Corp	-	Financial assets at fair value through other comprehensive income-non-current	987,762	-	13.64%	-	
	Yuanding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,166,667	37,183	2.08%	8.92	
	GAMA PAY Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,285,714	22,950	7.14%	4.59	
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,591,367	6,970	10.61%	4.38	
	Global Securities Finance Corporation	-	Financial assets at fair value through other comprehensive income-non-current	624,950	2,800	0.16%	4.48	
	Sanwa Company Rs Taiwan Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,353,333	7,250	11.28%	0.25	
Lee Way Electronics Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	163,284	14,434	0.04%	88.40	
	Unlisted companies stocks-							
	Huijia Health Life Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	50,000	37	0.33%	0.74	
Chung Pao Tzu Tung Corporation	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	552,655	48,855	0.12%	88.40	

Attachement 4-2

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Amounts in Thousands of New Taiwan Dollars unless otherwise)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Kuo Hsing Security Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income－current	3,625,284	$320,475	0.80%	$88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income－current	128,700	4,582	0.003%	35.60	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	281,000	14,359	0.78%	51.23	
Gowin Building Management and Maintenance Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income－current	2,232,564	197,359	0.49%	88.40	
Babyboss Co., Ltd.	Listed companies stocks-							
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income－current	264,000	9,398	0.006%	35.60	
Lee Bao Technology Co., Ltd.	Unlisted companies stocks-							
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income－non-current	619,590	2,714	4.13%	4.38	
Lots Home Entertainment Co., Ltd.	Unlisted companies stocks-							
	The Tag-Along Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	675,000	6,750	1.50%	10.00	
	Movie- Back to the Good Times		Financial assets at fair value through other comprehensive income－non-current	-	3,250	-	-	
Aion Computer Communication Co., Ltd.	Unlisted companies stocks-							
	Union Securities Investment Trust Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	211,667	2,908	0.71%	13.74	
GC&C Holdings Limited	Fund-							
	AZI	-	Financial assets at fair value through profit or loss－current	333,333	133	-	USD 0.0287	
	Unlisted companies stocks-							
	Fit Design	-	Financial assets at fair value through other comprehensive income－non-current	-	-	-	-	

Attachement 4-3

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Amounts in Thousands of New Taiwan Dollars unless otherwise)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Goyun Security Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	252,820	$22,349	0.06%	$88.40	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	181,500	9,275	0.50%	51.10	
Speed Investment Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	2,026,155	179,112	0.45%	88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	613,800	21,851	0.015%	35.60	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	302,500	15,458	0.84%	51.10	
	Unlisted companies stocks-							
	Ciding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,130,435	10,161	2.17%	8.99	
	Mingfu Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	100,000	419	9.09%	4.19	
	Yuji Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,312,500	14,175	3.75%	10.80	
	Fund-							
	AsiaVest Opportunities Fund	-	Financial assets at fair value through profit or loss-current	200	1,006	0.74%	USD 166.69	
Titan Star International Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	1,421,043	125,620	0.31%	88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	349,800	12,453	0.009%	35.60	
	Unlisted companies stocks-							
	Golden Harvest Food Enterprise Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,460,000	16,746	7.30%	11.47	
	International Integrated Systems, Inc	-	Financial assets at fair value through other comprehensive income-non-current	497,227	6,732	0.74%	13.54	
TransAsia Catering Service Ltd.	Fund-							
	O-Bank No.1 Real Estate Investment Trust	-	Financial assets at fair value through other comprehensive income-non-current	20,000,000	171,200	6.67%	8.56	

Attachement 5

Related party transactions for purchases and sales amounts exceeding NT$100 million or 20% of capital stock

(Expressed in Thousands of New Taiwan Dollars)

Purchaser (seller)	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit Term	Unit price	Credit Term	Balance	Percentage of total receivables (payable)	
Taiwan Secom Co., Ltd.	Aion Computer Communication Co., Ltd.	Subsidiary accounted for under the equity method	Note 1	$213,650	Note 1	30-60 days	-	-	$(30,473)	4%	
	Anfeng Enterprise Co., Ltd.	Investee accounted for under the equity method	Sales	(174,356)	-1%	30-60 days	-	-	61,255	10%	
	Titan Star International Co., Ltd.	Subsidiary accounted for under the equity method	Note 2	216,233	Note 2	30-60 days	-	-	(49,078)	8%	
Goldsun Express & Logistics Co., Ltd.	Goldsun Building Materials Co., Ltd.	Investee accounted for under the equity method	Note 2	(562,179)	Note 3	30 days	-	-	117,483	12%	

Note 1：The Company purchases information equipment, software and system maintenance from Aion Computer Communication Co., Ltd.

Note 2：The Company purchased inventory, electronic anti-theft and electronic fire protection equipment from Titan Star International Co., Ltd, and recognized spare electronic equipment under the purchase, operating costs and fixed assets.

Note 3：The subsidiary provides cement carrying services to Goldsun Building Materials Co., Ltd, and recognized as other operating income.

Attachement 6-1

Names, locations and related information of investee companies (excluding investment in Mainland China)

※Investee company accounted for under the equity method

(Amounts in Thousands of New Taiwan Dollars unless otherwise stated)

Investor company	Investee company	Location	Main businesses and products	Initial Investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
Taiwan Secom Co., Ltd.	Speed Investment Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Investment holding	$415,130	$415,130	241,966,797	100.00%	$2,503,980	$143,152	$135,132	
	Lee Bao Security Co., Ltd.	5F., No.139, Zhengzhou Rd., Taipei City	Security services providing	198,006	198,006	69,986,215	100.00%	1,047,468	145,366	145,180	
	Goyun Security Co., Ltd.	7F., No. 2-4, Renyi St., Lingya Dist., Kaohsiung City	Security services providing	40,034	40,034	26,512,450	100.00%	484,855	81,697	80,075	
	Chung Pao Tzu Tung Corporation	4F., No. 693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	Sales of electric, telecommunications and fireproof products	20,000	20,000	2,000,000	100.00%	10,248	1,798	(417)	
	Goldsun Express & Logistics Co., Ltd.	2F., No. 133, Shanggang Rd., Bali Dist., New Taipei City	Air cargo transporting services	613,878	613,878	55,942,758	100.00%	630,030	40,025	40,468	
	Kuo Hsing Security Co., Ltd.	9F., No.139, Zhengzhou Rd., Taipei City	Corporate security guarding services	-	-	29,321,619	83.77%	514,633	158,347	120,192	
	Gowin Building Management and Maintenance Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Building management services providing	101,911	101,911	28,463,488	80.96%	435,053	136,984	102,056	
	Aion Computer Communication Co., Ltd.	12F., No.139, Zhengzhou Rd., Taipei City	Technology support services	139,356	139,356	12,739,895	73.75%	165,401	46,941	30,470	
	Zhong Bao Insurance Broker Inc	10F., No.139, Zhengzhou Rd., Taipei City	Insurance broker	3,600	3,600	608,400	60.00%	18,290	6,423	3,854	
	Taiwan Video System Co., Ltd.	8F., No.139, Zhengzhou Rd., Taipei City	Sales and manufacture of digital signage and monitors	449,526	449,526	11,356,902	39.07%	(1,487)	(36,625)	(6,383)	
	Tech Elite Holdings Ltd.	No. 36, West Block, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	Investment holding	66,416	66,416	2,000,000	39.22%	-	-	-	
	Yon Geng Healthcare Management Co., Ltd.	11F., No.139, Zhengzhou Rd., Taipei City	Retail of medical equipment	20,000	20,000	2,000,000	35.71%	9,330	(103)	(1,335)	
	Lee Way Electronics Co., Ltd.	3F., No.139, Zhengzhou Rd., Taipei City	Police-Citizen connection and AED rental services	121,419	121,419	10,288,341	34.29%	141,785	53,585	16,882	
	Anfeng Enterprise Co., Ltd.	3F., No.139, Zhengzhou Rd., Taipei City	Automated Teller Machine (ATM) services	10,820	10,820	900,000	30.00%	13,570	420	1,085	
	Lots Home Entertainment Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	Video Sales and rental services	186,480	186,480	4,308,392	21.02%	70,425	(4,925)	(3,124)	
	Huaya Development Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Operating hotel and sales of cement products and asbestos waves	314,899	314,899	25,512,892	49.83%	296,660	(1,600)	(797)	
	TransAsia Airways Corp.	8F., No.139, Zhengzhou Rd., Taipei City	Aviation Services	833,409	833,409	76,245,604	10.05%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	1,374,479	1,374,479	89,875,518	6.49%	1,478,222	514,894	29,248	
	TransAsia Catering Service Ltd.	No. 538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	Production and sales of instant foods and in-flight catering	750,687	750,687	24,562,918	67.02%	814,093	28,461	23,926	
	SIGMU D.P.T. Co., Ltd.	4F., No. 693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	Wholesale and installation of fire safety equipment	27,344	-	2,734,400	21.99%	46,847	88,115	13,482	
Speed Investment Co., Ltd.	Titan Star International Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	Manufacturing, selling and processing of security-related equipment and parts	393,185	393,185	81,667,290	100.00%	1,303,284	86,400	86,400	
	Zhong Bao Security Holding (Samoa) Co., Ltd.	Offshore Chambers, PO.Box217, Apia, Samoa	Investment holding	193,091	193,091	5,926,000	100.00%	67,847	3,636	3,636	
	SVS Corporation	No. 418, Songhe St., Nangang Dist., Taipei City	Vehicles maintenance services	80,000	80,000	8,000,000	100.00%	36,638	1,653	1,655	
	Babyboss Co., Ltd.	6F., No.139, Zhengzhou Rd., Taipei City	Educational and recreational services	220,000	220,000	22,000,000	84.62%	200,807	(78,258)	272	
	Lots Home Entertainment Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	Video Sales and rental services	375,568	375,568	16,191,608	78.98%	25,212	(4,925)	(6,369)	
	CHOPPA Tech Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	POS system for retail	86,090	84,220	8,637,000	57.58%	96,631	2,606	1,459	
	Lee Way Electronics Co., Ltd.	3F., No.139, Zhengzhou Rd., Taipei City	Police-Citizen connection and AED rental services	150,376	150,376	14,078,783	46.93%	204,045	53,585	23,589	
	Taiwan Video System Co., Ltd.	8F., No.139, Zhengzhou Rd., Taipei City	Sales and manufacture of digital signage and monitors	151,021	151,021	14,845,300	47.32%	588	(36,625)	(12,491)	
	Zhong Bao Insurance Broker Inc	10F., No.139, Zhengzhou Rd., Taipei City	Insurance broker	1,927	1,927	101,400	10.00%	3,048	6,423	642	
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	103,456	103,456	9,900,199	0.71%	138,177	514,894	4,681	
	Yon Geng Healthcare Management Co., Ltd.	11F., No.139, Zhengzhou Rd., Taipei City	Retail of medical equipment	326	326	100,000	1.79%	467	(103)	(67)	
	Comlink Fire Systems Inc	No. 16, Ln. 60, Baoshi St., Guishan Dist., Taoyuan City	Wholesale of fire safety equipment	85,034	85,034	6,646,625	99.11%	142,016	15,337	15,813	
	SIGMU D.P.T. Co., Ltd.	4F., No. 693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	Wholesale and installation of fire safety equipment	57,118	57,118	6,124,336	49.26%	104,895	88,115	58,826	
	TransAsia Catering Service Ltd.	No. 538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	Production and sales of instant foods and in-flight catering	80,000	80,000	2,424,242	6.61%	59,477	28,461	2,234	
	Jiansheng International Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	Retail of medical equipment	20,000	20,000	2,000,000	100.00%	20,377	377	377	
Zhong Bao Security Holding (Samoa) Co., Ltd.	Zhong Bao Security Holding (Mauritius) Co., Ltd.	2nd Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Republic	Investment holding	130,096	130,096	4,000,000	100.00%	67,593	3,627	3,627	
Zhong Bao Security Holding (Mauritius) Co., Ltd.	CHUN-SECURITY Video System Co., Ltd.	Suite 314, St. James Court, St. Denis Street, Riviere Street, Port Louis, Republic of Mauritius	Investment holding and international trading	-	130,080	-	-	-	-	-	
Titan Star International Co., Ltd.	ESKYLINK INC	3F., No.139, Zhengzhou Rd., Taipei City	Telecom value-added network services	7,301	7,301	884,016	19.71%	17,461	19,800	4,878	
	LITENET Corporation	7F., No.139, Zhengzhou Rd., Taipei City	Light controlling system services	30,244	30,244	2,268,000	27.00%	36,282	2,344	719	
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	363,809	359,187	55,309,747	3.99%	764,775	514,894	20,159	
	Taiwan Video System Co., Ltd.	8F., No.139, Zhengzhou Rd., Taipei City	Sales and manufacture of digital signage and monitors	21,516	21,516	614,779	2.12%	(964)	(36,625)	(1,633)	
	TransAsia Airways Corp.	8F., No.139, Zhengzhou Rd., Taipei City	Aviation Services	54,007	54,007	4,405,028	0.58%	-	-	-	Note 1
	Kaohsiung Airport Catering Services Co., Ltd.	No. 2-10, Zhongshan 4th Rd., Xiaogang Dist., Kaohsiung City	Production and sales of instant foods and in-flight catering	-	-	1	-	-	-	-	
	Comlink Fire Systems Inc	No. 16, Ln. 60, Baoshi St., Guishan Dist., Taoyuan City	Wholesale of fire safety equipment	176	176	12,500	0.19%	204	15,337	25	
	SIGMU D.P.T. Co., Ltd.	4F., No. 693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	Wholesale and installation of fire safety equipment	203	113	19,720	0.17%	341	88,115	141	
	TransAsia Catering Service Ltd.	No. 538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	Production and sales of instant foods and in-flight catering	100,000	100,000	3,030,303	8.27%	74,413	28,461	658	

Note 1：On January 11, 2017, the shareholders meeting of TransAsia Airways Corp., which is the Group's investee recognized in investments accounted for under the equity method, approved the liquidation proposal. No more investment income or loss has been recognized since 2017.

Attachement 6-2

Names, locations and related information of investee companies (excluding investment in Mainland China)

※Investee company accounted for under the equity method

(Expressed in Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Initial Investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	2F., No. 133, Shanggang Rd., Bali Dist., New Taipei City	The custom broker services	$26,833	$26,833	3,361,248	100.00%	$36,164	$1,231	$1,231	
Goyun Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Building management services providing	15,000	15,000	2,154,042	6.13%	36,192	136,984	8,388	
	TransAsia Airways Corp.	8F., No.139, Zhengzhou Rd., Taipei City	Aviation Services	28,978	28,978	1,635,080	0.22%	-	-	-	Note 1
	Babyboss Co., Ltd.	6F., No.139, Zhengzhou Rd., Taipei City	Educational and recreational services	4,891	4,891	1,000,000	3.85%	9,128	(78,258)	4	
	CHOPPA Tech Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	POS system for retail	10,080	10,080	1,008,000	6.72%	11,267	2,606	28	
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	82,571	82,571	8,800,000	0.64%	98,981	514,894	3,974	
	Goyun Science and Technology Co., Ltd.	7F., No. 2-4, Renyi St., Lingya Dist., Kaohsiung City	Car parking lot services	100,000	100,000	10,000,000	100.00%	88,821	(6,773)	(6,782)	
Kuo Hsing Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Building management services providing	26,615	26,615	4,540,260	12.91%	115,047	136,984	17,985	
	Lee Way Electronics Co., Ltd.	3F., No.139, Zhengzhou Rd., Taipei City	Police-Citizen connection and AED rental services	29,045	29,045	2,707,458	9.02%	41,872	53,585	4,037	
	TransAsia Airways Corp.	8F., No.139, Zhengzhou Rd., Taipei City	Aviation Services	47,581	47,581	4,360,832	0.57%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	7F., No.139, Zhengzhou Rd., Taipei City	Ready mixed concrete, real estate sale, and lease	172,492	172,492	12,669,386	0.91%	186,762	514,894	1,049	
	Zhong Bao Lease Co., Ltd.	4F., No. 102, Chong'an St., Sanchong Dist., New Taipei City	Mini-Storage rental services	30,000	30,000	3,000,000	100.00%	27,720	(694)	(693)	
	TransAsia Catering Service Ltd.	No. 538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	Production and sales of instant foods and in-flight catering	70,000	70,000	2,121,212	5.79%	52,708	28,461	1,957	
Gowin Building Management and Maintenance Co., Ltd.	Gowin Security Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Corporate security guarding services	40,000	40,000	4,000,000	100.00%	88,983	26,602	33,093	
	Kuo Hsing Security Co., Ltd.	9F., No.139, Zhengzhou Rd., Taipei City	Corporate security guarding services	12,515	12,515	506,692	1.45%	15,128	158,347	2,624	
	TransAsia Airways Corp.	8F., No.139, Zhengzhou Rd., Taipei City	Aviation Services	19,639	19,639	2,101,872	0.28%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	72,599	72,599	4,650,459	0.34%	66,169	514,894	88	
	Goyun Parking Co., Ltd.	4F., No.139, Zhengzhou Rd., Taipei City	Car parking lot services	50,000	50,000	5,000,000	100.00%	44,841	(1,420)	(1,419)	
Babyboss Co., Ltd.	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	77,509	77,509	7,900,000	0.57%	110,930	514,894	671	
Lee Way Electronics Co., Ltd.	Lee Yuan Biomedical Co., Ltd.	No. 85, Sec. 2, Jianguo N. Rd., Taipei City	Medical equipment and AED rental services	30,000	30,000	3,000,000	100.00%	48,750	22,340	22,340	
	TransAsia Catering Service Ltd.	No. 538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	Production and sales of instant foods and in-flight catering	50,000	50,000	1,515,152	4.13%	37,162	28,461	1,396	
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	5F., No.139, Zhengzhou Rd., Taipei City	Automated Teller Machine (ATM) services	50,000	50,000	5,000,000	100.00%	26,222	1,019	1,091	
Aion Computer Communication Co., Ltd.	Peregrine Soleil Asset Holdings Limited	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	Investment holding	189,961	189,961	5,469,502	100.00%	48,570	(225)	(225)	
	LITENET Corporation	7F., No.139, Zhengzhou Rd., Taipei City	Light controlling system services	81,623	81,623	6,132,000	73.00%	98,187	2,344	1,512	
	Goldsun Building Materials Co., Ltd.	7F., No. 8, Xinhu 1st Rd., Neihu Dist., Taipei City	Ready mixed concrete, real estate sale, and lease	9,427	9,427	900,000	0.06%	12,650	514,894	75	
Peregrine Soleil Asset Holdings Limited	GC&C Holdings Limited	P.O.Box 2804, Offshore Incorporations (Cayman) Limited. Scotia Centre, 4th Floor, George Town, Grand Cayman, Cayman Islands	Investment holding	189,691	189,691	5,460,502	100.00%	49,065	(169)	(169)	

