TAIWAN SECOM COMPANY LTD.   Annual Report 2019   Printed on March 31, 2020

TAIWAN SECOM COMPANY LTD.

Stock Symbol : 9917

Annual Report 2019

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新北二分公司	新北市板橋區實踐路30號7樓	(02)29530062
基隆分公司	基隆市信二路52號1樓	(02)24249171
宜蘭分公司	宜蘭縣羅東鎮中正北路229之2號1、2 樓	(03)9577868
新北分公司	新北市三重區重新路四段12號8樓之1	(02)29730828
桃園分公司	桃園縣桃園市大同路11號7樓之2	(03)3395210
新竹分公司	新竹市光復路二段295號4樓之1	(03)5733366
新竹縣分公司	新竹縣竹北市自強南路126號4樓	(03)6579800
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台東分公司	台東市鄭州街3號6樓	(089)327450
台中分公司	台中市南屯區豐樂里向心南路739號5樓	(04)23850001
台中二分公司	台中市豐原區豐陽路52號3樓	(04)25232047
苗栗分公司	苗栗市北安街158號11樓之2	(037)330845
彰化分公司	彰化市彰美路一段186號11樓之1	(04)7256111
南投分公司	南投縣南投市南崗三路一號	(049)2325815
嘉義分公司	嘉義市北港路251號8樓	(05)2335247
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3 股票過戶機構之名稱、地址、電話及網址

元大證券股份有限公司　股務代理部
台北市大同區承德路三段210號B1　　電　話：(02)25865859（代表號）
http://www.yuanta.com.tw/

4 最近年度財務報告簽證會計師姓名、事務所名稱、地址、電話、網址

會計師姓名：余倩如、許新民
事務所名稱：安永聯合會計師事務所　　地　址：台北市基隆路一段333號9樓
電　話：(02)27578888　　e-mail：www.ey.com/tw

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

6 公司網址 http://www.secom.com.tw

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I、LETTER TO SHAREHOLDERS

Taiwan Secom Co., Ltd.

2020 business plan

The consolidated net income of the Company and its subsidiaries was NTD 13,411,677,000, which increased by NTD 18,058,000 from the same period in the previous year with an increase rate of 0.13%. The consolidated operating income was NTD 2,533,016,000, which increased by NTD 27,619,000 from the same period in the previous year with a decrease rate of 1.08%. The consolidated profit after tax was NTD 2,176,779,000, which increased by NTD 77,644,000 from the same period in the previous year. Due to the improvement of the Company’s 2019 security business, the expansion of our parking lot business, the blue ocean market of the armored cash carrying business, the resumption of catering operations (incl. air kitchens), the growth of revenue and profit before tax was significantly increased. Earnings per share (EPS) reached NTD 4.85, with an increase of 4.53% from 2018.

The electronic system business contributed to almost half of the Company's price-to-sales ratio. This implies that the Company has officially expanded out of the traditional “security” business. Since the change of our official name in July 2019, we have been devoted to the development in the markets in smart cities, smart parks, smart medical care, smart transportation, smart buildings, and smart energy. In November, we consolidated the internal resources of the Group and established Brightron Technology and Engineering Corporation. Brightron will serve as the bridge between Taiwan Secom and Goldsun Group, with the aim of creating the one and only “all-around service” in the industry.

This year (2020), the Company’s operations will focus on the continuation of "MyVita+" IoT system integration services. In addition, the Company will provide customers with "all-around life services” with IoT in smart communities, integrated disaster prevention planning, health care, home control, business management, and energy-saving management. The products and services currently provided by the Group include smart security control systems, digital surveillance and video intercom systems, professional fire planning and construction, integrated building environment planning services, smart building management services, integrated disaster prevention planning services, and smart construction of green building engineering, home maintenance (cleaning air conditioners, washing machines), etc. The Company also continues to develop cloud-based personnel attendance and payroll systems, integrated facial recognition, and network-based smart mailbox services. The Company is a bellwether in the industry, and stands ahead in the market.

Brightron, a subsidiary of Taiwan Secom, has integrated electrics, firefighting, and disaster prevention into a one-stop turnkey service. The service includes service from Goyun Parking at the beginning stage. Brightron ’s electronics and fire fighting departments, Goldsun Concrete, Kuoyung Construction & Engineering, etc, have entered the construction stage. After the completion of construction, we provide services from Gowin Building Management and Maintenance, MyVita +, Brightron (disaster prevention service) and others. In short, Brightron provides turnkey projects for all plans from groundwork to completion. We also aim to create a "workplace smart management platform" to achieve efficient management of smart sites.

In response to the impact of COVID-19, Taiwan Secom has launched a full range of response services and products. Among them, the growth of "Secom Clean Home", which provides disinfection and sterilization services for business premises, public spaces, and restaurants is significant. The "IR Infrared thermal imager", which can automatically detect the temperature of the human body, is a great tool for detecting the body temperature of the public at entrances and exits in public places such as supermarkets, medical institutions, etc. They are now in short supply. Due to the spread of COVID-19, the public is less willing to travel abroad. However, outdoor or domestic sight-seeing activities are not affected, and the demand for self-driving tours has been boosted, resulting in a substantial growth in revenue from the parking lots managed by Gowin Building Management and Maintenance. Owing to the stay-at-home economy, ready-cooked products from TransAsia Catering Service grew significantly in sales. On the other hand, the online shopping mall of Taiwan Secom hit a historical high since its launch in April 2017 in terms of the number of visitors or orders.

Taiwan Secom upholds the core concept of "Security, Peace of Mind, and Trust", and looks forward to "transforming the tradition with technology and shaping new values with innovation". In recent years, the Group has managed through advanced technologies and systems to meet consumer needs. "MyVita + " is the best IoT platform. Looking forward to operations in 2020, it is expected that the number of users will continue to grow steadily throughout the year. With the advancement of the IoT and Smart City, the Company will also develop better services to meet all of our consumers' needs.

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

Chairman: LIN, SIAO-SHEN

II. COMPANY PROFILE

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

2-2. Brief History of the Company:

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

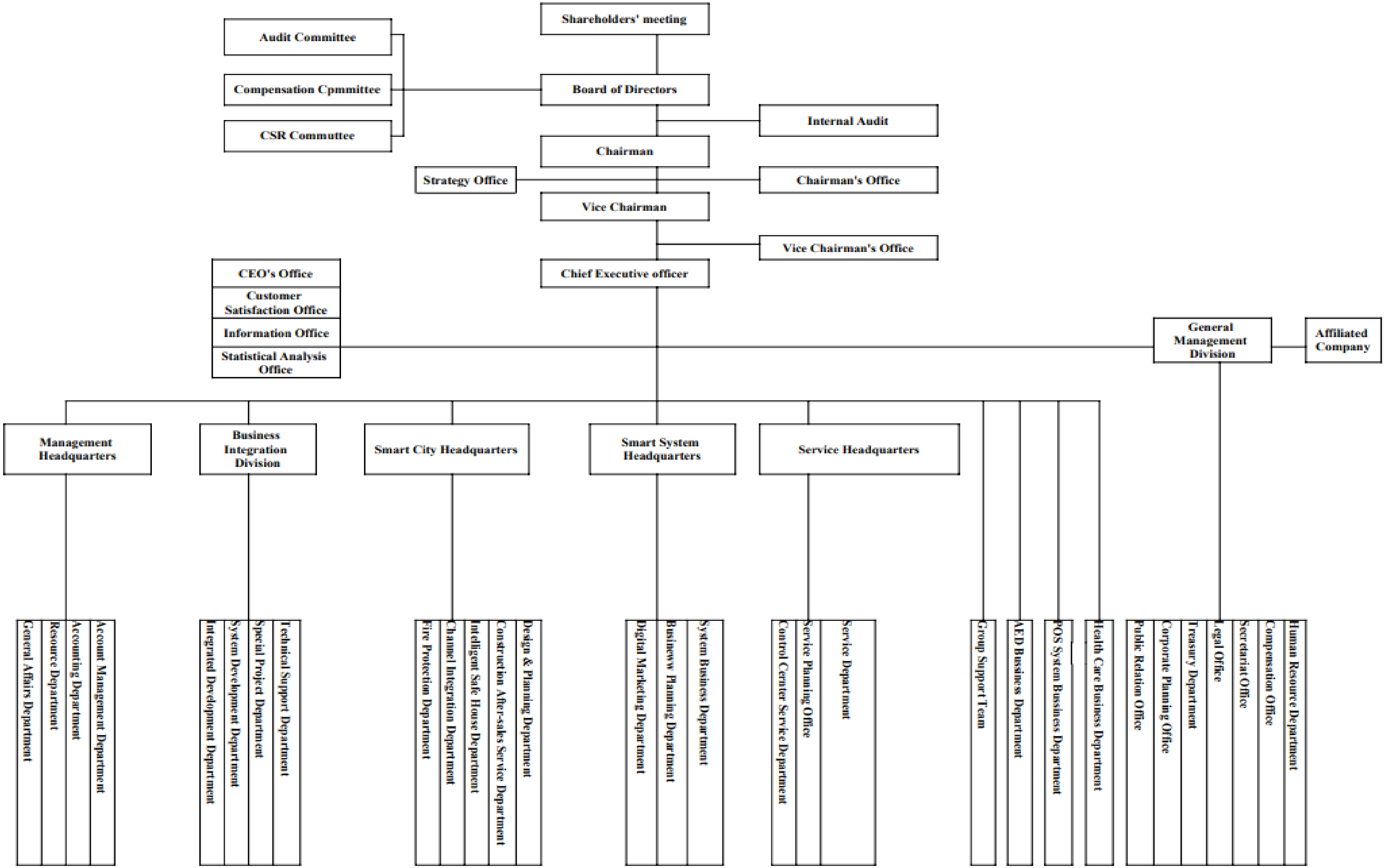
February 2010	MyCASA health care service, i.e., "Medication Delivery to Homes by Pharmacists" was launched. By strengthening and improving the quality of its service, the Company promoted self-health management and upgraded the content of its health care services.
June 2010	With the TVS 15" Combo DVR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

July 2015	Taiwan Secom invested in the construction of the Neihu Exhibition Center. Four main areas of technology were integrated; namely, Smart Home, Smart City, Smart Building and Smart Business, which enabled customers to experience Smart Technology.
November 2015	Taiwan Secom and Tatung Smart Home Appliances officially formed a cross-industry alliance, which enabled the Company to crossover into the “Smart Living with the IoT” industry.
November 2015	Taiwan Secom invested in GAMA PAY Co., Ltd. which was founded by Gamania. GAMA PAY was expected to bring approximately 230,000 users in mobile payment services to enhance convenience of its IoT applications.
March 2016	MyVita+ first brick-and-mortar store “MyVita Yanshou Living Store” was officially opened. Resources were integrated into the neighborhood to expand access and provide services, as well as continue to grow brick-and-mortar/retail outlets in Taiwan going forward.
March 2016	The Company acquired TransAsia Catering Services Ltd. and utilized its catering technology and manpower combined with MyVita+, to build a more rewarding living service platform. In the future, it will closely integrate with “MyVita Living Stores” to expand its service orientation.
May 2016	A brand launch party was held to present MyVita+. IoT technology was used to integrate the Group's resources, forming a cross-industry alliance and expanding into catering, hospitality, living services, transportation and entertainment, as well as upgrading services in general.
July 2016	“MyVita Living Stores” 2nd brick-and-mortar store “MyVita Jianguo Living Store” was opened, providing customers with a full range of IoT living services.
September 2016	Taiwan Secom successfully used system integration and wireless transmission technology to build a monitoring and management security system for National Taichung Theater, which was namely the most difficult building to construct in the world.
December 2016	Taiwan Secom ranked 1st in the【Best Brand Award for Business Today】 as the ideal business brand for the 8th consecutive year.
December 2016	The Yilan Training Center was officially opened.
February 2017	Two “MyVita Living Stores” brick-and-mortar stores were opened in Daan District, Taipei City and Luzhou District, New Taipei City to expand sales channels for serving customers. There are 9 stores in the Greater Taipei area that provide services to customers.
March 2017	Taiwan Secom partnered with the Taipei City Government’s Department of Social Welfare to donate AED for the protection of nursing homes and to create a safe living environment for Taipei citizens.
August 2017	Taiwan Secom sponsored Security Monitoring System, AED, MyVita+ and other equipment for venue of the “2017 Taipei Summer Universiade”.
September 2017	The Company took part in the Innovation Industry, Ministry of Economic Affairs - TAF Air Force Command Headquarters Innovation Project. "MyVia+ IoT Innovation Base " was officially opened to the public, offering the experience of future smart living
February 2018	Taiwan Secom Co., Ltd together with Goldsun Electronics Co., Ltd. donate NT$5 million to help rebuild Hualien after the February 6th Hualien Earthquake.
March 2018	Participated in 2019 Smart City Summit & Expo with the topic of “unlimited future”, presented the value-added service of MyVita+ Smart Speaker, Smart Care Solutions and our prospects for future smart cities with IoT.
July 2018	Invited the famous American-based baseball player, WANG Chien-Ming to be the brand spokesperson for “MyVita+”. Though filming a series of videos and advertisements, the public can understand the image of our products and services.
December 2018	In cooperation with the government’s Long-term Care 2.0 and business opportunities in the future, the Taiwan Secom Group crossovers to long-term care business, and established the “Taiwan Secom Elderly Center” in Taishan together with the government agencies of New Taipei City.
July 2019	Taiwan Secom Co., Ltd changed its Chinese name from “中興保全股份有限公司” to “中興保全科技股份有限公司”, and approved by Ministry of Economic Affairs, Executive Yuan, on July 23rd, 2019.
October 2019	New Chairman of Japan SECOM, Mr. Sekiichiro Nagao, visited Taiwan and expectd more exchanges between both sides in the future to develop innovative technologies with worldwide view.
November 2019	Taiwan Secom Group intergrated two subsidiaries, LITENET Inc. and COMLINK Fire Systems, to a new Brightron Tech Inc. Linked with SIGMU DPT, Brightron can provide a one-stop turnkey service including electrics, firefighting, and disaster prevention.
January 2020	Taiwan Secom Group joint venture with Sunseap Group Pte. Ltd. to set up Sunseap Solutions Taiwan Limited and acquired the operation rights. Sunseap Solutions Taiwan Limited became one subsidiary of Taiwan Secom Group.

III、CORPORATE GOVERNANCE REPORT

3-1. Organizational System

3-1-1. Organizational Chart



3-1-2. Department Functions

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

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

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

3-2-1. Board of Directors

(1) Information about Directors

Present base date of the no. of shares held: March 31, 2020

Title	Nationality of Place if Registration	Name	Gender	Date Elected	Date First Elected	Term	Sahreholding When		CurrentShareholding		Spouse & Minor Current Shareholding		Currrent Shareholdng listed under the name of others		Experience (Education)	Current Positions at The Compnay and Other Companies	Executives, Directors or Supervisiors who are spoues or		
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation
Chairman	R.O.C.	Cheng Hsin Invesment Co., Ltd.	-	2017.06.22	1996.04.20	3 years	19,090,337	4.23%	20,247,337	4.49%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: LIN Hsiao-Hsin	Male				4,045,918	0.90%	4,010,918	0.89%	-	-	-	-	Bachelor of Engineering, Tokyo University of Science	NO	Vice Chairman	LIN Chien-Han	Father and Son
																	Director	LIN Ming-Sheng	Father and Son
																	Director	LIN Chun-Mei	Brother and Sister
Vice Chairman	R.O.C.	Hsin Lan Investment Co., Ltd	-	2017.06.22	2014.06.24	3 years	3,910,585	0.87%	3,940,585	0.87%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: LIN Chien-Han	Male				1,101,315	0.24%	1,115,315	0.25%	-	-	-	-	Master of Marketing Management, University of Middlesex	CEO Director, Goldsun Building Materials Co., Ltd.	Chariman	LIN Hsiao-Hsin	Father and Son
																	Director	LIN Ming-Sheng	Brothers
Executive Director	Japan	SECOM Co., LTD.	-	2017.06.22	1981.12.09	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
	Japan	Representative: Sadahiro Sato	Male				-	-	-	-	-	-	-	-	Bachelor of Economics, Waseda University	Executive Director, SECOM Co., LTD.	-	-	-
Director	Japan	SECOM Co., LTD.	-	2017.06.22	1981.12.09	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
	Japan	Representative: Kenji Murakami	Male				-	-	-	-	-	-	-	-	Bachelor of Economics, OkayamaUniversity	GROUP Head of Global Business Planning Dept, SECOM Co., LTD.	-	-	-
Director	R.O.C.	TIEN Hung-Mao	Male	2017.06.22	2008.06.13	3 years	147,025	0.03%	177,025	0.04%	20,300	-	-	-	Ph.D. in Political Science, University of Wisconsin-Madison Ministry of Foreign Affairs, Representative in the UK	Chairman, Straits Exchange Foundation	-	-	-
Director	R.O.C.	WEI Chi-Lin	Male	2017.06.22	2014.06.24	3 years	-	-	150,000	0.03%	-	-	-	-	Ph.D. inEconomics, University of Paris	Chairman, Waterland Financial Holdings	-	-	-
Director	R.O.C.	TU Heng-Yi	Male	2017.06.22	2011.06.15	3 years	50,750	0.01%	50,750	0.01%	-	-	-	-	Master of Business Administration, University of Hawaii	Chairman, Wan Yuan Textiles Co., Ltd.	-	-	-
Director	Japan	SECOM Co., LTD.	-	2017.06.22	1993.03.30	3 years	123,110,870	27.29%	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	-	-	-
Director	Japan	Representative: Hirofumi Onodera	Male				115,429	0.03%	115,429	0.03%	-	-	-	-	Bachelor of Mechanical Engineering, Faculty of Engineering, Muroran Institute of Technology	General Chief Executive Officer	-	-	-
Director	R.O.C.	Yuan Hsin Investment Co., Ltd.	-	2017.06.22	2002.06.19	3 years	7,858,190	1.74%	8,018,190	1.78%	-	-			-	-	-	-	-
Director	R.O.C.	Representative: LIN Ming-Sheng	Male				1,191,941	0.26%	1,213,941	0.27%	103,005	0.02%	-	-	Ph.D. in Law, The University of California, Hastings college of the Law	Vice Chariman, Goldsun Building Materials Co., Ltd.	Chariman	LIN Hsiao-Hsin	Father and Son
Director																	Vice Chairman	LIN Chien-Han	Brothers
Director	R.O.C.	Chin Kuei Investment Co., Ltd.	-	2017.06.22	2008.06.13	3 years	900,195	0.20%	1,100,195	0.24%	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Representative: LIN Chun-Mei	Female				393,514	0.09%	393,514	0.09%	-	-	-	-	Bachelor of International Trade, Ming Chuan University	NO	Chariman	LIN Hsiao-Hsin	Brother and Sister
Director	R.O.C.	Shang Ching Investment Co., Ltd.	-	2017.06.22	2017.06.22	3 years	3,312,112	0.73%	3,312,112	0.73%	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Representative: YU Ming-Hsien	Male				-	-	-	-	-	-	-	-	Bachelor of Eletrical Engineering, Natinal Taiwan University	NO	-	-	-
Executive/ Independent Director	R.O.C.	CHEN Tien-Wen	Male	2017.06.22	2017.06.22	3 years	-	-	-	-	-	-	-	-	Master of Busniess Administration, University of Southern California	Chariman, CAI Global Holdings Ltd.	-	-	-
Independent Director	R.O.C.	CHANG Chin-Fu	Male	2017.06.22	2017.06.22	3 years	-	-	-	-	-	-	-	-	Ph.D. in Electrical Engineering and Computer Science, University of California, Berkeley	Emeritus Professor, National Chi Nan University	-	-	-
Independent Director	R.O.C.	CHANG Jui-Meng	Male	2017.06.22	2017.06.22	3 years	2,885	0.00%	2,885	0.00%	-	-	-	-	Ph.D. in Economics, Columbia University	Chairman, Cheng Hung Ltd.	-	-	-

Note: Supplementary information on matters regarding the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of the company if they are the same person, spouses, or relatives within the first degree of kinship shall be given explaining the reason, reasonableness, necessity thereof, and the measures adopted in response thereto: NONE.

(2) Major Shareholders of Institutional Shareholders

March 31, 2020

Name of insititutional shareholders	Major shareholders of insititutional shareholders (shareholding ratio)
Cheng Hsin Investment Co., Ltd.	LIN Hsiao-Hsin 44.27%、CHUANG Su-Chu 22.20%、LIN Ming-Sheng 16.76%、Lin Chien-Han 16.76%
Hsin Lan Investment Co., Ltd.	LIN Hsiao-Hsin 14.67%、CHUANG Su-Chu 14.25%、LIN Ming-Sheng 1.21%、Lin Chien-Han 1.21%、LIN Hsiu-Te 0.33%、Cheng Hsin Investment Co., Ltd. 68.33%
SECOM Co., LTD.	The Master Trust Bank of Japan, Ltd.(Trust Account) 14.65%、 Japan Trustee Services Bank,Ltd.(Trust Account 7.40%、JP Morgan Chase Bank 4.35%
Yuan Xin Investment Co., Ltd.	LIN Hsiao-Hsin 22.05%、CHUANG Su-Chu 27.37%、LIN Ming-Sheng 25.29%、Lin Chien-Han 25.29%
Chin Kuei Investment Co., Ltd.	HSU Ming-Te 18.86%、LIN Chun-Mei 71.09%、CHANG Li-Ying 3.46%、TSAI Chia-Jung 2.07%、HSU Tsung-Li 4.51%、HU Shu-Ching 2.07%、LIN Fu-Mei 0.01%、 LI Ho-Yuan 0.01%、 CHU Pao-Hui 0.01%、 HUANG Li-Jung 0.01%
Shang Ching Investment Co., Ltd.	LIN Ching-Yi 25.47%, LIN Hung-Chun 25.47%, LIN Chia-Ling 20.75%, YU Li-Jung 19.44%, YU Ming-Hsien 4.41%, Chen Chuan Co., Ltd.4.46%

(3) Major shareholders of institutional shareholders who belong to the representatives of institutional shareholders

March 31, 2020

Name of insititutional shareholders	Major shareholders of insititutional shareholders (shareholding ratio)
Shang Ching Investment Co., Ltd.	YU Ming-Hsien 100%

(4) Professional Qualifications and Independence Analysis of Directors

2020/3/31

Note: If the Directors and Supervisors comply with the following conditions from 2 years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

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

1. Not an employee of this company or its affiliates
2. Not a director or supervisor of the company or its affiliates.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the company or ranking in the top 10 shareholders.
4. Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or holds shares ranking in the top 5 in holdings or assigned as representative as defined in Article 27 of the Company Act.
6. Not a director, supervisor, or employee of a corporate controlled by the same person holds over 50% of vote of right of the Board of Directors.
7. Not a director, supervisor, or employee of a corporate controlled by the same person or spouse as the Chairman, General Manager or equivalent duty.
8. Not a director, supervisor, manager or a shareholder holding 5 percent or more of the shares of a company or institution that has a business or financial relationship with the company.
9. Not a professional individual who provides services or consultation or acquires accumulated payment less than NTD 500 thousand in business, legal, finance, or accounting to the company or its any related

companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship. However, this does not apply, in cases where the person is a member of Remuneration Committee.

10. Not having a relative within the second degree of kinship to any other director of the company.
11. Has not been a person of any of the conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

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

March 31, 2020

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		Spouses & Minor Shareholding		Experience (Education)	Current Positions at Other Compnaies	Managers who are spouses or whithin two degrees of kinship		
					Number of Shares	%	Number of Shares	%			Title	Name	Relationship
Chief Strategy Officer	R.O.C.	LIN Ming-Sheng	Male	2007.03.29	1,213,941	0.27%	103,005	0.02%	Ph.D. in Law, The Universitu of Californai, Hastings College of the Law	Vice Chairman, Goldsun Building Materials Co., Ltd.	Chief Executive Officer	LIN Chien-Han	Brothers
General Chief Executive Officer	Japan	Hirofumi Onodera	Male	2016.01.01	115,429	0.03%	-	-	Bachelor of Mechanical Engineering, Faculty of Engineering Muroran Insititute of Techology	NO	-	-	-
Chief Executive Officer	R.O.C.	LIN Chien-Han	Male	2016.01.01	1,126,315	0.25%	-	-	Mater of Marketing Managemnet, Universtiy of Middlesex	Director, Goldsun Building Materials Co., Ltd.	Chief Strategy Officer	LIN Ming-Sheng	Brothers
Chief Executive Officer	R.O.C.	LI Jung-Kuei	Male	2016.01.01	21,156	-	21	-	Bachelor of Electrical Engineering, Taipei City University of Science & Techonlgy	Director, Aion Technologies Inc.	-	-	-
Chief Executive Officer	R.O.C.	CHOU Hsing-Kuo	Male	2016.01.01	-	-	-	-	Master of Civil Engineering and Disaster Prevention, National Taipie University of Technolgy	Director, Brightron Technology and Engineering Corporation	-	-	-
Chief Executive Officer	R.O.C.	CHEN Su-Ling	Female	2016.01.01	-	-	-	-	Diploma of Business, Taipei Municipal Shilin High School of Commerce	Supervisor, TransAsia Catering Service Ltd.	-	-	-
General Manager	R.O.C.	HSU Lan-Ying	Female	2005.03.25	-	-	-	-	Bachelor of Oriental Literature, Fu Jen Chatholic University	Chairman, Goldsun Building Materials Co., Ltd. Chairman, Skylink Inc.	-	-	-
General Manager	R.O.C.	CHIANG Wen-Liang	Male	2014.03.01	-	-	-	-	Bachelor of Electrical Engineering, Taipie City University of Science & Technlogy	NO	-	-	-
General Manager	R.O.C.	CHANG Chun-Yuan	Male	2016.02.22	20,190	-	480	-	Master of Agricultural Engineering, National Taiwan University	NO	-	-	-
General Manager	R.O.C.	CHU Han-Kuang	Male	2016.02.22	11,961	-	-	-	Master of Design, National Taiwan Normal University	Director, Lots Home Entertainment Co., Ltd.	-	-	-
General Manager	R.O.C.	LEI Ching-Ming	Male	2017.03.01	1,065	-	-	-	Bachelor of Law, Mational Taiwan University	Chairman, Zhong Bao Insurance Services Inc.	-	-	-
Vice President	R.O.C.	CHEN Chia-Ying	Female	2014.10.30	-	-	-	-	Master of Development Economics, University of Manchester	Vice Chairman's Special Assistant, Goldsun Building Materials Co., Ltd.	-	-	-
Vice President	R.O.C.	YU Hsun-Ming	Male	2016.02.22	334,736	0.07%	-	-	Bachelor of Statistics, Feng Chia University	NO	-	-	-
Vice President	Japan	Hidenori Takahata	Male	2017.11.01	-	-	-	-	Bachelor of Law, Tokai University	NO	-	-	-
Vice President	R.O.C.	TENG Ching-Chung	Male	2018.09.25	-	-	2,000	-	Bachlor of Industrial Management, Lunghwa University of Science and Technolgy	Director, Comlink Fire Systems, Inc.	-	-	-
Vice President	R.O.C.	CHENG Nai-San	Male	2018.09.25	-	-	-	-	Bachlor of Business Administratin, Concordia University	Supervisor, Raixin Quality Products Ltd.	-	-	-
Vice President	R.O.C.	LIN Chia-Hui	Female	2019.03.01	-	-	-	-	Master of Business Administration, National Chengchi University	NO	-	-	-

Vice President	R.O.C.	CHENG Sheng-Ying	Female	2019.03.01	-	-	-	-	Master of Business Administration, University of Southem California	Independent Director and compensati on committee, Weikeng Industrial Co., Ltd. Independent Director and compensati on committee, New World Wu Co., Ltd. Compensati on committee, LEOSYS Co., Ltd.	-	-	-
Vice President	R.O.C.	WANG Chih-Chiang	Male	2019.03.01	-	-	-	-	Bachelor of Printing and Mass Communication, Chinese Culture University	NO	-	-	-
Vice President	R.O.C.	HUANG Hsien-Kue	Male	2019.03.01	135	-	-	-	Department of Auto Maintenance, Taipie Jingwen High School	NO	-	-	-
Vice President	R.O.C.	LU Chen-Lung	Male	2019.03.01	-	-	-	-	Bachelor of Electrical Engineering, Republic of China Military Academy	NO	-	-	-
Vice President	R.O.C.	CHAN Jui-Tung	Male	2020.03.01	17	-	-	-	Electrical Engineering Department, Nan-Tai Junior College of Engineering	NO	-	-	-

Note 1：The accounting supervisor of the Company is CHEN Su-Ling, the Chief Executive Officer.

