TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES

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EY 安永
Building a better working world

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Independent Auditors' Report Transacted 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.

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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.

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

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 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	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF 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
Cash dividends distributed from capital surplus	-	(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

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

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

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

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 and cash equivalents, trade receivables, debt instrument investments for which no active market exists and refundable deposits)	5,999,145	At amortized cost (including cash and cash equivalents, trade receivables, financial assets measured at amortized cost and refundable deposits)	5,999,145
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%
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%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%) December 31, 2018	Percentage of ownership (%) December 31, 2017
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 Star International Co., Ltd.	Comlink Fire Systems Inc.	Wholesale of fire safety equipment	99.30%	99.30%
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%

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

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

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.

The accounting policy before 1 January 2018 as follow:

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

Group as a lessee

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

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

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

Group as a lessor

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

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

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

(15) Intangible assets

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

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

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

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

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

Computer software

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

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

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

(16) Impairment of non-financial assets

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

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

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

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

(17) Provisions

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

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

Provision for decommissioning, restoration and rehabilitation costs

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

(18) Treasury shares

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

(19) Revenue recognition

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.

Current income tax

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

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

Deferred tax

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

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

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

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

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

(24) Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

(1) Judgment

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

A. Investment properties

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

B. Operating lease commitment-Group as the lessor

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

C. Pension benefits

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

D. 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:

		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	$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:

Investees	As of December 31, 2018 Carrying amount	2018 Percentage of ownership (%)	2017 Carrying amount	2017 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	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)	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 from Bank of Tokyo Mitsubishi UFJ	280,000	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	1,034,000		
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	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 15^{th} 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 changes in demographic assumptions	(30,427)	-	(30,427)
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 joint ventures accounted for under the equity method	(10,002)	-	(10,002)	-	(10,002)
Total of other comprehensive (loss) income	$(115,637)	$-	$(115,637)	$4,834	$(110,803)

(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:

Year	Tax losses for the period	Unused tax losses as of December 31, 2018	Unused tax losses as of 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	-

	The assessment of income tax returns	Notes
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 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.

Foreign currency risk

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

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

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

A. When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 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)
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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	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.

Attachment 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.

Attachment 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.