Attachement 6-3

Names, locations and related information of investee companies (excluding investment in Mainland China)

※Investee company accounted for under the equity method

(Amounts in Thousands of New Taiwan Dollars unless otherwise stated)

Investor company	Investee company	Location	Main businesses and products	Initial Investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
Taiwan Video System Co., Ltd.	TVS Electric Co., Ltd.	1308 Delaware Avenue Wilmington DE 19806 New Castle Country State of Delaware U.S.A.	Investment holding and international trading	$-	$281,721	-	-	$-	$1	$1	
	TVS Germany GmbH	Osterrade 54, 21031 Hamburg Germany	Sales of digital signage, monitors, and etc.	5,917	5,707	-	100.00%	5,917	(370)	(370)	
TVS Electric Co., Ltd.	CHUN-SECURITY Video System Co., Ltd.	3rd Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius	Investment holding and international trading	$-	USD 8,462	-	-	-	-	-	
TransAsia Catering Service Ltd.	Tian-sha Food, Ltd.	No. 1249, Daguan Rd., Dayuan Dist., Taoyuan City	Retail of food product	18,000	18,000	1,800,000	30.00%	22,993	19,800	3,122	
CHOPPA Tech Co., Ltd.	Zhan Food Team Inc	1F., No. 73, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City	Catering services	31,000	18,000	3,500,000	92.11%	29,328	(214)	(136)	

Attachement 7

Investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars unless otherwise stated)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of Outflow December 31, 2018
					Outflow	Inflow						
Yixun (China) Software Co., Ltd.	R&D, production of computer applications, programs, talent training, web applications and other software sales and technical consulting services	$197,278	(2)	$-	$-	$-	$-	$-	17.20%	$-	$-	$-
Zanyun (China) Software Co., Ltd.	Computer and peripheral software wholesale and retail, computer software services, data processing services, network information supply and management consultants	USD 6,600	(2)	-	-	-	-	USD (1,558)	17.20%	-	-	-
Beijing North Yinzhen Software Development Co., Ltd.	Computer network system installation, system integration, sales of self-produced products, etc.	RMB 10,000	(2)	12,674 (USD 360)	-	-	12,674 (USD 360) (Note 4)	-	-	-	-	-
Jian Ling (Shanghai) Intelligent Technology Co., Ltd.	Management of computer hardware and software research and development and transfer of self-operated results and computer hardware and software, office supplies, electronic products, household appliances, communications equipment wholesale	RMB 3,069	(1)	14,702 (USD 500)	-	13,600 (USD 453)	- (Note 5)	-	-	-	-	-

Accumulated Investment in Mainland China as of 2018/12/31	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$12,674	$133,475	$6,480,442

Note 1: The methods for engaging in investment in Mainland China include the following:

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods

Note 2: The investment income (loss) recognized in current period:

(1)Please specify if no investment income (loss) has been recognized as still in the preparation stage.

(2)The investment income (loss) were determined based on the following:

a.The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b.The financial statements certificated by the CPA of the parent company in Taiwan.

c.Others.

Note 3: The Company is based on the new regulations promulgated by the Ministry of Economic Affairs in the Republic of China in 1997. The calculation method for the mainland area is 60% of the net value or the combined net value, whichever is higher.

Note 4: In order to simplify the investment structure, the Group sold the entire equity of Northern Bank Securities Software Development Co., Ltd. in the first quarter of 2016 and lost control from that date.

Note 5: In the second quarter of 2018, the Group approved the cancellation of the investment in Jian Ling (Shanghai) Intelligent Technology Co., Ltd.

6-5. Latest Individual Financial Statements of the Company Audited and Certified by CPAs

Independent Auditors' Report
(Translated from Chinese)

To Taiwan Secom Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Taiwan Secom Co., Ltd. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 the 2018 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only 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, 2018, the Company's investments accounted for under the equity method amounted to NT$8,680,890 thousand, which accounted for 48% of total assets. Management assesses and implements impairment testing whenever there is any indication that an investment 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 involves 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$6,909,346 thousand for the year ended December 31, 2018, and the revenue consists of security system revenue which is the Company's main source of revenue. The customer contracts include various performance conditions and terms, due to the practice of the industry. The Company need to make the judgment when the performance obligation is completed based on the terms of customer orders or contracts, and recognized revenue when the Company satisfies a performance obligation. Due to the revenue derived from rendering service received in advance, the timing to recognize the revenue is significant judgment 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 and the process of generating and recognizing revenue; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition.

(2) Selecting samples to perform tests of details, reviewing significant terms and condition of contracts and assessing the performance obligation and the trading price to verify the occurrence of sales transaction.

(3) Acquiring the detail of the revenue recognition for the contract liabilities for security system revenue by month, and selecting samples to review the contract period and reassess the accuracy of the amount of revenue recognition to verify the reasonableness of the timing of revenue recognition.

(4) 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 Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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:

7. Identify and assess the risks of material misstatement of the parent company only 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.

8. 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.

9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by management.

10. 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. 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 parent company only 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 to cease to continue as a going concern.

11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2018 parent company only 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.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the parent company only financial statements, which describes the Company applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the parent company only financial statements for prior periods. Our conclusion is not modified in respect of this matter.

YU Chien-Ju

HSU Hsin-Min

Ernst & Young, Taiwan
March 22, 2019

Notice to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2018 and December 31, 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2018 Amount	%	As of December 31, 2017 Amount	%
Current assets					
Cash and cash equivalents	4 and 6	$990,335	5	$724,191	4
Financial assets at fair value through profit or loss, current	4 and 6	4,985	-	-	-
Financial assets at fair value through other comprehensive income, current	4 and 6	117,480	1	-	-
Available-for-sale financial assets, current	4 and 6	-	-	114,487	1
Contract assets, current	4 and 6	30,170	-	-	-
Notes receivable, net	4 and 6	187,992	1	207,802	1
Accounts receivable, net	4 and 6	465,303	3	388,370	2
Lease receivable,net	4 and 6	38,040	-	50,626	-
Accounts receivable from related parties, net	4, 6 and 7	100,705	1	83,474	1
Inventories, net	4 and 6	92,255	-	91,546	1
Prepayments		314,871	2	264,252	2
Other current assets		66,542	-	66,170	-
Total current assets		2,408,678	13	1,990,918	12
Non-current assets					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	201,770	1	-	-
Available-for-sale financial assets, non-current	4 and 6	-	-	162,070	1
Financial assets measured at cost, non-current	4 and 6	-	-	100,000	1
Investments accounted for under the equity method	4 and 6	8,680,890	48	8,476,473	48
Property, plant and equipment	4, 6 and 7	5,023,609	28	5,185,551	29
Investment property, net	4 and 6	282,579	2	282,806	2
Intangible assets	4 and 6	73,197	-	80,967	-
Deferred tax assets	4 and 6	304,814	2	258,930	1
Prepayment for equipment		783,071	4	773,093	4
Refundable deposits	7	227,974	1	225,856	1
Long-term receivable	6	30,633	-	41,834	-
Long-term lease receivable	4 and 6	117,488	1	131,203	1
Other assets, non-current	8	14,504	-	67,019	-
Total non-current assets		15,740,529	87	15,785,802	88
Total assets		$18,149,207	100	$17,776,720	100

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2018 and December 31, 2017
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of December 31, 2018 Amount	%	As of December 31, 2017 Amount	%
Current liabilities					
Short-term loans	4 and 6	$2,350,000	13	$2,200,000	12
Contract liabilities, current	4 and 6	1,134,977	6	-	-
Notes payable		222,947	1	262,419	2
Accounts payable		218,226	1	241,292	1
Accounts payable to related parties	7	96,046	1	120,788	1
Other payables	7	532,021	3	515,222	3
Current tax liabilities	4 and 6	211,977	1	54,245	-
Advanced receipts	6	-	-	1,008,857	6
Current portion of long-term loans	4 and 6	684,000	4	184,000	1
Other current liabilities		126,208	1	130,521	1
Total current liabilities		5,576,402	31	4,717,344	27
Non-current liabilities					
Long-term loans	4 and 6	350,000	2	1,034,000	6
Provisions, non-current	4	7,200	-	7,200	-
Net defined benefit liabilities, non-current	4 and 6	1,309,685	7	1,305,026	7
Guarantee deposits	6	585,012	3	576,270	3
Other liabilities, non-current	4 and 6	1,487	-	14,732	-
Total non-current liabilities		2,253,384	12	2,937,228	16
Total liabilities		7,829,786	43	7,654,572	43
Equity attributable to the parent					
Capital					
Common stock	6	4,511,971	26	4,511,971	26
Additional paid-in capital	6	724,912	4	691,334	4
Retained earnings	6				
Legal reserve		3,322,832	18	3,102,274	18
Special reserve		131,578	1	65,182	-
Unappropriated earnings		2,087,315	11	2,171,354	12
Other components of equity	4 and 6	(170,798)	(1)	(131,578)	(1)
Treasury stock	4 and 6	(288,389)	(2)	(288,389)	(2)
Total equity		10,319,421	57	10,122,148	57
Total liabilities and equity		$18,149,207	100	$17,776,720	100

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TAIWAN SECOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	2018		2017	
		Amount	%	Amount	%
Operating revenue	4, 6 and 7	$6,941,037	100	$7,031,300	101
Less : Sales returns and allowances	6	(31,691)	-	(41,663)	(1)
Net revenue		6,909,346	100	6,989,637	100
Operating costs	6 and 7	3,484,189	50	3,512,078	50
Gross profit		3,425,157	50	3,477,559	50
Operating expenses	6 and 7				
Sales and marketing expenses		640,849	9	692,518	10
General and administrative expenses		1,097,331	16	1,166,094	17
Research and development expenses		105,582	2	91,957	1
Expected credit losses		11,300	-	-	-
Subtotal		1,855,062	27	1,950,569	28
Operating income		1,570,095	23	1,526,990	22
Non-operating income and loss					
Other income	6	66,129	1	73,847	1
Other gains and losses	6	(25,230)	-	(106,633)	(2)
Finance costs	6	(26,956)	-	(25,337)	-
Share of profit or loss of associates and joint ventures		729,994	10	948,770	14
Subtotal		743,937	11	890,647	13
Income before income tax		2,314,032	34	2,417,637	35
Income tax expenses	4 and 6	(267,204)	(4)	(212,070)	(3)
Net income		2,046,828	30	2,205,567	32
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	6	(59,828)	(1)	(46,115)	(1)
Unrealized gains on financial assets at fair value through other comprehensive income	6	(34,880)	(1)	-	-
Share of other comprehensive (loss) income of associates and joint ventures-may not be reclassified subsequently to profit or loss	6	(19,667)	-	3,948	-
Income tax related to items that will not be reclassified	6	8,010	-	4,703	-
Items that may be reclassified subsequently to profit or loss					
Unrealized gain on available-for-sale financial assets	6	-	-	13,273	-
Share of other comprehensive (loss) income of associates and joint ventures-may be reclassified subsequently to profit or loss	6	41,597	1	(79,669)	(1)
Total other comprehensive (loss) income, net of tax		(64,768)	(1)	(103,860)	(2)
Total comprehensive income		$1,982,060	29	$2,101,707	30
Earnings per share (NT$)	4 and 6				
Basic earnings per share		$4.64		$5.00	
Diluted earnings per share		$4.64		$5.00	

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TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company									
			Retained Earnings			Other Components of Equity				
Description	**Common Stock**	**Additional Paid-in Capital**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Exchange Differences on Translation of Foreign Operations**	**Unrealized Gain or Loss on Financial Assets at fair value through other comprehensive income**	**Unrealized Gain or Loss on Available-for-Sale Financial Assets**	**Treasury Stock**	**Total Equity**
Balance as of January 1, 2017	$4,511,971	$853,577	$3,040,743	$61,565	$1,421,990	$(50,537)	$-	$(14,645)	$(288,389)	$9,536,275
Appropriations and distributions of 2016 unappropriated earnings										
Legal reserve	-	-	61,531	-	(61,531)	-	-	-	-	-
Special reserve	-	-	-	3,617	(3,617)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,353,591)	-	-	-	-	(1,353,591)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	29,254	-	-	-	-	-	-	-	29,254
Cash dividends distributed from capital surplus	-	(225,599)	-	-	-	-	-	-	-	(225,599)
Net income in 2017	-	-	-	-	2,205,567	-	-	-	-	2,205,567
Other comprehensive (loss) income, net of tax in 2017	-	-	-	-	(37,464)	(89,913)	-	23,517		(103,860)
Total comprehensive income	-	-	-	-	2,168,103	(89,913)	-	23,517	-	2,101,707
Parent company's cash dividends received by subsidiaries	-	34,102	-	-	-	-	-	-	-	34,102
Balance as of December 31, 2017	$4,511,971	$691,334	$3,102,274	$65,182	$2,171,354	$(140,450)	$-	$8,872	$(288,389)	$10,122,148
Balance as of January 1, 2018	$4,511,971	$691,334	$3,102,274	$65,182	$2,171,354	$(140,450)	$-	$8,872	$(288,389)	$10,122,148
Impact of retroactive application	-	-	-	-	39,344	-	(44,049)	(8,872)	-	(13,577)
Balance as of January 1, 2018 after restatement	$4,511,971	$691,334	$3,102,274	$65,182	$2,210,698	$(140,450)	$(44,049)	$-	$(288,389)	$10,108,571
Appropriations and distributions of 2017 unappropriated earnings										
Legal reserve	-	-	220,558	-	(220,558)	-	-	-	-	-
Special reserve	-	-	-	66,396	(66,396)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,804,788)	-	-	-	-	(1,804,788)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(8,354)	-	-	-	-	-	-	-	(8,354)
Donated surplus	-	2,959	-	-	-	-	-	-	-	2,959
Net income in 2018	-	-	-	-	2,046,828	-	-	-	-	2,046,828
Other comprehensive (loss) income, net of tax in 2018	-	-	-	-	(73,278)	41,597	(33,087)	-	-	(64,768)
Total comprehensive income	-	-	-	-	1,973,550	41,597	(33,087)	-	-	1,982,060
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(5,191)	-	5,191	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973
Balance as of December 31, 2018	$4,511,971	$724,912	$3,322,832	$131,578	$2,087,315	$(98,853)	$(71,945)	$-	$(288,389)	$10,319,421

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities:		
Profit before tax from continuing operations	$2,314,032	$2,417,637
Net income before tax	2,314,032	2,417,637
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Bad debt expense	-	12,337
Expected credit losses	11,300	-
Depreciation	892,511	883,129
Amortization	50,127	52,595
Interest expense	26,956	25,337
Interest revenue	(2,571)	(2,362)
Dividend income	(9,186)	(14,024)
Share of gain of associates and joint ventures	(729,994)	(948,770)
Loss on valuation of financial asset	152	-
Loss (gain) on disposal of property, plant and equipment	7,861	(823)
Loss on disposal of investments	-	3,130
Impairment loss	9,879	92,288
Changes in operating assets and liabilities:		
Contract assets	5,227	-
Notes receivable, net	19,811	3,161
Accounts receivable, net	(81,796)	69,501
Accounts receivable from related parties, net	(17,231)	19,836
Lease receivables	26,301	(82,264)
Long-term receivables	11,201	(41,834)
Contract liabilities	61,383	-
Inventories, net	(42,121)	(73,555)
Prepayments	4,348	(39,882)
Other current assets	(372)	(13,756)
Notes payable	(39,473)	57,173
Accounts payable	(23,066)	62,637
Accounts payable to related parties	(24,743)	9,107
Other payables	16,799	38,217
Advanced receipts	-	45,852
Other current liabilities	(4,312)	103
Net defined liabilities, non-current	(55,168)	16,754
Cash generated from operations	2,427,855	2,591,524
Interest received	2,571	2,362
Interest paid	(26,945)	(25,206)
Income tax paid	(147,347)	(300,294)
Net cash provided by operating activities	2,256,134	2,268,386
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(9,000)
Capital deducted by cash of financial assets measured at cost	-	7,650
Acquisition of investments accounted for using the equity method	(27,344)	(280,000)
Capital deducted by cash of financial assets at fair value through other comprehensive income	8,333	-
Acquisition of property, plant and equipment	(714,167)	(1,013,908)
Proceeds from disposal of property, plant and equipment	17,375	2,515
Acquisition of intangible assets	(42,357)	(58,475)
(Increase) decrease in prepayment for equipment	(9,977)	183,955
(Increase) decrease in refundable deposits	(2,118)	5,471
Decrease (increase) in other assets	10,681	(41,234)
Dividends received	596,681	507,417
Net cash used in investing activities	(162,893)	(695,609)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	150,000	(500,000)
Increase in long-term loans	-	400,000
Decrease in long-term loans	(184,000)	(144,000)
Increase in guarantee deposits	8,732	11,190
Cash dividends paid	(1,801,829)	(1,579,190)
Net cash used in financing activities	(1,827,097)	(1,812,000)
Net decrease in cash and cash equivalents	266,144	(239,223)
Cash and cash equivalents at beginning of year	724,191	963,414
Cash and cash equivalents at end of year	$990,335	$724,191

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
(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 parent company only financial statements of Taiwan Secom Co., Ltd. ("the Company") for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on March 22, 2019.