Note 2：The financial supervisor of the Company is CHENG Sheng-Ying, the Vice President.

Note 3：The managers of the Company have not used the name of others to hold any share of the Company.

Note 4: Supplementary information on matters regarding the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of the company if they are the same person, spouses or relatives within the first degree of kinship, shall be given explaining the reason, reasonableness, necessity thereof and the measures adopted in response thereto: NONE

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

(1) Remuneration of Directors

Unit: NT$ Thousand

Title	Name	Remuneration Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration by director who are also emloyees								Ratio of total compensation (A+B+C+D+E+F+G) to net income		Companies on paid to directors from an ivested company other than the compnay's subsidiary
		Base Compensation(A)		Severance Pay(B)		Director Compensation(C)		Allowances(D)				Salary, Bonues and Allowances(E)		Severance Pay(F)		Employee Compensation(G)						
																The Company		All companies in the				
		The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	The Company	All companies in the consolidated financial	Cash	Stock	Cash	Stock	The Company	All companies in the consolidated financial	
Chairman	Cheng Hsin Investment Co., Ltd. Rep: LIN Hsiao-Hsin	8,300	8,300	-	-	30,171	30,171	2,937	2,937	1.94%	1.94%	-	-	-	-	-	-	-	-	1.94%	1.94%	3,020
Vice Chairman	Hsin Lan Investment Co., Ltd. Rep: Lin Chien-Han	420	420	-	-	18,103	18,103	50	50	0.87%	0.87%	9,159	9,622	-	-	-	-	-	-	1.30%	1.32%	370
Executive Director	SECOM Co., LTD. Rep: Sadahiro Sato	420	420	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	SECOM Co., LTD. Rep: Kenji Murakami	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	TIEN Hung-Mao	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	
Director	WEI Chi-Lin	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	TU Heng-Yi	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	SECOM Co., LTD. Rep: Hirofumi Onodera	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	5,282	5,282	-	-	11	-	11	-	0.55%	0.55%	-
Director	Yuan Hsin Investment Co., Ltd. Rep: LIN Ming-Sheng	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	8,889	9,012	-	-	11	-	11	-	0.71%	0.72%	10,236
Director	Chin Kuei Investment Co., Ltd. Rep: LIN Chun-Mei	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Director	Shang Ching Investment Co., Ltd. Rep: YU Ming-Hsien	280	280	-	-	6,034	6,034	50	50	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Executive/ Independent Director	CHEN Tien-Wen	2,400	2,400	-	-	-	-	100	100	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
Independent Director	CHANG Chin-Fu	2,400	2,400	-	-	-	-	90	90	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
Independent Director	CHANG Jui-Meng	2,400	2,400	-	-	-	-	110	110	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-

Note 1：The Company did not provide the cost of car

Note 2：The Company provides chauffeurs with salaries of NT$ 777,000 for directors' cars.

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

Range of Remunerations

<table>
<tr><th rowspan="3">Range of Remunerations</th><th colspan="4">Name of Directors</th></tr>
<tr><th colspan="2">Total of (A+B+C+D)</th><th colspan="2">Total of (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Compnay</th><th>All companies in the consolidated financial statement
I</th><th>The Compnay</th><th>All investment business
J</th></tr>
<tr><td>Under NT$1,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$1,000,000 (included) ～ NT$2,000,000(not included)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$2,000,000 (included) ～ NT$3,500,000(not included)</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td><td>CHEN Tien-Wen
CHANG Chin-Fu
CHANG Jui-Meng</td></tr>
<tr><td>NT$3,500,000 (included) ～ NT$5,000,000(not included)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,000 (included) ～ NT$10,000,000(not included)</td><td>SECOM Co., LTD.
(Rep: Sadahiro Sato)
(Rep: Kenji Murakami)
(Rep: Hirofumi Onodera)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Yuan Hsin Investment Co., Ltd.
(Rep: LIN Ming-Sheng)
Chin Kuei Investment Co., Ltd.
(Rep: LIN Chun-Mei)
Shang Ching Investment Co., Ltd.
(Rep: YU Ming-Hsien)</td><td>SECOM Co., LTD.
(Rep: Sadahiro Sato)
(Rep: Kenji Murakami)
(Rep: Hirofumi Onodera)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Yuan Hsin Investment Co., Ltd.
(Rep: LIN Ming-Sheng)
Chin Kuei Investment Co., Ltd.
(Rep: LIN Chun-Mei)
Shang Ching Investment Co., Ltd.
(Rep: YU Ming-Hsien)</td><td>SECOM Co., LTD.
(Rep: Sadahiro Sato)
(Rep: Kenji Murakami)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Chin Kuei Investment Co., Ltd.
(Rep: LIN Chun-Mei)
Shang Ching Investment Co., Ltd.
(Rep: YU Ming-Hsien)</td><td>SECOM Co., LTD.
(Rep: Sadahiro Sato)
(Rep: Kenji Murakami)
TIEN Hung-Mao
WEI Chi-Lin
TU Heng-Yi
Chin Kuei Investment Co., Ltd.
(Rep: LIN Chun-Mei)
Shang Ching Investment Co., Ltd.
(Rep: YU Ming-Hsien)</td></tr>
<tr><td>NT$10,000,000 (included) ～ NT$15,000,000(not included)</td><td>-</td><td>-</td><td>SECOM Co., LTD.
(Rep: Hirofumi Onodera)</td><td>SECOM Co., LTD.
(Rep: Hirofumi Onodera)</td></tr>
<tr><td>NT$15,000,000 (included) ～ NT$30,000,000(not included)</td><td>Hsin Lan Investment Co., Ltd.
(Rep: LIN Chien-Han)</td><td>Hsin Lan Investment Co., Ltd.
(Rep: LIN Chien-Han)</td><td>Hsin Lan Investment Co., Ltd.
(Rep: LIN Chien-Han)
Yuan Hsin Investment Co., Ltd.
(Rep: LIN Ming-Sheng)</td><td>Hsin Lan Investment Co., Ltd.
(Rep: LIN Chien-Han)
Yuan Hsin Investment Co., Ltd.
(Rep: LIN Ming-Sheng)</td></tr>
<tr><td>NT$30,000,000 (included) ～ NT$50,000,000(not included)</td><td>Cheng Hsin Investment Co., Ltd.
(Rep: LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Rep: LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Rep: LIN Hsiao-Hsin)</td><td>Cheng Hsin Investment Co., Ltd.
(Rep: LIN Hsiao-Hsin)</td></tr>
<tr><td>NT$50,000,000 (included) ～ NT$100,000,000(not included)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>14</td><td>14</td><td>14</td><td>14</td></tr>
</table>

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

Unit: NT$ Thousand

Title	Name	Salary(A)		Separaion Pay(B) (Note 4)		Bonus and Allowances(C)		Employee compensastion(D)				Ration of the Total Remuneration (A+B+C+D) to Net Income(%)		Compensastion on paid to directors from an invested compnay other than the company's subsidiary
		The Company	All compnaies in the consolidated financial statement	The Company	All compnaies in the consolidated financial statement	The Company	All compnaies in the consolidated financial statement	The Company		All compnaies in the consolidated financial statement		The Company	All compnaies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
Chief Strategy Officer	LIN Ming-Sheng	60,431	62,685	-	-	38,812	43,945	230	-	230	-	4.66%	5.00%	31,872
General CEO	Hirofumi Onodera													
CEO	LIN Chien-Han													
CEO	LI Jung-Kuei													
CEO	Chou Hsing-Kuo													
CEO	CHEN Su-Ling													
General Manager	HSU Lan-Ying													
General Manager	CHIANG Wen-Liang													
General Manager	LIU Fu-Haing													
General Manager	CHANG Chun-Yuan													
General Manager	CHU Han-Kuang													
General Manager	LEI Ching-Ming													
Vice President	CHEN Chia-Ying													
Vice President	SU Ying-Chang													
Vice President	YU Hsun-Ming													
Vice President	WENG Chin-Lai													
Vice President	Hidenori Takahata													
Vice President	TENG Ching-Chung													
Vice President	CHENG Nai-San													
Vice President	LIN Chia-Hui													
Vice President	CHENG Sheng-Ying													
Vice President	WANG Chih-Chiang													
Vice President	HUANG Hsien-Kue													
Vice President	LU Chen-Lung													

Note 1：The managers of this form are the ones who have been paid the remuneration in 2019.
Note 2：Cost of car purchase for Mangers of all companies in the consolidated report NTD 3,530 thousand.
Note 3：All companies in the consolidated statement provide chauffeurs with salaries of NT$ 1,717 thousand for managers' cars.
Note 4：The pensions listed in the above are the actual amount distributed. The appropriated amount by the Company and all companies in the financial statements are NTD 2,098 thousand and NTD 2,109 thousand.

Range of Remunerations

Range of remunerations paid to Chief Executive Officers, General Managers and Vice Presidents	Name of Chief Executive Officers, General Managers and Vice Presidents	
	The Compnay	All other investment business E
Under NT$1,000,000	-	-
NT$1,000,000 (included) ～ NT$2,000,000(not included)	SU Ying-Chang, WANG Chih-Chiang	WANG Chih-Chiang
NT$ 2,000,000 (included) ～ NT$3,500,000(not included)	CHU Han-Kuang, CHEN Chia-Ying, YU Hsun-Ming, WENG Chin-Lai, TENG Ching-Chung, CHENG Nai-San, LIN Chia-Hui, CHENG Sheng-Ying, HUANG Hsien-Kue, LU Chen-Lung	CHU Han-Kuang, SU Ying-Chang, YU Hsun-Ming, WENG Chin-Lai, TENG Ching-Chung, CHENG Nai-San, LIN Chia-Hui, CHENG Sheng-Ying, HUANG Hsien-Kue, LU Chen-Lung
NT$ 3,500,000 (included) ～ NT$5,000,000(not included)	HSU Lan-Ying, CHANG Chun-Yuan, LEI Ching-Ming, Hidenori Takahata	CHANG Chun-Yuan, LEI Ching-Ming, CHEN Chia-Ying, Hidenori Takahata
NT$5,000,000 (included) ～ NT$10,000,000(not included)	LIN Ming-Sheng, Hirofumi Onodera, LIN Chien-Han, LI Jung-Kuei, CHOU Hsing-Kuo,CHEN Su-Ling, CHIANG Wen-Liang, LIU Fu-Haing	Hirofumi Onodera, LIN Chien-Han, LI Jung-Kuei, CHOU Hsing-Kuo,CHEN Su-Ling, CHIANG Wen-Liang, LIU Fu-Haing
NT$10,000,000 (included) ～ NT$15,000,000(not included)	-	-
NT$15,000,000 (included) ～ NT$30,000,000(not included)	-	LIN Ming-Sheng, HSU Lan-Ying
NT$30,000,000 (included) ～ NT$50,000,000(not included)	-	-
NT$50,000,000 (included) ～ NT$100,000,000(not included)	-	-
Over NT$100,000,000	-	-
Total	24	24

(3) Employees Profit Sharing Granted to the Management Team

March 31, 2020

Unit: NT$ Thousand

Title	Name	Amount of Stock Dividend	Amount of Cash Bonus	Total Amount	Ratio of Total Remuneration to Net Income(%)
Chief Strategy Officer	LIN Ming-Sheng	-	230	230	0.01%
General Chief Executive Officer	Hirofumi Onodera				
Chief Executive Officer	LIN Chien-Han				
Chief Executive Officer	LI Jung-Kuei				
Chief Executive Officer	CHOU Hsing-Kuo				
Chief Executive Officer (Note1)	CHEN Su-Ling				
General Manager	HSU Lan-Ying				
General Manager	CHIANG Wen-Liang				
General Manager	CHANG Chun-Yuan				
General Manager	CHU Han-Kuang				
General Manager	LEI Ching-Ming				
Vice President	CHEN Chia-Ying				
Vice President	YU Hsun-Ming				
Vice President	Hidenori Takahata				
Vice President	TENG Ching-Chung				
Vice President	CHENG Nai-San				
Vice President	LIN Chia-Hui				
Vice President (Note1)	CHENG Sheng-Ying				
Vice President	WANG Chih-Chiang				
Vice President	HUANG Hsien-Kue				
Vice President	LU Chen-Lung				
Vice President	CHAN Jui-Tung				

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

Note1: CHEN Su-Ling assumes the position of Chief Executive Officer and Chief Accounting Officer concurrently.CHENG Sheng-Ying assumes the position of the Vice President and Financial Manager.

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

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

Title	Ratio of Remuneration in After Tax Profit			
	2019		2018	
	The Company	All Companies in the Consolidation	The Company	All Companies in the Consolidation
Directors	6.94%	6.97%	7.10%	7.12%
Head of CEO, CEO, General Managers and Vice Presidents	4.66%	5.00%	4.55%	4.89%

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

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

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

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

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

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

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

Title	Name	Attendance (B)	By proxy	Attendance Rate (%)(B/A)	Remarks
Chairman	Cheng Hsin Investment Co., Ltd. Representative: LIN Hsiao-Hsin	6	0	100%	
Director	Yuan Hsin Investment Co., Ltd Representative: LIN Ming-Sheng	6	0	100%	
Vice Chairman	Hsin Lan Investment Co., Ltd Representative: LIN Chien-Han	6	0	100%	
Executive Director	SECOM Co., Ltd. Representative: Sadahiro Sato	4	2	66.67%	
Director	SECOM Co., Ltd. Representative: Kenji Murakami	5	1	83.33%	
Director	SECOM Co., Ltd. Representative: Hirofumi Onodera	6	0	100%	
Director	TIEN Hung-Mao	6	0	100%	
Director	TU Heng-Yi	6	0	100%	

Director	WEI Chi-Lin	5	1	83.33%	
Director	Chin Kuei Investment Co., Ltd Representative: LIN Chun-Mei	3	3	50%	
Director	Shang Ching Investment Co., Ltd Representative: YU Ming-Hsien	3	3	50%	
Executive Director (Independent Director)	CHEN Tien-Wen	6	0	100%	
Independent Director	CHANG Chin-Fu	6	0	100%	
Independent Director	CHANG Jui-Meng	5	1	83.33%	

Other matters to be recorded

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

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

ii. If there is any avoidance of conflict of interest by a Director, names of director, contents of motion, reasons for avoidance, and state of participation should be specified: Motions of the 15th meeting of the 13th Board on March 20, 2020.

1. Motion of managers' appointment and remuneration:
   (1) Name of director: Hirofumi Onodera, LIN Chien-Han, and LIN Ming-Sheng
   (2) Reason for avoidance: conflict of interest due to serving as employees in the Company.
   (3) State of participation:
      a. LIN Chien-Han, Hirofumi Onodera, and LIN Ming-Sheng did not participate in the discussion and resolution of the motion in accord with the law as they are concurrently serving as Vice Chairman, CEO, and Chef Strategy Office of the Company respectively.
      b. All directors (including independent directors) present at the meeting (excluding Hirofumi Onodera, LIN Chien-Han, and LIN Ming-Sheng) consent to the passing of such resolution without raising any objection when the Chairman puts forward the motion for approval.

3. Motion of paying cash to the Taipei City Government in exchange for additional building capacity and obtain certificate for transfer of building capacity in accordance with the Regulations of Urban Building Capacity Transfer.
   (1) Name of director: LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng
   (2) Reason for avoidance: conflict of interest due to serving as directors in the related company.
   (3) State of participation:
      a. LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng do not participate in the discussion and resolution of the motion in accord with the law.
      b. All directors (including independent directors) present at the meeting (excluding LIN Hsiao-Hsin, LIN Chien-Han, and LIN Ming-Sheng) consent to the passing of such resolution without raising any objection when the Acting Chairman puts forward the motion for approval.

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

III. The information on the frequency, period, scope, method, and content of TWSE/TPEx listed companies' Board of Directors self-evaluation (or peer assessment) shall be disclosed, and the Attachment Table 2(2) shall be completed. The status of the Company's Board evaluation: Not applicable.

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

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

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

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

The Audit Committee held 4 [A] meetings in the most recent fiscal year. The record of the Independent Directors' attendances is shown below:

Title	Name	Attendance (B)	By proxy	Attendance Rate (%) (B/A)	Remarks
Independent Directors	CHEN Tien-Wen	4	0	100%	
Independent Directors	CHANG Chin-Fu	4	0	100%	
Independent Directors	CHANG Jui-Meng	4	0	100%	

Other matters to be recorded

1. If there are any of the following circumstances, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified,
   (1) Matters specified in the Article 14-5 of the Securities and Exchange Act: No such matter.
   (2) Except for the matters stated above, other resolutions rejected by the Audit Committee but were approved by two thirds or more directors: None
2. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interests, and the voting decisions: None.
3. The main annual duties of the Audit Committee:

Date of meeting	Motions
2019.03.22	1. Approved the 2018 decision on budgets 2. Approved the proposed distribution of 2018 profit 3. Approved the declaration of 2018 "Declaration on the Internal Control System" 4. Approved the partial amendment to the "Procedures for Acquisition or Disposal of Assets." 5. Approved the signing of urban renewal plan -- "Co-investment Cooperation Agreement" between the Company and its related parties. 6. Approved the proposal to obtain a plot ratio transfer by cash from the Taipei City Government and obtain certificate of transfer from Taipei City Government in accordance with the Guidelines for Plot Ratio Transfer of Urban Plan.
2019.05.14	1. Approved the Company's 2019 Q1 financial report
2019.08.13	1. Approved the Company's 2019 Q2 financial report 2. Approved the proposal for credit line at various financial institutions
2019.11.13	1. Approved the Company's 2019 Q3 financial report 2. Approved the amendments to the "Ethical Corporate Management Best Practice Principles". 3. Approved the 2020 audit plan.

4. Communications between Independent Directors, the Company's chief internal auditor and CPA:
   (1) During meetings of the Audit Committee, the independent directors listen to the chief internal auditor's report to check important findings and improvements, and provide comments or

instructions, and provide audit reports every month. In addition, communication through telephone or email also takes place and is effective for the implementation of the Company's internal control.

(2) The independent directors and the CPA hold talks before the meeting of the Audit Committee to communicate major matters regarding the Company's Financial Statements and the Company's operations.

Note:

* If any Independent Directors resigned before the end of the year, the date of resignation shall be stated in the "Remarks" column, and the actual attendance rate (%) shall be calculated based on the number of meetings during their tenure and their actual numbers of attendance

* Where a re-election of independent directors takes place before the end of the year, both the old and new independent directors shall be disclosed, and whether the independent director is new, old or re-elected and the date of re-election shall be indicated in the remarks column. Their actual attendance rate shall be calculated based on their attendance during their tenure in the Audit Committee.

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

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

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
(4) Does the company establish internal rules against insider trading with undisclosed information?	✓		(4) In order to prevent insider trading, the Company established internal procedures for major information and the provisions of Article 21 of the Integrity Operation Procedures and Conduct Guidelines.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The nomination of the Company's Directors is conducted in accordance with the laws, regulations, and the Company's Articles of Incorporation. The Company has established 14 Directors' seats in accordance with the Company Act and the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies. All Directors have work experience or expertise in the area of commerce, law, finance, accounting, or other necessary fields for the information and communication industry.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company's Audit Committee with all 3 members who are independent directors. Compensation Committee with 3 members, one of which is an independent director. The Corporate Social Responsibility Committee consists of a management team and regularly reports to the board of directors on the status of implementation and achievement.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
(3) Does the company establish a standard to measure the performance of the Board, and implement it	✓		(3) The Company conducts the Board of Directors' performance assessment before the end of each year. It evaluates meeting attendance, the degree of participation and motivation in	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
annually?			the meeting, and the number of hours spent annually in training.	TWSE/TPEx Listed Companies". No matters of discrepancy were found.
(4) Does the company regularly evaluate the independence of its CPA?	✓		(4) The Company's Board of Directors evaluates the independence of the CPA once a year. The results were submitted to the board of directors for review and approval on November 13th, 2019. Both YU Chien-Ju and HSU Hsin-Min, accountants of Ernst & Young's, are in compliance with the company's independent evaluation criteria, and are sufficient to serve as the company's CPA and a statement of independence from Ernst & Young is issued. (Note 1)	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
4. Does the Company have set a corporate governance (concurrent) unit or personnel that is responsible for the concerned affairs (including but not limited to offer necessary materials for the directors and supervisors, executing matters pursuant to board of directors' resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on)?	✓		The Company's Corporate Planning Office is responsible for corporate governance. It is in charge of providing all necessary materials for directors and Supervisors, handle matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, handling corporate registration and change of registration, managing proceedings for the Board of Directors as well as shareholder meetings, and regularly assessing the independence and suitability of the CPA.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
5. Does the Company establish communication channels and a dedicated section for stakeholders on its website to respond	✓		Complete information on the corporate website, including: spokesman, deputy spokesman, stock affairs, customer service, etc., have been provided and the	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
to important issues regarding corporate social responsibility?			communication pipeline is smooth.	TWSE/TPEx Listed Companies". No matters of discrepancy were found.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company authorized Yuanta Securities as shareholder services agent.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
7. Information disclosure: (1) Does the company have a corporate website to disclose both financial positions and the status of corporate governance?	✓		(1) The company's website http://www.secom.com.tw discloses financial, business, corporate governance and other important information.	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The corporate website: http://www.secom.com.tw is mainly in Chinese, and the relevant units are responsible for the collection and disclosure of information. A spokesman and a deputy spokesman are also available to implement the spokesman system	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor	✓		(1) Interests and rights of employees: the company protects the legitimate rights and interests of employees according to the law. (2) Care for employees: The Company pays great attention to employee benefits and sets up employee welfare committees, and provides employee benefits in	All matters are conducted in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies". No matters of discrepancy were found.

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			accordance with the law to facilitate employees to enjoy various welfare measures. (3) Investor relations: The company's website is set up by a designated unit to disclose the company's financial status and related information in an appropriate time. The company has established a spokesman and deputy spokesman system to publish financial and business information to the public through MOPS, newspapers and magazines. (4) Supplier relations: The company signs purchase contracts with manufacturers, handles the purchase according to the contract, and regularly evaluates them based on the price, payment terms, delivery date, degree of cooperation and quality. (5) Stakeholders relations: The company is committed to the development of the industry, and actively strives for opportunities for cross-industry alliance. For the benefit of employee, creditors and shareholders, it strives to pursue the harmony of information, rights and obligations. (6) Continuing education opportunities for directors and supervisors: The company provides training courses of corporate governance for directors and supervisors from time to time. (7) Implementation of risk management policy and risk measurement standards:	

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
			1. The company has established management methods for related parties and affiliated company management methods. In addition to the implementation of the management measures, the endorsement guarantees and other relevant management methods are subject to the approval of the board of directors through the company's professional evaluation meeting. 2. The Company operates steadily and is fully focused on the investments and operations of the security industry. (8). Implementation of customer policies: The company has a customer service center, regularly conducts provincial customer satisfaction surveys, and establishes a complete customer complaint handling mechanism to protect consumer rights. (9) Liability insurance for the Company's directors and supervisors: The Company purchases liability insurance for the directors and supervisors to protect the potential legal liabilities of the directors and supervisors due to their duties.	
9. The latest results of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE explains the amendments or proposed priority measurements to the items that have not improved (unnecessary for the excluded companies): In 2019, the company's corporate governance evaluation did not score points. In 2020, it will focus on improving information transparency and implementing corporate social responsibility. It is expected to complete the improvement-required items, and continue to work hard to enhance the transparency of information, implement corporate social responsibility; handle corporate governance evaluation to strengthen corporate governance information.				

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

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

(2019) An-Yong-Zi No. 110040

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

This statement is an annual communication on the independence of accountants in accordance with the provisions of the National Standards on Auditing for the review of the consolidated financial statements of 2019.

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

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

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

Best Regards

Ernst & Young Global Limited
Accountants: Yu, Chien-Ju and Hsu, Hsin-Min
November 13th, 2019

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

(1) Information on members of the Compensation Committee

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

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

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

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

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

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

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

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

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

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

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

Note 3: If the member is a Director, please describe if matters are compliant to Paragraph 5 Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."

(2) Duties of Remuneration Committee

Assist the Board in the execution and regularly review of the policies, systems, standards and structure of remuneration to directors and managers.

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors.

A. Stipulate and regularly review the performance of the directors and managers; as well as the compensation policies, systems, standards and structure

B. Regularly evaluate and stipulate director and manager compensation.

(3) Matters that the Company has completed in accordance with laws and regulations stipulated by the government:

For the structure of the Remuneration Committee, please refer to the Company's website.

(4) Operation status of the Compensation Committee

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

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

Title	Name	In-person Attendance （B）	By proxy	In-person Attendance Rate (%) （B/A）	Remarks
Chairman	CHANG Jui-Meng	2	1	66.67%	
Member	CHEN Tai-Jan	3	0	100%	
Member	LI Hsien-Yuan	1	0	33.33%	Resigned on May 13.
Member	CHEN Tien-Wen	2	0	66.67%	Appointed on May 14

Other matters to be recorded:

1. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., if the remuneration passed by the board of directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Annual work focuses of recommendation of the compensation committee:

Meeting Date	Meeting Content
2019.3.15	Approval of the the Company's Directors' and Supervisors' Remuneration and Managers' Remuneration Allocation of year 2018.
2019.11.13	Approval of the Company's managerial salary and remuneration system and annual remuneration payment method (including Bonus).
2020.3.13	Approval of the the Company's Directors' and Supervisors' Remuneration and Managers' Remuneration Allocation of year 2019.

3-3-5 Fulfillment of social responsibility, deviation, and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
1. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	✓		1. The Company chooses five major aspects based on the principle of materiality and the GRI: dependence, responsibility, tension, influence, and multiple perspectives, as well as policies, strategic intentions, and other principles. Based on these principles, the Company decides on stakeholders, which include: employees, customers, investors, government agencies, community residents, and suppliers. The main stakeholders are concerned about issues and communication channels. In order to communicate effectively with them, we have established a CSR website.	No Difference
2. Does the company establish exclusively (or concurrently) dedicated first-line units authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		2.The company's corporate social responsibility unit is Concurrently the " Human Resource Department". The head of the unit is also part of the board of directors and is responsible for handling related operations such as revision and implementation of these regulations, and reports to the board of directors on a regular basis.	No Difference
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) The Company belongs to the security service industry, and originally was not involved in manufacturing and environmental management. However, considering the manufacturing, materials, procedures, quality, and corporate social responsibility, the Company appointed the 100% owned subsidiary Titan Star International Co., Ltd., (ISO14000 certified) to be responsible for the production of security equipment, and implement lead-free environmentally-friendly materials and process management.	No Difference

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) The company's security mainframes and peripheral equipment provide customer service in a leasing manner. Each security host and peripheral equipment can be recycled and reused to reduce the impact on the environmental load.	No Difference
(3) Does the Company assess the potential risks and possibilities of climate change regarding the Company now and in the future, and take measures to respond to climate-related issues?	✓		(3) The company is fully committed to promoting smart green buildings and energy conservation and environmental protection. In addition to the establishment of an energy-saving management system in the Neihu Science and Technology Building and various operating offices, the next-generation NXT next-generation business management host has obtained various environmental labels such as EU WEEE, EU ErP, TUVdocCOM and EU RoHS. In addition to the above-mentioned carbon reduction management, the company conducts MyCASA smart house management, NXT next-generation business management, and building automation management systems.	No Difference
(4) Does the Company record its greenhouse gas emissions, water consumption, and total weight of waste produced in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management?	✓		(4) The relevant management policies and actions of the Company in response to climate change are described in the corporate social responsibility report issued each year. The report contains policy directions and planning actions, which are disclosed in Chapter 5 of the Corporate Social Responsibility Report. Please see for details. In order to implement the promotion of related sustainable operations and expand the upcoming chapter of the 2019 Corporate Social Responsibility	No Difference

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
			Report, the Company will expand the scope of the original presentation to all units and present all the usage data in a comprehensive manner to plan the future mitigation of climate change and greenhouse gas emissions.	
4. Social Issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The company complies with relevant labor laws. Rules and regulations are set for employees providing a gender-equal working environment. Salary and promotion are based on job performance and contribution to the Company. Salary standards are based on the job positions, are not different due to gender differences. There is also a maternity/paternity leave for both men and women, and there is no violation of the international personnel convention.	No Difference
(2) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation, and other benefits, etc.), and appropriately reflect the results of operating performance in employee remuneration?	✓		(2) In order to encourage and urge employees to be dedicated and diligent, the company has established clear rules and regulations. If an employee violates the rules, in addition to requesting immediate improvement, he or she will be reported according to his or her circumstances. Reward and punishment results link to the performance appraisal system and reward system. When employees are engaged in various operational activities, they can follow relevant regulations and internal control mechanisms to implement the spirit of corporate social responsibility.	No Difference
(3) Does the company provide a healthy and safe working environment and organize training on health and safety	✓		(3) The company has been awarded the "Healthy Workplace Self-	No Difference

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
for its employees on a regular basis?	✓		Certification Health Promotion Label" by the Taipei City Government for many years. It has also won the "Health Excellence Award", and " LE CHUN Health Award". The company also regularly conducts employee health checks in accordance with the Labor Health Protection Rules.	No Difference
(4) Does the company provide its employees with career development and training sessions?	✓		(4) In the job classification system, based on the needs of the company, it establishes a career path for employees, and implements a training system. It provides training in skills, management, and self-development with courses from 7 universities. It establishes a relevant training knowledge base to provide online reference for employees.	No Difference
(5) Does the Company comply with the relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures?	✓		(5) According to the category attributes, the products will be subject to relevant regulations in Taiwan, such as: BSMI, NCC and other related certification procedures. If it is imported from abroad, it must first provide the CE, FCC and other certificated documents by the importer, and supplement the relevant certification procedures required for sales in Taiwan in accordance with the relevant regulations.	No Difference
(6) Does the Company formulate a supplier management policy that requires suppliers to follow the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?			(6) In the procurement contract, the relevant provisions of the “Corporate Social Responsibility” (CSR) have been added to announce the relevant constraints on the procurement target. The provisions are as follows: Article 8 of CSR, Party B is committed to Party A's commitment to CSR based on the concept of	

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
			sustainable management, and is willing to work with stakeholders affected by business operations, including employees, customers, suppliers, partners, shareholders, and even the natural environment, together to create sustainable harmony and mutually beneficial development. Its commitments are as follows: 1. Do not use force, coercion, debt-forcing, contractual or involuntary labor. 2. It is forbidden to employ child laborers under the age of 15 to perform labor. For minors under the age of 18, they shall not be allowed to engage in heavy and dangerous work, and shall not engage in night shift work. 3. .The salaries and benefits paid to employees shall be in accordance with all current legal requirements: including laws related to the calculation of minimum wages, overtime pay and statutory benefits. A payroll or related document is also required as a basis for employees to understand the salary content. 4. Treat each employee fairly, do not treat employees with inhumane methods such as brutality, insult, abuse, etc. In addition, the company must ensure that employees are not discriminated against on opportunities such as hiring, promotion, rewards, and training due to factors such as race, skin color, age, gender, disability, pregnancy, religion, political faction, or marital status. 5. Employees must not be forced	

Items	Implementation Status (Note1)			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
	YES	NO	Description (Note 2)	
			to undergo discriminatory medical examinations. 6. Provide a healthy and safe working environment, protect women and create a safe night working environment. It also set up policies for sexual harassment prevention and control. Moreover, it set up service lines and mailboxes, and announced that to all employees. At the same time, the restrictions from the Labor Safety and Health Act on female employees who are not allowed to engage in dangerous or harmful work should be adhered to. The relevant regulations of the Labor Standards Act on women's working hours, working night shift and maternity protection should also be complied with.	
5. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance to the internationally-used reporting standards or guidelines? Have such reports been assured, verified, or certified by a third party?	✓		5. The Company completed the preparation of the 2018 Corporate Social Responsibility Report in 2019 and the report was verified by Ernst & Young Global Limited on July 3, 2019.	No Difference
6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has ensures that it conducts its corporate social responsibilities and is devoted to promote CSR, it has no difference with the Rules.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices: i. The company actively participates in social welfare activities, and regularly donates funds to relevant organizations. ii. The company established Taiwan Secom Cultural Foundation to care for the disadvantaged children. It also sponsors the development of "Children's Potential Development Classes", which currently covers elementary, junior, and high schools. More than 1,000 children have been included in the care, just like cultivating a seed. iii. The Company participates in the organization of domestic professional associations. As the				

Items	Implementation Status (Note1)			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons.
	YES	NO	Description (Note 2)	
Company belongs to the industry of technology application service, it proactively participates in and promote the “Taiwan Safety and Security Industry Association” and “Taiwan Telepharmacy Association” and serves as the Director of the associations.				

Note 1: If the implementation is checked with "Yes", please explain the important policies, strategies, measures, and implementation taken. If the implementation is checked with "No", please explain the reasons and explain the future relative policies and strategies plan of measures.
Note 2: If the Company has prepared a corporate social responsibility report, the implementation situation may be indicated by way of reference to the corporate social responsibility report and the index page instead.
Note 3: The principle of materiality refers to the fact where environmental, social, and corporate governance issues possess a significant influence on the company's investors and other interested parties.

3-3-6. Ethical Corporate Management Status

Item	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement these policies?	✓		(1) The company has regulatory provisions relating to integrity management, which will be actively implemented by the board of directors and management, and firmly executed in internal management and external business activities.	No Difference
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, business conduct guidelines, penalties for violations, appeal rules, and commitment to implement these policies?	✓		(2) The company's regulations include relevant programs that prevent dishonesty, such as work procedures, behavioral guidelines, educational admonitions, etc. to ensure that all employees are well-aware of these and can check the company's website under the employee NOTES section.	No Difference
(3) Does the company establish appropriate precautions against high-potential unethical conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) The company's regulations include relevant programs that prevent dishonesty and strengthen measures on dealing with activities that have a higher risk of dishonesty in terms of business scope.	No Difference
2. Fulfillment of operational integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The company and its subsidiaries deal with customers, suppliers, distributors, competitors and employees in a fair and impartial manner. Gaining competitive advantage through dishonesty is prohibited. The company has clearly defined the "Integrity Operating Procedures and Behavior Guidelines".	No Difference

Item	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? Does the Company work out policies to prevent conflict of interest and provide proper statement channels?	✓		(2) The company's corporate integrity management unit serves as the "business planning office". It is responsible for handling related operations such as revision and implementation of regulations. The head of unit is a member of the board of directors. Institutional compliance: The internal audit unit sets an annual audit plan based on the results of the risk assessment. It submits a report to the board of directors for approval, and regularly reports to the board of directors on the implementation of audit operations.	No Difference
(3) Does the company establish policies to prevent conflict of interest and provide appropriate communication channels, and implement them?	✓		(3) According to Article 13 of the Rules of Procedure of the Board of Directors, directors who have interests in matters related to meetings or his/her corporate representative who is a stakeholder; the important content of the stakes should be explained by the current board of director. If there is potential damage to the company, the opinions and answers may be excluded from the discussion and voting, and should be avoided and prevented from representing other directors' right to vote.	No Difference
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The internal audit regularly reports to the board of directors on the implementation of audit operations.	No Difference
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The company reminds colleagues of its integrity management rules in training newcomers. It also provides relevant information, to keep colleagues up to date regarding facts related to integrity.	No Difference

Item	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Description	
3. Operation of integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The communication channel of the company's internal structure is efficient, providing mailboxes to receive sexual harassment complaints, employee suggestions, etc. The report box is found in the stakeholder section of the company's website, while the report is handled by experts. Unless otherwise provided by law, appropriate protection and confidentiality measures are applied to the individual, information and privacy. If the report is considered valid, the company imposes severe punishment on the person who committed the wrongful act.	No Difference
(2) Does the company establish standard operating procedures for confidential incident reporting of cases involving false accusations?	✓		(2) The Company has established an appeal method for accepting reports and related confidentiality mechanisms.	No Difference
(3) Does the company provide proper whistleblower protection?	✓		(3) The Company shall take appropriate protection and confidentiality measures to deal with the individual, information and privacy provided by the whistleblower, unless otherwise required by law.	No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and implementation results on the company's website and MOPS?	✓		Integrity management related to information is disclosed on the company's website. (http://www.secom.com.tw)	No Difference
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The company has established regulations regarding integrity management, while relevant operating procedures are carried out in accordance with these regulations.				
6. Other important information to facilitate better understanding of the company's ethical corporate management policies (such as review and revision of regulations): None				

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

3-3-8. Other significant information to be disclosed that will provide better understanding of the state of the company's implementation of corporate governance:

(1) Completion of financial report.

(2) Disclosure of the latest annual board meeting minutes and important resolutions with implementation status.

(3) Disclosure of important internal regulations, such as “Procedures for Acquisition and Disposal of Assets”, “Procedures for Endorsement and Guarantee”, “Codes of Ethical Conduct for Directors, Supervisors and Managers”, and “Procedures for Election of Directors and Supervisors”.

(4) Disclosure of the Company’s Articles of Incorporation.

(5) Disclosure of the Company’s organizational chart and departmental staff.

(6) Announcement of revenue and dividend, company press releases, and disclosure of material information.

3-3-9. Internal Control System Execution Status

(1) Statement on Internal Control System

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

Date: March 20, 2020

Based on the results of the control self-assessment, Taiwan Secom Co., Ltd. makes the following declarations with regard to its internal control system for 2019:

1. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, that have provided reasonable assurance regarding the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets). The reliability, timeliness, and transparency of the report, as well as its compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how it is perfectly designed, an effective internal control system can only provide reasonable assurance that the three above mentioned objectives would be accomplished. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond the Company's control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and immediate remedial actions have been taken in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance regarding our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed during the board of directors meeting held on March 20, 2020, with none of the 14 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Secom Co., Ltd.

Chairman: LIN Hsiao-Hsin

Chief Executive Officer：Hirofumi Onodera

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

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

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

i. Major resolutions of the 2019 annual shareholders' meeting

A total of one annual shareholders' meeting was held in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report. The Company's 2019 annual shareholders' meeting was held in Changhua on June 14, 2019. An abstract of the resolutions of that meeting is as follows,

- Recognition of 2018 Financial Statements
- Recognition of the proposed distribution of 2018 earnings

The Company's 2018 distributable net profit was NT$1,804.780 million. The proposed cash dividend was NT$4 per share.

ii. Implementation of major resolutions of the 2019 annual shareholders' meeting

- Recognition of 2018 Business Report and Financial Statements: Relevant statements have been submitted to the competent authority for inspection and announced in accordance with the Company Act and other relevant laws and regulations.
- Recognition of the proposed distribution of 2018 earnings: Cash dividend of NT$4 a share has been distributed on August 20, 2019.

iii. Implementation of major resolutions of board meetings held in 2019

A total of four board meetings were held in 2019 and during the current fiscal year up to the date of publication of the annual report. An abstract of the resolutions of the meetings is as follows,

9th meeting of the 15th Board: (Apr. 29, 2019)

(1) Approval of the partial amendment of the Company's "Articles of Incorporation"

(2) Approval of the change of the Company's spokesperson.

10th meeting of the 15th Board: (May. 14, 2019)

(1) Approval of the appointment of one member of the 3rd session of the Remunerat ion Committee.

11th meeting of the 15th Board: (Aug. 13, 2019)

(1) Approval of the matters regarding overall re-issuance of securities due to the change in the Company's name.

(2) Approval of the credit line at various financial institutions.

(3) Approval of the proposal for amendment to the "Declaration on the Internal Control System".

1

12th meeting of the 15th Board: (Nov. 13, 2019)

(1) Approval of the change of the Company's "abbreviate name of securities".
(2) Approval of the regular assessment of the CPAs' independence.
(3) Approval of the amendments to the "Charter of the Audit Committee".
(4) Approval of the amendments to the "Ethical Corporate Management Best Practice Principles".
(5) Approval of the amendments to the "Charter of the Remuneration Committee".
(6) Approval of the 2020 audit plan.

13th meeting of the 15th Board: (May. 20, 2020)

(1)Approval of the 2019 business report, consolidated financial statements, and individual financial statements.
(2)Approval of the 2019 distribution of remuneration to employees and Directors
(3)Motions of the 5th and 6th meeting of the 3rd Remuneration Committee.
(4)The distribution of the 2019 retained earnings.
(5)The declaration of the 2019 Internal Control Policies
(6)2020 business plan
(7)Remuneration to managerial officers
(8)Partial amendments to the "Charter of Remuneration Committee".
(9)Partial amendments to the "Charter of Audit Committee".
(10) Partial amendments to the Company's "Board Meeting Conference Rules".
(11) Partial amendment to the "Rules of Procedure for Shareholders Meetings".
(12) Partial amendments to the "Procedures for the Ethical Management and Guidelines for Conduct".
(13) Partial amendments to the Company's "Corporate Social Responsibility Best Practice Principles".
(14) Proposal of credit lines at various financial institutions
(15) Election of all Directors of the Company
(16) Acceptance of Director (incl. Independent Directors) nominations at the Shareholders' Meeting.
(17) Proposal of matters regarding the Company's 2020 Shareholders' Meeting.

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

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

March. 31, 2020

Title	Name	Inauguration date	Resignation date	Reason for resignation or dismissal
Vice President	SU Ying-Chang	Dec. 02, 2014	Apr. 29, 2019	Personnel change
Vice President	WENG Chin-Lai	Feb. 22, 2016	Jan. 02, 2020	Personnel change
Vice President	LIU Fu-Hsing	Mar. 01, 2014	Mar. 01, 2020	Personnel change

3-4. Information regarding CPA's Professional Fees

3-4-1. Information on CPA professional fees

CPA Firm	Name of the accountant		Period covered by CPA's Audit	Remarks
Ernst & Young Global Limited	YU Chien-Ju	HSU Hsin-Min	2019.1.1~2019.12.31	

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

Unit: NT$ Thousand

Fee Range \ Audit Items		Audit fee	Non-Audit fee	Total
1	Under NT$ 2,000,000	-	512	512
2	NT$2,000,000 (included) ~ NT$4,000,000 (not included)	3,130	-	3,130
3	NT$4,000,000 (included) ~ NT$6,000,000 (not included)	-	-	-
4	NT$6,000,000 (included) ~ NT$8,000,000 (not included)	-	-	-
5	NT$8,000,000 (included) ~ NT$10,000,000 (not included)	-	-	-
6	Over NT$100,000,000	-	-	-

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

Unit: NT$ Thousand

CPA Firm	Name of the accountant	Audit fee	Non- Audit fee						Remark
			System Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young Global Limited	YU Chien-Ju	3,130	-	-	-	512	512	108.01.01	Non-Audit Fee－such as the administration fee of corporate social responsibility reportys, etc..
	HSU Hsin-Min							108.12.31	

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

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

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

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

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

Titel	Name	2019		Current Year to March 31	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Cheng Hsin Investment Co., Ltd.	275,000	(270,000)	90,000	-
	Rep: LIN Hsiao-Hsin	(35,000)	(60,000)	-	-
Vice Chairman	Hsin Lan Investment Co., Ltd.	10,000	-	-	-
	Rep: LIN Chien-Han	14,000	-	11,000	-
Executive Director	SECOM Co., LTD.(Note1)	-	-	-	-
	Rep: Sadahiro Sato	-	-	-	-
Director	SECOM Co., LTD.(Note1)	-	-	-	-
	Rep: Kenji Murakami	-	-	-	-
Director	TIEN Hung-Mao	30,000	-	-	-
Director	WEI Chi-Lin	-	-	-	-
Director	TU Heng-Yi	-	-	-	-
Director	SECOM Co., LTD.(Note1)	-	-	-	-
	Rep: Hirofumi Onodera	-	-	-	-
Director	Yuan Hsin Investment Co., Ltd.	56,000	-	-	305,000
	Rep: LIN Ming-Sheng	22,000	30,000	-	-
Director	Chin Kuei Investment Co., Ltd.	-	-	-	-
	Rep: LIN Chun-Mei	-	-	-	-
Director	Shang Ching Investment Co., Ltd.	-	-	-	-
	Rep: YU Ming-Hsien	-	-	-	-
Executive/ Independent director	CHEN Tien-Wen	-	-	-	-
Independent Director	CHANG Chin-Fu	-	-	-	-
Independent Director	CHANG Jui-Meng	-	-	-	-
Chief Strategy Officer	LIN Ming-Sheng	22,000	30,000	-	-
Head of Chief Executive Officer	Hirofumi Onodera	-	-	-	-
Chief Executive Officer	LIN Chien-Han	14,000	-	11,000	-
Chief Executive Officer	LI Jung-Kuei	-	-	-	-
Chief Executive Officer	Chou Hsing-Kuo	-	-	-	-
Chief Executive Officer	CHEN Su-Ling	-	-	-	-
General Manager	HSU Lan-Ying	-	-	-	-
General Manager	CHIANG Wen-Liang	-	-	-	-
General Manager	CHANG Chun-Yuan	-	-	-	-
General Manager	CHU Han-Kuang	2,000	-	3,000	-

General Manager	LEI Ching-Ming	-	-	-	-
Vice President	CHEN Chia-Ying	-	-	-	-
Vice President	YU Hsun-Ming	-	-	-	-
Vice President	Hidenori Takahata	-	-	-	-
Vice President	TENG Ching-Chung	-	-	-	-
Vice President	CHENG Nai-San	-	-	-	-
Vice President	LIN Chia-Hui	-	-	-	-
Vice President	CHENG Sheng-Ying	-	-	-	-
Vice President	WANG Chih-Chiang	-	-	-	-
Vice President	HUANG Hsien-Kue	(4)	-	-	-
Vice President	LU Chen-Lung	-	-	-	-
Vice President	CHAN Jui-Tung	-	-	-	-

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

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

Name	Shareholding		Spouse & Minor Current Shareholding		Current Shareholding listed under the name of others		Relationship among the top 10 shareholders, anyone who is a relted party according to the regulations of Financila Reporting Standards No. 6, spouse, or second-degredd kinship of another: Name and relationship		Remarks
	Share	%	Share	%	Share	%	Name	Relationship	
SECOM Co., LTD.	123,110,870	27.29%	-	-	3,609,498	0.80%	-	-	
Rep: Ozeki Ichiro	-	-	-	-	-	-	-	-	
Shin Kong Life Insurance Co., Ltd	43,384,205	9.62%	-	-	-	-	-	-	
Rep: WU Tung-Chin	-	-	-	-	-	-	-	-	
Cheng Hsin Investment Co., Ltd.	20,247,337	4.49%	-	-	-	-	-	-	
Rep: LIN Hsiao-Hsin	4,010,918	0.89%	-	-	-	-	Yuan Hsin Investment Co., Ltd.	First-degree of kinship to the representative of Yuan Hsin Investment Co., Ltd.	
Chunghwa Post Co., Ltd.	17,203,740	3.81%	-	-	-	-	-	-	
Rep: WU Hong-Mo	-	-	-	-	-	-	-	-	
Hsin Lan Investment Co., Ltd.	14,095,063	3.12%	-	-	-	-	-	-	
Rep: LI Mei-Hui	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd	13,160,595	2.92%	-	-	-	-	-	-	
Rep: TSAI Ming-Hsing	-	-	-	-	-	-	-	-	
Wan-Quan DU Charity Foundation	8,568,216	1.90%	-	-	-	-	-	-	
Rep: TU Heng-Yi	50,750	0.01%	-	-	-	-	-	-	
JPMorgan Chase Bank, N.A., Taipei Branch as Trustees of First Eagle Global Oversea Fund	8,545,694	1.89%	-	-	-	-	-	-	
Yuan Hsin Investment Co., Ltd.	8,018,190	1.78%	-	-	-	-	-	-	
Rep: LIN Ming-Sheng	1,213,941	0.27%	103,005	0.02%	-	-	Cheng Hsin Investment Co., Ltd.	First-degree of kinship to the representative of Cheng Hsin Investment Co., Ltd.	
HSBC as Trustees of Matthews Asian Growth & Income Investment Account	7,519,000	1.67%	-	-	-	-	-	-	

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

Unit: NT$ thousand share / %

Re-investment business	The company's investment		Directors or managers controlling the investment business directly or indirectly		Total investment	
	share	%	share	%	share	%
Kuohsing Security Co., Ltd.	29,322	83.77%	1,266	3.62%	30,587	87.39%
Gowin Building Management and Maintenance Co., Ltd.	28,463	80.96%	6,694	19.04%	35,158	100.00%
Aion Technologies Inc.	12,740	73.75%	1,512	8.75%	14,252	82.50%
TransAsia Catering Service Ltd.	24,563	67.02%	11,479	31.32%	36,042	98.34%
Zhong Bao Insurance Services Inc.	608	60.00%	101	10.00%	710	70.00%
Taiwan Video System Co., Ltd.	11,357	36.20%	17,088	54.47%	28,445	90.67%
Tech Elite Holdings Ltd.	2,000	39.22%	-	-	2,000	39.22%
Lee Way Electronics Co., Ltd	10,288	34.29%	18,160	60.53%	28,448	94.82%
Anfeng Enterprise Co., Ltd.	900	30.00%	-	-	900	30.00%
SIGMU D.P.T. Co., Ltd.	678	21.99%	2,146	69.66%	2,824	91.65%
Lots Home Entertainment Co., Ltd.	4,308	21.02%	16,192	78.98%	20,500	100.00%
Huaya Development Co., Ltd.	25,513	49.83%	-	-	25,513	49.83%
TransAsia Airways Corp.	76,246	10.05%	46,414	6.12%	122,660	16.17%
Goldsun Building Materials Co., Ltd.	89,876	6.49%	223,809	16.16%	313,685	22.65%

Note 1: The table shows the long-term equity held by the company on 2019.12.31

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

IV. Capital Raising Activities

4-1. Company's Capital and Shares

4-1-1. Share Capital

(1) Source of Capital Stock

Unit: share / NT$ thousand

Year/ Month	Issue Price	Authorized capital stock		Paid in capital		Remarks			
		Shares	Amount	Shares	Amount	Sources of Capital		Capital Increased by Assets other than Cash	Others (Approval date and document number)
1996/6	10	169,000,000	1,690,000	169,000,000	1,690,000	Profit/surplus Additional Paid In Capital	260,000 130,000	none	1996.05.03. Letter No. (85) Taiwan-Finance-Securities-(I) 27393
1997/6	10	219,700,000	2,197,000	219,700,000	2,197,000	Profit/surplus	507,000	none	1997.06.05. Letter No. (86) Taiwan-Finance-Securities-(I) 45236
1998/8	10	285,610,000	2,856,100	285,610,000	2,856,100	Profit/surplus Additional Paid In Capital	439,400 219,700	none	1998.05.25. Letter No. (87) Taiwan-Finance-Securities-(I) 45976
1998/9	65	300,610,000	3,006,100	300,610,000	3,006,100	Cash	150,000	none	1998.06.24. Letter No. (87) Taiwan-Finance-Securities-(I) 52767
1999/6	10	336,683,200	3,366,832	336,683,200	3,366,832	Profit/surplus	360,732	none	1999.05.18. Letter No. (88) Taiwan-Finance-Securities-(I) 46432
2000/7	10	393,919,344	3,939,193	393,919,344	3,939,193	Profit/surplus	572,361	none	2000.06.09. Letter No.(89)Taiwan-Finance-Securities-(I) 50067
2001/3	10	393,919,344	3,939,193	378,919,344	3,789,193	Treasury stock reduction	150,000	none	2001.02.05 Letter No. (90) Taiwan-Finance-Securities-(III) 106220
2001/7	10	416,811,280	4,168,113	416,811,280	4,168,113	Profit/surplus Additional Paid In Capital	189,460 189,460	none	2001.05.31. Letter No. (90) Taiwan-Finance-Securities-(I) 134129
2001/12	10	416,811,280	4,168,113	401,811,280	4,018,113	Treasury stock reduction	150,000	none	2001.09.07. Letter No. (90) Taiwan-Finance-Securities-(III) 155986
2002/9	10	421,901,844	4,219,018	421,901,844	4,219,018	Profit/surplus	200,905	none	2002.07.15 Taiwan-Finance-Securities-I-0910139236
2003/3	10	421,901,844	4,219,018	414,901,844	4,149,018	Treasury stock reduction	70,000	none	2002.12.11. Letter No. Taiwan-Finance-Securities-III-0910165917
2003/8	10	431,497,918	4,314,979	431,497,918	4,314,979	Additional Paid In Capital	165,961	none	2003.07.02. Letter No. Taiwan-Finance-Securities-I-0920129483
2005/9	10	440,127,877	4,401,279	440,127,877	4,401,279	Profit/surplus	86,300	none	2005.08.11. Letter No. Financial-Supervisory-Securities-I-0940133015
2006/8	10	444,529,156	4,445,291	444,529,156	4,445,291	Additional Paid In Capital	44,012	none	2006.07.18. Letter No. Financial-Supervisory-Securities-I-0950131177
2014/10	10	500,000,000	5,000,000	451,197,093	4,511,971	Profit/surplus	66,679	none	2014.08.01 Letter No. 1030029353 issued by FSC

(2) Type of Stock and General Category

Type of Stock	Authorized Capital			Remarks
	Issued Shares（Note）	Un-issued Shares	Total	
Common Stock	451,197,093	-	451,197,093	As of 2019/12/31
Common Stock	451,197,093	-	451,197,093	As of 2020/03/31

Note: Publicly traded stock

4-1-2. Shareholder Structure

2020-03-31

Shareholder / Structure Quantity	Government Apparatus	Financial Institution	Other Juridical Person	Natural-born Citizen of the Country	Foreign Institutions and Foreign People	Total
Number of Shareholders	2	15	164	20,720	238	21,139
Shareholding	260,000	78,866,215	108,702,170	66,672,496	196,696,212	451,197,093
Holding Percentage (%)	0.06%	17.48%	24.09%	14.78%	43.59%	100.00%

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

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

2020-03-31

Class of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 ~ 999	11,652	972,502	0.22%
1,000 ~ 5,000	7,604	13,889,835	3.08%
5,001 ~ 10,000	903	6,433,873	1.43%
10,001 ~ 15,000	327	3,924,935	0.87%
15,001 ~ 20,000	118	2,040,193	0.45%
20,001 ~ 30,000	135	3,289,470	0.73%
30,001 ~ 50,000	94	3,646,209	0.81%
50,001 ~ 100,000	97	6,852,915	1.52%
100,001 ~ 200,000	55	7,636,849	1.69%
200,001 ~ 400,000	57	16,842,366	3.73%
400,001 ~ 600,000	28	14,167,041	3.14%
600,001 ~ 800,000	11	7,625,209	1.69%
800,001 ~ 1,000,000	3	2,454,335	0.54%
Over 1,000,001	55	361,421,361	80.10%
Total	21,139	451,197,093	100.00%

Note 1: NT$ 10 par value for per share
Note 2: The Company has not issued special shares, and there is no shareholding distribution status of it.