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 Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on The Company is described below:

A. *IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "*Clarifications *to IFRS 15 Revenue from Contracts with Customers")*

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, The Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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

a. Please refer to Note 4 for the accounting policies before or after 1 January 2018.

b. Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company’s revenue recognition from sale of goods.

c. Before 1 January 2018, revenue from rendering of services was recognized based on the stage of completion which was measured by the proportion of that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Company’s revenue recognition from rendering of services.

   However, for some rendering of services contracts, if the Company has the right to provide the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. The Company reclassify the contract assets NT$35,397 thousand from account receivables as at January 1, 2018. To compare with the requirements of IAS 18, the trade receivables decreased by NT$30,170 thousand and the contract assets increased by NT$30,170 thousand as at December 31, 2018.

   However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before 1 January 2018, the Company recognized the consideration received in advance from customers under advanced receipts. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from advanced receipts to contracts liabilities of the Company as at the date of initial application was NT$1,008,524 thousand. In addition, compared with the requirements of IAS 18, advanced receipts decreased by NT$1,134,977 thousand and the contract liabilities increased by NT$1,134,977 thousand as at December 31, 2018.

d. For some rendering of services contracts, the non-refundable upfront fees were received from customers at service inception. Before 1 January 2018, the Company recognized the revenue when received the service fees. Starting from 1 January 2018, the above the non-refundable upfront fees were received from customers at service inception shall recognized revenue by amortization during the contracts period. The revenue in accordance with IFRS 15, the Company recognized revenue when the Company satisfies a performance obligation by transferring a promised service to a customer and will decrease retained earnings by NT$9,770 thousand.

e. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. *IFRS 9"Financial Instruments"*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Company:

a. The Company adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

b. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	$-	Fair value through profit or loss	$5,137
Fair value through other comprehensive income		Fair value through other comprehensive income	362,463
Available-for-sale financial assets (including measured at cost $100,000)	376,557		
Investments accounted for under the equity method	8,476,473	Investments accounted for under the equity method	8,471,323
At amortized cost		At amortized cost (including cash and cash equivalents, trade receivables, and refundable	1,847,383
Loans and receivables (including cash and cash equivalents, trade	1,847,383		

receivables, and refundable deposits)		deposits)	
Total	$10,700,413	Total	$10,686,306

c. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Financial assets at fair value through profit or loss (Note 1)						
Available-for-sale financial assets (including investments measured at cost with initial investment cost of $100,000, reported as a separate line item) (Note 2)	$376,557	Measured at fair value through profit or loss	$5,137	$-	$129	$(129)
		Measured at fair value through other comprehensive income (equity instruments)	362,463	8,957	(41,270)	50,227
Investments accounted for under the equity method (Note 3)	8,476,473	Investments accounted for under the equity method	8,471,323	(5,150)	(7,973)	2,823
Loans and receivables (Note 4)						
Cash and cash equivalents	718,218	Cash and cash equivalents	718,218	-	-	-
Trade receivables	903,309	Trade receivables	903,309	-	-	-
Refundable deposits	225,856	Refundable deposits	225,856	-	-	-
Subtotal	1,847,383					
Total	$10,700,413	Total	$10,686,306		$(49,114)	$52,921

Notes:

(1) In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss might include investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amounts outstanding, they are classified as financial assets mandatorily measured at fair value through profit or loss.

(2) In accordance with of IAS 39, the Company's available-for-sale financial assets included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Adjustment details are described as follow:

(A) Funds

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at 1 January 2018, the Company reclassified available-for-sale financial assets of NT$5,137 thousand to financial assets mandatorily measured at fair value through profit or loss. Besides, changes in fair value of NT$129 thousand previously recognized in other components of equity was reclassified to retained earnings.

(B) Stocks (including listed and unlisted companies)

The Company assessed the facts and circumstances existed as at 1 January 2018, and determined these stocks were not held-for-trading; therefore, so the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at 1 January 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$362,463 thousand. Other related adjustments are described as follow:

(a) The stock of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost NT$141,270 thousand, which was NT$41,270 thousand impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT$91,043 thousand as at 1 January 2018. Accordingly, the Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT$91,043 thousand and also adjusted the retained earnings and other components of equity by NT$41,270 thousand and NT$(50,227) thousand, respectively.

(b) As at 1 January 2018, the Company reclassified the stocks of listed and unlisted companies of NT$271,420 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result any differences in the carrying amounts of assets, but reclassified within equity accounts.

(3) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

d. Other impact

The Company adopted the requirements of IFRS 9 since 1 January 2018, the adjustments for investment using equity method increased by NT$5,150 thousand, retained earning increased by NT$7,973 thousand and other components of equity reduced by NT$2,823 thousand.

e. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. 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 the 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 Company originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Company elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Company's recognition and measurement.

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

The Company required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 “Leases”	1 January 2019
B	IFRIC 23 “Uncertainty Over Income Tax Treatments”	1 January 2019
C	IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28	1 January 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

A. *IFRS 16“Leases”*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

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.

C. *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.

D. *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.

E. *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.

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.

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.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *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 abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item A explained below and B, C, E, and F, the remaining standards and interpretations have no material impact on the Company.

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

a. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on 1 January 2019 and; the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate on 1 January 2019; or
ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or

accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Company expects the right-of-use asset will increase by NT$234,309 thousand and the lease liability will increase by NT$234,309 thousand on 1 January 2019.

b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	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	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	1 January 2021
C	Definition of a Business (Amendments to IFRS 3)	1 January 2020
D	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

A. *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.

B. 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.

C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

4. <u>Summary of Significant Accounting Policies</u>

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 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 Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT$, which is also the Company’s functional currency.

Transactions in foreign currencies are initially recorded by the Company at its 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 IFRS 9 *Financial Instruments* (Before 1 January 2018: 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.

(4) Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Company holds the asset primarily for the purpose of trading
C. The Company 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 Company expects to settle the liability in its normal operating cycle
B. The Company 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 Company 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.

(5) 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).

(6) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: 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 instruments: Recognition and Measurement

The accounting policy from 1 January 2018 as follow:

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company's business model for managing the financial assets and

b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

a. assets in order to collect contractual cash flows and

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized

cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

<u>Financial asset measured at fair value through profit or loss</u>

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

<u>The accounting policy before 1 January 2018 as follow:</u>

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

Financial assets of the Company 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 Company determines the classification of its financial assets at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as 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 at 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 Company 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 far 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 at the reporting date.

<u>Available-for-sale financial assets</u>

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 far 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 at 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 Company 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 Company upon initial recognition designates as available for sale, classified as at 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.

B.

Impairment of financial assets

The accounting policy from 1 January 2018 as follow:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b. the time value of money; and

c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 as follow:

The Company 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 Company 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 Company determines that no objective evidence of impairment exits 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.

C.

Derecognition of financial assets

A financial asset is derecognized when:

a. The rights to receive cash flows from the asset have expired
b. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
c. The Company 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.

D.

Financial liabilities and equity

Classification between liabilities or equity

The Company 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 IFRS 9 *Financial Instruments* (before 1 January 2018: 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 as at 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 at 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 Company 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.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at 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.

E.

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.

(7) 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 Company.

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 Company 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.

(8) 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.

Starting from 1 January 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(9) Investments accounted for under the equity method

The investment in a subsidiary is according to “Rule Governing the Preparation of Financial Statements 21 by Securities Issuers”. Therefore, profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements. According to IFRS 10 — Consolidated Financial Statements , agreeing with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

The Company’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 Company 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 Company’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 Company 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 Company and the associate or joint venture are eliminated to the extent of the Company’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 affects the Company’s percentage of ownership interests in the associate or joint venture, the Company 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 Company's interest in an associate or a joint venture is reduced or increased as the Company 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 Company disposes the associate or joint venture.

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

The Company 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 28 *Investments in Associates and Joint Ventures* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Company 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 Company 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 Company 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.

(10) 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 Company 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
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.

(11) 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 Company 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

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.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(12) Leases

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

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

The Company 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 Company’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 Company 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.

(13) 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 Company's intangible assets is as follows:

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

(14) Impairment of non-financial assets

The Company 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 Company 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 Companys 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 Company 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.

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

(15) Provisions

Provisions are recognized when the Company 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 Company 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.

<u>Provision for decommissioning, restoration and rehabilitation costs</u>

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.

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

(16) 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.

(17) Revenue recognition

The accounting policy from 1 January 2018 as follow:

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company sells merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is security system equipment and revenue is recognized based on the consideration stated in the contract, as they are not accompanied by volume or other types of discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 15 to 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

A. The Company provides system security services, corporate security guarding services, and cash deliver services. Services consideration is negotiated by contracts or orders, and provided based on contract periods. As the Group provides services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight-line method over the contract period.

For most of the contractual considerations of the Company, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities. However, part of the contractual considerations of the Company are collected evenly throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets.

B. Most of the rendering of services contracts of the Company provide customized security system services based on customers' needs. The Company have the right to execute the considerations of services already completed. Therefore, revenue is recognized by the proportion of completion of rendering of services. The price of the rendering of services contracts are usually fixed and the contractual considerations are collected according to the schedule agreed with the customers. When the rendering of services provided by the Company exceed the customers' payment, the contract assets are recognized. However, if the customers' payments exceed the services provided by the Company. Contract liabilities should be recognized accordingly.

The warranty provided by the Company is based on the assurance that the goods provided will operate as expected by the customer and is handled in accordance with International Accounting Standard 37.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

The accounting policy before 1 January 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 Company's right to receive the payment is established.

(18) 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.

(19) Post-employment benefits

All regular employees of the Company 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 Company's parent company only financial statements.

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 Company 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.

(20) 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 Company 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.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s parent company only 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 Company's accounting policies, management made the following judgments, which have the most significant effect on the amounts recognized in the parent company only financial statements:

A. Investment properties

Certain properties of the Company 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 Company 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-Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company 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 Company 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.

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. 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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties 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 Company 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 Company as of December 31, 2018.

E. Accounts receivables–estimation of impairment loss

Starting from 1 January 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before1 January 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Petty cash	$5,940	$5,973
Checking and saving accounts	984,395	718,218
Total	$990,335	$724,191

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2018	2017(Note)
Financial assets designated at fair value through profit or loss:		

Fund	$4,985	

	As of December 31,	
	2018	2017(Note)
Current	$4,985	
Non-current	-	
Total	$4,985	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2018	2017(Note)
Equity instrument investments measured at fair value through other comprehensive income:		
Listed companies stocks	$242,097	
Unlisted companies stocks	77,153	
Total	$319,250	
Current	$117,480	
Non-current	201,770	
Total	$319,250	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate period periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through other comprehensive income were not pledged.

(4) Available-for-sale financial assets

	As of December 31,	
	2018(Note)	2017
Stocks		$301,079
Open-end funds		5,008
Valuation adjustment		(29,530)

Total		$276,557

	As of December 31,	
	2018(Note)	2017
Current		$114,487
Non-current		162,070
Total		$276,557

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before 1 January 2018 and classified certain financial assets as available-for-sale financial assets. Available-for-sale financial assets were not pledged.

(5) Financial assets measured at cost

	As of December 31,	
	2018(Note)	2017
Available-for-sale financial assets		
Stocks		$100,000
Current		$-
Non-current		100,000
Total		$100,000

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before 1 January 2018. 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 amounted to NT$7,650 thousand and recognized loss on disposal of investments amounted to NT$3,130 thousand.

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

Financial assets measured at cost were not pledged.

(6) Notes receivable

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	$187,992	$207,802
Less: loss allowance	-	-
Total	$187,992	$207,802

Notes receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(7) Accounts receivable, accounts receivable from related parties, and long-term receivables

	As of December 31,	
	2018	2017
Accounts receivable	$479,819	$398,348
Less: loss allowance	(14,516)	(9,978)
Subtotal	465,303	388,370
Accounts receivable from related parties	100,705	89,411
Less: loss allowance	-	(5,937)
Subtotal	100,705	83,474
Long-term receivables	30,633	41,834
Less: loss allowance	-	-
Subtotal	30,633	41,834
Total	$596,641	$513,678

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The Company adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6(21) for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before 1 January 2018. 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 more details on credit risk management.)

	Individually impaired	Collectively impaired	Total

As of January 1, 2017	$-	$22,150	$22,150
Charge (reversal) for the current period	5,937	6,400	12,337
Write off	-	(18,572)	(18,572)
As of December 31, 2017	$5,937	$9,978	$15,915

Impairment loss that was individually determined for the December 31, 2017, arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Company does not hold any collateral for such trade receivables.

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

		Past due but not impaired				
As of	Neither past due nor impaired	<=90 days	91~180 days	181~365 days	>=366 days	Total
December 31, 2017	$494,293	$19,385	$-	$-	$-	$513,678

(8) Lease receivable

	As of December 31,			
	2018		2017	
	Current	Non-current	Current	Non-current
Lease receivable	$40,805	$122,446	$54,194	$137,009
Less: Unearned finance income on finance lease	(2,765)	(4,958)	(3,568)	(5,806)
Lease receivable, net	$38,040	$117,488	$50,626	$131,203

The expected recovery of the lease receivable is as follows:

	As of December 31,	
	2018	2017
Within one year	$40,805	$54,194
Over one year and within five years	120,397	135,036
Over five years	2,049	1,973
Total	$163,251	$191,203

(9) Inventories

	As of December 31,	
	2018	2017
Merchandise inventories	$92,255	$91,546

The cost of inventories recognized in expenses amounted to NT$433,449 thousand and NT$463,348 thousand for the year ended December 31, 2018 and 2017, respectively.

Inventory valuation losses were not recognized for the year ended December 31, 2018 and 2017.

Inventories were not pledged.

(10) Investments accounted for under the equity method

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Speed Investment Co., Ltd.	$2,503,980	100	$2,340,710	100
Lee Bao Security Co., Ltd.	1,047,468	100	1,040,790	100
Goyun Security Co., Ltd.	484,855	100	500,580	100
Chung Pao Tzu Tung Corporation	10,248	100	10,454	100
Goldsun Express Co., Ltd.	630,030	100	632,078	100
Kuo Hsing Security Co., Ltd.	514,633	84	510,271	84
Gowin Building Management and Maintenance Co., Ltd.	435,053	81	426,185	81
Aion Technology Inc.	165,401	74	147,909	74
Zhong Bao Insurance Broker Inc.	18,290	60	20,520	60
Lee Way Electronics Co., Ltd.	141,785	34	142,749	34
Lots Home Entertainment Co., Ltd.	70,425	21	82,016	21
TransAsia Catering Services Ltd.	814,093	67	805,382	67
SIGMU D.P.T. Company Ltd.	46,847	22	-	-
Subtotal	6,883,108		6,659,644	
Investments in associates:				
Goldsun Building Materials Co., Ltd.	1,478,222	6	1,495,322	6
TransAsia Airways Corp.	-	10	-	10
Tech Elite Holdings Ltd.	-	36	-	39
Yon Geng Healthcare Management				

Co., Ltd.	9,330	36	10,665	36
Anfeng Enterprise Co., Ltd.	13,570	30	13,385	30
Huaya Development Co., Ltd.	296,660	50	297,457	50
Subtotal	1,797,782		1,816,829	
Total	$8,680,890		$8,476,473	

Details of other liabilities, non-current are as follows:

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Taiwan Video System Co., Ltd.	$(1,487)	36	$(14,732)	39
Total	$(1,487)		$(14,732)	

A. Investments in subsidiaries

Investments in subsidiaries was accounted for investment accounted for under equity method when preparing the parent company only financial statements. The differents of accounting treatment are adjuted. One of subsidiaries-Taiwan Video System Co., Ltd. had credit balance and classified under non-current liabilities.