4-1-4. Major Shareholders

2020-03-31

Name of the Shareholder \ Shares	Shareholding	Percentage (%)
SECOM Co., Ltd.	123,110,870	27.29%
Shin Kong Life Insurance Co., Ltd	43,384,205	9.62%
Cheng Hsin Investment Co., Ltd.	20,247,337	4.49%
Chunghwa Post Co., Ltd.	17,203,740	3.81%
Hsin Lan Investment Co., Ltd.	14,095,063	3.12%
Fubon Life Insurance Co., Ltd	13,160,595	2.92%
Wan-Quan DU Charity Foundation	8,568,216	1.90%
JPMorgan Chase Bank N.A., Taipei Branch as Trustees of First Eagle Global Oversea Fund	8,545,694	1.89%
Yuan Hsin Investment Co., Ltd.	8,018,190	1.78%
HSBC as Trustees of Matthews Asian Growth & Income Investment Account	7,519,000	1.67%

4-1-5. Share prices per share, net worth per share, earnings per share, dividends per share for the most recent two fiscal years

Items \ Year			2018	2019	As of March 31, 2020
Share prices per share	Highest		92.70 NTD	90.00 NTD	90.40 NTD
	Lowest		83.60 NTD	85.00 NTD	75.40 NTD
	Average		88.60 NTD	87.26 NTD	84.90 NTD
Net worth per share	Before distribution		22.87 NTD	23.80 NTD	- NTD
	After distribution		18.87 NTD	- NTD	- NTD
Earnings per share	Weighted average shares		440,923 Thousand shares	440,923 Thousand shares	-
	Earnings per share	Before adjustment	4.64 NTD	4.85 NTD	-
		After adjustment	4.64 NTD	- NTD	- NTD
Dividend per share	Cash dividends		4.00 NTD	4.00 NTD	- NTD
	Stock dividends	Dividends from retained earnings	- NTD	- NTD	- NTD
		Dividends from capital surplus	- NTD	- NTD	- NTD
	Accumulated undistributed dividends		- NTD	- NTD	- NTD
Return on investment	Price/earnings ratio		19.09	17.99	-
	Price/dividend ratio		22.15	21.82	-
	Cash dividend yield rate		4.51%	4.58%	-

4-1-6. Dividend Policy and Implementation Status

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

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

Article 27 of the Company's Article of Incorporation states: If the company's annual final accounts have net profit after tax for the current period, they should make up for the accumulated losses (including adjusting the undistributed surplus amount). 10% of the net profit after tax is allocated to legal reserve according to the law. However, when the statutory surplus accumulation has reached the total paid-in capital of the company, this does not apply to special surplus reserve required by the authority. After the surplus, together with the undistributed surplus at the beginning of the period (including adjustment of the undistributed surplus amount), the board of directors proposed a surplus distribution proposal and submitted a resolution to the shareholders' meeting to distribute dividends to shareholders.

The company's business environment is still growing, and it will take advantage of the economic environment for sustainable operations and long-term development. When the board of directors drafts the surplus allocation, it will focus on the stability and growth of dividends. The dividend policy will be cash or stock. The cash portion is not less than 10% and the amount of the payment is based on the principle of accumulating more than 50% of the distributable surplus.

(2) Distribution of Stock Dividends at the Shareholders' Meeting:

The 2019 earnings distribution was approved by the the 15th meeting of the 13th Board of Directors on March 20, 2020. The proposed cash dividend is NT$ 4 per share and will be discussed at the shareholders meeting.

(3) Expected Changes in Dividend Policy: None.

4-1-7. Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: Not applicable.

4-1-8. Compensation of Employees, Directors and Supervisors

(1) Percentages or ranges with respect to employees, directors, and supervisor remuneration according to the Articles of Incorporation

Article 26 of the Company's Article of Incorporation states:

If the company is profitable in the year (the so-called profit refers to the net profit before tax, after deducting the employee's salary and the director's remuneration), it shall be no less than 1% for the employee's remuneration and no more than 4% for the director's remuneration.

However, when the company still has accumulated losses (including adjustments to the undistributed surplus amount), the amount of compensation should be retained in advance. The employee's remuneration can be obtained by stock or cash, and the payee may include a subordinate company employee who meets the conditions set by the board of directors. The director's remuneration is only paid in cash.

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

(3) Information on the proposed distribution of staff and directors' remuneration through the board of directors:

A. The resolution of the Board of Directors approved the dividend distribution date: 2020/3/20.

B. Allocating staff cash compensation, stock remuneration and directors' compensation:

Unit: NT$ thousand

Employee cash compensation	Employee stock compensation	Director's compensation
25,645	0	102,582

The total compensation for employees and directors estimated in the current year was NT$ 129,243 thousand which is different from the actual amount of NT$ 128,227 thousand with a discrepancy of NT$ 1,016 thousand. The difference between the estimated amount and the actual allotment amount will be listed as the annual cost adjustment for 2020.

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

(4) The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (2018): The total compensation for employees and directors estimated in 2018 was NT$ 121,549 thousand which is different from the actual amount of NT$ 121,779 thousand with a discrepancy of NT$ 230 thousand. The difference between the estimated amount and the actual allotment amount was listed as the annual cost adjustment for 2019.

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

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

4-3. Financing Plans and Implementation

4-3-1. Content of the Plan:

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

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

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

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

V. Operational Profile

5-1. Business Activities

5-1-1. Business Scope

(1) Main areas of business operations

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

- Systems for Businesses

(1) Multi Area Security System (MA)

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

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

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

- Systems for Homes

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

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

- Financial Institutions

(4) Dedicated Line System for ATMs (CS)

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

- Computer Lottery Betting Station

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

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

(6) Value-added Service for Access Control Systems

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

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

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

B. MiniBond Satellite Positioning and Search Service

(1) Personal Mobile Satellite Positioning and Search Service

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

(2) MiniBond Car Fleet Positioning and Management System

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

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

“Vehicle Cloud Task Dispatching App”

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

“MiniBond Car Positioning Management System APP”

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

“Refuse Collection All Access APP”

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

(3) MiniBond Video Vehicle Positioning and Management System

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

(4) MiniBond Waste Collecting Vehicle Fleet Positioning Management System

For enterprises that carry controlled wastes or toxic chemicals, we provide the latest environmentally friendly vehicles that have passed regulatory inspection and NCC certification, and are also equipped with 4G modules and GPS positioning fleet management functions. The quality of returned data, maintenance efficiency, and yield rate of peripheral equipment of the fleet positioning are in compliance with the A+ fleet manufacturer standards announced by the Environmental Protection Administration. They are also equipped with a dual position reporting function, and thus real-time position and tracking of the vehicles can be shown on the Environmental Protection Administration website. When installed with MiniBond, the positions can be managed on two platforms.

C. Digital Surveillance and Video Intercom System

(1) Closed-Circuit Television (CCTV) System

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

(2) Video Intercom System

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

(3) Internet Protocol Camera (IP Camera)

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

(4) Surveillance Equipment Signal Hosting Service

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

D. Fire System

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

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

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

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

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

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

(4) NovecTM1230 Automatic Clean Agent Fire Extinguishing System

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

(5) Early Warning System (NS)

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

(6) Fire Detection System for Cabinets

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

(7) Fire-fighting Facility Engineering (FE)

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

(8) Fire Detection System (FLAME CHECKER)

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

(9) Fire Escape Series (TE)

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

(10) Carbon Monoxide Detection Alarm Series (KD)

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

(11) Residential Standalone Fire Alarm (FA)

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

E. Access Control and Attendance System

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

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

(2) Thermal Touch Password Electronic Lock (no handle)

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

(3) Full-function Smart Electronic Lock (with handle)

Users can perform unlocking in various ways such as with cards/fingerprints/passwords/keys/Bluetooth/physical keys. The electronic lock with the handle is ergonomically designed. The electronic lock can be combined with the "MyVita +" to transfer the operation interface onto the app on the smart device, and can also be unlocked with the app account password to open the door. This provides users with more choices for home life and improves security.

(4) Fingerprint Recognition System

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

(5) Finger-vein Authentication System

This system can read serial numbers on a Mifare card, Secom 11 area card number, Secom EasyCard 14 area card number, and support up to 8 Chinese-version signals for various shift statuses. Status indicator: blue light Number of finger-vein registration allowed: 12,000 (two for 1 person - 6,000 persons in total). This may also be divided into 4 sections with a limit of 1,500 persons per section. Status indicator: blue light (standby), green light (verification passed), red light (failure or error), orange light (under verification), and various verification modes can be customized.

(6) Face-shape Recognition System

The system can complete face-shape recognition within 0.3 seconds, and the recognition accuracy rate is higher than 99%. This system has functions such as face detection, white list recognition, gate control, automatic data upload, and real person detection. The system can also be combined with smart terminal API and use HTTP RESTful to support docking with third-party business platforms to manage the batch storage of related employees in the background, personnel management, visitor management, equipment management, passer group management, pass record view, visitor record view, stranger record view, attendance record export, etc.

(7) Cloud Access Control and Attendance System

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

F. Vault Series

(1) Large Modular Fireproof Vault

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

(2) Large and Medium Commercial Fireproof Vault

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

(3) Medium and Small Home Fireproof Vault

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

(4) Medium Commercial Vault

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

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

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

(6) Casting Vault

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

G. Detection System

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

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

H. Health Care Services (HC)

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

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

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

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

(1) Personal Monitoring of Physiological Data

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

(2) Public Health Monitor Station

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

(3) On-site (Corporate Workplace) Health Management Service Plan

- Meets the business owner's plan to regulate on-site service hours for occupational doctors (nurses) in accordance with occupational safety and health regulations
- Provides public health station measurements including ：HRV testing

(providing heart quality, sleep, mood, stress, fatigue index and positive/negative body constitution), blood pressure, temperature and body fat (weight)

- Summarizes each year's workplace health check records into a health management system for the analysis and interpretation of inquiries and health risks
- Professional medical staff and professional nursing staff organize health promotion activities and management tracking for employees with high and medium health risks

(4) Emergency Services for Solitary Elders

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

(5) Home Service

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

(6) Drug Delivery Service by Pharmacists

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

(7) Smart Electric Bed Set with Voice Assistant

- Provision of assistive device (and smart voice control) leasing service
- Bed and light control by voice
- Smart mattress and electronics control linkage
- Sleep quality recording and management and LINE@ notification push
- Management and tracking of Abnormal leave of and stay in bed

I. Cloud POS Store Management System (MyBiz)

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

(1) Cloud POS Store Management System-Catering Edition

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

(2) Cloud POS Store Management System-Retail Edition

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

J. AED Life Security Integration System

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

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

K. Community Solutions

(1) Smart Building Management Systems

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

(2) Property Management System

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

L. Disaster Prevention and Planning Service

(1) Earthquake Alarm Service

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

(2) Disaster Prevention Monitoring System

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

M. New Retail E-commerce Services

In response to the trend of new retail, in order to strengthen the merchandise marketing channel, besides the physical enterprise channels of affiliated enterprises, the Company has successively developed and expanded new channels for online e-commerce platforms. The Company expanded its traditional door-to-door market development channel by sales personnel into a multi-network marketing model. Through different consumption scenarios, the Company cultivates potential customers, conducts a large number of digital marketing and CRM management, and deepens the value of its members. The Company also selects third-party high-quality product suppliers to expand online merchandise categories through reliable brand values, and provides customers with comprehensive, full-channel, and uninterrupted services to maintain and further enhance the quality of customer experience.

N. Home Repair Service

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

O. Network Information Security Service - IoT Security Enhancement

With the advent of the IoT, devices and machines are connected to the network and becoming intelligent. The various network devices that constitute the Internet of Things (IoT) are changing the way we interact with the surrounding environment. The IoT brings more advanced application services to real life, such as smart homes, smart meters and health monitoring, and vehicles connected to the network. The frequency of related devices and systems using the network has increased greatly, and such devices and systems exist in various fields and environments. IoT devices will collect and transmit data that uses various security requirements, so that the attack targets of hackers will change accordingly. The security threat of the IoT is increasing day by day. Like IT systems, IoT networks and devices are vulnerable to manipulation and destruction, which in turn leads to various risks. For example, the leakage of important personal information and the suspension of key business services. In addition, privacy issues also worry consumers. According to statistics, 90% of consumers lack confidence in the security of IoT devices.

Secom not only provides physical customer security, but also further provides customers with virtual security assistance. At the end of 2019, the Company launched the [UTM Secom Net Guard] service - a unified threat management (UTM). This is a network security enhancement, evolving from traditional firewalls, and is the basic equipment for network gateway defense programs. It integrates multiple security functions on a single device product, providing functions including network firewall, intrusion prevention systems (IPS), gateway antivirus (AV), and web security filtering (Web Guard).

Security risks such as computer viruses, malware, mining software, hacker intrusions, fraudulent emails, and phishing websites continue to threaten customers' network information security. In order to solve the problems of customers who have network security needs but no dedicated information engineers (such as small and medium-sized enterprises/businesses/family customers, etc), the Company has launched a network security detection service. No professional IT engineer is required, and customers can simply complete the installation and use. This service provides customers with a virus-free and anti-hacking, clean, safe and secure network space environment.

Information security and privacy protection have obviously become one of the important issues of the IoT. Faced with various IoT security challenges, establishment of an active security protection and development of active security enhancement products is an urgent task.

(2) Revenue distribution

Unit: NT$ thousands

Sales and % / Item	2019	
	Sales	(%) of Total Sales
Electronic system income	6,628,124	49.42%
Static guard service income	2,259,979	16.85%
Cash delivery income	1,004,275	7.49%
Logistics service income	857,257	6.39%
Other operating income	2,662,042	19.85%
Total	13,411,677	100.00%

*(the revenue is presented in net value)

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

A. Current Products (Services)

1. IoT Smart Security and Control System Service
2. MiniBond Satellite Positioning and Search Service
3. MiniBond Fleet Positioning and Management System
4. MiniBond Waste Collecting Vehicle Fleet Positioning Management System
5. Digital Surveillance and Video Intercom System
6. Professional Fire Safety Planning and Construction
7. Access Control and Attendance system construction service
8. Building Environment Integration and Planning service
9. Surveillance Equipment Integration and Planning service
10. Cash (and bills) Carrier Service
11. Resident Security Guard Service
12. Smart Building Management Service
13. Smart Care Service
14. Public Health Station Service
15. AED Life Security Integration Service
16. Public Elderly Care Service
17. Cloud POS Store Management Service
18. Public Housing Security Solutions
19. Disaster Prevention Integration and Planning Service
20. New Retail E-commerce Services
21. Home Repair Service
22. UTM Secom Net Guard

B. New Products (Services) Development

a. Development of Cloud Attendance and Payroll System Development
b. Integration and Development of Face Recognition System
c. Development of MiniBond Car Fleet Management System (Digital dashcam)
d. Development of MiniBond Human Positioning System (Cat-M1/NB-IoT/4G)
e. Development of AED Communication Module (4G/Sigfox)
f. R&D regarding information security boxes
g. Development of community mobile video Intercom System
h. Development of MyVita+ video intercom system
i. Development of MyVita+ new generation app
j. Development of 119 fire notification device (third generation)
k. Development of network monitoring cloud storage system
l. R&D of the AI image recognition technology algorithm
m. Workplace health management - On-site medical services

5-1-2. Industry Overview

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

1. The Company's business covers the public, commercial and residential areas. At present, the number of customers exceeds 220,000. We are the oldest and largest company in the domestic security system industry and have long been the leading brand in the market with the firmest foundation.
2. Under the influence of the development of science and technology and global competition, the simple anti-theft functions can no longer meet the needs of existing industry customers. In order to provide more thorough security peripheral services and added value for various formats and home customers, we have combined global trends such as green energy, environmental protection, disaster prevention, IoT, etc., to work towards the development of the role of an intelligent security integrated service provider. In the fourth quarter of 2014, we launched the "My Vita" service, utilizing existing competitive advantages (channel, platform, dispatch) and strong R&D integration capabilities to focus on six major life services – smart home, smart disaster prevention, smart home appliances, smart care, smart energy saving, intelligent anti-theft, actively research and develop applications that meet the needs of users. Through data collection and analysis, we have developed services that are closer to the living needs of consumers. As the IoT environment matures, more possibilities will be opened in the service areas.
3. The market for surveillance systems has entered a completion of red ocean strategies. After the video technology upgrade has turned into digital and cloud-based, in response to the remote monitoring demand of network technology popularization, it is necessary to continuously develop evolutionary functions. In addition to providing a large central monitoring platform, we manage to give video data reliable transmission, storage and intelligent identification analysis, and will also move toward smart cloud analysis and processing in the future. With an emphasis on crowd control management and face recognition function, we will be guiding marketing development of the industry.
4. Fire systems are still focused on automation management and environmental protection. With the steady growth of market demand for cutting-edge technology, we will continue to introduce more innovative products and strengthen systemic performance in order to meet the needs of the market and amplify revenue results.
5. In addition to access management, the core development of the access control and attendance system integrates resources for payroll and attendance software development, and develops into a stable and expandable system that can be combined with various sensory equipment, such as license plate recognition, biometrics, smart electronic locks, and even extended POS systems for business management, etc., driving the momentum of the market.
6. The demand for high-quality and secured vaults has always guarantee steady growth in the market. In addition to ongoing development and introduction of relevant new products, the integration of the IoT concept and other system product is also a way to add value to the products and help us keep up with the ever-changing market demand.
7. The Company is the first in the industry to introduce mobile security services, breaking limits of fixed target security and expanding the protection to moving targets to provide location search and emergency service to children, elderly, women and underprivileged groups. Our services are also aimed at positioning and anti-theft notifications for auto motors and valuables. Recently, The Company's services focus on the development of APP functions in different types of vehicle management systems, such as dispatching system APP and refuse collection APP By providing an impeccable fleet management platform, we are able to help commercial users and government units to improve management efficiency with mobile

devices and online inquiries at any time, and further realizing the improvement of efficiency

8. Instead of real-time monitoring and dispatching requirements of the commercial fleet, customers are more urgently in need of image monitoring and management. The Company is currently working on the development of a video vehicle monitoring and management system. When a vehicle collides or an abnormal situation occurs, the instant recording of the driving can help clarify the incident, further providing impenetrable protection and positioning for vehicles.
9. More and more market players (Market Player), such as retail and logistics, enter the e-commerce market and invest in membership development, looking forward to creating a complete online and offline ecosystem. In addition to the continuous effort of the “My Vita Demonstration Center” in local community and development of membership, we also collaborating with LINE, Facebook and other social platforms to develop potential customers. By analyzing and feeding back to the shopping and browsing information collected by the CRM from both sides, we can create a win-win situation and provide added value for the customers of both parties.
10. In order to be close to the family market and have a more life-oriented interaction with customers, the Company launched a series of home cleaning service in 2017, such as air-conditioning sterilization, water pipes and washing machines cleaning, household appliances, home appliances. The home cleaning industry is a perfectly competitive market, meaning that there are many competitors in the industry. The quality of our competitors tends to vary rapidly and they are constantly engaged in a price competition. Therefore, only by ensuring stable service quality, prompt maintenance and after-sales service, and combining mobile devices to achieve complete online and offline services, can the Company thrive in this competitive market and maintain a competitive edge.

5-1-3. Research and Development

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

2019	NT$ 101,712 thousand
2020 (up to the date of publication of the annual report)	NT$ 25,751 thousand

(2) Research and Development Achievements

A. R&D of smart face and flow image recognition products

Traditional webcams and video recording storage devices are already mature and popularized, and they also have significant benefits for improving the security and safety of the society. However, most products only recall the current image of the incident when the incident occurs, and rarely do real-time analysis or response. Although traditional access control face recognition devices have been used in many important locations, most of the devices require the person to stand at a fixed position for 1-2 seconds for recognition (alignment recognition). This kind of system cannot be applied to dynamic identification (non-aligned identification) in stores or places where people are constantly moving.

As basic technologies such as AI and deep learning become more and more mature, the Company will invest in R&D and integration this year. The Company puts the intelligent image analysis algorithm and face recognition algorithm on the front-end network camera, and uses the camera's edge computing power for image analysis and recognition. This provides the network camera with functions beyond monitoring, analysis capabilities such as dynamic face recognition and flow counting, which can be applied to the dynamic recognition and analysis in the process of smart community and mall management. This has significantly improved the safety, security, and analysis of the management of people flow.

This intelligent network camera system, combined with network image recording storage equipment, can be applied in retail, community, access control, security, and other fields. This system provides application services such as confirming identity, simplifying manpower, and collecting data. It not only has the function of viewing images when an event occurs, but also has the following functions and features:

- Face recognition for black and white lists
  Customers can create data and store multiple photos on the white- and blacklist. The photos can be selected from the host screen or input from the USB device. 16 groups can be established according to the requirements, and a list can be established independently in each group. The recognition time is 1-2 seconds, and the camera can recognize 10 faces at the same time.
- Instant face recognition comparison results can be sent via E-mail, an APP, or uploaded photos. FTP and photos are uploaded to a cloud hard drive.
- Face recognition search
  In-host image search, flash drive input photo search, wandering search, path analysis through facial recognition, face detection report "white list" and "black list" analysis.
- Flow counting detection
  The user can freely choose the position of the counter, be provided with digital screen statistics, view hourly, daily, weekly, and yearly counting statistics, and export EXCEL reports and statistical charts.
- Smart image analysis on mixing line detection
  Users can freely set the mixing line to obtain full-screen warnings, sound warnings, event records, and alarm linkages across the line.
- Smart image analysis for lost objects/remnants detection
  Users can freely set the scale of analysis for lost objects/remnants detection to obtain full-screen warnings, sound warnings, event records, and alarm linkages across the line.
- Take photos regularly, take photos at a self-defined time

B. R&D for community video intercom systems

Existing buildings and communities are aging. In general, the old community gate intercom system generally uses traditional wired equipment. The technology is simple, the equipment cost is low, and it also has access control functions. However, due to the aging equipment and wire-lines, the cost of subsequent maintenance and operation is high. Once the equipment or line fails, the community will shut down the system, and abandon its security functions altogether. This will cause inconvenience and safety risks for the residents.

In view of the above situation, Secom has cooperated with manufacturers to develop a simple configuration power cord, and use a wired or wireless network, with the community gate intercom function of mobile phone (replacing indoor intercoms) and add access control records and intercom records. The system effectively reduces the cost of equipment and the installation of new and old communities, and greatly improves the convenience and safety of residents, visitors, and managers.

This system has the following advantages and features:

- Convenient phone intercom operation at the gate:
  Provide a user-friendly list selection for visitors on touch screens to select the target of intercom calls.
- The door intercom supports multiple door opening methods:
  Considering the differences of each household, such as different use habits, being at home or not at home, and different visitor identities, this system fully

applies various IOT and ICT technologies to provide a variety of door opening methods for personnel identification:

- Intercom unlock
- Password unlock
- Mifare card unlock
- Face recognition unlock
- QR Code unlock
- One-time QR Code unlock
- Bluetooth unlock,
- Mobile phone APP monitoring unlocking
- App functions:
  Support multi-person access control and intercom functions, QR codes, SMS, or e-mail and other registration methods, and households with Master permission can manage the addition, modification, and removal of their own data to improve the residents' autonomy and convenience. Residents moving in and out are added or removed by the community management committee (CMS).

- Multi-function video intercom
- See the image of visitors before answering the intercom call
- Screen-shot during the intercom calls
- If the phone is not answered, the call can be transferred to land lines.
- Provide the situation outside the door
- Support unlock when answered or not answered
- Message notification and announcements:
  Package notification (Lobby device, announced by CMS)
  Community announcement (announced by CMS).
- Other features:
  records and inquiries for answered and missed calls, network disconnection system backup, and complete management platforms.

C. R&D of commercial wireless host products for IoT

Based on the experience of Secom's service in IoT over the past few years, in addition to providing home customers with a smart and safe home environment, the demand for IoT-based services from commercial customers is also increasing. In the beginning, the Company focused on smart home control systems, while the needs and applications of commercial customers are more focused on the integration of imaging, access control, and related commercial equipment. For example, for large commercial customers with a large number of customers, after integrating the existing access control systems and equipment of Secom with commercial mainframes, the Company can provide accurate and safe access control for a larger number of personnel in line with commercial customers. In addition, the integration of the commercial mainframe with the CASETA lighting control system of Litenet (a subsidiary of Secom) provides customers with the required lighting equipment to adjust their office or business plant through the theme setting, thereby achieving the effect of energy saving. In addition to providing customers with more integrated services, the development of new commercial mainframes also focuses on the improvement of system performance and stability. Besides providing customers with more secured and convenient services, the above also reduces operating costs by improving system continuity and stability. The following are the main enhancement projects for commercial mainframe development:

- Providing intuitive operation buttons to facilitate the use of the system.
- In addition to setting operations through the handheld App, commercial

mainframes are also equipped with membrane buttons, and status indicator signals to facilitate the use of the system.

- More peripheral systems and equipment integration to provide customers with comprehensive services.
- Integrated enterprise access control card machines, digital imaging devices, and professional lighting control systems to meet customer needs for different application scenarios.
- Reinforced antenna design to ensure system communication quality
  In order to meet the connection of all kinds of equipment on-site, the commercial mainframes are equipped with Wifi, Zigbee, RF, and other transmission interfaces. In the process of product development, various wireless antenna designs have been verified and confirmed by Japanese and domestic wireless RF laboratories. The purpose is to provide more stable and efficient communication quality for the system.
- Reinforcing the communication protocol of the endpoint device and Gateway wireless transmission.
  Without affecting the security and the normal operation of the system, unnecessary communication frequency of the device and the host is reduced, and the amount of necessary communication packets are also reduced. All of the above can increase the stability of the system operation.
  For operators providing IoT services, providing more types of services to meet customer needs is the top priority. In addition, the continuity and stability of the equipment system directly affect the operating costs. By expanding the service and improving the reliability of the system, in addition to improving customer satisfaction and increasing revenue, we also aim to reduce unnecessary attendance costs.

D. Development of a cloud access control attendance system

In order to provide customers with more comprehensive access control and attendance system integration and services, the Company invested in the development of the "Cloud Access Control and Time Attendance System" in 2019 to provide customers with complete information regarding personnel attendance. In addition to the access control and attendance functions, the cloud access control and attendance system has also added more parameters in the personnel system, such as business trips, leave, overtime, and make-up workdays, and users may apply, review, and approve online, or view related attendance reports. In response to the promulgation of the “one fixed day off and one flexible rest day” regulations in 2018, our system supports statutory bi-weekly, four-week, and eight-week flextime working hours, and can flexibly meet the scheduling needs of various industries (such as cross-night shifts and two-shift jobs). For some companies with few employees and no MIS information department, the cloud access control attendance system saves the customers’ trouble of setting up servers and maintenance. The Company assists with the overall installation and maintenance. We use high-standard TLS v1.2 information security management, so that customers can use it with confidence.

The interface of the new version of the DR.ID access control attendance system is user-friendly, easy to learn and understand. It can greatly reduce trouble for the staff. Completing the equipment and management interface, easy to operate, complete functions, can be adjusted and modified according to needs, and carry forward the data according to the company's existing salary and personnel system needs to be integrated and controlled. To meet management needs, the system architecture is adjusted in time, and tailors the access control and attendance management system to the needs of each customer. The system also retains the expansion possibilities for various functions, such as security connections, elevator floor control, restaurant meals, parking lot control, access route control, equipment graphics control, and other expansion services.