B. Investments in associates

The Company possessed less than 20% of ownership of Goldsun Building Material Co., Ltd.. However, the chairman of the board of the Company and Goldsun Building Materials Co., Ltd. are the same. As such, the significant influence of the Company 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 Airways Corp., which is the Company'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 Company:

Company name: Goldsun Building Materials Co., Ltd.

Nature of the relationship with the associate: The chairman of the board of the Company and Goldsun Building Materials Co., Ltd. are the same.

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$751,359 thousand and NT$878,084 thousand, as of December 31, 2018 and 2017, respectively.

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

The summarized financial information of the associate is as follows:

	As of December 31,	
	2018	2017
Current assets	$12,529,732	$11,334,642
Non-current assets	23,179,348	23,371,660
Current liabilities	(11,021,908)	(9,675,201)
Non-current liabilities	(4,106,880)	(3,911,096)
Equity	20,580,292	21,120,005
Non-controlling interests	(1,097,997)	(1,437,503)
Shareholders of the parent	19,482,295	19,682,502
Proportion of the Company's ownership	6.49%	6.49%
Subtotal	1,264,401	1,277,394
Goodwill	222,792	222,792
Others	(8,971)	(4,864)
Carrying amount of the investment	$1,478,222	$1,495,322

	For the years ended December 31,	
	2018	2017
Operating revenue	$18,644,806	$16,413,796
Profit or loss from continuing operations	591,187	2,868,733
Other comprehensive income	(29,426)	(247,068)
Total comprehensive income	$561,761	$2,621,665

The Company's investments in other companies are not individually material. The aggregate carrying amount of the Company's interests in other companies is NT$319,560 thousand. The aggregate financial information based on Company's share of other companies is as follows:

	For the years ended December 31,	
	2018	2017
Profit or loss from continuing operations	$(1,047)	$(1,213)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	$(1,047)	$(1,213)

The associates had no contingent liabilities or capital commitments as of December 31, 2018 and 2017.

The investment value of part of the Company's investments accounted for under the equity method has impaired, and the impairment loss recognized in 2018 and 2017 amounted to NT$9,879 thousand and NT$51,018 thousand, respectively. The assessment of the impairment loss is mainly due to the fact that management evaluates the recoverable value of part of subsidiaries is lower than net equity and 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 statement of comprehensive income.

(11) Property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Other equipment	Total
Cost:								
As of January 1, 2018	$1,434,715	$909,530	$328,767	$8,578,652	$488,442	$212,535	$855,145	$12,807,786
Additions	-	-	10,710	649,033	12,126	21,959	20,339	714,167
Disposals	-	-	(19,321)	(620,729)	(12,547)	(14,217)	(197,596)	(864,410)
Other changes	-	-	-	41,411	-	-	-	41,411
As of December 31, 2018	$1,434,715	$909,530	$320,156	$8,648,367	$488,021	$220,277	$677,888	$12,698,954
As of January 1, 2017	$1,434,715	$816,518	$335,325	$8,263,886	$448,510	$201,958	$698,997	$12,199,909
Additions	-	93,012	2,743	680,938	57,113	23,709	156,393	1,013,908
Disposals	-	-	(9,301)	(455,649)	(17,181)	(13,132)	(245)	(495,508)
Other changes	-	-	-	89,477	-	-	-	89,477
As of December 31, 2017	$1,434,715	$909,530	$328,767	$8,578,652	$488,442	$212,535	$855,145	$12,807,786
Depreciation and impairment:								
As of January 1, 2018	$-	$184,930	$311,173	$6,059,837	$394,714	$135,426	$536,155	$7,622,235
Depreciation	-	17,343	6,502	736,627	31,664	25,828	74,320	892,284
Disposals	-	-	(19,224)	(605,356)	(12,015)	(13,116)	(189,463)	(839,174)
As of December 31, 2018	$-	$202,273	$298,451	$6,191,108	$414,363	$148,138	$421,012	$7,675,345
As of January 1, 2017	$-	$168,651	$313,325	$5,790,747	$380,568	$117,929	$461,928	$7,233,148
Depreciation	-	16,279	6,997	724,161	31,168	29,826	74,472	882,903
Disposals	-	-	(9,149)	(455,071)	(17,022)	(12,329)	(245)	(493,816)
As of December 31, 2017	$-	$184,930	$311,173	$6,059,837	$394,714	$135,426	$536,155	$7,622,235

Net carrying amount as of:

December 31, 2018	$1,434,715	$707,257	$21,705	$2,457,259	$73,658	$72,139	$256,876	$5,023,609
December 31, 2017	$1,434,715	$724,600	$17,594	$2,518,815	$93,728	$77,109	$318,990	$5,185,551

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

Property, plant and equipment were not pledged.

(12) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2018	$275,593	$8,130	$283,723
Additions	-	-	-
As of December 31, 2018	$275,593	$8,130	$283,723
As of January 1, 2017	$275,593	$8,130	$283,723
Additions	-	-	-
As of December 31, 2017	$275,593	$8,130	$283,723
Depreciation and impairment:			
As of January 1, 2018	$-	$917	$917
Depreciation	-	227	227
As of December 31, 2018	$-	$1,144	$1,144
As of January 1, 2017	$-	$691	$691
Depreciation	-	226	226
As of December 31, 2017	$-	$917	$917
Net carrying amount as of:			
December 31, 2018	$275,593	$6,986	$282,579
December 31, 2017	$275,593	$7,213	$282,806

	For the years ended December 31,	
	2018	2017
Rental income from investment property	$3,875	$2,755
Less：Direct operating expense generated from rental income of investment property	(227)	(226)
	$3,648	$2,529

No investment property was pledged.

Investment properties held by the Company 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$290,457 thousand and NT$312,123 thousand as of December 31, 2018 and 2017, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used are comparison approach and cost approach which supporting by market evidence, and the inputs used, capital interest rates and weighted average rates, are 3.67%, 2.00% and 3.96%, 2.00%, respectively.

(13) Intangible assets

	Computer software
Cost:	
As of January 1, 2018	$175,003
Addition-acquired separately	42,357
Reach amortized life	(56,734)
As of December 31, 2018	$160,626
As of January 1, 2017	$164,600
Addition-acquired separately	58,475
Reach amortized life	(48,072)
As of December 31, 2017	$175,003
Amortization and impairment:	
As of January 1, 2018	$94,036
Amortization	50,127
Reach amortized life	(56,734)
As of December 31, 2018	$87,429
As of January 1, 2017	$89,513
Amortization	52,595
Reach amortized life	(48,072)
As of December 31, 2017	$94,036
Net carrying amount as of:	
December 31, 2018	$73,197
December 31, 2017	$80,967

Recognized as amortized amount of intangible assets are as follows.

	2018	2017
Operating costs	$7,699	$7,915
Operating expenses	$42,428	$44,680

(14) Short-term loans

		As of December 31,	
	Interest Rates (%)	2018	2017
Unsecured bank loans	0.51%-0.78%	$2,350,000	$2,200,000

The Company's unused short-term lines of credits amount to NT$750,000 thousand and NT$1,200,000 thousand as of December 31, 2018 and 2017, respectively.

(15) Advanced receipts

	As of December 31,	
	2018(Note)	2017
Advanced from security service fee		$915,167
Advanced from security system fee		93,357
Others advanced		333
Total		$1,008,857

Note: The Company adopted IFRS 15 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 15.

(16) Long-term loans

Details of long-term loans are as follows:

Lenders	As of December 31, 2018	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	$110,000	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	144,000	0.88%~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	280,000	0.70%~1.55%	Loan starting May 18, 2017 till May 18, 2022; repayment every 6 months after 6 months of

Tokyo Mitsubishi UFJ			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	1,034,000		
Less: current portion	(684,000)		
Total	$350,000		

Lenders	As of December 31, 2017	Interest Rates (%)	Maturity date and terms of repayment
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	1,218,000		
Less: current portion	(184,000)		
Total	$1,034,000		

(17) Guarantee deposits

	As of December 31,	
	2018	2017
Performance security deposit	$432,560	$417,589
Security line deposit	152,452	158,681
Total	$585,012	$576,270

(18) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 are NT$53,240 thousand and NT$50,240 thousand, respectively.

Defined benefits plan

The Company 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^{th} year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company 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 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 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 mandation, 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 Company expects to contribute NT$27,771 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The average duration of the defined benefits plan obligation are 10 years as of December 31, 2018 and 2017.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	$41,310	$44,537
Interest expense (income) of net defined benefit liabilities (assets)	19,184	18,632
Total	$60,494	$63,169

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

	As of December 31,	
	2018	2017
Defined benefit obligation	$1,359,933	$1,368,625
Plan assets at fair value	(50,248)	(63,599)
Other non-current liabilities – Net defined benefit liabilities recognized on the balance sheets	$1,309,685	$1,305,026

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, 2017	$1,384,283	$(142,126)	$1,242,157
Current period service costs	44,537	-	44,537
Net interest expense (income)	20,764	(2,132)	18,632
Subtotal	65,301	(2,132)	63,169
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(3,860)	-	(3,860)
Actuarial gains and losses arising from changes in financial assumptions	5,284	-	5,284
Experience adjustments	44,299	392	44,691
Subtotal	45,723	392	46,115
Payments from the plan	(126,682)	126,682	-
Contributions by employer	-	(46,415)	(46,415)
As of December 31, 2017	1,368,625	(63,599)	1,305,026
Current period service costs	41,310	-	41,310
Net interest expense (income)	20,119	(935)	19,184
Subtotal	61,429	(935)	60,494
Remeasurements of the net defined benefit liability (asset):			

Actuarial gains and losses arising from changes in demographic assumptions	(34,700)	-	(34,700)
Actuarial gains and losses arising from changes in financial assumptions	65,035	-	65,035
Experience adjustments	32,581	(3,088)	29,493
Subtotal	62,916	(3,088)	59,828
Payments from the plan	(133,037)	133,037	-
Contributions by employer	-	(115,663)	(115,663)
As of December 31, 2018	$1,359,933	$(50,248)	$1,309,685

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

	As of December 31,	
	2018	2017
Discount rate	1.09%	1.47%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	$-	$ 82,285	$-	$83,498
Discount rate decreases by 0.5%	91,499	-	93,034	-
Future salary increases by 0.5%	91,110	-	93,005	-
Future salary decreases by 0.5%	-	82,743	-	84,261

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.

(17) 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, 2018 and 2017. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2018	2017
Additional paid-in capital	$40,387	$40,387
Treasury share transactions	586,437	547,464
Changes in net assets of associates and joint ventures accounted for under the equity method	95,129	103,483
Donated surplus	2,959	-
Total	$724,912	$691,334

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, 2018 and 2017, 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$66,396 thousand special reserve to undistributed earnings. As of December 31, 2018 and 2017, the special reserve were NT$131,578 thousand and NT$65,182 thousand, respectively.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 22, 2019 and June 22, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$204,683	$220,558		
Special reserve	39,220	66,396		
Common stock-cash dividend	1,804,788	1,804,788	$4	$4
Total	$2,048,691	$2,091,742		

Please refer to Note 6(23) 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, 2018.

(20) Operating revenue

	For the years ended December 31, 2018	2017
Revenue from contracts with customers		
Sale of goods revenue	$651,067	(Note1)
Rendering of service revenue	6,258,279	(Note1)
Electronic engineering revenue	(Note2)	$1,151,707
Electronic service revenue	(Note2)	5,574,397
Rendering of service revenue	(Note2)	263,533
Total	$6,909,346	$6,989,637

Note1: The Company has adopted IFRS 15 from 1 January 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

Note2: The Company adopted IFRS 15 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 15.

The Company has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

	Electronic System
Sale of goods	$651,067
Rendering of services	6,258,279
Total	$6,909,346
Timing of revenue recognition:	
At a point in time	$651,067
Over time	6,258,279
Total	$6,909,346

B. Contract balances

a. Contract assets – current

	Beginning balance	Ending balance	Difference
Rendering of services	$35,397	$30,170	$(5,227)

Total	$35,397	$30,170	$(5,227)

Contract assets have decreased during 2018 as the Company obtained an unconditional right to receive the consideration during the period transferred to trade receivables at the reporting date. Please refer to Note 6(21) for more details on the impairment impact.

b. Contract liabilities – current

	Beginning balance	Ending balance	Difference
Rendering of services	$1,008,524	$1,134,977	$126,453
Total	$1,008,524	$1,134,977	$126,453

Contract liabilities have increased during 2018 as increase in the amount of bills received due to contracts with customers increased, resulting in recognizing as contract liabilities during the period.

C. Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT$1,134,977 thousand as at December 31, 2018 will be recognized during 2019 financial year.

D. Assets recognized from costs to fulfil a contract

None.

(21) Expected credit losses

	Period ended 31 Dec.	
	2018	2017 (note)
Operating expenses – Expected credit losses		
Contract assets	$-	
Trade receivables	11,300	
Total	$11,300	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and trade receivables (including notes receivable, accounts receivable, long-term receivables and lease payment receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2018 is as follow:

A. The gross carrying amount of contract asset is NT$30,170 thousand, its loss allowance amounting to NT$0 thousand which is measured at expected credit loss ratio of 0%.

B. The Company considers the Companying of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

Group 1		Overdue					
	Not yet due (note)	1-90 days	91-180 days	181-270 days	271-365 days	>=365 days	Total
Gross carrying amount	$880,219	$54,808	$7,594	$1,619	$2,890	$7,547	$954,677
Loss ratio	0-2%	2-10%	10-20%	20-30%	30-50%	50-90%	
Lifetime expected credit losses	(2,343)	(1,798)	(1,375)	(534)	(1,207)	(7,259)	(14,516)
Total	$877,876	$53,010	$6,219	$1,085	$1,683	$288	$940,161

Note: The Company's notes receivable, lease payment receivables, and long-term receivables are not overdue.

The movement in the loss allowance of trade receivables during the period ended 31 December 2018 is as follows:

	Trade receivables	Note receivables	Others (Note)
Beginning balance (in accordance with IAS 39)	$15,915	$-	$-
Transition adjustment to retained earnings	-	-	-
Beginning balance (in accordance with IFRS 9)	15,915	-	-
Addition/(reversal) for the current period	11,300	-	-
Write off	(12,699)	-	-
Ending balance	$14,516	$-	$-

Note: Others contain long-term receivables and lease payment receivables.

(22) Operating leases

A. Operating lease commitments - Company as lessee

The Company has entered into commercial leases on 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 Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017, are as follows:

	As of December 31,	
	2018	2017
Within one year	$170,780	$165,545
Over one year but within five years	99,717	210,402
Over five years	-	136
Total	$270,497	$376,083

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	$101,239	$96,438

B. Operating lease commitments - Company as lessor

The Company 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, 2018 and 2017, are as follows:

	As of December 31,	
	2018	2017
Within one year	$14,237	$12,272
Over one year but within five years	15,100	17,976
Over five years	-	-
Total	$29,337	$30,248

The contingent rent recognized as income amounted to NT$54,372 thousand and NT$57,461 thousand for the years ended December 31, 2018 and 2017, respectively.

(23) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2018 and 2017:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$975,030	$899,522	$1,874,552	$925,704	$932,277	$1,857,981
Labor and health insurance	86,333	77,844	164,177	83,811	79,326	163,137
Pension	60,915	52,819	113,734	60,258	53,151	113,409
Remuneration to directors	-	97,239	97,239	-	105,091	105,091
Other employee benefits expense	31,514	23,316	54,830	30,146	24,645	54,791
Depreciation	771,854	120,657	892,511	768,714	114,415	883,129
Amortization	7,699	42,428	50,127	7,915	44,680	52,595

The headcount of the Company were 2,563 and 2,756, including 11 and 11 non-employee directors for the years ended December 31, 2018 and 2017, respectively.

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, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 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, 2018 amount to NT$24,310 thousand and NT$97,239 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 22, 2019 to distribute NT$24,356 thousand and NT$97,423 thousand in cash as employees' compensation and remuneration to directors of 2018, respectively.

No material differences exist between the estimated amount and the actual distribution of NT$25,495 thousand and NT$101,980 thousand in cash as the employees' compensation and remuneration to directors for the year ended December 31, 2017.