This system has the following advantages and features:

- User interface design features
  The system is intuitive and easy to use like a web page. Browsers that are compatible with various operating systems also provide online operation functions for various mobile devices. With the design method of responsive web design (RWD), this system enables the website to be appropriately presented at different resolutions when browsed on different devices, with the aim of reducing the user's operations such as zooming, panning, and scrolling. Diversified integration of computers, mobile phones, and tablets. Whether users use a mobile phone, tablet, or computer, he/she can log in and use it in accordance with his/her authority access to review the form.
- Meet the needs of human resources in various industries
  Such as: traditional industries, the financial insurance industry, fast food chain catering industry, technology manufacturing, machinery factory production, biotechnology and cultural industries, foreign-funded enterprises, etc.
  This system allows regular staff to set up multi-segment, multi-shifts, flexible working hours, and also allows multi-level management authority personnel to manage according to the divisions. The system can even handle thousands of employees and huge amounts of data. Even employees who are stationed abroad can operate on the same system. The supervisors stationed in the different places may approve the countersignature. For different leave types or days that require different authority levels for approval, there is no need to comply with the organization structure. The approval process can be modified as required.
- Complete module parameter system
  In response to the promulgation of the “one fixed day off and one flexible rest day” regulations, the parameter modules can be adjusted and updated to comply with the law. Our system is flexible and supports statutory bi-weekly, four-week, and eight-week flextime working hours, and can flexibly meet the scheduling needs of various industries (such as cross-night shifts and two-shift jobs). The attendance management of the intelligent module can automatically receive attendance records and check for irregular attendance. Employees can check the application process and the status of the approval process and personal attendance with the set parameters. Supervisors can also keep track of employee attendance at any time.
  For application approval, process parameters can be set flexibly according to organizational structure. The process status can be previewed at any time, signed at any time, and the information is automatically forwarded to the agents. Returning to work can also be signed. We provide customers with smooth and easy management. For application of leave requests on multiple peoples' behalf, the system automatically sends the application through the correct process and encloses supporting documents, accelerates signing, batch signing, supports cancellation of leaves online, supervisor approval, etc. We aim to significantly improve customers’ management efficiency.

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

(1) Future Development Plans

No.	Development Plan
1	Development of cloud attendance and payroll system development

2	Integration and development of face recognition system
3	Development of MiniBond Car Fleet Management System (Digital dashcam)
4	Development of MiniBond human positioning system (Cat-M1/NB-IoT/4G)
5	Development of AED communication module (4G/Sigfox)
6	R&D regarding information security boxes
7	Development of community mobile video Intercom System
8	Development of MyVita+ video intercom system
9	Development of MyVita+ new generation app
10	Development of 119 fire notification device (third generation)
11	Development of network monitoring cloud storage system
12	R&D of the AI image recognition technology algorithm
13	Workplace health management - On-site medical services

A. Short-term Business Development Plan

(1) Product Strategy

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

b. From personal life experience to the safety design of public spaces, from a smart home to broad intelligent community management, we are committed to the integration and interface of cross-system service platforms to seamlessly connect smart solutions with life.

(2) Channel Strategy

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

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

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

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

(3) Promotion Strategy

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

b. The Company participates in large-scale domestic exhibitions, such as smart cities, security expos, etc, to increase the interaction with industry and consumers, so as to understand the current situation of new technology applications and market trends.

B. Long-term Business Development Plan

(1) Product Strategy

a. Under the high uncertainty and high cost of new product development, customers will be listed as important partners in the R&D unit. Together, we will invest in the trial and feedback of new products, and speeding up the time to market is an important product development policy of our Company.

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

c. In the era of the IoT, the scope of enterprise security can range from "physical" to "intangible". In order to reduce the risk of cyber attacks faced by corporate customers, network security products will be one of the most important projects to be promoted and invested in in the future.

(2) Channel Strategy

a. The Group continues to carry out corporate re-engineering and resource reorganization, simplify communication between the groups, and accelerate mutual cooperation, and restructure the Company’s organization of responsibilities to empower local branches to be more flexible and quicker in responding to market situations.

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

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

(3) Promotion strategy

a. The Company pursues its commitment to continuous innovation and transformation, and officially changed its name to "Taiwan Secom Co., Ltd.” The Company aims to break away from the stereotypes of security, and use the strength of science and technology to flip the brand image, so that the mass market may be familiar with and accept the IoT service model of MyVita+ in order to build our brand identity.

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

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

5.2 Market and Sales Overview

5-2-1. Market Analysis

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

(2) Market Share

The traditional security service industry is in full competition, and the market development has entered a mature stage. However, due to the rapid changes in technology and international competition, the demand for "safety" among citizens has been overturned. In order to maintain stable growth, we are constantly seeking opportunities for cross-industry collaborations and innovative applications to enrich the “My Vita” product line and exceed our customers' expectations. At present, the number of customers in the service has exceeded 220,000, making Secom the leading brand and model company of the industry.

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

With techniques of AI image recognition, 5G, NB-IOT and voice control, the young and middle-aged generations have different ways to interact with “safety”, this also brings new prospects for the future. Due to the popularity of technology and the lowering of technical thresholds, the public has a deeper concept of the application of IoT. In the future, the acceptance of wireless smart systems in the consumer market will indeed increase.

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

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

(4) Competitive Advantage

The Company adheres to the principle of "customer safety, service first" and has invested billions to become the first in the industry to establish five centers, information center, control center, research and development center, the country's largest security industry education and training center, and customer service center, the direct channel for 24-hour customer complaints. In the face of the ever-changing criminal tactics, in addition to the R&D center's improved, well-developed and intelligent security products, we also collaborated with Japan's largest security company SECOM (SECOM Co., Ltd) to synchronize with the international market and introduce the latest smart security control system or disaster prevention products from time to time. This naturally becomes a competitive advantage that the industry can't match.

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

(1) Favorable Factors

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

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

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

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

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

(2) Unfavorable Factors

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

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

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

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

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

(3) Countermeasures

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

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

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

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

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

B. The Company participates in domestic and foreign technology-related exhibitions or visits overseas Secom bases, evaluates and introduces new products with competitive advantages or coming from new markets. At the same time, we seek domestic and foreign cooperative manufacturers to integrate the resources of both parties to stimulate market demand.

C. We lay emphasis in the development of community development. We look for partners who complement and benefit the Company’s resources to form strategic alliances and create a smart life circle and deepen the width and breadth of services. Develop indispensable life service for customers, such as companion services, home appliance air conditioning repair and procurement services, water pipes and washing machine cleaning, etc., to break the price of traditional market services and the uneven quality of service providers. Expand the existing service market, and give customers a better option.

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

E. In order to actively build a talent pool and develop training programs, we established the Secom Academy website in 2017, and gradually implement knowledge management in the usual personnel training. The preserving and sharing of experience will help accelerate the replication and re-engineering of quality business apprentices.

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

1. Main Application of Major Products

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

2. Production Procedure: production has been outsourced

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

The Company's main raw materials are equipment related to services such as security services, image monitoring and IoT applications. The supply of various products is developed by the Company's R&D department, with the technical assistance from Japan Secom. The Company mainly commissions domestic manufacturers to manufacture and imported certain equipment from abroad.

5-2-5. Customers accounting for 10%or more of the company's total procurement amount in the two most recent fiscal year:

1. Name of customers accounting for10% or more of the total procurement amount and their names, procurement amount and proportion:

Unit: NT$ thousand

Year / Order	2019				2018				As of the printing date of this annual report (2019)			
	Customer names	Amount	As a percentage of total net procurement	Relation with the issuer	Customer names	Amount	As a percentage of total net procurement	Relation with the issuer	Customer names	Amount	As a percentage of total net procurement	Relation with the issuer
1	Company A	202,703	14.73%	None	Company A	360,111	23.82%	None	Company A	36,769	10.72%	None
2	Others	1,173,579	85.27%		Others	1,151,501	76.18%		Others	306,329	89.28%	
	Total net procurement	1,376,282	100%		Total net procurement	1,511,612	100%		Total net procurement	343,098	100.00%	

(1.) The procurement from Company A has decreased, as the Company has diverted its procurement to other suppliers.

2. Name of customers accounting for10% or more of the total procurement amount and their names, procurement amount and proportion: There is no customers accounting for 10% or more of the total.

5-2-6. Production volume and value in the most recent two years: Not applicable.

5-2-7. Sales volume and value over the past two years:

Unit: NT$ thousand

Year / Item	2019				2018			
	Domestic sales		Export		Domestic sales		Export	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Income from electronic system	-	6,628,124	-	-	-	6,508,762	-	-
Income from static guard service	-	2,259,979	-	-	-	2,307,056	-	-
Income from armored cash delivery	-	1,004,275	-	-	-	893,812	-	-
Income from logistics service	-	857,257	-	-	-	952,162	-	-
Other operating income	-	2,662,042	-	-	-	2,731,827	-	-
Total	-	13,411,677	-	-	-	13,393,619	-	-

5-3. Employee information about Secom and its subsidiaries in the last two years up to the publication date of this annual report

Year		2018	2019	As of March 31, 2020
Number of employees	Salespersons	514	524	512
	Service Engineers	4361	4257	4348
	Manager	373	340	310
	Technicians	809	807	808
	R&D Engineers	83	89	87
	Others	3018	2885	2855
	Total	9158	8902	8920
Average age		40.17	42.00	42.53
Average year of service		6.35	6.80	7.00
Academic qualification Degree distribution ratio%	Ph.D.	0.40	0.00	0.00
	Master‘s	6.06	5.74	5.78
	Bachelor‘s	54.06	55.15	53.29
	High School	31.67	33.47	34.93
	Lower Schools	7.81	5.62	6.00

※Source: Secom’s internal data.

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

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

Taiwan Secom Cultural Foundation also holds various environmental protection and volunteer activities.

(2) In 2019, our company donated NT$31,677 thousand to educational institutes, cultural institutes, and research institutes including Taiwan bands, Taipei Veterans General Hospital and several social welfare foundations related to culture, art and education to make a contribution to the society.

5-5. Labor RelationsHuman resource management:Employee complaint channel: Establish an internal employee complaint channel to resolve labor disputes.

2. Communication of labor and management: The Company regularly holds a management and labor council to communicate with each other and periodically holds a communication meeting depending on the actual needs.
3. Retirement system: The Company allocates the retirement funds from the old system and deposits these funds to the special-purpose bank account in the Bank of Taiwan; the company voluntarily contributes to the retirement funds and deposits these funds to the personal retirement account of employees in accordance with the law. There are 17 retired employees in accordance with the law this year.
4. The company hires disabled employees and aboriginal employees in accordance with the law and conducts measures for prenatal leave, accompanying maternity leave, family care leave and unpaid parental leave for raising children in accordance with related laws and regulations. There are 122 employees applying for family care leave, and there are 16 employees applying for unpaid parental leave.
5. The company organizes promotion work regarding corporate governance and enterprise ethics including insider trading prevention, handling inside information, personal information protection, management measures, etc. This is combined with the performance management system and a definite award and discipline system was also set up.
6. The company allows internship of students from institutes of higher education during the summer vacation for four to five weeks. There are a total of 6 people this year from Ming Chuan University.
7. The company cooperates with the CSR certification of the company, completes relevant certification requirements for the human resource management, and publishes it on the website of the company.

(2) Human resource development (HRD):Our company established a professional training and education department that is in charge of training employees and cultivating high-quality talents for the sustainable growth of the company. The Company invested more than ten thousand NTD in education and training every year. The resources invested are considerable. The Company won the silver medal for TTQS training quality assessment.

2. The Education and Training Division is subordinate to the Vice Chairman's Office (total of 15 members including supervisors and trainers). The division is responsible for matters regarding the HQ's centralized training and regional new employee training (including personnel counseling), and setting up multi-functional training classrooms across Taiwan.
3. The training structure is mainly based on seven programs (operations, service, management, administration, innovation, cultivation and exclusive field program) in order to suit the demand of all positions and capacities, private security service act, occupational safety and health act, etc. The training course is as follows: the career life training of “business executive and service engineers (SE)” is divided into a one-year training program for new employees, annual intensive training and annual cadre training. Except for business executives and SEs, new employees undergo the SECOM vocational training, SECOM growth training, personal staff training, agency management associate training, supervisor training and charging meeting for

executives (celebrity speech and book club), etc.

4. Each unit implements various on-the-job training (OJT) in branches or management offices in order to strengthen the skills and ability of its staff.through the morning paper, the evening paper, honor unity and monthly meeting in branches and management offices to develop team consensus and practice all kinds of skills of colleagues.
5. In this era of knowledge explosion and the demand for certifications, to sufficiently make use of external training resources, our company formulates external training measures (cost subsidy) to encourage employees to continue to self-learning and developing (SD) their vision and strengthen their competitiveness. The company also encourages employees to accept job education programs in school.To maintain the service quality, the company focuses on the technical ability of the service employees and regularly organizes an annual skills test to check if the technical ability of the service employees reaches the standard for all levels. The employees who passed this skills test gets a reward. in order to strengthen various assessments of skill verification, the Company uses the functional classification to classify the content of the certifications at all levels to ensure whether the personnel have the level 1 functional ability before working independently, and to adjust the technical bonuses for all levels of personnel.
7. The Company has established procedures for MyVita+ “Certification for Planners” to verify the employee’ s ability for MyVita+ planning. The Company is building a MyVita+ sales talent database as a reference for appointment and promotion.
8. Cooperates with the extension of “MyVita+” system and integrate the applied service with the Internet of Things (IoT). Apart from basic product training of safety monitoring, the company shall also strengthen the basic knowledge for other professional fields, for example: Smart Disaster Prevention, Smart Care, Smart Home Control System, Smart Energy-saving System, Smart Security System, etc.
9. In order to strengthen the service ability of service personnel, the original training (SE new employee training course (six days) that is conducted by the training personnel of each office base for new employees within 30 days of their first day of work) was modified to service basic I training (at office base/four days) and service basic II Training (concentrated training/four days)
10. We continue to optimize the platform of “Secom Elite School” http://school.secom.com.tw/
11. In order to improve the service staff's inspection capabilities and technical advancement related to MyVita+ services, and to encourage staff morale, the Company held the MyVita+ Level 3 skill competition in October. The winning units and personnel will be awarded with certificates and bonuses.

(3) Welfare measures:

1. Salary: The Company gives a Dragon Boat Festival Bonus, Moon Festival Bonus, and Spring Festival Bonus depending on the annual operating status. There is also bonus sharing.
2. Provides the uniforms: The Company provides the uniforms for the service personnel on the front line to reduce the wardrobe cost of employees.
3. Arranges insurance coverage at liberty: Provides “Safe as Rock Insurance” low insurance premium and allows employees and their spouse and dependents take advantage of this offer if they like in order to increase their protection from economic risks.
4. Health care: The company organizes health examinations for employees and supervisors. The company sets up a physical fitness center in the headquarters to provide employees sports and entertainment activities and organizes the parents-

children activities, such as health lectures and art lectures. The company sets up a professional massage service in the technology building in Neihu district.

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

5-6. Important Contracts

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

Note: The “region” means the area under the jurisdiction of the Government of the Republic of Chin

VI、FINANCIAL INFORMATION PROFILE

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

6-1-1. Condensed Individual Balance Sheet

Unit: NT$ Thousand

Item \ Year		2015	2016	2017	2018	2019
		Financial Information of the Most Recent Five Years				
Current Assets		1,812,185	2,272,740	1,990,918	2,408,678	2,323,049
Property, Plant and Equipment		5,020,236	4,966,761	5,185,551	5,023,609	4,856,574
Intangible Assets		65,375	75,087	80,967	73,197	64,428
Other Assets		10,377,492	9,914,329	10,519,284	10,643,723	11,282,251
Total Assets		17,275,288	17,228,917	17,776,720	18,149,207	18,526,302
Current Liabilities	Before Distribution	4,876,902	5,009,662	4,717,344	5,576,402	5,626,375
	After Distribution	6,681,690	6,588,852	6,522,132	7,381,190	-
Non-current Liabilities		1,731,893	2,682,980	2,937,228	2,253,384	2,160,711
Total Indebtedness	Before Distribution	6,608,795	7,692,642	7,654,572	7,829,786	7,787,086
	After Distribution	8,413,583	9,271,832	9,459,360	9,634,574	-
Share Capital		4,511,971	4,511,971	4,511,971	4,511,971	4,511,971
Additional Paid-In Capital		783,811	853,577	691,334	724,912	763,317
Retained Earnings	Before Distribution	5,720,665	4,524,298	5,338,810	5,541,725	5,810,983
	After Distribution	3,915,877	2,945,108	3,534,022	3,736,937	-
Other Equities		(61,565)	(65,182)	(131,578)	(170,798)	(58,666)
Treasury Stock		(288,389)	(288,389)	(288,389)	(288,389)	(288,389)
Total Equities	Before Distribution	10,666,493	9,536,275	10,122,148	10,319,421	10,739,216
	After Distribution	8,861,705	7,957,085	8,317,360	8,514,633	-

6-1-2. Condensed Consolidated Balance Sheet

Unit: NT$ Thousand

Item \ Year		Financial Information of the Most Recent Five Years				
		2015	2016	2017	2018	2019
Current Assets		6,568,147	7,290,996	7,814,033	7,766,130	8,847,137
Property, Plant and Equipment		6,896,580	7,200,646	7,222,354	7,016,933	6,761,760
Intangible Assets		353,517	481,148	486,496	430,940	419,227
Other Assets		6,453,913	5,269,719	5,400,795	5,674,176	6,470,529
Total Assets		20,272,157	20,242,509	20,923,678	20,888,179	22,498,653
Current Liabilities	Before Distribution	6,958,347	7,245,663	7,115,819	7,480,454	8,570,169
	After Distribution	8,763,135	8,824,853	8,920,607	9,285,242	-
Non-current Liabilities		2,214,918	3,062,612	3,253,545	2,606,987	2,744,360
Total Indebtedness	Before Distribution	9,173,265	10,308,275	10,369,364	10,087,441	11,314,529
	After Distribution	10,978,053	11,887,465	12,174,152	11,892,229	-
Equities Attributable to Shareholders of the Parent		10,666,493	9,536,275	10,122,148	10,319,421	10,319,421
Share Capital		4,511,971	4,511,971	4,511,971	4,511,971	4,511,971
Additional Paid-In Capital		783,811	853,577	691,334	724,912	763,317
Retained Earnings	Before Distribution	5,720,665	4,524,298	5,338,810	5,541,725	5,810,983
	After Distribution	3,915,877	2,945,108	3,534,022	3,736,937	-
Other Equities		(61,565)	(65,182)	(131,578)	(170,798)	(58,666)
Treasury Stock		(288,389)	(288,389)	(288,389)	(288,389)	(288,389)
Non-Controlling Interests		432,399	397,959	432,166	481,317	444,908
Total Equities	Before Distribution	11,098,892	9,934,234	10,554,314	10,800,738	11,184,124
	After Distribution	9,294,104	8,355,044	8,749,526	8,995,950	-

6-1-3. Condensed Individual Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Information of the Most Recent Five Years				
	2015	2016	2017	2018	2019
Revenue	6,830,160	6,893,000	6,989,637	6,909,346	6,990,449
Gross Operating Profit	3,450,551	3,548,202	3,477,559	3,425,157	3,439,876
Operating Profit and Loss	1,533,686	1,662,230	1,526,990	1,570,095	1,587,574
Non-Operating Income and Expense	838,196	(862,010)	890,647	743,937	847,724
Income Before Tax	2,371,882	800,220	2,417,637	2,314,032	2,435,298
Current Net Profit and Loss of the On-Going Operating Unit	2,062,441	615,314	2,205,567	2,046,828	2,136,561
Profit and Loss of the Non-Operating Unit	-	-	-	-	-
Current Net Profit	2,062,441	615,314	2,205,567	2,046,828	2,136,561
Current Other Comprehensive Income (net amount after tax)	(291,308)	(10,510)	(103,860)	(64,768)	49,617
Current Total Comprehensive Income	1,771,133	604,804	2,101,707	1,982,060	2,186,178
Earnings Per Share (dollar)	4.68	1.40	5.00	4.64	4.85

6-1-4. Condensed Consolidated Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Information of the Most Recent Five Years				
	2015	2016	2017	2018	2019
Revenue	13,288,487	13,480,185	13,054,756	13,393,619	13,411,677
Gross Operating Profit	4,785,053	4,981,808	4,648,251	4,907,043	4,892,670
Operating Profit and Loss	2,411,082	2,628,529	2,221,926	2,560,635	2,533,016
Non- Operating Income and Expense	181,122	(1,595,422)	399,980	(15,860)	145,802
Income Before Tax	2,592,204	1,033,107	2,621,906	2,544,775	2,678,818
Current Net Profit of the Continued Operating Unit	2,104,393	643,064	2,234,540	2,099,135	2,176,779
Loss of the Non-Operating Unit	-	-	-	-	-
Current Net Profit	2,104,393	643,064	2,234,540	2,099,135	2,176,779
Current Other Comprehensive Income (net amount after tax)	(286,001)	(17,778)	(110,803)	(64,144)	53,821
Current Total Comprehensive Income	1,818,392	625,286	2,123,737	2,034,991	2,230,600
Net Profit Belonging to the Owner of the Head Company	2,062,441	615,314	2,205,567	2,046,828	2,136,561
Net Profit Belonging to the Non-Control Equities	41,952	27,750	28,973	52,307	40,218
Comprehensive Income Belonging to the Owner of the Head Company	1,771,133	604,804	2,101,707	1,982,060	2,186,178
Comprehensive Income Belonging to the Non-Control Equities	47,259	20,482	22,030	52,931	44,422
Earnings Per Share (dollar)	4.68	1.40	5.00	4.64	4.85

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

Year	Names of the Firms	Names of the Accountants	Audit Opinion
2015	Ernst & Young United Accounting Firm	YU Chien-Ju, CHANG Lan-Ching	Unqualified Opinion
2016	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min (note)	Unqualified Opinion
2017	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min	Unqualified Opinion
2018	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min	Unqualified Opinion
2019	Ernst & Young United Accounting Firm	YU Chien-Ju, HSU Hsin-Min	Unqualified Opinion

Remark: replacing accountant for internal scheduling

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

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

Item \ Year		Financial Analysis of the Most Recent Five Years				
		2015	2016	2017	2018	2019
Financial Structure (%)	Debt Asset Ratio	38.26	44.65	43.06	43.14	42.03
	Ratio of Long term funds to Property, Plant and Equipment	246.97	246.02	251.84	250.27	265.62
Debt-Paying Ability(%)	Current Ratio	37.16	45.37	43.09	43.19	41.29
	Quick Ratio	30.60	38.74	35.55	35.89	34.33
	Interest Coverage Ratio	199.32	35.44	96.42	86.84	96.35
Operating Ability	Receivables Turnover Ratio	9.07	8.60	9.09	9.21	9.03
	Average Collection Days	40	42	40	40	40
	Inventory Turnover Rate (times)	5.95	4.77	4.66	4.72	4.84
	Average Inventory Turnover Days	61	77	78	77	75
	Account Payable Turnover Rate (times)	8.18	7.50	6.27	6.00	7.21
	Property, Plant and Equipment Turnover Rate (times)	1.59	1.38	1.38	1.35	1.42
	Total Assets Turnover Rate (times)	0.41	0.40	0.40	0.38	0.38
Profitability	Return on Assets (%)	12.33	3.68	12.72	11.52	11.76
	Return on Equity (%)	19.39	6.09	22.44	20.03	20.29
	Operating Income as a percentage of paid-in capital	33.99	36.84	33.84	34.80	35.19
	Rate of Pre-Tax Net Profit on Paid-in Capital(%)	52.57	17.74	53.58	51.29	53.97
	Net Profit Rate(%)	30.20	8.93	31.55	29.62	30.56
	Earnings Per Share (dollar)	4.68	1.40	5.00	4.46	4.85
Cash flow	Cash Flow Ratio(%)	44.84	46.92	49.98	40.46	36.06
	Cash Flow Adequacy Ratio(%)	75.57	68.39	69.12	71.82	71.75
	Cash Re-Investment Ratio(%)	2.20	3.10	4.11	2.45	1.20
Leverage	Operating Leverage	1.55	1.54	1.61	1.60	1.66
	Financial Leverage	1.01	1.01	1.02	1.02	1.02

The reason for the any difference of the financial ration for each item in the last 2 years

1. Compared with last year, the “Accounts Payable Turnover Rate” had a variation of 20.17%. This is due to the decrease in average payables this year.
2. Compared with last year, the “Cash Re-Investment Ratio” had a change difference of 51.02%. This is due to the decrease in the cash inflow from operating activities this year.

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

Item	Year	Financial Analysis of the Most Recent Five Years				
		2015	2016	2017	2018	2019
Financial Structure (%)	Debt Asset Ratio	45.25	50.92	49.56	48.29	50.29
	Ratio of Long term funds to Property, Plant and Equipment	193.05	180.50	191.18	191.08	205.99
Debt-Paying Ability(%)	Current Ratio	94.39	100.63	109.81	103.82	103.23
	Quick Ratio	82.08	90.79	98.08	92.66	94.07
	Interest Coverage Ratio	100.62	29.32	72.08	70.56	67.43
Operating Ability	Receivables Turnover Ratio	9.81	9.74	10.23	11.12	11.41
	Average Collection Days	38	38	36	33	32
	Inventory Turnover Rate (times)	3.59	3.87	4.29	4.43	4.74
	Average Inventory Turnover Days	102	95	86	83	78
	Account Payable Turnover Rate (times)	11.56	11.64	9.61	9.52	11.04
	Property, Plant and Equipment Turnover Rate (times)	2.16	1.91	1.81	1.88	1.95
	Total Assets Turnover Rate (times)	0.66	0.67	0.63	0.64	0.62
Profitability	Return on Assets (%)	10.58	3.32	11.00	10.19	10.19
	Return on Equity (%)	18.98	6.11	21.81	19.66	19.80
	Operating Income as a percentage of paid-in capital	213.75	233.03	196.98	227.01	224.56
	Rate of Pre-Tax Net Profit on Paid-in Capital(%)	57.45	22.90	58.11	56.40	59.37
	Net Profit Rate(%）	15.84	4.77	17.12	15.67	16.23
	Earnings Per Share (dollar)	4.68	1.40	5.00	4.64	4.85
Cash flow	Cash Flow Ratio(%)	47.69	49.51	47.97	37.86	36.23
	Cash Flow Adequacy Ratio(%)	97.81	96.63	95.17	107.13	101.04
	Cash Re-Investment Ratio(%)	7.44	8.61	8.41	4.79	6.01
Leverage	Operating Leverage	1.47	1.45	1.55	1.47	1.57
	Financial Leverage	1.01	1.01	1.02	1.01	1.02

The reason for the any difference of the financial ration for each item in the last 2 years

1. The change in "Interest Coverage Ratio" compared with the previous year was 145.84%. This is mainly due to the increase in current year profit.

Remark: calculation formulas are as follows:

1.Financial Structure

(1)Debt Asset Ratio＝Total Indebtedness / Total Assets

(2)Ratio to Long term funds to Property, Plant and Equipment＝（Net Equity＋Non-Current Liabilities）／ Real Property, Factory and Facilities Net

2.Debt-Paying Ability

(1)Current Ratio＝Current Assets／Current Liabilities

(2)Quick Ratio＝（Current Assets－Inventory－Prepaid Expense）／Current Liabilities

(3)Interest Coverage Ratio＝Net Income before Tax and Interest Expense／Interest Expense

3.Operating Ability

(1) Accounts Receivable Turnover rate (including accounts receivable and bills receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)

(2)Average Collection Days＝365／Receivables Turnover Rate

(3) Inventory Turnover Rate= Cost of sales/Average inventory

(4) Payables Turnover Rate (including accounts payable and bills payable from business activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)

(5)Average Inventory Turnover Days＝365／Inventory Turnover

(6)Property, Plant and Equipment Turnover Rate＝Net Sales／Real Property, Factory and Facilities Net(Average)

(7)Total Assets Turnover Rate＝Net Sales／Total Assets(Average)

4.Profitability

(1)Return on Assets＝〔Net Income＋Interest Expense×（1－tax rate）〕／ Average Total Assets

(2)Return on Equity＝Net Income／Average Net Equity

(3)Profit Ratio＝Net Income／Net Sales

(4) Earnings Per Share = (Income attributable to owners of the parent company - Preferred shares dividends)/Weighted average number of shares issued

5.Cash Flow

(1) Cash Flow Ratio = Net cash flows from operating activities/Current liabilities

(2) Net Cash Flow Adequacy Ratio= Net cash flow from operating activities for the most recent five years /(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years

(3) Cash Re-investment Ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6.Leverage：

(1)Operation Leverage＝(Net Operating Income－Operating Variable Cost and Expense) ／ Operating Income

(2)Financial Leverage＝Operating Income ／ (Operating Income－Interest Expense)

Inspection Report of the Audit Committee

The Board of Directors completed the Company's 2019 business report, financial statements (including consolidated financial statements, individual financial statements), and appropriation of earnings. The financial statements have been certified by Yu, Chien-Ju and Hsu, Hsin-Min of Ernst & Young Global Limited Certified Public Accountants who have issued the audit report. The business report, financial statements, and appropriation of earnings mentioned above have been approved by the Audit Committee and considered correct and accurate in accordance with Article 14-4 of the Securities & Exchange Act and Article 219 of the Company Act. These reports are hereby submitted for review.