(24) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2018	2017
Rental income	$54,372	$57,461
Interest income (Note)		2,362
Cash in banks	2,571	
Dividend income	9,186	14,024
Total	$66,129	$73,847

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate period periods in accordance with the transition provision in IFRS 9.

B. Other gains and losses

	For the years ended December 31,	
	2018	2017
(Loss) gains on disposal of property, plant and equipment	$(7,861)	$823
Gains on disposal of investments	-	(3,130)
Foreign exchange loss, net	4	116
Impairment losses		
Financial assets measured at cost	-	(41,270)
Investments accounted for under the equity method	(9,879)	(51,018)
Loss of financial assets measured at fair value through profit or loss(Note)	(152)	-
Miscellaneous loss	(7,342)	(12,154)
Total	$(25,230)	$(106,633)

C. Finance costs

For the years ended December 31,

	2018	2017
Interest on borrowings from bank	$26,946	$25,206
Interest for deposits received	10	131
Total finance costs	$26,956	$25,337

(25) Components of other comprehensive income

For the year ended December 31, 2018

	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	$(59,828)	$-	$(59,828)	$8,010	$(51,818)
Unrealized gains on financial assets at fair value through other comprehensive income	(34,880)	-	(34,880)	-	(34,880)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	(19,667)	-	(19,667)	-	(19,667)
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	41,597	-	41,597	-	41,597
Total of other comprehensive (loss) income	$(72,778)	$-	$(72,778)	$8,010	$(64,768)

For the year ended December 31, 2017

	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	$(46,115)	$-	$(46,115)	$4,703	$(41,412)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	3,948	-	3,948	-	3,948
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains or losses from available-for-sale financial assets	13,273	-	13,273	-	13,273
Share of other comprehensive income of	(79,669)	-	(79,669)	-	(79,669)

associates and joint ventures accounted for using the equity method					
Total of other comprehensive (loss) income	$(108,563)	$-	$(108,563)	$4,703	$(103,860)

(26) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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,	
	2018	2017
Current income tax expense (income):		
Current income tax charge	$313,180	$203,294
Adjustments in respect of current income tax of prior periods	(8,102)	11,594
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	6,989	(2,818)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(44,863)	-
Total income tax expense (income)	$267,204	$212,070

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2018	2017
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(8,010)	$(4,703)

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,	
	2018	2017
Accounting profit before tax from continuing operations	$2,314,032	$2,417,637
Tax at the domestic rates applicable to profits in the country concerned (2018: 20%; 2017: 17%)	$462,806	$410,998

Tax effect of revenues exempt from taxation	(145,860)	(163,143)
Investment tax credit	-	(1,430)
Tax effect of deferred tax assets / liabilities	(4,413)	2,159
10% surtax on unappropriated retained earnings	7,636	-
Adjustments in respect of current income tax of prior periods	(8,102)	11,594
Others	(44,863)	(48,108)
Total income tax expense recognized in profit or loss	$267,204	$212,070

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Tax rate change impact recognized in profit and loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences					
Unrealized bad debt expense	$1,359	$(314)	$240	$-	$1,285
Depreciation difference for tax purpose	9,853	(55)	1,738	-	11,536
Compensated absences	6,080	-	1,073	-	7,153
Decommissioning costs	1,224	-	216	-	1,440
Impairment losses	106,263	-	18,752	-	125,015
Defined benefit liabilities, non-current	134,151	(6,620)	22,844	8,010	158,385
Deferred tax (expense)/income		$(6,989)	$44,863	$8,010	
Net deferred tax assets/(liabilities)	$258,930				$304,814
Reflected in balance sheet as follows:					
Deferred tax assets	$258,930				$304,814

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	$2,344	$(985)	$-	$1,359
Depreciation difference for tax purpose	9,289	564	-	9,853
Compensated absences	6,080	-	-	6,080
Decommissioning costs	1,224	-	-	1,224
Impairment losses	106,263	-	-	106,263
Defined benefit liabilities, non-current	126,209	3,239	4,703	134,151
Deferred tax (expense)/income		$2,818	$4,703	
Net deferred tax assets/(liabilities)	$251,409			$258,930

Reflected in balance sheet as follows:			
Deferred tax assets	$251,409		$258,930

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized amount to NT$147,264 thousand and NT$124,857 thousand, respectively.

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns	Notes
The Company	Assessed and approved up to 2016	-

(27) 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,	
	2018	2017
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,046,828	$2,205,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Basic earnings per share (NT$)	$4.64	$5.00

	For the years ended December 31,	
	2018	2017
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,046,828	$2,205,567

Employee bonus (in thousands)	-	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	$2,046,828	$2,205,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Effect of dilution:		
Employee bonus-stock (in thousands)	276	278
Weighted average number of ordinary shares outstanding after dilution (in thousands)	441,199	441,201
Diluted earnings per share (NT$)	$4.64	$5.00

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.

7. Related party transactions

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

Name and nature of relationship of the related parties

Related Party Name	The Relationship with The Company
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
Speed Investment Co., Ltd.	Subsidiary
Lee Bao Security Co., Ltd.	Subsidiary
Goyun Security Co., Ltd.	Subsidiary
Chung Pao Tzu Tung Corporation	Subsidiary
Goldsun Express & Logistics Co., Ltd	Subsidiary
Kuo Hsing Security Co., Ltd.	Subsidiary
Gowin Building Management and Maintenance Co., Ltd.	Subsidiary
Aion Technology Inc.	Subsidiary
Zhong Bao Insurance Broker Inc.	Subsidiary
Taiwan Video System Co., Ltd.	Subsidiary
Lee Way Electronics Co., Ltd.	Subsidiary
Lots Home Entertainment Co., Ltd.	Subsidiary
TransAsia Catering Services Ltd.	Subsidiary
Titan Star International Co., Ltd.	Subsidiary
Gowin Security Co., Ltd.	Subsidiary
SVS Corporation	Subsidiary
Lee Bao Technology Co., Ltd.	Subsidiary

Related Party Name	The Relationship with The Company
Baby Boss Co., Ltd.	Subsidiary
Goldsun Express Ltd.	Subsidiary
LITENET Corporation	Subsidiary
CHOPPA Tech Co., Ltd.	Subsidiary
Goyun Science and Technology Co., Ltd.	Subsidiary
Comlink Fire Systems Inc.	Subsidiary
SIGMU D.P.T. Co., Ltd.	Subsidiary
Zhong Bao Lease Co., Ltd.	Subsidiary
Lee Yuan Biomedical Co., Ltd.	Subsidiary
Goyun Parking Co., Ltd.	Subsidiary
Zhan Food Team Inc.	Subsidiary
Goldsun Holiday Co., Ltd.	Subsidiary
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
Yon Geng Healthcare Management Co., Ltd.	Investee company investments accounted for under the equity method
Anfeng Enterprise Co., Ltd.	Investee company investments accounted for under the equity method
Wellpool 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
Kunyung Construction and Engineering Co., Ltd.	Subsidiary of investee company investments accounted for under the equity method
Legend Travel Service, Ltd.	Subsidiary of investee company investments accounted for under the equity method
eSkylink Inc.	Investee company investments accounted for under the equity method
Shin Lan Enterprise Inc.	Substantive related party
Azure International Holdings Taiwan	Substantive related party

Significant transactions with related parties

(1) Sales

	For the years ended December 31,	
	2018	2017
Subsidiaries	$203,253	$250,094
Associates	182,777	203,781
Other related parties	42	42
Total	$386,072	$453,917

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 30~90 days, while for third party domestic sales was month-end 30~90 days. The outstanding balance at every year end was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Costs

	For the years ended December 31,	
	2018	2017
Entity with joint control or significant influence over the Company	$8,187	$7,814
Subsidiaries	454,099	503,040
Associates	790	489
Other related parties	693	600
Total	$463,769	$511,943

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 2-3 months.

(3) Accounts receivable from related parties

	As of December 31,	
	2018	2017
Subsidiaries	$37,567	$29,628
Associates		
Anfeng Enterprise Co., Ltd.	61,255	50,297
Others	1,827	9,486
Subtotal	63,082	59,783
Other related parties	56	-
Total	100,705	89,411
Less: allowance for doubtful debts	-	(5,937)
Net	$100,705	$83,474

(4) Trade and other payables to related parties

	As of December 31,	
	2018	2017
Entity with joint control or significant influence over the Company	$1,485	$2,658
Subsidiaries		
Titan Star International Co., Ltd.	49,078	71,293
Aion Technology Inc.	30,473	32,000
Others	14,610	12,055
Subtotal	94,161	115,348
Associates		
Kunyung Construction and Engineering Co., Ltd.	-	1,876
Others	400	906

Subtotal	400	2,782
Other related parties	-	-
Total	$96,046	$120,788

(5) Lease expenditure

	For the years ended December 31,	
	2018	2017
Subsidiaries	$16,624	$14,481
Associates	-	-
Other related parties	15,021	15,705
Total	$31,645	$30,186

The lease deposits to related parties amounts to NT$33,164 thousand and NT$34,581 thousand as of December 31, 2018 and 2017.

(6) Property transactions

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

	As of December 31,	
	2018	2017
Entity with joint control or significant influence over the Company	$14,720	$15,509
Subsidiaries	118,699	138,112
Total	$133,419	$153,621

(7) 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$47,576 thousand and NT$44,270 thousand for the years ended December 31, 2018 and 2017, respectively. The development expense payable was NT$20,681 thousand and NT$18,431 thousand for the years ended December 31, 2018 and 2017, respectively, which was recognized as other payables.

(8) Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$215,683	$197,638
Post-employment benefits	1,935	1,789
Total	$217,618	$199,427

8. Assets pledged as security

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

	Carrying amount		
Assets pledged for security	December 31, 2018	December 31, 2017	Secured liabilities
Other noncurrent assets	$11,500	$11,500	Oil passbook guarantee

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial assets designated at fair value through profit or loss	$4,985	(Note1)
Financial assets at fair value through other comprehensive income	319,250	(Note1)
Available-for-sale financial assets: (Note2)		
Measured at fair value - current	(Note1)	$114,487

Measured at fair value - noncurrent	(Note1)	162,070
Measured at cost - noncurrent	(Note1)	100,000
Subtotal	-	376,557
Financial assets measured at amortized cost (Note3)	2,152,530	(Note1)
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	(Note1)	718,218
Trade receivables	(Note1)	903,309
Refundable deposits	(Note1)	225,856
Subtotal	-	1,847,383
Total	$2,476,765	$2,223,940

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	$2,350,000	$2,200,000
Trade and other payables	1,069,240	1,139,721
Long-term loans	1,034,000	1,218,000
Guarantee deposits	585,012	576,270
Total	$5,038,252	$5,133,991

Note:

1. The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. December 31, 2017 contains measured at cost.
3. Contains cash and cash equivalents, financial assets measured at amortized cost, trade receivables, and refundable deposits.

(2) Financial risk management objectives and policies

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

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

The Company 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 Company.

Because non-functional currency transaction price of the company is tiny, currency risk doesn't have significant influence.

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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at floating interest rates, bank borrowings with fixed interest rates and floating interest rates.

The Company 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 Company's profit would decrease / increase by NT$3,240 thousand and NT$2,754 thousand for the years ended December 31, 2018 and 2017, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company'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 Company 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 Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

As of December 31, 2018 and 2017, 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$(24,210) thousand and NT$(24,814) thousand on the income or equity attributable to the Company. 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(8) 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 Company 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 Company'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 Company'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, 2018 and 2017, amounts receivables from top ten customers are minor compared to the total accounts receivables of the Company. 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 Company's treasury in accordance with the Company's policy. The Company 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 Company'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 Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The possibility of changing of interest rates relating to borrowings with floating interest rates is low, so the Company estimates interest rates as the rate of the balance sheet date.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2018					
Borrowings	$3,241,942	$333,972	$46,200	$-	$3,622,114
Trade and other payables	1,069,240	-	-	-	1,069,240

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2017					
Borrowings	$2,410,765	$880,064	$168,052	$-	$3,458,881
Trade and other payables	1,139,721	-	-	-	1,139,721

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

(6) Reconciliation for liabilities arising from financing activities

Information of reconciliation for liabilities during 2018 is as follows:

	Short-term loans	Long-term loans	Balance of liabilities arising from financing activities
2018.1.1	$2,200,000	$1,218,000	$3,418,000
Cash flow	150,000	(184,000)	(34,000)
2018.12.31	$2,350,000	$1,034,000	$3,384,000

Information of reconciliation for liabilities during 2017 is as follows:

Not applicable.

(7) 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 Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, trade receivables, trade 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 Company'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(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) 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 Company 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 Company's assets and liabilities

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

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$4,985	$-	$-	$4,985
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	242,097	-	77,153	319,250

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stocks	$248,142	$-	$23,278	$271,420
Open-end funds	5,137	-	-	5,137

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, 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
	Measured at fair value through other comprehensive income
	Stock
Beginning balances as of January 1, 2018	$114,321
Total losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (present in Unrealized gains or losses on measured at fair value through other comprehensive income equity instrument investment)	(28,835)

Acquisition/issue for the year ended December 31, 2018	-
Disposition/acquittance for the year ended December 31, 2018	(8,333)
Ending balances as of December 31, 2018	$77,153

	Assets
	Available-for-sale financial assets
	Stock
Beginning balances as of January 1, 2017	$12,852
Total losses recognized for the year ended December 31, 2017:	
Amount recognized in profit or loss	-
Amount recognized in OCI	1,426
Acquisition/issue for the year ended December 31, 2017	9,000
Ending balances as of December 31, 2017	$23,278

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, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income					
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 Company's profit or loss by NT$2,257 thousand

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	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the

	of the stocks	Company's profit or loss by NT$3,497 thousand

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

The Company'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 Company's accounting policies at each reporting date.

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

As of December 31, 2018

	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)	$-	$-	$290,457	$290,457
Investments accounted for under the equity method (please refer to Note 6)	751,359	-	-	751,359

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)	$-	$-	$312,123	$312,123
Investments accounted for under the equity method (please refer to Note 6)	878,084	-	-	878,084

(9) Significant assets and liabilities denominated in foreign currencies

The Company does not have significant assets and liabilities denominated in foreign currencies. The foreign exchange gain was NT$4 thousand and NT$116 thousand for the years ended December 31, 2018 and 2017, respectively.

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

(10) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

(a) Significant intercompany transactions between consolidated entities: Please refer to Attachment 1.
(b) Financing provided to others: Please refer to Attachment 2.
(c) Endorsement/Guarantee provided to others: Please refer to Attachment 3.
(d) Securities held: Please refer to Attachment 4.
(e) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(f) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(g) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(h) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.
(i) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: None.
(j) Financial instruments and derivative transactions: None.

(2) Information on investees:

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Attachment 6.

(3) Information on investment in Mainland China:

(a) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(b) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

Attachement 1

Significant intercompany transactions between consolidated entities (Expressed in Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
	Year of 2018						
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Revenues	$28,449	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Costs	178,677	Note 4	1%
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Accrued expenses	21,850	-	-
0	Taiwan Secom Co., Ltd.	Titan Star International Co., Ltd.	1	Guarantee deposits	30,000	-	-
0	Taiwan Secom Co., Ltd.	Titan Star International Co., Ltd.	1	Accounts payable	49,078	-	-
0	Taiwan Secom Co., Ltd.	Kuo Hsing Security Co., Ltd.	1	Revenues	18,716	Note 4	-
0	Taiwan Secom Co., Ltd.	CHOPPA Tech Co., Ltd.	1	Revenues	57,900	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Way Electronics Co., Ltd.	1	Revenues	36,076	Note 4	-
1	Titan Star International Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	216,233	Note 4	2%
2	Aion Computer Communication Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	213,650	Note 4	2%
3	Goyun Security Co., Ltd.	Kuo Hsing Security Co., Ltd.	3	Revenues	13,369	Note 4	-

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:
(1) Parent company to subsidiary
(2) Subsidiary to parent company
(3) Subsidiary to subsidiary

Note 3: When calculating the percentage of transaction amount to the consolidated revenues or the consolidated assets: Items of the balance sheets are calculated as its ending balance to total consolidated assets; items of income statement are calculated by its cumulative balance to the total consolidated income.

Note 4: The trading conditions of revenues and costs are in accordance with the general market conditions, and the terms of payment are equivalent to non-related parties.

Attachement 2

Financing provided to others for the year ended December 31, 2018 (Expressed in Thousands of New Taiwan Dollars)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral Item	Collateral Value	Limit of financing amount for individual counter-party	Limit of total financing amount
1	Speed Investment Co., Ltd.	Taiwan Video System Co., Ltd.	Other receivables - related parties	Yes	$85,000 (Note 1)	$52,000	$30,000 (Note 1)	1.0%	(Note 8(2))	$-	Business turnover	$-	-	$-	$574,277 (Note 1)	$1,148,554 (Note 2)
2	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 1)	30,000	30,000 (Note 1)	1.0%	(Note 8(2))	-	Business turnover	-	-	-	574,277 (Note 1)	1,148,554 (Note 2)
3	Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	Other receivables - related parties	Yes	60,000 (Note 3)	60,000	27,000 (Note 3)	1.3%	(Note 8(2))	-	Business turnover	-	-	-	125,748	251,497
4	Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 5)	-	- (Note 5)	1.5%	(Note 8(2))	-	Business turnover	-	-	-	209,531	419,062

Note 1：According to Fund loan and operating procedures of Speed Investment Co., Ltd., limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Speed Investment Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Speed Investment Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 2：Total financing amount of Speed Investment Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 3：According to Fund loan and operating procedures of Goldsun Express & Logistics Co., Ltd., limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Goldsun Express & Logistics Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Goldsun Express & Logistics Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 4：Total financing amount of Goldsun Express & Logistics Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 5：According to Fund loan and operating procedures of Lee Bao Security Co., Ltd, limit of financing amount for individual counter-party is as follow：

(1) If the financing is related to business transactions, financing to Lee Bao Security Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

(2) Associated with short-term capital needs, financing to Lee Bao Security Co., Ltd. shall not exceed 20% of the net assets values from the latest financial statements.

Note 6：Total financing amount of Lee Bao Security Co., Ltd. shall not exceed 40% of the audited/reviewed net assets value of the most current period.

Note 7：According to the Interpretation Letter of (93) Basic Secret No. 167, the accounts receivable of the related parties that exceed the normal credit period are transferred to other receivables and are regarded as financing.

Note 8：(1) Total amount of the financing is disclosed herein if the financing is related to business transactions.

(2) The reasons and counterparties of the financing are addressed herein as the financing was associated with short-term capital needs.

Attachement 3

Endorsement/Guarantee provided to others for the year ended December 31, 2018 (Expressed in Thousands of New Taiwan Dollars)

No.	Endorsor/Guarantor	Receiving party: Company name	Receiving party: Relationship	Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company (Note 5)	Guarantee provided by a subsidiary (Note 5)	Guarantee provided to subsidiaries in Mainland China (Note 5)
0	Taiwan Secom Co., Ltd.	Taiwan Video System Co., Ltd.	An investee which holds directly 39.08% of equity interest.	$3,095,826 (Note 1)	$120,000	$-	$-	$-	0.00%	$5,159,711 (Note 1)	Y	N	N
2	Aion Computer Communication Co., Ltd.	LITENET Corporation	An investee which holds directly 73% of equity interest.	49,088 (Note 2)	2,095	2,095	2,095	-	0.85%	49,088 (Note 2)	N	N	N
3	Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	An investee which holds 1.45% of equity interest.	3,824 (Note 3)	500	500	500	-	0.07%	5,159,711 (Note 3)	N	N	N
3	Gowin Building Management and Maintenance Co., Ltd.	Taiwan Secom Co., Ltd.	Parent company	3,095,826 (Note 3)	2,651	2,651	2,651	-	0.35%	5,159,711 (Note 3)	N	Y	N
4	Gowin Building Management and Maintenance Co., Ltd.	Goyun Parking Co., Ltd.	An investee which holds directly 100% of equity interest.	3,095,826 (Note 3)	50,000	50,000	-	-	6.69%	5,159,711 (Note 3)	N	N	N
5	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	An investee which holds directly 78.98% of equity interest.	3,095,826 (Note 4)	25,000	25,000	25,000	-	0.87%	5,159,711 (Note 4)	N	N	N

Note 1： A subsidiary in which Taiwan Secom Co., Ltd. holds directly or indirectly over 50% of equity interest. Guarantee/endorsement amount are as follows：

(1) Percentage of accumulated guarantee amount to net assets value from the latest financial statement of Taiwan Secom Co., Ltd. shall not exceed 50%.

(2) Guarantee/endorsement amount for receiving party to net assets value from the latest financial statement of Taiwan Secom Co., Ltd. shall not exceed 50%.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 2： Limit of guarantee/endorsement amount of Aion Computer Communication Co., Ltd. are as follows：

(1) Total guarantee amount of the Company to net assets value from the latest financial statement shall not exceed 50%.

(2) Guarantee/endorsement amount for receiving party to net assets value from the latest financial statement shall not exceed 50%.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 3： Limit of guarantee/endorsement amount of Gowin Building Management and Maintenance Co., Ltd. are as follows：

(1) Total guarantee amount of the Company and its subsidiaries to net assets value of open-released parent company shall not exceed 50%.

(2) Total guarantee amount for receiving party of the Company and its subsidiaries to net assets value of the Company shall not exceed 30%. Except for open-released parent company directly or indirectly owned exceed 90% of equity interest, and its amount to net assets value of parent company shall not exceed 10%. But not for the case of guarantee/endorsement among companies owned 100% equity interests by open-released parent company.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 4： A subsidiary in which Speed Investment Co., Ltd. holds directly or indirectly over 50% of equity interest. Guarantee/endorsement amount are as follows：

(1) Total guarantee amount of the Company and its subsidiaries to net assets value of open-released parent company shall not exceed 50%.

(2) Total guarantee amount for receiving party of the Company and its subsidiaries to net assets value of the Company shall not exceed 30%. Except for open-released parent company directly or indirectly owned exceed 90% of equity interest, and its amount to net assets value of parent company shall not exceed 10%. But not for the case of guarantee/endorsement among companies owned 100% equity interests by open-released parent company.

(3) Beside abovementioned limit, guarantee/endorsement amount of an investee company that has a business relationship with the Company shall not exceed trading amount, which is higher between sales and purchases.

Note 5： A company is coded "Y" when a subsidiary is endorsed by the listed parent company, or a listed parent company is endorsed by a subsidiary, or a company with an endorsement in Mainland China.

Attachement 4-1

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Expressed in Thousands of New Taiwan Dollars)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Taiwan Secom Co., Ltd.	Fund-							
	Yuanta Global Active Allocation Fund of Bond Funds	-	Financial assets at fair value through profit or loss-current	490,588	$4,985	-	$10.16	
	Listed companies stocks-							
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	3,300,000	117,480	0.08%	35.60	
	O-Bank Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	15,577,154	124,617	0.65%	8.00	
	Unlisted companies stocks-							
	Common stock							
	BlissCloud Group Holdings Corp	-	Financial assets at fair value through other comprehensive income-non-current	987,762	-	13.64%	-	
	Yuanding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,166,667	37,183	2.08%	8.92	
	GAMA PAY Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,285,714	22,950	7.14%	4.59	
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,591,367	6,970	10.61%	4.38	
	Global Securities Finance Corporation	-	Financial assets at fair value through other comprehensive income-non-current	624,950	2,800	0.16%	4.48	
	Sanwa Company Rs Taiwan Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,353,333	7,250	11.28%	0.25	
Lee Way Electronics Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	163,284	14,434	0.04%	88.40	
	Unlisted companies stocks-							
	Huijia Health Life Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	50,000	37	0.33%	0.74	
Chung Pao Tzu Tung Corporation	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	552,655	48,855	0.12%	88.40	

Attachement 4-2

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Amounts in Thousands of New Taiwan Dollars unless otherwise)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Kuo Hsing Security Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income－current	3,625,284	$320,475	0.80%	$88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income－current	128,700	4,582	0.003%	35.60	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	281,000	14,359	0.78%	51.23	
Gowin Building Management and Maintenance Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income－current	2,232,564	197,359	0.49%	88.40	
Babyboss Co., Ltd.	Listed companies stocks-							
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income－current	264,000	9,398	0.006%	35.60	
Lee Bao Technology Co., Ltd.	Unlisted companies stocks-							
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income－non-current	619,590	2,714	4.13%	4.38	
Lots Home Entertainment Co., Ltd.	Unlisted companies stocks-							
	The Tag-Along Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	675,000	6,750	1.50%	10.00	
	Movie- Back to the Good Times		Financial assets at fair value through other comprehensive income－non-current	-	3,250	-	-	
Aion Computer Communication Co., Ltd.	Unlisted companies stocks-							
	Union Securities Investment Trust Co., Ltd.	-	Financial assets at fair value through other comprehensive income－non-current	211,667	2,908	0.71%	13.74	
GC&C Holdings Limited	Fund-							
	AZI	-	Financial assets at fair value through profit or loss－current	333,333	133	-	USD 0.0287	
	Unlisted companies stocks-							
	Fit Design	-	Financial assets at fair value through other comprehensive income－non-current	-	-	-	-	

Attachement 4-3

Securities held for the year ended December 31, 2018 (Excluding subsidiary, associates and jointly controlled) (Amounts in Thousands of New Taiwan Dollars unless otherwise)

Holder	Type and name of securities	Relationship	Financial statement account	Ending balance				Note
				Units/Shares	Book value	Percentage of ownership	Fair value	
Goyun Security Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	252,820	$22,349	0.06%	$88.40	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	181,500	9,275	0.50%	51.10	
Speed Investment Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	2,026,155	179,112	0.45%	88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	613,800	21,851	0.015%	35.60	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	302,500	15,458	0.84%	51.10	
	Unlisted companies stocks-							
	Ciding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,130,435	10,161	2.17%	8.99	
	Mingfu Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	100,000	419	9.09%	4.19	
	Yuji Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,312,500	14,175	3.75%	10.80	
	Fund-							
	AsiaVest Opportunities Fund	-	Financial assets at fair value through profit or loss-current	200	1,006	0.74%	USD 166.69	
Titan Star International Co., Ltd.	Listed companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	1,421,043	125,620	0.31%	88.40	
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income-current	349,800	12,453	0.009%	35.60	
	Unlisted companies stocks-							
	Golden Harvest Food Enterprise Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,460,000	16,746	7.30%	11.47	
	International Integrated Systems, Inc	-	Financial assets at fair value through other comprehensive income-non-current	497,227	6,732	0.74%	13.54	
TransAsia Catering Service Ltd.	Fund-							
	O-Bank No.1 Real Estate Investment Trust	-	Financial assets at fair value through other comprehensive income-non-current	20,000,000	171,200	6.67%	8.56	

Attachement 5

Related party transactions for purchases and sales amounts exceeding NT$100 million or 20% of capital stock

(Expressed in Thousands of New Taiwan Dollars)

Purchaser (seller)	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit Term	Unit price	Credit Term	Balance	Percentage of total receivables (payable)	
Taiwan Secom Co., Ltd.	Aion Computer Communication Co., Ltd.	Subsidiary accounted for under the equity method	Note 1	$213,650	Note 1	30-60 days	-	-	$(30,473)	4%	
	Anfeng Enterprise Co., Ltd.	Investee accounted for under the equity method	Sales	(174,356)	-1%	30-60 days	-	-	61,255	10%	
	Titan Star International Co., Ltd.	Subsidiary accounted for under the equity method	Note 2	216,233	Note 2	30-60 days	-	-	(49,078)	8%	
Goldsun Express & Logistics Co., Ltd.	Goldsun Building Materials Co., Ltd.	Investee accounted for under the equity method	Note 2	(562,179)	Note 3	30 days	-	-	117,483	12%	

Note 1：The Company purchases information equipment, software and system maintenance from Aion Computer Communication Co., Ltd.

Note 2：The Company purchased inventory, electronic anti-theft and electronic fire protection equipment from Titan Star International Co., Ltd, and recognized spare electronic equipment under the purchase, operating costs and fixed assets.

Note 3：The subsidiary provides cement carrying services to Goldsun Building Materials Co., Ltd, and recognized as other operating income.

Attachement 6-3

Names, locations and related information of investee companies (excluding investment in Mainland China)

※Investee company accounted for under the equity method

(Amounts in Thousands of New Taiwan Dollars unless otherwise stated)

Investor company	Investee company	Location	Main businesses and products	Initial Investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
Taiwan Video System Co., Ltd.	TVS Electric Co., Ltd.	1308 Delaware Avenue Wilmington DE 19806 New Castle Country State of Delaware U.S.A.	Investment holding and international trading	$-	$281,721	-	-	$-	$1	$1	
	TVS Germany GmbH	Osterrade 54, 21031 Hamburg Germany	Sales of digital signage, monitors, and etc.	5,917	5,707	-	100.00%	5,917	(370)	(370)	
TVS Electric Co., Ltd.	CHUN-SECURITY Video System Co., Ltd.	3rd Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius	Investment holding and international trading	$-	USD 8,462	-	-	-	-	-	
TransAsia Catering Service Ltd.	Tian-sha Food, Ltd.	No. 1249, Daguan Rd., Dayuan Dist., Taoyuan City	Retail of food product	18,000	18,000	1,800,000	30.00%	22,993	19,800	3,122	
CHOPPA Tech Co., Ltd.	Zhan Food Team Inc	1F., No. 73, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City	Catering services	31,000	18,000	3,500,000	92.11%	29,328	(214)	(136)	

Attachement 7

Investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars unless otherwise stated)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of Outflow December 31, 2018
					Outflow	Inflow						
Yixun (China) Software Co., Ltd.	R&D, production of computer applications, programs, talent training, web applications and other software sales and technical consulting services	$197,278	(2)	$-	$-	$-	$-	$-	17.20%	$-	$-	$-
Zanyun (China) Software Co., Ltd.	Computer and peripheral software wholesale and retail, computer software services, data processing services, network information supply and management consultants	USD 6,600	(2)	-	-	-	-	USD (1,558)	17.20%	-	-	-
Beijing North Yinzhen Software Development Co., Ltd.	Computer network system installation, system integration, sales of self-produced products, etc.	RMB 10,000	(2)	12,674 (USD 360)	-	-	12,674 (USD 360) (Note 4)	-	-	-	-	-
Jian Ling (Shanghai) Intelligent Technology Co., Ltd.	Management of computer hardware and software research and development and transfer of self-operated results and computer hardware and software, office supplies, electronic products, household appliances, communications equipment wholesale	RMB 3,069	(1)	14,702 (USD 500)	-	13,600 (USD 453)	- (Note 5)	-	-	-	-	-

Accumulated Investment in Mainland China as of 2018/12/31	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$12,674	$133,475	$6,480,442

Note 1: The methods for engaging in investment in Mainland China include the following:

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods

Note 2: The investment income (loss) recognized in current period:

(1)Please specify if no investment income (loss) has been recognized as still in the preparation stage.

(2)The investment income (loss) were determined based on the following:

a.The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b.The financial statements certificated by the CPA of the parent company in Taiwan.

c.Others.

Note 3: The Company is based on the new regulations promulgated by the Ministry of Economic Affairs in the Republic of China in 1997. The calculation method for the mainland area is 60% of the net value or the combined net value, whichever is higher.

Note 4: In order to simplify the investment structure, the Group sold the entire equity of Northern Bank Securities Software Development Co., Ltd. in the first quarter of 2016 and lost control from that date.

Note 5: In the second quarter of 2018, the Group approved the cancellation of the investment in Jian Ling (Shanghai) Intelligent Technology Co., Ltd.

6-6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII、FINANCIAL STATUS AND FINANCIAL PERFORMANCE

7-1. Financial Position

Unit：NT$ thousand

Item \ Year	31-Dec-18	31-Dec-17	Difference	
			Amount	%
Current assets	7,766,130	7,814,033	(47,903)	-0.61%
Investments Accounted for Using Equity Method	3,217,147	3,264,815	(47,668)	-1.46%
Property, plant and equipment	7,016,933	7,222,354	(205,421)	-2.84%
Other non-current assets	2,887,969	2,622,476	265,493	10.12%
Total assets	**20,888,179**	**20,923,678**	**(35,499)**	**-0.17%**
Current liabilities	7,480,454	7,115,819	364,635	5.12%
Non-current liabilities	2,606,987	3,253,545	(646,558)	-19.87%
Total liabilities	**10,087,441**	**10,369,364**	**(281,923)**	**-2.72%**
Share capital	4,511,971	4,511,971	-	0.00%
Capital surplus	724,912	691,334	33,578	4.86%
Retained earnings	5,541,725	5,338,810	202,915	3.80%
Other interests	(170,798)	(131,578)	(39,220)	29.81%
Treasury stock	(288,389)	(288,389)	-	0.00%
Non-controlling interests	481,317	432,166	49,151	11.37%
Total amount of equity	**10,800,738**	**10,554,314**	**246,424**	**2.33%**

＊ Main reasons of significant changes in assets, liabilities and in shareholders' equity in the last two years：
Other interests decrease due to the increase of unrealized loss of financial assets at fair value through other comprehensive income.

＊ Effect of financial position and changes in the past two years : No significant effect in financial position.

＊ The plan for any possible impact in the future: Not Applicable.