2020 Annual Shareholders' Meeting of Taiwan Secom Co., Ltd.
Taiwan Secom Co., Ltd.
Audit Committee Convener: CHEN Tien-Wen
March 20th, 2020

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

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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment on Investments Accounted for Under the Equity Method

As of December 31, 2019, the Company and its subsidiaries' investments accounted for under the equity method amounted to NT$3,345,514 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 and its subsidiaries', 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 its subsidiaries', and the appropriateness of the disclosures of accounting assumption. Please refer to Notes 5 and 6.

2. Revenue Recognition

Revenue recognized by the Company and its subsidiaries' amounted to NT$13,411,677 thousand for the year ended December 31, 2019, 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.

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 16, "Leases" starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion 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, 2019 and 2018.

Yu, Chien-Ju

Hsu, Hsin-Min

Ernst & Young, Taiwan
March 20, 2020

Notice to Readers
The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The

standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

		As of			
		December 31, 2019		December 31, 2018	
Assets	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4 and 6	$6,315,683	28	$5,021,795	24
Financial assets at fair value through profit or loss, current	4 and 6	6,295	-	6,124	-
Financial assets at fair value through other comprehensive income, current	4 and 6	28,050	-	165,764	1
Financial assets measured at amortized cost, current	4 and 6	208,578	1	203,363	1
Contract assets, current	4 and 6	122,204	-	110,715	-
Notes receivables, net	4 and 6	187,506	1	233,423	1
Accounts receivables, net	4 and 6	736,475	3	755,237	4
Accounts receivables from related parties, net	4, 6 and 7	162,428	1	198,158	1
Operating lease receivables, net	4 and 6	55,602	-	-	
Finance lease receivables, net	4 and 6	48,465	-	40,483	-
Inventories, net	4 and 6	350,821	2	315,774	2
Prepayments		434,700	2	518,897	2
Other current assets		190,330	1	196,397	1
Total current assets		8,847,137	39	7,766,130	37
Non-current assets					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	381,307	2	475,954	2
Financial assets measured at amortized cost, non-current	4 and 6	112,406	1	99,655	-
Investments accounted for under the equity method	4 and 6	3,345,514	15	3,217,147	15
Property, plant and equipment	4, 6, 7 and 8	6,761,760	30	7,016,933	34
Right-of-use assets, net	4 and 6	538,484	2	-	-
Investment property, net	4 and 6	63,125	-	63,636	-
Intangible assets	4 and 6	419,227	2	430,940	2
Deferred tax assets	4 and 6	415,212	2	413,705	2
Prepayment for equipment	7	1,034,383	5	789,301	4
Refundable deposits	7	288,342	1	350,206	2
Long-term receivables	6	48,451	-	42,359	-
Long-term lease receivables	4 and 6	133,990	1	120,499	1
Other assets, non-current	6 and 8	109,315	-	101,714	1
Total non-current assets		13,651,516	61	13,122,049	63
Total assets		$22,498,653	100	$20,888,179	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 BALANCE SHEETS

December 31, 2019 and December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

		As of			
		December 31, 2019		December 31, 2018	
Liabilities and Equity	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	4, 6 and 8	$3,770,000	17	$2,550,000	12
Short-term bills payable	6	350,000	1	-	-
Contract liabilities, current	4 and 6	1,287,933	6	1,289,681	6
Notes payables		216,584	1	300,520	1
Accounts payables		460,753	2	525,246	3
Accounts payables to related parties	7	15,213	-	25,626	-
Other payables	6 and 7	1,706,713	8	1,560,329	7
Current tax liabilities	4 and 6	260,060	1	325,047	2
Lease payables, current	6	201,503	1	-	-
Current portion of long-term loans	4, 6 and 8	184,000	1	684,000	3
Other current liabilities	4 and 6	117,410	-	220,005	1
Total current liabilities		8,570,169	38	7,480,454	35
Non-current liabilities					
Long-term loans	4, 6 and 8	166,000	1	350,000	2
Provisions, non-current	4	7,200	-	7,200	-
Lease liabilities, non-current	6	337,624	1	-	-
Lease payables, non-current	4 and 6	-	-	24,947	-
Net defined benefit liabilities, non-current	4 and 6	1,580,847	7	1,580,568	8
Guarantee deposits	6	652,689	3	644,152	3
Other liabilities, non-current		-	-	120	-
Total non-current liabilities		2,744,360	12	2,606,987	13
Total liabilities		11,314,529	50	10,087,441	48
Equity attributable to the parent					
Capital	6				
Common stock		4,511,971	20	4,511,971	22
Additional paid-in capital	6	763,317	3	724,912	3
Retained earnings	6				
Legal reserve		3,527,515	16	3,322,832	16
Special reserve		170,798	1	131,578	1
Unappropriated earnings		2,112,670	9	2,087,315	10
Other components of equity	4 and 6	(58,666)	-	(170,798)	(1)
Treasury stock	4, 6 and 8	(288,389)	(1)	(288,389)	(1)
Non-controlling interests	6	444,908	2	481,317	2
Total equity		11,184,124	50	10,800,738	52
Total liabilities and equity		$22,498,653	100	$20,888,179	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, 2019 and 2018

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

		2019		2018	
Item	Notes	Amount	%	Amount	%
Operating revenue	4, 6 and 7	$13,449,785	100	$13,433,426	100
Less : Sales returns and allowances	6	(38,108)	-	(39,807)	-
Net revenue		13,411,677	100	13,393,619	100
Operating costs	6 and 7	(8,519,007)	(63)	8,486,576	63
Gross profit		4,892,670	37	4,907,043	37
Operating expenses	6 and 7				
Sales and marketing expenses		(764,063)	(6)	(793,888)	(6)
General and administrative expenses		(1,481,595)	(11)	(1,434,638)	(11)
Research and development expenses		(101,712)	(1)	(105,347)	(1)
Expected credit losses		(12,284)	-	(12,535)	-
Subtotal		(2,359,654)	(18)	(2,346,408)	(18)
Operating income		2,533,016	19	2,560,635	19
Non-operating income and loss					
Other income	6	41,720	-	48,624	-
Other gains and losses	6	(16,471)	-	(94,732)	(1)
Finance costs	6	(40,323)	-	(36,583)	-
Share of profit or loss of associates accounted for using the equity method		160,876	1	66,831	1
Subtotal		145,802	1	(15,860)	-
Income before income tax		2,678,818	20	2,544,775	19
Income tax expenses	4 and 6	(502,039)	(4)	(445,640)	(3)
Net income		2,176,779	16	2,099,135	16
Other comprehensive income	6				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		(102,987)	(1)	(86,435)	(1)
Unrealized gains on financial assets at fair value through other comprehensive income		105,817	1	(40,545)	-
Share of other comprehensive (loss) income of associates and joint ventures-may not be reclassified subsequently to profit or loss		43,722	-	(2,147)	-
Income tax related to items that will not be reclassified		8,755	-	16,730	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		5,899	-	50,778	-
Share of other comprehensive (loss) income of associates and joint ventures-may be reclassified subsequently to profit or loss		(7,385)	-	(2,525)	-
Total other comprehensive (loss) income, net of tax		53,821	-	(64,144)	(1)
Total comprehensive income		$2,230,600	16	$2,034,991	15
Net income attributable to:					
Shareholders of the parent		$2,136,561		$2,046,828	
Non-controlling interests	6	40,218		52,307	
Comprehensive income attributable to:					
Shareholders of the parent		$2,186,178		$1,982,060	
Non-controlling interests	6	44,422		52,931	
Earnings per share (NT$)	6				
Basic earnings per share		$4.85		$4.64	
Diluted earnings per share		$4.84		$4.64	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Description	Equity Attributable to the Parent Company										Non-Controlling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of Equity			Treasury Stock	Total		
			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				
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 retrospective 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
Balance as of January 1, 2019	$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
Appropriations and distributions of 2018 unappropriated earnings												
Legal reserve	-	-	204,683	-	(204,683)	-	-	-	-	-	-	-
Special reserve	-	-	-	39,220	(39,220)	-	-	-	-	-	-	-
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	-	(568)	-	-	-	-	-	-	-	(568)	2,723	2,155
Donated surplus	-	-	-	-	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	2,136,561	-	-	-	-	2,136,561	40,218	2,176,779
Other comprehensive (loss) income, net of tax in 2019	-	-	-	-	(87,783)	(3,804)	141,204	-	-	49,617	4,204	53,821
Total comprehensive income	-	-	-	-	2,048,778	(3,804)	141,204	-	-	2,186,178	44,422	2,230,600
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	25,268	-	(25,268)	-	-	-	728	728
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973	-	38,973
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(84,282)	(84,282)
Balance as of December 31, 2019	$4,511,971	$763,317	$3,527,515	$170,798	$2,112,670	$(102,657)	$43,991	$-	$(288,389)	$10,739,216	$444,908	$11,184,124

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 CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Description	2019	2018
Cash flows from operating activities:		
Profit before tax from continuing operations	$2,678,818	$2,544,775
Net income before tax	2,678,818	2,544,775
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Expected credit losses	12,284	12,535
Depreciation	1,379,680	1,134,958
Amortization	60,072	65,580
Interest expense	40,323	36,583
Interest revenue	(21,996)	(14,233)
Dividend income	(10,174)	(17,130)
(Gain) loss of financial assets at fair value through profit or loss	(171)	445
(Gain) loss on disposal of investments	(1,419)	32,352
Loss on disposal of property, plant and equipment	17,372	10,335
Loss on disposal of intangible assets	133	-
Share of loss of associates accounted for using the equity method	(160,876)	(66,831)
Impairment loss	-	46,978
Loss on lease modification	582	-
Changes in operating assets and liabilities:		
Contract assets	(11,489)	(76,188)
Notes receivables, net	45,917	15,953
Accounts receivables, net	1,837	(94,668)
Accounts receivables from related parties, net	62,730	(27,601)
Inventories, net	(138,161)	(62,113)
Prepayments	94,788	76,638
Other current assets	(21,955)	45,878
Operating lease receivables	(55,602)	-
Finance lease receivables	(21,473)	28,548
Long-term receivables	(6,092)	4,025
Contract liabilities	(1,748)	111,910
Notes payables	(85,378)	(71,269)
Accounts payables	(64,746)	(14,378)
Accounts payables to related parties	(11,135)	3,326
Other payables	152,602	(565,939)
Other current liabilities	(155,937)	42,262
Provisions	(121)	-
Net defined liabilities, non-current	(101,288)	(69,176)
Cash generated from operations	3,677,377	3,133,555
Interest received	21,204	11,233
Interest paid	(32,072)	(36,535)
Income tax paid	(561,501)	(276,298)
Net cash provided by operating activities	3,105,008	2,831,955
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(185,137)	(200,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	508,223	30,853
Capital deducted by cash of financial assets at fair value through other comprehensive income	21,714	16,394
Acquisition of financial assets measured at amortized cost	(650,579)	(208,776)
Proceeds from disposal of financial assets measured at amortized cost	632,613	50,817
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	1,289
Acquisition of investments accounted for using the equity method	-	(4,622)
Proceeds from disposal of investments at equity method	79,210	-
Decrease in prepayment for investments	-	20,000
Acquisition of property, plant and equipment	(846,143)	(925,012)
Proceeds from disposal of property, plant and equipment	38,598	41,074
Acquisition of intangible assets	(48,492)	(54,517)
Increase in prepayment for equipment	(245,082)	(11,233)
Decrease (increase) in refundable deposits	61,864	(91,893)

Decrease (increase) in other assets	31,145	(41,191)
Dividends received	65,259	117,949
Net cash used in investing activities	(536,807)	(1,258,868)
Cash flows from financing activities:		
Increase in short-term loans	1,220,000	345,615
Increase (decrease) in short-term bills payable	350,000	(154,952)
Decrease in long-term loans	(684,000)	(239,000)
Cash payments for the principal portion of lease liability	(283,618)	-
Increase in lease payables	-	14,393
Increase in guarantee deposits	8,323	9,282
Cash dividends paid	(1,804,788)	(1,801,829)
Changes in non-controlling interests	(84,752)	(5,720)
Net cash used in financing activities	(1,278,835)	(1,832,211)
Effect of exchange rate changes on cash and cash equivalents	4,522	(9,521)
Net increase (decrease) in cash and cash equivalents	1,293,888	(268,645)
Cash and cash equivalents at beginning of year	5,021,795	5,290,440
Cash and cash equivalents at end of year	$6,315,683	$5,021,795

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, 2019 AND 2018
(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..

The Company changed the Chinese name and was approved by Taipei City Government on July 23, 2019.

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, 2019 and 2018 were authorized for issue by the Board of Directors on March 22, 2020.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

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 Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was 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. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.

c. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized 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 previously classified as operating leases

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

On January 1, 2019, the Group's right-of-use asset and lease liability increased by NT$619,788 thousand and NT$619,788 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Group reclassified 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 January 1, 2019.

(iii) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(iv) As of January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.125%.
ii. The explanation for the difference of NT157,744 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$777,532
Discounted using the incremental borrowing rate on January 1, 2019	$712,310
Less: adjustment to leases that meet and elect to account in the same way as short-term leases (if any)	(78,469)
Less: adjustment to leases that meet and elect the underlying asset of low value (if any)	(14,053)
The carrying value of lease liabilities recognized as of January 1, 2019	$619,788

d. The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

(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	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. 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.

B. Definition of 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.

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

a. highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

b. prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

c. IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

d. separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

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 January 1, 2020. The remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not 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 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	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

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. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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. The remaining new or amended 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, 2019 and 2018 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

<u>Preparation principle of consolidated financial statements</u>

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, 2019	December 31, 2018
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	91.82%	91.82%
The Company, Goyun Security Co., Ltd., and Kuo Hsing Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Building management services providing	100.00%	100.00%
The Company, Speed Investment Co., Ltd., and Kuo Hsing Security Co., Ltd.	Lee Way Electronics Co., Ltd.	Police-Citizen connection and AED rental services	90.24%	90.24%
The Company and Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Video Sales and rental services	100.00%	100.00%
The Company and Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	Corporate security guarding services	85.22%	85.22%
The Company and Speed Investment Co., Ltd.	Zhong Bao Insurance Broker Inc.	Insurance broker	70.00%	70.00%
The Company, Speed Investment Co., Ltd and Titan Star International Co., Ltd.	Taiwan Video System Co., Ltd.	Sales and manufacture of digital signage and monitors	85.48%	85.48%
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	71.42%	71.42%
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Automated Teller Machine	100.00%	100.00%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%) December 31, 2019	Percentage of ownership (%) December 31, 2018
		(ATM) services		
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 (Note 1)	-	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 (Note 2)	100.00%	99.30%
Speed Investment Co., Ltd.	Jiansheng International Co., Ltd.	Retail of medical equipment	100.00%	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	64.30%	64.30%
Speed Investment Co., Ltd and CHOPPA Tech Co., Ltd.	Livingplus Food and Beverage Co. Ltd. (2018: Zhan Good Team Inc.)	Catering services (Note 3)	96.25%	92.11%
Zhong Bao Security Holding (Samoa) Company Limited	Zhong Bao Security Holding (Mauritius) Company Limited	Investment holding (Note 4)	-	100.00%
Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	The custom broker services	100.00%	100.00%
Kuo Hsing Security Co., Ltd.	Zhong Bao Lease Co., Ltd.	Mini-Storage rental services	100.00%	100.00%
Goyun Security Co., Ltd.	Guoyun 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%
Speed Investment Co., Ltd., Aion Computer Communication Co., Ltd. and Titan Star International Co., Ltd.	Brightron Technology and Engineering Corporation (2018: LITENET Corporation)	Light controlling system services (Note 5)	93.87%	80.84%
Peregrine Soleil Asset Holdings Limited	GC&C Holdings Limited	Investment holding	100.00%	100.00%
Taiwan Video System Co., Ltd.	TVS Germany GmbH	Sales of digital signage, monitors, and etc.	100.00%	100.00%
Speed Investment Co., Ltd	Sunseap Solutions Taiwan Limited	Energy-saving solutions technology (Note 6)	51%	-

Note 1: Zhong Bao Security Holding (Samoa) Company Limited have been dissolved in November 2019.

Note 2: Speed Investment Co., Ltd. acquired the stocks of Comlink Fire Systems Inc. from its non-controlling interest shareholders amounted to NT$904 thousand in November 2019. The percentage of ownership was increased by 0.70%.

Note 3: Approved by Taipei City Government on September 6, 2019, the name of Zhan Food Team Inc. was changed to Livingplus Food and Beverage Co. Ltd.. CHOPPA Tech Co., Ltd. and Speed Investment Co., Ltd. participated in the capital injection in cash of Livingplus Food and Beverage Co. Ltd. in January 2019 and September 2019 and increase the percentage of ownership by 1.89% and 2.25%, respectively.

Note 4: Zhong Bao Security Holding (Mauritius) Company Limited have been dissolved in November 2019.

Note 5: Approved by Taipei City Government on December 10, 2019, the name of LITENENT Corporation was changed to Brightron Technology and Engineering Corporation. Speed Investment Co., Ltd., Aion Computer Communication Co., Ltd., and Titan Star International Co., Ltd. participated in the capital injection in cash of Boightron Technology and Engineery corporation in November 2019 and December 2019 to increase the percentage of ownership by 13.03%.

Note 6: Speed Investment Co., Ltd. acquired 51% shares of Sunseap Solutions Taiwan Limited amounted to NT$3,060 thousand in December 2019.

(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* 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

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 following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. 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 time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(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* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The 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.

<u>Financial assets measured at amortized cost</u>

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.

B. Impairment of financial assets

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 balance sheet.

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.

d. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), 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.

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* 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 liabilities or financial assets and financial liabilities 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.

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.

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 January 1, 2019: 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
Rental assets	2~6 years
Other equipment	6~20 years
Right-of-use assets/leased assets (note)	1~15 years

Note: The Group reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

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

The accounting policy from January 1, 2019 as follow:

The Group's owned 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, 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*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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.

The Group transfers to or from investment properties when there is a change in use for these assets. 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.

The accounting policy before January 1, 2019 as follow:

The Group's 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 *Property, plant and equipment* 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.

The Group transfers to or from investment properties when there is a change in use for these assets.

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

(14) Leases

<u>The accounting policy from January 1, 2019 as follow:</u>

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. 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.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

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. 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.

Customer relationship

The cost of customer relationship is amortized on a straight-line.

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	Goodwill
Useful lives	Finite	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	No amortization
Internally generated or acquired	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.

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 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:

<u>Sale of goods</u>

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.

<u>Rendering of services</u>

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.

(20) Borrowing costs

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

(21) Post-employment benefits

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

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

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

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

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

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

(22) Share-based payment transactions

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

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

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

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

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

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

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

(23) Income taxes

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

<u>Current income tax</u>

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

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

<u>Deferred tax</u>

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.

C. Significant influence of affiliated enterprises

The Group holds less than 20% voting rights in some certain affiliated enterprises. However, after taking into consideration that the Group has the representation on the board of directors or equivalent governing body of the investee and other factors over certain affiliated enterprises. The Group has significant influence. Please refer to Note 6 for further details.

(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, 2019.

E. Accounts receivables–estimation of impairment loss

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.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Petty cash	$11,264	$12,495
Cash on hand for cash delivery service	1,067,720	977,780
Checking and saving accounts	3,897,678	2,791,476
Time deposits	44,570	118,570
Cash equivalents	1,294,451	1,121,474
Total	$6,315,683	$5,021,795

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

	As of December 31,	
	2019	2018
Financial assets designated at fair value through profit or loss:		
Fund	$6,295	$5,991
Open-end funds	-	133
Total	$6,295	$6,124
Current	$6,295	$6,124
Non-current	-	-
Total	$6,295	$6,124

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,	
	2019	2018
Equity instrument investments measured at fair value through other comprehensive income:		
Listed companies stocks	$69,207	$329,473
Unlisted companies stocks	144,150	141,045
Real estate investment trust	196,000	171,200
Total	$409,357	$641,718
Current	$28,050	$165,764
Non-current	381,307	475,954
Total	$409,357	$641,718

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

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are NT $10,174 thousand and NT $17,130 thousand, respectively.

In consideration of the Group's investment strategy, the Group disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2018 and 2019 are as follow:

	For the years ended December 31,	
	2019	2018
The fair value of the investments at the date of derecognition	$508,223	$30,853
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	25,268	(5,191)

(4) Financial assets measured at amortized cost

	As of December 31,	
	2019	2018
Financial bond	$-	$19,974
Time deposit	320,984	283,044
Less: loss allowance	-	-
Total	$320,984	$303,018
Current	$208,578	$203,363
Non-current	112,406	99,655
Total	$320,984	$303,018

The Group classified certain financial assets as measured at amortized cost. Please refer to Note 6 for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(5) Notes receivable

	As of December 31,	
	2019	2018
Notes receivables arising from operating activities	$187,506	$233,423
Less: loss allowance	-	-
Total	$187,506	$233,423

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(23) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivables, accounts receivables from related parties, and long-term receivables

	As of December 31,	
	2019	2018
Accounts receivables	$777,143	$792,696
Less: loss allowance	(40,668)	(37,459)
Subtotal	736,475	755,237
Accounts receivables from related parties	162,428	198,158
Less: loss allowance	-	-
Subtotal	162,428	198,158
Operating lease receivables	55,602	-
Less: loss allowance	-	-
Subtotal	55,602	-
Long-term receivables	48,451	42,359
Less: loss allowance	-	-
Subtotal	48,451	42,359
Total	$1,002,956	$995,754

Accounts receivables were not pledged.

Accounts receivables are generally on 15-120 day terms. The total carrying amount as of December 31, 2019 and 2018 are NT$1,043,624 thousand and NT$1,033,213 thousand. Please refer to Note 6(23) for more details on loss allowance of accounts receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(7) Lease receivables

	As of December 31,			
	2019(Note)		2018	
	Current	Non-current	Current	Non-current
Lease receivables			$43,674	$126,196
Less: Unearned finance income on finance lease			(3,191)	(5,697)
Lease receivables, net			$40,483	$120,499

The expected recovery of the lease receivable is as follows:

	As of December 31,	
	2019(Note)	2018
Within one year		$43,674
Over one year and within five years		124,147
Over five years		2,049
Total		$169,870

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(8) Inventories

	As of December 31,	
	2019	2018
Merchandise inventories	$275,163	$253,423
Finished goods	4,211	2,454
Raw materials	58,962	45,875
Others	12,485	14,022
Total	$350,821	$315,774

The cost of inventories recognized in expenses amounted to NT$867,961 thousand and NT$743,336 thousand for the years ended December 31, 2019 and 2018, respectively, including the write-down of inventories of NT$0 thousand for both years.

No inventories were pledged.

(9) Investments accounted for under the equity method

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

	As of December 31,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
<u>Listed companies</u>				
Goldsun Building Materials Co., Ltd.	$2,994,407	13	$2,856,666	13
TransAsia Airways Corp.	-	12	-	12
Subtotal	2,994,407		2,856,666	
<u>Non-listed companies</u>				
Tech Elite Holdings Ltd.	-	39	-	39
Yon Geng Healthcare Management Co., Ltd.	-	-	9,797	38
Anfeng Enterprise Co., Ltd.	13,706	30	13,570	30
Huaya Development Co., Ltd.	294,734	50	296,660	50
ESKYLINK INC.	19,307	20	17,461	20
Tian-sha Food, Ltd.	23,360	30	22,993	30
Subtotal	351,107		360,481	
Total	$3,345,514		$3,217,147	

The Group possessed less than 20% of ownership of Goldsun Building Material Co., Ltd.. However, the key management of Group is also the chairman of the board of the Goldsun Building Materials Co., Ltd.. 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 key management 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$2,731,756 thousand and NT$1,588,444 thousand, as of December 31, 2019 and 2018, 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,	
	2019	2018
Current assets	$14,943,886	$12,529,732
Non-current assets	22,101,127	23,179,348
Current liabilities	(9,955,912)	(11,021,908)
Non-current liabilities	(5,613,214)	(4,106,880)
Equity	21,475,867	20,580,292
Non-controlling interests	(1,091,518)	(1,097,997)
Shareholders of the parent	20,384,349	19,482,295
Proportion of the Group's ownership	13.45%	13.45%
Subtotal	2,741,695	2,620,369
Goodwill	222,792	222,792
Others	29,920	13,505
Carrying amount of the investment	$2,994,407	$2,856,666

	For the years ended December 31,	
	2019	2018
Operating revenue	$19,005,069	$18,644,806
Profit or loss from continuing operations	1,185,961	591,187
Other comprehensive income	161,018	(29,426)
Total comprehensive income	$1,346,979	$561,761

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$351,107 thousand and NT$360,481 thousand, as of December 31, 2019 and 2018, respectively. The aggregate financial information based on Group's share of other companies is as follows:

	For the years ended December 31,	
	2019	2018
Profit or loss from continuing operations	$7,891	$6,886
Other comprehensive income (post-tax)	-	-
Total comprehensive income	$7,891	$6,886

The associates had no contingent liabilities or capital commitments as of December 31, 2019 and 2018.

(10) Property, plant and equipment

	As of December 31,	
	2019	2018(Note)
Owner occupied property, plant and equipment	$6,631,766	
Property, plant and equipment leased out under operating leases	129,994	
Total	$6,761,760	$7,016,933

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Other equipment	Total
Cost:								
As of January 1, 2019	$2,417,233	$1,431,547	$688,971	$8,601,730	$707,972	$900,571	$1,344,644	$16,092,668
Additions	11,998	20,361	30,525	574,443	44,419	100,043	51,239	833,028
Disposals	-	(5,847)	(43,936)	(533,546)	(61,960)	(56,708)	(241,356)	(943,353)
Other changes	-	-	-	66,862	-	-	(116,752)	(49,890)
As of December 31, 2019	$2,429,231	$1,446,061	$675,560	$8,709,489	$690,431	$943,906	$1,037,775	$15,932,453
Depreciation and impairment:								
As of January 1, 2019	$-	$410,203	$593,271	$6,191,108	$568,843	$514,346	$941,829	$9,219,600
Depreciation	-	31,276	33,501	747,276	48,054	78,868	103,978	1,042,953
Disposals	-	(5,847)	(43,473)	(532,889)	(45,098)	(36,323)	(223,920)	(887,550)
Other changes	-	-	-	-	-	-	(74,316)	(74,316)
As of December 31, 2019	$-	$435,632	$583,299	$6,405,495	$571,799	$556,891	$747,571	$9,300,687
Net carrying amount as of:								
December 31, 2019	$2,429,231	$1,010,429	$92,261	$2,303,994	$118,632	$387,015	$290,204	$6,631,766

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	Other equipment
Cost:	
As of January 1, 2019	$397,521
Additions	13,115
Disposals	(13,455)
Other changes	29,993
As of December 31, 2019	$427,174
Depreciation and impairment:	
As of January 1, 2019	$253,657
Depreciation	57,487
Disposals	(13,288)
Other changes	(676)
As of December 31, 2019	$297,180
Net carrying amounts as at:	
December 31, 2019	$129,994

C. Property, plant and equipment (prior to the application of IFRS 16)

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Rental 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
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
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

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.