7-2. Financial Performance

7-2-1. Comparative analyses of the company's financial performance：

Unit：NT$ thousand

Item \ Year	2018	2017	Increased (Decreased) Amount	% change
Net Operating Revenue	13,393,619	13,054,756	338,863	2.60%
Operating cost	8,486,576	8,406,505	80,071	0.95%
Gross profit	4,907,043	4,648,251	258,792	5.57%
Operating expenses	2,346,408	2,426,325	(79,917)	-3.29%
Operating interest	2,560,635	2,221,926	338,709	15.24%
Non - operating revenue and expenses	(15,860)	399,980	(415,840)	-103.97%
Pre-tax benefits	2,544,775	2,621,906	(77,131)	-2.94%
Income tax expense	(445,640)	(387,366)	58,274	15.04%
Current net profit	2,099,135	2,234,540	(135,405)	-6.06%
Other comprehensive income (net profit after tax)	(64,144)	(110,803)	46,659	-42.11%
Total comprehensive income	2,034,991	1,703,131	331,860	19.49%
Net profit attributed to stockholders of the company	2,046,828	2,205,567	(158,739)	-7.20%
Other comprehensive income attributed to stockholders of the company	1,982,060	2,101,707	(119,647)	-5.69%

＊ Analysis of percentage changes in recent two years:

1.Non-operating revenue and expenses decreased which mainly due to the share of profit or loss of associates and joint ventures accounted for using equity method decreased.

2.Other comprehensive income(net profit after tax) decreased which mainly due to recognising the exchange differences on translation of foreign financial statements to the profit.

＊ Sale amount and its basis over the next year: Please refer to the attached page1-2 "1.Letter to Shareholders."

＊ Effect on financial performance and changes in the last two years : No significant effect on financial position.

＊ The plan for any possible impact in the future: Not Applicable.

7-2-2. Analysis of gross profit and changes: Not Applicable

7-3. Cash flow Analysis

7-3-1. Cash flow analysis for the recent years:

Unit：NT$ thousand

Beginning cash balance	Cash flow from operating activities	Cash outflow	Net cash flow balance	Cash shortage contingency plan	
				Investment plan	Financing plan
5,290,440	2,831,955	3,100,600	5,021,795	-	-

Analysis of changes in cash flow in this year:

(1) Business activities: The net cash inflow from operating activities is NT$ 2,831,955 thousand mainly due to net profit before tax is NT$2,544,775 thousand

(2) Investment activities: The net cash outflow from investment activities is NT$ 1,258,868 thousand mainly due to net cash outflow of property, plant and equipment is NT$925,012 thousand and cash flow from sale of amortized cost financial assets is NT$208,776 thousand.

(3) Financing activities: The net cash outflow from financing activities is NT$ 1,832,211 thousand, mainly due to net cash outflow of dividend distribution from surplus is NT$1,801,829 thousand.

7-3-2. Inefficient Capital liquidity improvement plan: Not Applicable.

7-3-3. Cash flow forecast analysis for the next year:

Analysis of changes in cash flow over the next year:

Unit：NT＄thousand

Beginning cash balance	Cash flow from operating activities	Cash outflow	Net cash flow balance	Cash shortage contingency plan	
				Investment plan	Financing plan
5,021,795	3,095,866	3,752,531	4,365,130	-	-

(1) Business activities: Mainly the estimated operating profit from business activities gained through expected revenue growth.

(2) Investment activities: Mainly expected from paying cash in exchange for additional building capacity and equipment purchase.

(3) Financing activities: Mainly expected from net cash outflow of dividend distribution from surplus and debt repayment.

7-4. Major capital expenditures during the most recent fiscal year: None.

7-5. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(1) Investment policy for the most recent year: The Company's investment in other businesses is a priority considering the peripheral business related to the core business, followed by other businesses that can obtain higher profits.

(2) Investment profit: The investment (loss) net profit of the Company in fiscal year 2018 and year 2017 is NT$ 66,831 thousand and NT$ 378,451 thousand, respectively.

(3) Investment plan for the coming year：None.

7-6. Risk Management

(1) The effect upon the company's profits (losses) from interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

a. The Company’s loss on exchange, interest income and loss situation:

The Company’s 2018 foreign exchange loss is NT$ 2,786 thousand, interest income is NT$ 14,233 thousand and interest expense is NT$ 36,583 thousand.

b. The impact on the company's income due to inflation:

The recent annual interest rate changes have been small and the inflation has been moderate, which has no significant impact on the company's income.

c. The company's specific measures in response to interest and exchange rate fluctuations and inflation:

The Company adopts natural hedging methods to reduce risks due to exchange rate fluctuations.

(2) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company's financial policy is based on the principle of steady and conservative operations, and does not engage in high-risk and highly leveraged investments, nor does it engage in the trading of derivative commodities. Loaning funds to others and the endorsement guarantee are handled in accordance with the Company's “Procedures for Loaning of Funds and Making of Endorsements or Guarantees” to protect the Company's maximum interests.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The company's future operational focus will be based on the integrated service of 《MyVita+》 and the IOT system. It plans to add more 《MyVita+》 AI smart products and features, and provide more 《MyVita+》 APP features and cell phone integration with new high-tech products. It also plans to add new innovative service products, including smart image (face) identification systems, upgraded version of cloud guarding etc. From Smart Home to Smart City, the development of related innovative service projects accelerates the introduction of AI, including smart transportation (parking), smart street lights, smart security community, etc., and we apply big data analysis to identify problems and business opportunities. The Company expects to invest approximately NT$ 100,000,000 in research and development to fulfill the aforementioned needs and other future operation commitment.

(4) Effect on the company's financial operations by change of important policies and regulations at home and abroad, and measures to be taken in response:

The management of the Company is actively up to date and responds to important domestic and international policies and laws. It follows national laws and regulations, promotes corporate governance, adjusts operations and internal control, and ensures the smooth operation of financial operations to maintain the company's sustainable development.

(5) Effect of science and technology, as well as industrial change, on the company’s finances and operations, and measures to be taken in response:

The company's R&D integration is always up to date with the trends. It invests in R&D when necessary, to adjust operational strategies in order to ensure a smooth operation of the business.

(6) Effect of changes in the company's corporate image on the company’s crisis management, and measures to be taken in response:

Based on the concept of sustainable management, the company's corporate image has always been good and has been recognized by consumers and investors. It follows the laws and regulations promoting corporate governance in order to implement corporate social responsibility and integrity management concepts. The company has a corporate website, a communications system, and a publicity department to create a transparent and reliable communications channel with the media and investors or other related parties to maintain the company's excellent corporate image. There is no change in corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: they are not applicable.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: they are not applicable.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The company has no consolidative problem of sales or purchasing operation currently. The company also makes a list of alternative suppliers. The supply is all regular at the present stage, if the company encounters any emergency situation, it will be replaced by the alternative supplier to ensure that the company is functioning properly.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding a greater than 10% stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: they are not applicable.

(11) Effect upon and risk to the company associated with any change in governance or top management, and mitigation measures being or to be taken: they are not applicable.

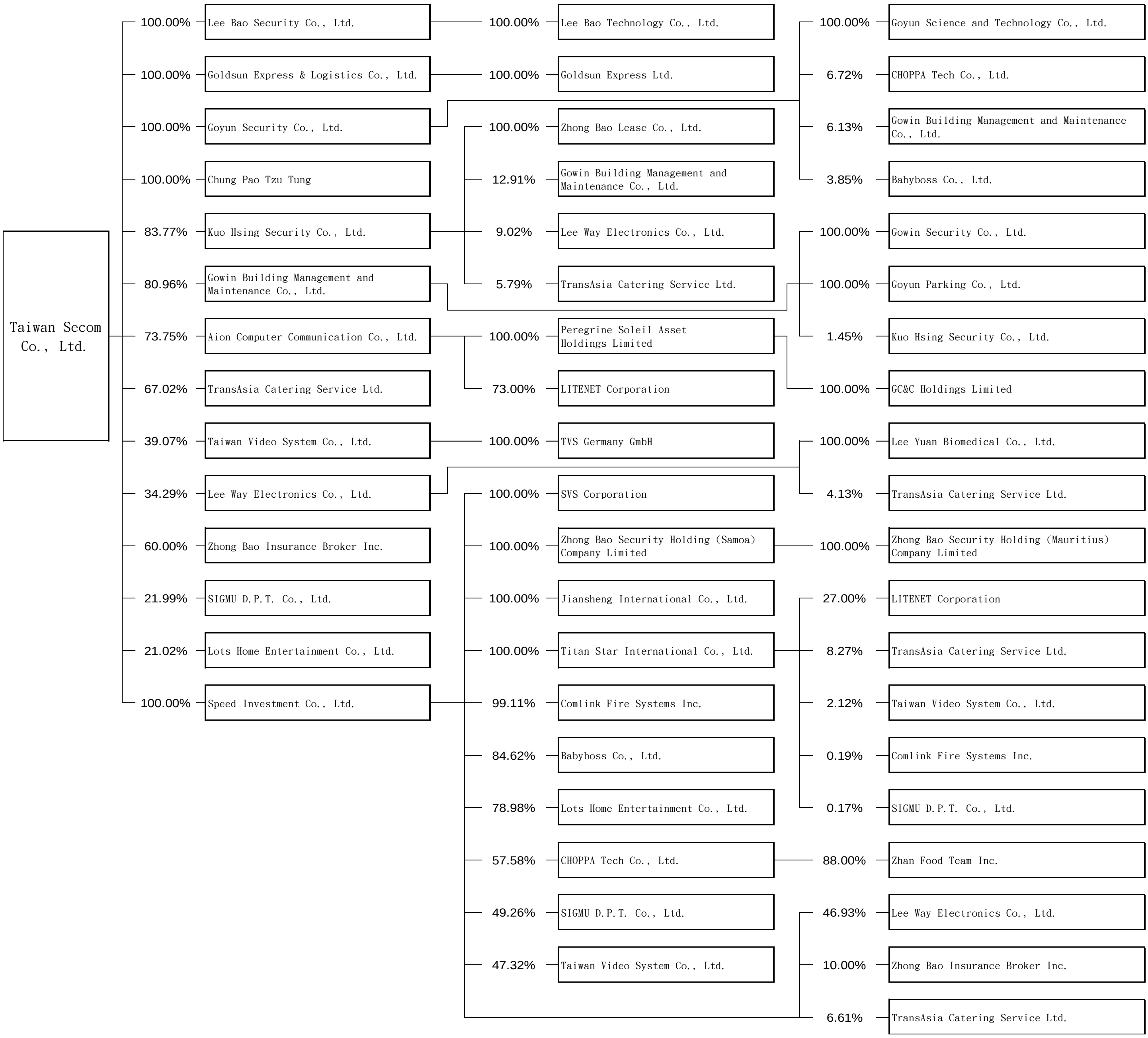
(12) Litigious and non-litigious matters. The company, directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined to be or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price: they are not applicable.

(13) Other major risks, and mitigation measures being or to be taken: None

VIII、SPECIAL DISCLOSURE

8-1. Information related to the Company's Affiliates

8-1-1. Consolidated business reports of affiliates (as of 2018/12/31)



Note：The Company does not have the controlling and subordinate relation definded in Article 369-3 of the Company Act.

8-1-2. Basic Information of Affiliated Companies

Unit: NT$/US$/EUR€ thousand

Company Name	Date of Incorporation	Address	Paid-in Capital	Type of Business
Kuo Hsing Security Co., Ltd	1989.12.16	9F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$350,025	Static guard services
Gowin Building Management and Maintenance Co., Ltd.	1992.05.26	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$351,578	Building management and maintenance
Goyun Security Co., Ltd.	1998.12.31	7F., No.2-4, Renyi St., Kaohsiung City	NT$265,125	Security service
Lee Bao Security Co., Ltd.	1998.01.02	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$699,862	Security service
Aion Computer Communication Co., Ltd.	1994.08.01	12F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$172,752	Information service
Speed Investment Co., Ltd.	1996.09.13	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$2,419,668	Investment in production and service
Goldsun Express & Logistics Co., Ltd.	1998.01.14	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$559,428	Logistics transportation, warehousing service
Chung Pao Tzu Tung	2000.11.21	4F., No.693, Sec. 5, Zhongshan N. Rd., Taipei City	NT$20,000	Electronic information supply service
Lee Way Electronics Co., Ltd.	1998.05.08	3F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$300,000	Sale and lease of electronic equipment
Titan Star International Co., Ltd.	1995.07.10	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$816,673	Manufacturing of security equipment
Peregrine Soleil Asset Holdings Limited	2001.07.26	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	USD5,470	Holding company
GC&C Holdings Limited	2001.08.01	P.O.Box 2804, Offshore Incorporations (Cayman) limited.Scotia Centre, 4th Floor,George Town,Grand Cayman Islands.	USD5,460	Holding company
Goldsun Express Ltd.	2004.10.19	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$33,612	Customs declaration
Zhong Bao Security Holding (Samoa) Company Limited	2004.09.27	Vistra Corporate Services Centre, Ground Floor NPF Building,Beach Road, Apia, Samoa	NT$192,953	Holding company
Zhong Bao Security Holding (Mauritius) Company Limited	2002.09.10	3F,Standard Chartered Tower,19Cybercity, Ebene,Street,Port Louis,Replublic Mauritius	NT$130,095	Holding company
Zhong Bao Insurance Broker Inc.	2006.01.02	10F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$10,140	Insurance business
LITENET Corporation	2004.04.12	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$84,000	Lighting control system
Babyboss Co., Ltd.	2006.12.19	6F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$260,000	Professional role playing service for children
SVS Corporation	2009.02.13	No.418, Songhe St., Nangang Dist., Taipei City	NT$80,000	Locomotive repair industry
Lee Bao Technology Co., Ltd.	2009.04.29	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$50,000	ATM machine service
Goyun Science and Technology Co., Ltd.	2014.02.06	7F., No.2-4, Renyi St., Kaohsiung City	NT$100,000	Parking lot business
Lots Home Entertainment Co., Ltd.	1997.11.26	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$205,000	Video broadcasting and film production
Taiwan Video System Co., Ltd.	1983.06.27	8F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$290,630	The business of manufacturing video signal displays and its accessories
TVS Germany GmbH	2000.12.05	Osterrade 54, 21031 Hamburg Germany	EUR150	Terminals, video systems, industrial equipment and other goods
CHUN-SECURITY Video System Co., Ltd	2003.03.13	3rd Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius	USD12,462	Overseas investment and international trade
Gowin Security Co., Ltd	2011.04.22	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$40,000	Security service
CHOPPA Tech Co., Ltd.	2012.08.06	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$150,000	Other machinery, electrical appliances, audio & visual electronic products manufacturing, wireless communication machinery and electronic components manufacturing, etc.
Comlink Fire Systems Inc.	1999.08.23	No.16, Ln. 60, Baoshi St., Guishan Dist., Taoyuan City	NT$67,060	Fire safety equipment wholesale, overhaul, installation engineering
TransAsia Catering Service Ltd.	2002.10.17	No.538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	NT$366,480	Sky catering, baking and steaming food manufacturing, seasoning manufacturing, and catering, etc.
Zhong Bao Lease Co., Ltd.	2016.07.13	4F., No.102, Chong'an St., Sanchong Dist., New Taipei City	NT$30,000	Cargo rental, warehousing, residential and building development, rental and sales, real estate leasing, etc.

Company Name	Date of Incorporation	Address	Paid-in Capital	Type of Business
Goyun Parking Co., Ltd.	2016.01.14	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$50,000	Parking lot management, flower cultivation, and gardening
Lee Yuan Biomedical Co., Ltd.	2016.08.18	No.85, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City	NT$30,000	Wholesale of electrical appliances, wholesale of precision instruments, wholesale of telecommunications equipment
SIGMU D.P.T. Co., Ltd.	2016.08.01	4F., No.693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	NT$124,320	Fire safety equipment installation engineering, environmental testing service
Zhan Food Team Inc.	2016.01.27	1F., No.73, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City	NT$38,000	Catering
Jiansheng International Co., Ltd.	2018.01.03	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	NT$20,000	Retail of medical equipment

8-1-3. Information of shareholders presumed to have controlling and subordinate relations: N/A

8-1-4. The overall relationship between business enterprises covered by the industry:

（1）The business carried out by the Company and its affiliate companies includes：

A. About the security maintenance which include anti-theft measures, fire prevention and disaster prevention of office premises, business premises, warehouses, performing arts venues, competition venues, residences, exhibition venues, parking lots, etc.

B. Security maintenance for the transportation of cash or other valuables.

C. Personal safety maintenance.

D. System planning, design, maintenance, repair and installation of related equipment and equipment for theft prevention, fire prevention, disaster prevention, etc.

E. Information service.

F. Investment in production services

G. Manufacturing, trading and processing of mainframes and sensors for fire protection and anti-theft devices .

H. Logistics delivery, warehousing services

（2）Affiliate companies' business related to each other and the division of labor：

Our company has business affiliates for invoicing transactions, leasing offices, commissioning design and purchasing R&D materials, etc., such as Kuo Hsing Security Co., Ltd , Gowin Building Management and Maintenance Co., Ltd., Goyun Security Co., Ltd, Lee Bao Security Co., Ltd., Aion Computer Communication Co., Ltd., Speed Investment Co., Ltd., Goldsun Express & Logistics Co., Ltd., Chung Pao Tzu Tung, Lee Way Co., Ltd., Titan Star International Co., Ltd., CHOPPA Tech Co., Ltd., Taiwan Video System Co., Ltd.

8-1-5. Information of affiliates' Directors, Supervisors and General Managers

:

Company name	Title (Note1)	Name or representative	Shares owned (Note 2) (Note3) Capital contribution/ share	%	Corporate Representative
Kuo Hsing Security Co., Ltd.	Chairman	Representative：Lin, Fei-Chang	29,321,619	83.77%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lu, Hung-Liang			
	Supervisor	Representative：Chen, Su-Ling	506,692	1.45%	Gowin Building Management and Maintenance Co., Ltd.
Gowin Building Management and Maintenance Co., Ltd.	Chairman	Representative：Lin, Chih-Fang	28,463,488	80.96%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Lei			
	Supervisor	Representative：Chen, Su-Ling	4,540,260	12.91%	Kuo Hsing Security Co., Ltd.
Goyun Security Co., Ltd.	Chairman	Representative：Chang, Yi-Chun	26,512,450	100.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Lin, Lei			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Chen, Su-Ling			
Lee Bao Security Co., Ltd.	Chairman	Representative：Kao, Chang-Hsiung	69,986,215	100.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Su, Ying-Chang			
	Supervisor	Representative：Chen, Su-Ling			
Aion Computer Communication Co., Ltd.	Chairman	Representative：Chen, Ying-Chun	12,739,895	73.75%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Ming-Sheng			
	Director	Representative：Li, Jung-Kuei			
	Supervisor	Lin, Chien-Han	588,623	3.41%	
Speed Investment Co., Ltd	Chairman	Representative：Lin, Ming-Sheng	241,966,797	100.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Chen, Su-Ling			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Su, Ying-Chang			
Goldsun Express & Logistics Co., Ltd.	Chairman	Representative：Kuo, Chia-Ming	55,942,758	100.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Chang, Ming-Tung			
	Supervisor	Representative：Su, Ying-Chang			
Chung Pao Tzu Tung	Chairman	Representative：Liu, Fu-Hsing	2,000,000	100.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Chou, Hsing-Kuo			
	Director	Representative：Lin, Chien-Han			
	Supervisor	Representative：Chen, Su-Ling			
Lee Way Electronics Co., Ltd	Chairman	Representative：Chou, Hsing-Kuo	10,288,341	34.29%	Taiwan Secom Co., Ltd.
	Director	Representative：Hung, Pei-Hsiu			
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Chen, Su-Ling			
	Director	Representative：Lin, Chien-Han			
	Supervisor	Representative：Liu, Fu-Hsing	2,707,458	9.02%	Kuo Hsing Security Co., Ltd.
Titan Star International Co., Ltd.	Chairman	Representative：Hsu, Te-Yu	81,667,290	100.00%	Speed Investment Co., Ltd
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Li, Jung-Kuei			
	Supervisor	Representative：Chen, Su-Ling			
Peregrine Soleil Asset Holdings Limited	Director	Representative：Lin, Ming-Sheng	5,469,502	100.00%	Aion Computer Communication Co., Ltd.
GC&C Holdings Limited	Director	Representative：Lin, Ming-Sheng	5,460,502	100.00%	Peregrine Soleil Asset Holdings Limited

Company name	Title (Note1)	Name or representative	Shares owned (Note 2) (Note3) Capital contribution/ share	%	Corporate Representative
Goldsun Express Ltd	Chairman	Representative：Kuo, Chia-Ming	3,361,248	100.00%	Goldsun Express & Logistics Co., Ltd.
	Director	Representative：Chang, Ming-Tung			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Su, Ying-Chang			
Zhong Bao Security Holding (Samoa) Company Limited	Director	Representative：Lin, Hsiao-Hsin	5,926,000	100.00%	Speed Investment Co., Ltd
Zhong Bao Security Holding (Mauritius) Company Limited	Director	Representative：Lin, Hsiao-Hsin	4,000,000	100.00%	Zhong Bao Security Holding (Samoa) Company Limited
Zhong Bao Insurance Broker Inc.	Chairman	Representative：Lei, Ching-Ming	608,400	60.00%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Chen, Yuan-Chun	50,700	5.00%	
	Supervisor	Representative：Chen, Su-Ling	101,400	10.00%	Speed Investment Co., Ltd
LITENET Corporation	Chairman	Representative：Chiang, Wen-Liang	6,132,000	73.00%	Aion Computer Communication Co., Ltd.
	Director	Representative：Chin, Hsiao-Tang			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Yu, Hsun-Ming	2,268,000	27.00%	Titan Star International Co., Ltd.
Babyboss Co., Ltd.	Chairman	Representative：Lin, Yi-Hsuan	22,000,000	84.62%	Speed Investment Co., Ltd
	Director	Representative：Lin, Chien-Han			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Chen, Su-Ling	1,000,000	3.85%	Goyun Security Co., Ltd.
Lots Home Entertainment Co., Ltd.	Chairman	Representative：Lin, Chien-Han	4,308,932	21.02%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Chu, Han-Kuang			
	Supervisor	Representative：Chen, Su-Ling	16,191,068	78.98%	Speed Investment Co., Ltd
Taiwan Video System Co., Ltd.	Chairman	Representative：Su, Ying-Chang	11,356,902	39.08%	Taiwan Secom Co., Ltd.
	Director	Representative：Yu, Hao-Wen			
	Director	Representative：Chen, Shu-Hui			
	Director	Representative：Li, Jung-Kuei			
	Director	Representative：N/A			
	Supervisor	Representative：Chen, Ying-Chun	663,893	2.28%	Yuan Hsin Investment Co., Ltd.
	Supervisor	Representative：Chen, Yu-Shan			
TVS Germany GmbH	Director	Representative：Li, Fang	150,000	100.00%	Taiwan Video System Co., Ltd.
SVS Corporation	Chairman	Representative：Su, Ying-Chang	8,000,000	100.00%	Speed Investment Co., Ltd
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Lei			
	Supervisor	Representative：Chen, Su-Ling			
Lee Bao Technology Co., Ltd.	Chairman	Representative：Kao, Chang-Hsiung	5,000,000	100.00%	Lee Bao Security Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Su, Ying-Chang			
	Supervisor	Representative：Chen, Su-Ling			

Company name	Title (Note1)	Name or representative	Shares owned (Note 2) (Note 3)		Corporate Representative
			Capital contribution/ share	%	
Gowin Security Co., Ltd.	Chairman	Representative：Lin, Chih-Fang	4,000,000	100.00%	Gowin Building Management and Maintenance Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Lei			
	Supervisor	Representative：Chen, Su-Ling			
Goyun Parking Co., Ltd.	Chairman	Representative：Lin, Chih-Fang	5,000,000	100.00%	Gowin Building Management and Maintenance Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Lei			
	Supervisor	Representative：Chen, Su-Ling			
Goyun Science and Technology Co., Ltd.	Chairman	Representative：Chang, Yi-Chun	10,000,000	100.00%	Goyun Security Co., Ltd.
	Director	Representative：Lin, Lei			
	Director	Representative：Hsu, Lan-Ying			
	Supervisor	Representative：Chen, Su-Ling			
CHOPPA Tech Co., Ltd.	Chairman	Representative：Lin, Chien-Han	8,637,000	57.58%	Speed Investment Co., Ltd
	Director	Representative：Li, Jung-Kuei			
	Director	Representative：Chen, Ying-Chun			
	Supervisor	Representative：Su, Ying-Chang	1,008,000	6.72%	Goyun Security Co., Ltd.
Lee Yuan Biomedical Co., Ltd.	Chairman	Representative：Chou, Hsing-Kuo	3,000,000	100%	Lee Way Co., Ltd.
	Director	Representative：Hung, Pei-Hsiu			
	Director	Representative：Chen, Su-Ling			
	Supervisor	Representative：Liu, Fu-Hsing			
Comlink Fire Systems Inc.	Chairman	Representative：Chou, Hsing-Kuo	6,646,625	99.11%	Speed Investment Co., Ltd
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lin, Lei			
	Supervisor	Representative：Su, Ying-Chang	12,500	0.19%	Titan Star International Co., Ltd.
TransAsia Catering Service Ltd.	Chairman	Representative：Chen, Su-Ling	24,562,918	67.02%	Taiwan Secom Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Hu, Chih-Chiang			
	Supervisor	Representative：Su, Ying-Chang	2,388,144	6.52%	Yuan Hsin Enterprise Co., Ltd.
Zhong Bao Lease Co., Ltd.	Chairman	Representative：Lin, Fei-Chang	3,000,000	100.00%	Kuo Hsing Security Co., Ltd.
	Director	Representative：Hsu, Lan-Ying			
	Director	Representative：Lu, Hung-Liang			
	Supervisor	Representative：Chen, Su-Ling			
SIGMU D.P.T. Co., Ltd.	Chairman	Representative：Li, Jung-Kuei	6,124,336	49.26%	Speed Investment Co., Ltd
	Director	Representative：Huang, Chun-Hung			
	Director	Representative：Lin, Chien-Han			
	Supervisor	Representative：Chen, Su-Ling	19,720	0.17%	Titan Star International Co., Ltd.
Zhan Food Team Inc	Chairman	Representative：Hsieh, Li-Ping	3,500,000	92.11%	CHOPPA Tech Co., Ltd.
	Director	Representative：Tseng, Wei-Han			
	Director	Representative：Wu, Yu-Lun			
	Supervisor	Hsu, Lan-Ying			
Jiansheng International Co., Ltd.	Chairman	Representative：Li, Jung-Kuei	2,000,000	100%	Speed Investment Co., Ltd
	Director	Representative：Lin, Ming-Sheng			
	Director	Representative：Chang, Nai-Sen			
	Supervisor	Representative：Su, Ying-Chang			

Note 1：If the affiliate company is a foreign company, the position is equivalent.
Note 2：If the invested company is a joint stock company, please fill in the number of shares and shareholding ratio. Please fill in the capital amount and capital contribution ratio and indicate it.
Note 3：When the director or supervisor is a corporate representative, the relevant information of the representative shall be disclosed.

8-1-6. Operational information of affiliates and subsidiaries

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenue	Operating Income	Net Income (after tax)	Earnings Per Share (NTD/USD/EUR ; after tax)
Kuo Hsing Security Co., Ltd.	350,025	1,125,178	174,418	950,760	1,258,231	139,015	158,347	4.52
Gowin Building Management and Maintenance Co., Ltd.	351,578	954,464	206,595	747,869	1,049,595	118,073	136,958	3.90
Goyun Security Co., Ltd.	265,125	604,934	94,514	510,420	719,531	84,936	81,123	3.06
Lee Bao Security Co., Ltd.	699,862	1,954,507	906,853	1,047,654	964,293	182,545	145,366	2.08
Aion Computer Communication Co., Ltd.	172,752	339,051	93,609	245,442	316,659	50,434	46,941	2.72
Speed Investment Co., Ltd.	2,419,668	2,981,279	10,161	2,971,118	196,371	143,285	143,152	0.59
Goldsun Express & Logistics Co., Ltd.	559,428	854,632	225,890	628,742	950,874	45,505	40,025	0.72
Chung Pao Tzu Tung	20,000	59,654	551	59,103	151	(337)	1,798	0.90
Lee Way Electronics Co., Ltd.	300,000	535,763	96,207	439,556	220,602	33,367	53,585	1.79
Titan Star International Co., Ltd.	816,673	1,350,092	87,419	1,262,673	237,584	58,307	86,400	1.06
Peregrine Soleil Asset Holdings Limited	USD 5,470	USI 1,601	USD 20	USD 1,581	USD -	USD (2)	USD (7)	USD (0.01)
GC&C Holdings Limited	USD 5,461	USI 1,598	USD 1	USD 1,597	USD -	USD (6)	USD (6)	USD (0.01)
Goldsun Express Ltd.	33,612	73,224	37,060	36,164	15,861	2,505	1,231	0.37
Zhong Bao Security Holding (Samoa) Company Limited	192,953	67,847	-	67,847	3,627	3,627	3,636	0.19
Zhong Bao Security Holding (Mauritius) Company Limited	130,095	67,545	-	67,545	-	-	3,627	0.28
Zhong Bao Insurance Broker Inc.	10,140	35,783	5,300	30,483	17,317	5,061	6,423	6.33
LITENET Corporation	84,000	119,155	36,508	82,647	68,903	1,782	2,278	0.27
Babyboss Co., Ltd.	260,000	257,202	20,256	236,946	115,783	934	(36)	(0.00)
Lots Home Entertainment Co., Ltd.	205,000	73,058	38,245	34,813	3,101	(3,987)	(4,191)	(0.20)
Taiwan Video System Co., Ltd.	313,730	31,545	30,303	1,242	90	(2,157)	(33,397)	(1.06)
TVS Germany GmbH	EUR 150	EUI 177	EUR 8	EUR 169	EUR -	EUR 0	EUR (10)	EUR -
SVS Corporation	80,000	42,390	5,166	37,224	34,036	1,178	2,239	0.28
Lee Bao Technology Co., Ltd.	50,000	27,000	778	26,222	55,810	180	1,091	0.22
Gowin Security Co., Ltd.	40,000	133,815	51,323	82,492	431,974	33,545	26,602	6.65
CHOPPA Tech Co., Ltd.	150,000	238,220	70,099	168,121	161,246	999	2,913	0.19
Goyun Science and Technology Co., Ltd.	100,000	99,274	11,026	88,248	59,175	(6,822)	(7,356)	(0.74)
Comlink Fire Systems Inc.	67,063	135,455	28,152	107,303	161,685	15,486	12,645	1.89
Lee Yuan Biomedical Co., Ltd.	30,000	71,939	17,307	54,632	66,136	27,845	22,340	7.45
SIGMU D.P.T. Co., Ltd.	124,320	341,844	128,096	213,748	332,363	111,623	88,922	7.15
Goyun Parking Co., Ltd.	50,000	50,294	5,453	44,841	43,393	(1,395)	(1,420)	(0.28)
TransAsia Catering Service Ltd.	366,480	1,065,205	165,406	899,799	605,795	34,824	32,429	0.88
Zhong Bao Lease Co., Ltd.	30,000	28,372	652	27,720	858	(773)	(694)	(0.23)
Zhan Food Team Inc.	38,000	32,250	5,825	26,425	39,950	(1,665)	(842)	(0.22)
Jiansheng International Co., Ltd.	20,000	58,636	38,273	20,363	895	428	363	0.18

8-1-2. Affiliated Enterprise Report

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Taiwan Secom Co., Ltd. (the "Consolidated FS of the Affiliates"), we represent the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the "Criteria Governing the Preparation of Affiliated Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and certify that these are the same as those required to be included in the Consolidated Financial Statements of Taiwan Secom Co., Ltd. and its subsidiaries (the "Consolidated FS of the Group") in accordance with the International Financial Reporting Standard 27. Moreover, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Taiwan Secom Co., Ltd. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Taiwan Secom Co., Ltd.
Chairman: LIN Hsiao-Hsin

March 22, 2019

8-2. Private Securities in the Last Year and as of the Date of Publication of the Annual Report.

8-3. Holding or Disposal of the Company's Shares by Affiliates in the Last Year and as of the Date of Publication of the Annual Report

Company Name	Paid-in Capital	Sources of funds	Holding Percentage (%)	Date Obtained or Disposed	No. of shares acquired and amount	Number of shares and amount	Investment gains and losses (Note)	Up to the Date of Publication of the Annual Report shareholding and amount	Setting the pledge	Guaranteed amount of endorsement for the subsidiary	The amount lent to the subsidiary
Speed Investment Co., Ltd.	2,419,668	own funds	100.00%	-	-	-	-	2,026,155 shares NT$ 175,665	No	-	-
Kuo Hsing Security Co., Ltd.	350,025	own funds	83.77%	-	-	-	-	3,625,284 shares NT$ 313,950	No	-	-
Gowin Building Management and Maintenance Co., Ltd.	351,578	own funds	80.96%	-	-	-	-	2,232,564 shares NT$ 193,340	No	-	-
Goyun Security Co., Ltd.	265,125	own funds	100.00%	-	-	-	-	252,820 shares NT$ 21,894	No	-	-
Chung Pao Tzu Tung	20,000	own funds	100.00%	-	-	-	-	552,655 shares NT$ 47,860	No	-	-
Titan Star International Co., Ltd.	816,673	own funds	100.00%	-	-	-	-	1,421,043 shares NT$ 123,062	No	-	-
Lee Way Electronics Co., Ltd.	300,000	own funds	34.29%	-	-	-	-	163,284 shares NT$ 14,140	No	-	-
Current year up to the date of publication of the annual report					-	-	-	10,273,805 shares NT$ 889,711	No	-	-

Note: No significant impact on the Company's financial performance and financial status

8-4. Other matters that require additional description: None.

IX. 、MATTERS IN THE PAST YEAR AND AS OF THE DATE OF PUBLICATION OF THE ANNUAL REPORT WHICH HAVE SUBSTANTIAL IMPACT ON OWNER'S EQUITY AS STIPULATED IN ITEM 2, PARAGRAPH 3 OF ARTICLE 36 OF THE SECURITIES AND EXCHANGE ACT: None