(11) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2019	$44,813	$22,706	$67,519
Transfers	-	-	-
As of December 31, 2019	$44,813	$22,706	$67,519
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
Depreciation and impairment:			
As of January 1, 2019	$-	$3,883	$3,883
Depreciation	-	511	511
Transfers	-	-	-
As of December 31, 2019	$-	$4,394	$4,393
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
Net carrying amount as of:			
December 31, 2019	$44,813	$18,312	$63,125
December 31, 2018	$44,813	$18,823	$63,636

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$6,169	$5,720
Less：Direct operating expense generated from rental income of investment property	(511)	(510)
	$5,658	$5,210

Please refer to Note 8 for more details on investment property under pledge.

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$141,285 thousand and NT$91,190 thousand, as of December 31, 2019 and 2018, 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,	
	2019	2018
Capitalization Rate	1.67%~1.86%	1.36%~1.62%

(12) Intangible assets

	Goodwill	Computer software	Customer relationship	Total
Cost:				
As of January 1, 2019	$549,822	$223,013	$17,432	$790,267
Addition-acquired separately	-	48,492	-	48,492
Acquisitions through business combinations	-	(376)	-	(376)
Reach amortized life	-	(69,634)	-	(69,634)
As of December 31, 2019	$549,822	$201,495	$17,432	$768,749
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
Amortization and impairment:				
As of January 1, 2019	$215,169	$137,309	$6,849	$359,327
Amortization	-	57,582	2,490	60,072
Disposal of subsidiaries	-	(243)	-	(243)
Reach amortized life	-	(69,634)	-	(69,634)
As of December 31, 2019	$215,169	$125,014	$9,339	$349,522
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
Net carrying amount as of:				
December 31, 2019	$334,653	$76,481	$8,093	$419,227
December 31, 2018	$334,653	$85,704	$10,583	$430,940

Recognized as amortized amount of intangible assets are as follows.

	For the years ended December 31,	
	2019	2018
Operating costs	$16,504	$17,076
Operating expenses	$43,568	$45,997

(13) 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,	2019	2018	2019	2018
Goodwill	$27,548	$27,548	$64,808	$64,808

	Catering service unit		Other business unit		Total	
As of December 31,	2019	2018	2019	2018	2019	2018
Goodwill	$145,971	$145,971	$96,326	$96,326	$334,653	$381,653

<u>Security guard cash-generating unit</u>

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% (2018: 12.62%) and cash flows beyond the five-year period are extrapolated using a 2% (2018: 2%) growth rate 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.

<u>Entertainment cash-generating unit</u>

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 9.79% (2018: 14.05%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2018: 0%) that is the same as the long-term average growth rate for the entertainment industry. As a result of this analysis, management has identified no impairment loss for good will which is allocated to this cash-generating unit.

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 13.04% (2018: 13.97%) and cash flows beyond the five-year period are extrapolated using a 0.5% (2018: 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 8%~10.26% (2018: 6.94%~13.91%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2018: 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.

(14) Short-term loans

		As of December 31,	
	Interest Rates (%)	2019	2018
Unsecured bank loans	0.53%-1.24%	$3,750,000	$2,550,000
Secured bank loans	1.65%	20,000	-
Total		$3,770,000	$2,550,000

The Group's unused short-term lines of credits amount to NT$900,000 thousand and NT$750,000 thousand, as of December 31, 2019 and 2018, respectively.

Please refer to Note 8 for more details on investment property pledged as security for short-term borrowings.

(15) Short-term bills payables

Nature	Guarantee Agency	As of December 31, 2018	Interest Rate (%)	Period
Commercial paper	Ta Ching Bills Finance Corporation	$150,000	1.23%	10天
Commercial paper	China Bills Finance Corporation	200,000	1.18%	10天
Subtotal		350,000		
Less: discount on short-term bills payable		-		
Net		$350,000		

Certain property, plant and equipment-land and buildings are pledged for short-term bills payables. Please refer to Note 8 for more details.

(16) Other payables

	As of December 31,	
	2019	2018
Other accrued expenses	$1,147,034	$1,072,072
ATM replenishment payable	450,184	378,421
Others	109,495	109,836
Total	$1,706,713	$1,560,329

(17) Long-term loans

Details of long-term loans are as follows:

Lenders	As of December 31, 2019	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	$62,000	0.88%~1.20%	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	88,000	0.88%~1.20%	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	200,000	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.
Subtotal	350,000		
Less: current portion	(184,000)		
Total	$166,000		

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%~1.20%	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%~1.20%	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		

(18) Lease payables

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,			
	2019(Note)		2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year			$15,586	$14,243
Over one year and within five years			27,341	24,947
Total minimum lease payments			42,927	
Less: finance charges on finance lease			(3,737)	
Present value of minimum lease payments			$39,190	$39,190
Current				$14,243
Non-Current				24,947

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(19) Guarantee deposits

	As of December 31,	
	2019	2018
Performance security deposit	$496,315	$483,813
Security line deposit	148,905	153,567
Others	7,469	6,772
Total	$652,689	$644,152

(20) 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, 2019 and 2018 are NT$198,310 thousand and NT$189,532 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$46,244 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The average durations of the defined benefits plan obligation are 10 and 13 years as of December 31, 2019 and 2018, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	$51,498	$56,866
Prior period service costs	3,539	5,577
Interest expense (income) of net defined benefit liabilities (assets)	17,171	22,691
Total	$72,208	$85,134

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

	As of December 31,	
	2019	2018
Defined benefit obligation	$1,931,880	$1,830,776
Plan assets at fair value	(351,033)	(250,208)
Other non-current liabilities – Net defined benefit liabilities recognized on the consolidated balance sheets	$1,580,847	$1,580,568

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, 2018	$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
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
Current period service costs	51,498	-	51,498
Net interest expense (income)	19,727	(2,556)	17,171
Prior period service costs	3,539	-	3,539
Subtotal	74,764	(2,556)	72,208
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	7,339	-	7,339
Actuarial gains and losses arising from changes in financial assumptions	73,957	-	73,957
Experience adjustments	29,735	(9,464)	20,271
Subtotal	111,031	(9,464)	101,567
Payments from the plan	(84,691)	84,691	-
Contributions by employer	-	(173,496)	(173,496)
As of December 31, 2019	$1,931,880	$(351,033)	$1,580,847

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

	As of December 31,	
	2019	2018
Discount rate	0.69%-0.79%	0.94%-1.16%
Expected rate of salary increases	0.50%-2.00%	1.00%-1.50%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	$-	$106,277	$-	$107,677
Discount rate decreases by 0.5%	126,577	-	121,081	-
Future salary increases by 0.5%	133,808	-	167,319	-
Future salary decreases by 0.5%	-	107,928	-	108,264

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.

(21) 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, 2019 and 2018. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2019	2018
Additional paid-in capital	$40,387	$40,387
Treasury share transactions	625,410	586,437
Changes in net assets of associates and joint ventures accounted for under the equity method	94,561	95,129
Donated surplus	2,959	2,959
Total	$763,317	$724,912

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, 2019 and 2018, 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$39,220 thousand special reserve to undistributed earnings. As of December 31, 2019 and 2018, the special reserve were NT$170,798 thousand and NT$131,578 thousand, respectively.

Details of the 2019 and 2018 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 20, 2020 and June 22, 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$213,656	$204,683		
Special reserve	(112,133)	39,220		
Common stock-cash dividend	1,804,788	1,804,788	$4	$4
Total	$1,906,311	$2,048,691		

Please refer to Note 6(25) for further details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$481,317	$432,166
Effects of retrospective application	-	114
Beginning balance after retrospective application	481,317	432,280
Profit attributable to non-controlling interests	40,218	52,307
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	2,318	6,655
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,613	(3,744)
Remeasurements of defined benefit plan	(727)	(2,287)
Gains on equity instruments investments measured at fair value through other comprehensive income	728	-
Share of changes in joint venters accounted for under the equity method	2,723	(141)
Cash dividend from subsidiaries	(50,828)	(36,148)
Acquisition of new shares in subsidiaries not in proportionate to ownership interest	470	32,395
Capital reduction from subsidiaries	(35,960)	-
Acquisition of subsidiaries	2,940	-
Acquisition of additional interest of subsidiaries	(904)	-
Ending balance	$444,908	$481,317

(22) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Sale of goods revenue	$1,850,718	$2,026,773
Rendering of service revenue	11,315,956	11,114,167
Subtotal	13,166,674	13,140,940
Other revenue	245,003	252,679
Total	$13,411,677	$13,393,619

Analysis of revenue from contracts with customers during the years ended December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019:

	Electronic Systems Department	Static Guard Department	Cash Delivery Department	Logistics Department	Other Department	Total
Sale of goods	$676,443	$-	$-	$122,571	$1,051,704	$1,850,718
Rendering of services	5,951,681	2,259,979	1,004,275	677,962	1,422,059	11,315,956
Total	$6,628,124	$2,259,979	$1,004,275	$800,533	$2,473,763	$13,166,674
Timing of revenue recognition:						
At a point in time	$676,443	$-	$-	$122,571	$1,051,704	$1,850,718
Over time	5,951,681	2,259,979	1,004,275	677,962	1,422,059	11,315,956
	$6,628,124	$2,259,979	$1,004,275	$800,533	$2,473,763	$13,166,674

For the year ended December 31, 2018:

	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	5,866,337	2,307,056	893,812	742,213	1,304,749	11,114,167
Total	$6,508,762	$2,307,056	$893,812	$902,784	$2,528,526	$13,140,940
Timing of revenue recognition:						
At a point in time	$642,425	$-	$-	$160,571	$1,223,777	$2,026,773
Over time	5,866,337	2,307,056	893,812	742,213	1,304,749	11,114,167
	$6,508,762	$2,307,056	$893,812	$902,784	$2,528,526	$13,140,940

B. Contract balances

a. Contract assets - current

	2019.12.31	2018.12.31	2018.1.1
Rendering of services	$122,204	$110,715	$35,397
Total	$122,204	$110,715	$35,397

Contract assets have increased during 2019 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(23) for more details on the impairment impact.

b. Contract liabilities - current

	2019.12.31	2018.12.31	2018.1.1
Rendering of services	$1,287,933	$1,289,681	$1,008,524
Total	$1,287,933	$1,289,681	$1,008,524

The significant changes in the Group's balances of contract liabilities during the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to revenue	$(1,196,888)	$(1,323,725)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	$1,195,140	$1,604,882

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$1,287,933 as of December 31, 2019. Management expects that 89% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue during the year 2020. The remaining amount will be recognized during the 2021 financial year.

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$1,289,681 thousand as of December 31, 2018. Management expects the transaction price allocated to unsatisfied performance obligations will be recognized as revenue during the 12 months.

D. Assets recognized from costs to fulfil a contract

None.

(23) Expected credit losses

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit losses		
Impairment losses	$-	$-
Contract assets	-	-
Trade receivables	12,284	12,535
Subtotal	12,284	12,535
Non-operating income and expenses - Expected credit losses		
Financial assets measured at amortized cost	-	-
Total	$12,284	$12,535

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 thousand measured at a loss ratio of 0%.

The Group measures the loss allowance of its contract assets and trade receivables (including notes receivables, accounts receivables, operating lease receivables, finance lease receivables and long-term receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group loss allowance are as follow:

A. The loss allowance of contract asset amounting to NT$0 thousand which is measured at expected credit loss ratio of 0%.

B. The Group considers the grouping 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:

As of December 31, 2019

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	$911,962	$47,853	$6,308	$5,178	$1,092	$4,598	$976,991
Loss ratio	0-2%	2-10%	10-30%	30-60%	60-90%	90-100%	
Lifetime expected credit losses	(5,790)	(2,707)	(1,715)	(2,660)	(857)	(4,598)	(18,327)
Subtotal	906,172	45,146	4,593	2,518	235	-	958,664

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	$399,353	$11,245	$4,181	$655	$20	$21,140	$436,594
Loss ratio	0-2%	0-2%	1-10%	10-50%	50-90%	90-100%	
Lifetime expected credit losses	(808)	(96)	(62)	(220)	(15)	(21,140)	(22,341)
Subtotal	398,545	11,149	4,119	435	5	-	414,253
Total							$1,372,917

As of December 31, 2018

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	$472,941
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, operating lease receivables, finance lease receivables, long-term receivables, and long-term lease receivables are not overdue.

The movement in the loss allowance of trade receivables during the years ended December 31, 2019 and 2018 is as follows:

	Trade receivables	Note receivables	Others (Note)
Balance as of December 31, 2019	$37,459	$-	$-
Addition/(reversal) for the current period	12,284	-	-
Write off	(12,340)	-	-
Others	3,265	-	-
Balance as of December 31, 2019	$40,668	$-	$-
Balance as of January 1, 2018 (in accordance with IAS 39)	$104,199	$-	$-
Transition adjustment to retained earnings as of January 1, 2018	-	-	-
Beginning balance (in accordance with IFRS 9)	104,199	-	-
Addition/(reversal) for the current period	12,535	-	-
Write off	(75,933)	-	-
Others	(3,342)	-	-
Balance as of December 31, 2018	$37,459	$-	$-

Note: Others contain operating lease receivables, finance lease receivables and long-term receivables.

(24) Leases

A. Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, transportation equipment, and other equipment. The lease terms range from 1 to 5 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

a. Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018(Note)
Land	$17,071	
Buildings	438,092	
Transportation equipment	72,581	
Other equipment	10,740	
Total	$538,484	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the Group's additions to right-of-use assets amounting to NT$183,992 thousand.

(ii) Lease liabilities

	As of December 31,	
	2019	2018(Note)
Lease liabilities	$539,127	
Current	$201,503	
Non-current	337,624	

Please refer to Note 6(26)(3) for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018(Note)
Land	$11,254	
Buildings	235,645	
Transportation equipment	25,969	
Other equipment	5,861	
Total	$278,279	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018(Note)
The expenses relating to short-term leases	$41,381	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	32,097	
Total	$73,478	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflows for leases amounting to NT$357,096 thousand.

e. Other information relating to leasing activities

(i) Variable lease payments

Some of the Group's lease agreements (e.g. property rental agreement) contain variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is very common in the industry of the Group.

As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(ii) Extension and termination options

Some of the Group's agreement (e.g. property rental agreement) contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of one to ten 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, 2019 and 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than one year		$554,230
Later than one year and not later than five years		221,648
Later than five years		1,654
Total		$777,532

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019(Note)	2018
Minimum lease payments		$335,139

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Group as a lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6(11) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

The Group has entered into leases on certain machinery and equipment with lease terms range from one to five years. These leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2019	2018(Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$256,683	
Subtotal	256,683	
Lease income for finance leases		
Selling profit or loss	928	
Finance income on the net investment in the lease	4,869	
Subtotal	5,797	
Total	$262,480	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6(10) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019	2018(Note)
Not later than one year	$188,925	
Later than one year but not later than two years	10,094	
Later than two years but not later than three years	2,694	
Later than three years but not later than four years	2,406	
Later than four years but not later than five years	1,665	
Later than five years	1,760	
Total	$207,544	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

For finance leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019	2018(Note)
Not later than one year	$52,759	
Later than one year but not later than two years	47,280	
Later than two years but not later than three years	39,407	
Later than three years but not later than four years	38,737	
Later than four years but not later than five years	14,886	
Later than five years	-	
Total undiscounted lease payment	193,069	
Less: Unearned finance income to finance leases	(10,614)	
Less: loss allowance	-	
Net investment in the lease (Finance lease receivables)	$182,455	
Current	$48,465	
Non-current	133,990	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments - Group as a lessor (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial property leases with remaining terms of between one and five years. 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, 2019 and 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than one year		$16,656
Later than one year and not later than five years		17,340
Later than five years		-
Total		$33,996

No income recognized as the contingent rent for the years ended December 31, 2019 and 2018.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(25) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$2,913,290	$1,415,905	$4,329,195	$3,514,980	$1,423,994	$4,938,974
Labor and health insurance	356,960	107,904	464,864	335,048	106,949	441,997
Pension	206,269	64,249	270,518	203,775	70,892	274,667
Other employee benefits expense	164,136	32,813	196,949	164,076	33,619	197,695
Depreciation	1,139,693	239,987	1,379,680	988,054	146,904	1,134,958
Amortization	16,504	43,568	60,072	17,076	48,504	65,580

According to the Articles of Incorporation, 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 and supervisors. 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 the profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 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 and supervisors for the year ended December 31, 2019 amount to NT$25,849 thousand and NT$103,394 thousand, respectively.

A resolution was passed at a Board of Directors meeting held on March 20, 2020 to distribute NT$25,645 thousand and NT$102,582 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively.

No material differences exist between the estimated amount and the actual distribution of the employee compensation NT$24,356 thousand and remuneration to directors and supervisors NT$97,423 thousand for the year ended December 31, 2018.

(26) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Rental income	$9,550	$17,261
Interest income (Note)		
Financial assets measured at amortized cost	1,350	1,710
Cash in banks	7,798	4,680
Short-term commercial papers	12,303	4,410
Others	545	3,433
Subtotal	21,996	14,233
Dividend income	10,174	17,130
Total	$41,720	$48,624

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	$(17,372)	$(10,335)
Gains (loss) on disposal of investments	1,419	(32,352)
Foreign exchange loss, net	(9,920)	(2,786)
Gain or (loss) on financial assets at fair value through profit or loss (Note 1)	171	(445)
Impairment losses	-	(46,978)
Loss on lease modification	(582)	(Note 2)
Other income (expenditure)	9,813	(1,836)
Total	$(16,471)	$(94,732)

Note:
1. Balances were arising from financial assets mandatorily measured at fair value through profit or loss
2. The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$32,428	$32,657
Interest on lease liabilities	7,895	(Note)
Interest for finance lease	(Note)	3,737
Total interest expenses	40,323	36,394
Unwinding of discount on provisions	-	189
Total finance costs	$40,323	$36,583

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(27) Components of other comprehensive income

For the year ended December 31, 2019

	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	$(102,987)	$-	$(102,987)	$13,715	$(89,272)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	105,817	-	105,817	(4,960)	100,857
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	43,722	-	43,722	-	43,722
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	5,899	-	5,899	-	5,899
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(7,385)	-	(7,385)	-	(7,385)
Total of other comprehensive (loss) income	$45,066	$-	$45,066	$8,755	$53,821

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 (losses) from equity instruments investments measured 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 income of associates and joint ventures accounted for using the equity method	(2,525)	-	(2,525)	-	(2,525)
Total of other comprehensive (loss) income	$(80,874)	$-	$(80,874)	$16,730	$(64,144)

(28) 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,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	$496,831	$493,573
Adjustments in respect of current income tax of prior periods	(1,949)	(13,033)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,627	23,513
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	5,621	(390)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(59,104)
Other components of deferred tax expense	(91)	1,081
Total income tax expense (income)	$502,039	$445,640

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(13,715)	$(16,730)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	4,960	-
Income tax relating to components of other comprehensive income	$(8,755)	$(16,730)

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,	
	2019	2018
Accounting profit before tax from continuing operations	$2,678,818	$2,544,775
Tax at the domestic rates applicable to profits in the country concerned	$535,764	$508,878
Investment tax credit and loss carryforward	26,525	(2,139)
Tax effect of deferred tax assets / liabilities	(15,944)	(981)
Tax effect of revenues exempt from taxation	(44,739)	(6,647)
Tax effect of non-deductible expenses from taxation	386	475
Adjustments in respect of current income tax of prior periods	(1,949)	(13,033)
5% surtax on unappropriated retained earnings (2018:10%)	1,996	7,710
Others	-	(48,623)
Total income tax expense recognized in profit or loss	$502,039	$445,640

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences				
Unrealized bad debt expense	$3,605	$302	$-	$3,907
Inventory valuation and obsolescence loss	2,282	-	-	2,282
Depreciation difference for tax purpose	15,430	(367)	-	15,063
Investments accounted for using the equity method	20,647	160	-	20,807
Compensated absences	19,907	497	-	20,404
Decommissioning costs	1,440	-	-	1,440
Defined benefit liabilities, non-current	204,024	(13,273)	13,715	204,466
Loss deduction	14,777	(5,621)	-	9,156
Impairment losses	125,015	10,419	-	135,434
Others	6,578	635	(4,960)	2,253
Deferred tax (expense)/income		$(7,248)	$8,755	
Net deferred tax assets/(liabilities)	$413,705			$415,212

Reflected in balance sheet as follows:

Deferred tax assets	$413,705	$415,212

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	-	125,015
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

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, 2019	Unused tax losses as of December 31, 2018	Expiration year
2008	$182,969	$-	$107,450	2018
2009	294,102	294,102	294,102	2019
2010	186,876	186,876	186,876	2019
2011	112,024	112,024	112,024	2020
2012	90,043	86,613	88,377	2021
2013	72,161	65,613	65,613	2022
2014	63,441	63,441	58,142	2023
2015	12,523	9,982	9,982	2024
2016	90,386	89,362	90,137	2025
2017	165,829	160,045	105,191	2026
2018	49,524	49,524	49,990	2027
2019	146,886	146,886	-	2028

	$1,264,468	$1,167,884

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to NT$252,893 thousand and NT$218,799 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, 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 2017	-
Speed Investment Co., Ltd.	Assessed and approved up to 2017	-
Goyun Security Co., Ltd.	Assessed and approved up to 2018	-
Gowin Building Management and Maintenance Co., Ltd.	Assessed and approved up to 2017	-
Gowin Security Co., Ltd.	Assessed and approved up to 2017	-
Kuo Hsing Security Co., Ltd.	Assessed and approved up to 2017	-
Lee Bao Security Co., Ltd.	Assessed and approved up to 2017	-
Lee Bao Technology Co., Ltd.	Assessed and approved up to 2017	-
Lee Way Electronics Co., Ltd.	Assessed and approved up to 2017	-
Titan Star International Co., Ltd.	Assessed and approved up to 2017	-
Goldsun Express & Logistics Co., Ltd.	Assessed and approved up to 2017	-
Goldsun Express Ltd.	Assessed and approved up to 2017	-
Zhong Bao Insurance Broker Inc.	Assessed and approved up to 2017	-
Babyboss Co., Ltd.	Assessed and approved up to 2017	-
Chung Pao Tzu Tung Corporation	Assessed and approved up to 2017	-
SVS Corporation	Assessed and approved up to 2017	-
Brightron Technology and Engineering Corporation		-
(2018: LITENENT Corporation)	Assessed and approved up to 2017	
Taiwan Video System Corporation	Assessed and approved up to 2017	
Lots Home Entertainment Co., Ltd.	Assessed and approved up to 2017	-
Aion Computer Communication Co., Ltd.	Assessed and approved up to 2017	-
CHOPPA Tech Co., Ltd.	Assessed and approved up to 2017	-
Guoyun Technology Co., Ltd.	Assessed and approved up to 2018	-
Comlink Fire Systems Inc.	Assessed and approved up to 2017	-
TransAsia Catering Services Ltd.	Assessed and approved up to 2017	-
Goyun Parking Co., Ltd.	Assessed and approved up to 2017	-
Zhong Bao Lease Co., Ltd.	Assessed and approved up to 2017	-
SIGMU D.P.T. Co., Ltd.	Assessed and approved up to 2017	-
Lee Yuan Biomedical Co., Ltd.	Assessed and approved up to 2017	-
Livingplus Food and Beverage Co. Ltd.	Assessed and approved up to 2017	-
(2018: Zhan Food Team Inc.)		
Jiansheng International Co., Ltd.	-	Established in 2018. Which not yet assessed and approved

	The assessment of income tax returns	Notes
Sunseap Solutions Taiwan Limited	-	Established in 2019. No assessment information.

(29) 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,	
	2019	2018
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,136,561	$2,046,828
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Basic earnings per share (NT$)	$4.85	$4.64

	For the years ended December 31,	
	2019	2018
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,136,561	$2,046,828
Employee bonus (in thousands)	-	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	$2,136,561	$2,046,828
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)	291	276
Weighted average number of ordinary shares outstanding after dilution (in thousands)	441,214	441,149

Diluted earnings per share (NT$)	$4.84	$4.64

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.

(30) Changes in ownership interests in subsidiaries

Acquisition of additional interest in a subsidiary

The Group acquired an additional 0.7% of the voting shares of Comlink Fire Systems Inc. in November and December 2019, increasing its ownership to 100%. A cash consideration of NT$904 thousand was paid to the non-controlling interest shareholders. Non-controlling interest was decreased by NT$904 thousand.

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.

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
eSkylink Inc.	Associate
Goldsun Building Materials Co., Ltd.	Associate
Anfeng Enterprise Co., Ltd.	Associate
Wellpool Co., Ltd.	Associate
Raixin Quality Products Ltd.	Associate
Kuoyung Construction & Engineering Co., Ltd	Associate
Goldsun Nihon Cement Co., Ltd	Associate
Taipei Port Terminal Company Limited	Substantive related party
Wellchang Interior Design and Decoration Co., Ltd.	Substantive related party

Related Party Name	The Relationship with the Group
Hobby Werks Co., Ltd	Substantive related party
Cheng-Shin Investment Company	Substantive related party
Shin Lan Enterprise Inc.	Substantive related party
Azure International Holdings Taiwan	Substantive related party

Significant transactions with related parties

(1) Sales

	For the years ended December 31,	
	2019	2018
Associates	$940,489	$1,021,058
Other related parties	593	718
Total	$941,082	$1,021,776

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 receivables from related parties

	As of December 31,	
	2019	2018
Associates		
Goldsun Building Materials Co., Ltd.	$70,779	$132,343
Anfeng Enterprise Co., Ltd.	90,125	63,199
Others	1,435	2,536
Subtotal	162,339	198,078
Other related parties	89	80
Total	162,428	198,158
Less: loss allowance	-	-
Net	$162,428	$198,158

(3) Trade and other payables to related parties

	As of December 31,	
	2019	2018

Entity with joint control or significant influence over the Company	$568	$1,485
Associates	14,180	23,730
Other related parties	465	411
Total	$15,213	$25,626

(4) Lease expenditure

	For the years ended December 31,	
	2019	2018
Associates	$360	$1,641
Other related parties	14,352	15,062
Total	$14,712	$16,703

The lease deposits to related parties amounts to NT$2,169 thousand and NT$2,817 thousand as of December 31, 2019 and 2018.

(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,	
	2019	2018
Entity with joint control or significant influence over the Company	$10,906	$15,135
Associates	-	916
Other related parties	16,580	15,169
Total	$27,486	$31,220

The Group has sold electronic anti-theft equipment, electronic anti-fire equipment, and rental decoration equipment, which were recognized as property plant and equipment, are amounted to NT$1,031 thousand and NT$0 thousand, respectively. Gain on disposal of electronic anti-fire equipment, and rental decoration equipment are NT$17 thousand and NT$0 thousand, respectively.

(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 royalty significant influence over the Company. The royalty was calculated in proportion of annual net sales deducted by related cost. The royalty was NT$46,444 thousand and NT$47,576 thousand for the years ended December 31, 2019 and 2018, respectively. The royalty payable was NT$23,101 thousand and NT$23,362 thousand for the years ended December 31, 2019 and 2018, respectively, which was recognized as other payables.

(7) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$231,759	$222,901
Post-employment benefits	2,109	1,934
Total	$233,868	$224,835

8. Assets pledged as security

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

	Carrying amount		
Assets pledged for security	December 31, 2019	December 31, 2018	Secured liabilities
Financial assets measured at amortized cost, current	$7,724	$381	Contract security deposit
Financial assets measured at amortized cost, non-current	112,406	99,055	Contract security deposit and oil passbook guarantee
Property, plant and equipment - land and buildings	151,760	151,760	Short-term loans
Investment properties-buildings	3,348	-	Short-term loans
Total	$275,238	$251,196	

9. Commitments and contingencies

The performance guarantee issued by bank as of December 31, 2019 for customs declaration and bids for Government projects are NT$128,257 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,	
	2019	2018
Financial assets designated at fair value through profit or loss	$6,295	$6,124
Financial assets at fair value through other comprehensive income	409,357	641,718
Financial assets measured at amortized cost:		

Cash and cash equivalents (exclude cash on hand)	5,236,699	4,031,520
Financial assets measured at amortized cost	320,984	303,018
Trade receivables	1,372,917	1,390,159
Refundable deposits	288,342	350,206
Subtotal	7,218,942	6,074,903
Total	$7,634,594	$6,722,745

Financial liabilities	As of December 31,	
	2019	2018
Financial liabilities at amortized cost:		
Short-term loans	$3,770,000	$2,550,000
Short-term bills payable	350,000	-
Trade and other payables	2,399,263	2,411,721
Long-term loans	350,000	1,034,000
Lease payables	(Note)	39,190
Lease liabilities	539,127	(Note)
Guarantee deposits	652,689	644,152
Total	$8,061,079	$6,679,063

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(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, 2019 and 2018 is increased/decreased by NT$7,248 thousand and NT$11,855 thousand, respectively.

B. When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2019 and 2018 is increased/decreased by NT$12,325 thousand and NT$11,490 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$4,120 thousand and NT$3,240 thousand for the years ended December 31, 2019 and 2018, respectively.

Equity price risk

The fair value of 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 and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$26,521 thousand and NT$50,067 thousand on the equity attributable to the Group for the years ended December 31, 2019 and 2018, respectively.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments or derivatives 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, 2019 and 2018, 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, 2019					
Borrowings	$3,958,122	$168,052	$-	$-	$4,126,174
Short-term bills payable	350,000	-	-	-	350,000
Trade and other payables	2,399,263	-	-	-	2,399,263
Lease liabilities	207,290	218,708	65,820	66,061	557,879
As of December 31, 2018					
Borrowings	$3,411,942	$333,972	$46,200	$-	$3,822,114
Trade and other payables	2,411,721	-	-	-	2,411,721
Lease liabilities	15,586	19,068	8,273	-	42,927

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 2019 is as follows:

	Short-term loans	Long-term loans	Lease liabilities	Short-term bills payable	Balance of liabilities arising

					from financing activities
2019.1.1	$2,550,000	$1,034,000	$658,978	$-	$4,242,978
Cash flow	1,220,000	(684,000)	(283,618)	350,000	602,382
Non-cash changes	-	-	163,767	-	163,767
2019.12.31	$3,770,000	$350,000	$539,127	$350,000	$5,009,127

Information of reconciliation for liabilities during 2018 is as follows:

	Short-term loans	Long-term loans	Lease payables	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

(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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$6,259	$-	$-	$6,259
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	265,207	-	144,150	409,357

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, 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, 2019	$141,045

Total losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (present in Unrealized gains or losses on measured at fair value through other comprehensive income equity instrument investment)	30,185
Acquisition/issue for the year ended December 31, 2019	-
Disposition/acquittance for the year ended December 31, 2019	(27,080)
Ending balances as of December 31, 2019	$144,150

	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

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, 2019

	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	discount for lack	30%	The higher the	10% increase (decrease)

	approach	of marketability		discount for lack of marketability, the lower the fair value of the stocks	in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT$13,157 thousand

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:					
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$9,329 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, 2019

	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)	$-	$-	$141,285	$141,285
Investments accounted for under the equity method (please refer to Note 6)	2,731,756	-	-	2,731,756

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

(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, 2019		
	Foreign currencies	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$2,452,477	29.9800	$73,525
EURO	153,759	33.5900	5,165
RMB	28,628,726	4.3050	123,247
Financial liabilities			
Monetary items:			
USD	34,730	29.9800	1,041

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$3,931,654	30.7150	$120,761
EURO	184,120	35.2000	6,481
RMB	25,693,186	4.4720	114,900
Financial liabilities			
Monetary items:			
USD	71,968	30.7150	2,210

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$(9,920) thousand and NT$(2,786) thousand for the years ended December 31, 2019 and 2018, 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, 2019		
Name of subsidiaries	Shares	Amount	Purpose of holding
Speed Investment Co., Ltd.	2,026,155	$179,923	Financial assets at fair value through other comprehensive income
Kuo Hsing Security Co., Ltd	3,625,284	321,924	Financial assets at fair value through other comprehensive income
Gowin Building Management and Maintenance Co., Ltd.	2,232,564	198,252	Financial assets at fair value through other comprehensive income
Goyun Security Co., Ltd.	252,820	22,450	Financial assets at fair value through other comprehensive income
Chung Pao Tzu Tung Corporation	552,655	49,076	Financial assets at fair value through other comprehensive income
Lee Way Electronics Co., Ltd.	163,284	14,500	Financial assets at fair value through other comprehensive income
Titan Star International Co., Ltd.	1,421,043	126,189	Financial assets at fair value through other comprehensive income
Total	10,273,805	$912,314	

	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	

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, 2019

	Electronic system segment	Static guard service segment	Cash delivery segment	Logistics service segment	Subtotal	Other operating segments	Adjustment and elimination	Consolidated
Revenue								
External customer	$6,628,124	$2,259,979	$1,004,275	$857,257	$10,749,635	$2,662,042	$-	$13,411,677
Inter-segment	147,120	282,919	317,270	69,253	816,562	743,791	(1,560,353)	-
Total revenue	$6,775,244	$2,542,898	$1,321,545	$926,510	$11,566,197	$3,405,833	$(1,560,353)	$13,411,677
Interest revenue	$2,836	$1,339	$393	$657	$5,225	$17,415	$(644)	$21,996
Interest expenses	25,540	72	10,999	1,206	37,817	3,305	(799)	40,323
Depreciation and amortization	1,052,787	10,406	63,897	55,016	1,182,106	257,646	-	1,439,752

Other material non-cash items:								
Impairment of assets	1,397	-	-	-	1,397	22	-	1,419
Segment profit	$2,220,093	$512,248	$452,087	$57,723	$3,242,151	$430,928	$(994,261)	$2,678,818
Assets								
Investment accounted for under the equity method	$9,029,192	$679,693	$32,667	$37,953	$9,779,505	$4,068,335	$(10,502,326)	$3,345,514
Segment assets	$18,526,223	$1,903,535	$3,059,765	$1,004,422	$24,493,945	$9,263,585	$(11,258,877)	$22,498,653
Segment liabilities	$7,787,006	$318,999	$1,938,208	$329,117	$10,373,330	$1,216,757	$(275,558)	$11,314,529

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	9,879	-	-	-	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

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,	
	2019	2018
Total revenue from reportable segments	$11,566,197	$11,423,613
Other revenue	3,405,833	3,418,315
Elimination of inter-segment revenue	(1,560,353)	(1,448,309)
Total revenue	$13,411,677	$13,393,619

B. Profit or loss:

	For the years ended December 31,	
	2019	2018
Total profit or loss for reportable segments	$3,242,151	$3,034,126
Other profit	430,928	505,357
Elimination of inter-segment profit	(994,261)	(994,708)
Profit before tax from continuing operations	$2,678,818	$2,544,775

C. Assets:

	As of December 31,	
	2019	2018
Total assets of reportable segments	$24,493,945	$22,874,277
Other assets	9,263,585	9,052,966
Elimination of investment accounted for under the equity method	(10,502,326)	(10,235,394)
Elimination of intersegment activities	(756,551)	(803,670)
Segment assets	$22,498,653	$20,888,179

D. Liabilities:

	As of December 31,	
	2019	2018
Total liabilities of reportable segments	$10,373,330	$9,316,046
Other liabilities	1,216,757	1,118,636
Elimination of intersegment activities	(275,558)	(347,241)
Segment liabilities	$11,314,529	$10,087,441

E. Other material items:

For the year ended December 31, 2019

	Reportable segments	Other operating segments	Adjustments	Consolidated
Interest revenue	$5,225	$17,415	$(644)	$21,996
Interest expenses	37,817	3,305	(799)	40,323
Depreciation and amortization	1,182,106	257,646	-	1,439,752
Impairment of assets	1,397	22	-	1,419

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

(3) Geographical information

Revenue from external customers

	For the years ended December 31,	
	2019	2018
Taiwan	$13,411,677	$13,393,619

Attachment 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)
	For the year ended 2019						
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Revenues	$(16,581)	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Costs	199,076	Note 4	2%
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Accrued expenses	21,998	-	-
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	59,186	-	-
0	Taiwan Secom Co., Ltd.	Kuo Hsing Security Co., Ltd.	1	Revenues	18,738	Note 4	-
0	Taiwan Secom Co., Ltd.	CHOPPA Tech Co., Ltd.	1	Revenues	46,936	Note 4	1%
0	Taiwan Secom Co., Ltd.	Lee Way Electronics Co., Ltd.	1	Revenues	38,762	Note 4	-
1	Titan Star International Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	267,262	Note 4	2%
2	Aion Computer Communication Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	224,854	Note 4	2%
3	Goyun Security Co., Ltd.	Kuo Hsing Security Co., Ltd.	3	Revenues	55,186	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.

Attachment 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	$52,000 (Note 1)	$30,000	$4,400 (Note 1)	1.0%	(Note 6(2))	$-	Business turnover	$-	-	$-	$615,918 (Note 1)	$1,231,837 (Note 2)
2	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Other receivables - related parties	Yes	60,000 (Note 1)	60,000	45,000 (Note 1)	1.0%	(Note 6(2))	-	Business turnover	-	-	-	615,918 (Note 1)	1,231,837 (Note 2)
3	Speed Investment Co., Ltd.	SIGMU D.P.T. Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 3)	30,000	30,000 (Note 3)	1.0%	(Note 6(2))	-	Business turnover	-	-	-	615,918	1,231,837
4	Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	Other receivables - related parties	Yes	60,000 (Note 3)	-	- (Note 3)	1.3%	(Note 6(2))	-	Business turnover	-	-	-	127,470	254,941

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 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 6: (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.

Attachment 3

Endorsement/Guarantee provided to others for the year ended December 31, 2019 (Expressed in Thousands of New Taiwan Dollars)

No.	Endorsor/Guarantor	Receiving party: Company name	Receiving party: Relationship	Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company (Note 5)	Guarantee provided by a subsidiary (Note 5)	Guarantee provided to subsidiaries in Mainland China (Note 5)
1	Aion Computer Communication Co., Ltd.	Brightron Technology and Engineering Corportion (2018: LITENENT Corporation)	An investee which holds directly 100% of equity interest.	$50,167 (Note 1)	$1,864	$1,864	$1,864	-	0.74%	$50,167 (Note 1)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	An investee which holds 1.45% of equity interest.	2,000 (Note 2)	1,040	1,040	1,040	-	0.14%	5,369,608 (Note 2)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Taiwan Secom Co., Ltd.	Parent company	3,221,765 (Note 2)	2,650	2,650	2,650	-	0.35%	5,369,608 (Note 2)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Goyun Parking Co., Ltd.	An investee which holds directly 100% of equity interest.	3,221,765 (Note 2)	50,000	50,000	-	-	6.62%	5,369,608 (Note 2)	N	Y	N
3	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	An investee which holds directly 78.98% of equity interest.	3,221,765 (Note 3)	25,000	25,000	25,000	-	0.81%	5,369,608 (Note 3)	N	N	N

Note 1: 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 20%.
(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 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 3: 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 4: 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.

Attachment 4-1

Securities held for the year ended December 31, 2019 (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	356,832	$5,367	-	$15.04	
	Listed companies stocks-							
	Sercomm Corporation	-	Financial assets at fair value through other comprehensive income-current	288,000	22,378	0.12%	77.70	
	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	2,708,333	25,550	2.08%	9.43	
	GAMA PAY Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	3,214,285	27,417	5.36%	8.53	
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,591,367	21,929	10.61%	13.78	
	Global Securities Finance Corporation	-	Financial assets at fair value through other comprehensive income-non-current	624,950	3,200	0.16%	5.12	
	Raixin Quality Products Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,353,333	2,856	11.28%	2.11	
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	14,500	0.04%	88.80	
	Unlisted companies stocks-							
	Huijia Health Life Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	50,000	83	0.30%	1.66	
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	49,076	0.12%	88.80	

Attachment 4-2

Securities held for the year ended December 31, 2019 (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: Units/Shares	Ending balance: Book value	Ending balance: Percentage of ownership	Ending balance: Fair value	Note
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	$321,924	0.80%	$88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	281,000	15,117	0.78%	53.80	
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	198,252	0.49%	88.80	
Lee Bao Technology Co., Ltd.	Unlisted companies stocks-							
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	619,590	8,538	4.13%	13.78	
Lots Home Entertainment Co., Ltd.	Unlisted companies stocks-							
	The Tag-Along Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	825,000	8,250	1.50%	10.00	
GC&C Holdings Limited	Fund-							
	AZI	-	Financial assets at fair value through profit or loss-current	333,333	-	-	-	
Goyun Security Co., Ltd.	Unlisted companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	252,820	22,450	0.06%	88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	181,500	9,765	0.50%	53.80	

Attachment 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	
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	$179,923	0.45%	$88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	302,500	16,275	0.84%	53.80	
	Unlisted companies stocks-							
	Ciding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	717,391	6,451	2.17%	8.99	
	Mingfu Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	100,000	504	9.09%	5.04	
	Yuji Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,012,500	11,856	3.75%	11.71	
	Fund-							
	AsiaVest Opportunities Fund	-	Financial assets at fair value through profit or loss-current	200	928	0.74%	154.87	
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	126,189	0.31%	88.80	
	Sercomm Corporation	-	Financial assets at fair value through other comprehensive income-current	73,000	5,672	0.03%	77.70	
	Unlisted companies stocks-							
	Golden Harvest Food Enterprise Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,460,000	22,265	7.30%	15.25	
	International Integrated Systems, Inc	-	Financial assets at fair value through other comprehensive income-non-current	497,227	5,251	0.71%	10.56	
	Kaoshiung Airport Catering Service	-	Financial assets at fair value through other comprehensive income-non-current	1	-	-	-	
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	196,000	6.67%	9.80	

Attachment 5

Related party transactions for purchases and sales amounts exceeding NT$100 million or 20% of capital stock (Expressed in Thousands of New Taiwan Dollars)

Purchaser (seller)	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit Term	Unit price	Credit Term	Balance	Percentage of total receivables (payable)	
Taiwan Secom Co., Ltd.	Aion Computer Communication Co., Ltd.	Subsidiary accounted for under the equity method	Note 1	$224,854	Note 1	30-60 days	-	-	$(13,486)	3%	
	Anfeng Enterprise Co., Ltd.	Investee accounted for under the equity method	Sales	(195,969)	-3%	30-60 days	-	-	87,608	11%	
	Leebao Security CO., Ltd.	Subsidiary accounted for under the equity method	Purchase	199,076	6%	30-60 days	-	-	21,998	5%	
	Titan Star International Co., Ltd.	Subsidiary accounted for under the equity method	Note 2	267,262	Note 2	30-60 days	-	-	(59,186)	13%	
Goldsun Express & Logistics Co., Ltd.	Goldsun Building Materials Co., Ltd.	Investee accounted for under the equity method	Note 3	(504,475)	Note 3	30 days	-	-	63,815	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.	Taipei City	Investment holding	$415,130	$415,130	241,966,797	100.00%	$2,700,922	$154,864	$130,947	
	Lee Bao Security Co., Ltd.	Taipei City	Security services providing	198,006	198,006	69,986,215	100.00%	1,121,557	202,964	203,150	
	Goyun Security Co., Ltd.	Kaohsiung City	Security services providing	40,034	40,034	26,512,450	100.00%	503,811	90,112	92,208	
	Chung Pao Tzu Tung Corporation	Taipei City	Sales of electric, telecommunications and fireproof products	20,000	20,000	2,000,000	100.00%	10,580	2,332	121	
	Goldsun Express & Logistics Co., Ltd.	New Taipei City	Air cargo transporting services	613,878	613,878	55,942,758	100.00%	638,074	44,196	43,752	
	Kuo Hsing Security Co., Ltd.	Taipei City	Corporate security guarding services	-	-	29,321,619	83.77%	525,374	162,352	117,589	
	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	101,911	101,911	28,463,488	80.96%	436,225	127,875	92,453	
	Aion Computer Communication Co., Ltd.	Taipei City	Technology support services	139,356	139,356	12,739,895	73.75%	185,028	31,898	37,887	
	Zhong Bao Insurance Broker Inc	Taipei City	Insurance broker	3,600	3,600	608,400	60.00%	17,580	4,901	2,941	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	449,526	449,526	11,356,902	36.20%	(80)	(5,026)	(458)	
	Tech Elite Holdings Ltd.	Hong Kong	Investment holding	66,416	66,416	2,000,000	39.22%	-	-	-	
	Yon Geng Healthcare Management Co., Ltd.	Taipei City	Retail of medical equipment	-	20,000	-	-	-	-	-	
	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	121,419	121,419	10,288,341	34.29%	143,747	52,719	17,721	
	Anfeng Enterprise Co., Ltd.	Taipei City	Automated Teller Machine (ATM) services	10,820	10,820	900,000	30.00%	13,706	4,308	1,171	
	Lots Home Entertainment Co., Ltd.	Taipei City	Video sales and rental services	186,480	186,480	4,308,392	21.02%	70,362	(4,284)	25	
	Huaya Development Co., Ltd.	Taipei City	Operating hotel and sales of cement products and asbestos waves	314,899	314,899	25,512,892	49.83%	294,734	(1,937)	(1,926)	
	TransAsia Airways Corp.	Taipei City	Aviation services	833,409	833,409	76,245,604	10.05%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	1,374,479	1,374,479	89,875,518	6.49%	1,536,588	1,096,190	71,058	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	750,687	750,687	24,562,918	67.02%	812,393	21,211	17,131	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	6,776	27,344	677,617	22.00%	18,591	7,820	1,883	
Speed Investment Co., Ltd.	Titan Star International Co., Ltd.	Taipei City	Manufacturing, selling and processing of security-related equipment and parts	393,185	393,185	84,933,981	100.00%	1,409,463	124,465	124,875	
	Zhong Bao Security Holding (Samoa) Co., Ltd.	Samoa	Investment holding	-	193,091	-	-	-	-	-	
	SVS Corporation	Taipei City	Vehicles maintenance services	80,000	80,000	8,000,000	100.00%	38,988	1,764	2,350	
	Babyboss Co., Ltd.	Taipei City	Educational and recreational services	152,308	220,000	15,230,776	84.62%	133,572	(4,024)	(3,124)	
	Lots Home Entertainment Co., Ltd.	Taipei City	Video sales and rental services	375,568	375,568	16,191,608	78.98%	24,976	(4,284)	95	
	CHOPPA Tech Co., Ltd.	Taipei City	POS system for retail	86,090	86,090	8,637,000	57.58%	96,147	(1,149)	(4,179)	

	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	150,376	150,376	14,078,783	46.93%	207,663	52,719	25,868	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	151,021	151,021	14,845,300	47.32%	648	(5,026)	(15,446)	
	Zhong Bao Insurance Broker Inc	Taipei City	Insurance broker	1,927	1,927	101,400	10.00%	2,930	4,901	490	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	103,456	103,456	9,900,199	0.71%	144,693	1,096,190	7,921	
	Yon Geng Healthcare Management Co., Ltd.	Taipei City	Retail of medical equipment	-	326	-	-	-	-	-	
	Comlink Fire Systems Inc	Taoyuan City	Wholesale of fire safety equipment	85,938	85,034	205,866	99.81%	76,801	12,981	10,058	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	11,051	57,118	1,517,684	49.26%	41,646	7,820	4,254	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	80,000	80,000	2,424,242	6.61%	59,211	21,211	1,593	
	Jiansheng International Co., Ltd.	Taipei City	Medical equipment and AED rental services	20,000	20,000	2,000,000	100.00%	20,130	88	74	
	Livingplus Food and Beverage Co., Ltd. (2018: Zhan Food Team Inc.)	Taipei City	Catering services	30,000	-	3,000,000	37.50%	18,529	(19,014)	(4,402)	
	Brightron Technology and Engineering Corporation (2018: LITENENT Corporation)	Taipei City	Light controlling system services	124,740	-	17,827,884	67.94%	167,722	(25,519)	(15,329)	
	Sunseap Solutions Taiwan Limited	Taipei City	Energy-saving solutions technology	3,060	-	306,000	51.00%	3,060	(203)	-	
Zhong Bao Security Holding (Samoa) Co., Ltd.	Zhong Bao Security Holding (Mauritius) Co., Ltd.	Mauritius	Investment holding	-	130,096	-	-	-	-	-	
Titan Star International Co., Ltd.	ESKYLINK INC	Taipei City	Telecom value-added network services	7,301	7,301	884,016	19.71%	19,307	31,779	5,586	
	Livingplus Food and Beverage Co., Ltd. (2018: Zhan Food Team Inc.)	Taipei City	Light controlling system services	30,244	30,244	2,280,116	8.69%	35,350	(25,519)	(6,088)	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	363,809	363,809	55,309,747	3.99%	813,130	1,096,190	44,633	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	21,516	21,516	614,779	1.96%	(420)	(5,026)	380	
	TransAsia Airways Corp.	Taipei City	Aviation Services	54,007	54,007	4,405,028	0.58%	-	-	-	Note 1
	Comlink Fire Systems Inc	Taoyuan City	Wholesale of fire safety equipment	176	176	384	0.19%	34	12,981	51	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	55	203	4,887	0.17%	138	7,820	15	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	100,000	100,000	3,030,303	8.27%	74,081	21,211	3,640	

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.	New Taipei City	The custom broker services	$26,833	$26,833	3,361,248	100.00%	$37,953	$44,196	$2,495	
Goyun Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	15,000	15,000	2,154,042	6.13%	36,521	127,875	7,723	
	TransAsia Airways Corp.	Taipei City	Aviation Services	28,978	28,978	1,635,080	0.22%	-	-	-	Note 1
	Babyboss Co., Ltd.	Taipei City	Educational and recreational services	1,814	4,891	692,304	3.85%	6,077	(4,024)	(31)	
	CHOPPA Tech Co., Ltd.	Taipei City	POS system for retail	10,080	10,080	1,008,000	6.72%	11,201	(1,149)	(67)	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	82,571	82,571	8,800,000	0.64%	106,206	1,096,190	8,448	
	Guoyun Technology Co., Ltd.	Kaohsiung City	Car parking lot services	100,000	100,000	10,000,000	100.00%	86,325	(1,913)	(1,923)	
Kuo Hsing Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	26,615	26,615	4,540,260	12.91%	115,990	127,875	16,822	
	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	29,045	29,045	2,707,458	9.02%	42,437	52,719	4,835	
	TransAsia Airways Corp.	Taipei City	Aviation Services	47,581	47,581	4,360,832	0.57%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	172,492	172,492	12,669,386	0.91%	195,097	1,096,190	10,103	
	Zhong Bao Lease Co., Ltd.	New Taipei City	Mini-Storage rental services	30,000	30,000	3,000,000	100.00%	27,364	(356)	(356)	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	70,000	70,000	2,121,212	5.79%	52,476	21,211	1,394	
Gowin Building Management and Maintenance Co., Ltd.	Gowin Security Co., Ltd.	Taipei City	Corporate security guarding services	40,000	40,000	4,000,000	100.00%	86,098	27,606	21,115	
	Kuo Hsing Security Co., Ltd.	Taipei City	Corporate security guarding services	12,515	12,515	506,692	1.45%	15,596	162,352	2,539	
	TransAsia Airways Corp.	Taipei City	Aviation Services	19,639	19,639	2,101,872	0.28%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	72,599	72,599	4,650,459	0.34%	69,289	1,096,190	3,774	
	Goyun Parking Co., Ltd.	Taipei City	Car parking lot services	50,000	50,000	5,000,000	100.00%	45,057	216	216	
Babyboss Co., Ltd.	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	77,509	77,509	7,900,000	0.57%	116,161	1,096,190	6,330	
Lee Way Electronics Co., Ltd.	Lee Yuan Biomedical Co., Ltd.	Taipei City	Medical equipment and AED rental services	30,000	30,000	3,000,000	100.00%	58,219	23,845	23,687	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	50,000	50,000	1,515,152	4.13%	35,056	21,211	(943)	
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Taipei City	Automated Teller Machine (ATM) services	50,000	50,000	5,000,000	100.00%	32,667	620	620	
Aion Computer Communication Co., Ltd.	Peregrine Soleil Asset Holdings Limited	British Virgin Islands.	Investment holding	189,961	189,961	5,469,502	100.00%	46,623	(801)	(801)	
	Brightron Technology and Engineering Corporation (2018: LITENET Corporation)	Taipei City	Light controlling system services	81,623	81,623	6,132,000	23.37%	96,360	(25,519)	(12,248)	

	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	9,427	9,427	900,000	0.06%	13,243	1,096,190	718	
Peregrine Soleil Asset Holdings Limited	GC&C Holdings Limited	Cayman Islands	Investment holding	189,691	189,691	5,460,502	100.00%	47,350	(555)	(555)	

Attachment 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 Germany GmbH	Germany	Sales of digital signage, monitors, and etc.	$5,917	$5,917	-	100.00%	$4,905	$1,939	$1,939	
TransAsia Catering Service Ltd.	Tian-sha Food, Ltd.	Taoyuan City	Retail of food product	18,000	18,000	1,800,000	30.00%	23,360	10,199	3,060	
CHOPPA Tech Co., Ltd.	Livingplus Food and Beverage Co., Ltd (2018: Zhan Food Team Inc.)	Taipei City	Catering services	43,000	31,000	4,700,000	58.75%	28,124	(19,014)	(13,203)	

Attachment 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, 2019	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of Outflow December 31, 2019
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 4,850	(2)	-	-	-	-	USD (214)	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)	-	-	-	-	-

Accumulated Investment in Mainland China as of 2019/12/31	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$12,674	$133,475	$6,100,409

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 2008. 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.

Independent Auditors' Report Translated from Chinese

To Taiwan Secom Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Taiwan Secom Co., Ltd. (the "Company") as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment on Investments Accounted for Under the Equity Method

   As of December 31, 2019, the Company's investments accounted for under the equity method amounted to

NT$9,029,272 thousand, which accounted for 49% of total assets. Management assesses and implements impairment testing whenever there is any indication that an investment accounted for under the equity method is impaired. Given the fact that the amount of investments accounted for under the equity method is significant to the Company, the impairment assessment process involves significant management judgment of assumptions used and the calculation model is complicated as well. We determined the matter as a key audit matter.

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

(1) For the investments accounted for under the equity method which has the indication of impairment, we analyze the method and assumption used by management for impairment testing, which include the reasonableness, completeness, and relation of expected future cash flow, and examine the recoverable amount.

(2) We adopt our internal professional appraiser to evaluate the management's assessment to assist us to assess the evaluation assumption and method, especially for the parameters of weighted average cost of capital, expected revenue growth rate, discount rate on pre-tax income and rate of gross profit.

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

2. Revenue Recognition

Revenue recognized by the Company amounted to NT$6,990,449 thousand for the year ended December 31, 2019, and the revenue consists of security system revenue which is the Company's main source of revenue. The customer contracts include various performance conditions and terms, due to the practice of the industry. The Company need to make the judgment when the performance obligation is completed based on the terms of customer orders or contracts, and recognized revenue when the Company satisfies a performance obligation. Due to the revenue derived from rendering service received in advance, the timing to recognize the revenue is significant judgment for the Company is determined as a key audit matter.

Our audit procedures included, but not limited to:

(1) Assessing the appropriateness of the accounting policy of revenue recognition and the process of generating and recognizing revenue; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition.

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

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

(4) Executing cut-off testing procedures.

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

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the parent company only financial statements, which describes the Company applied for the International Financial Reporting Standard 16, "Lease" starting from January 1, 2019, and elected not to restate the parent company only financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yu, Chien-Ju

Hsu, Hsin-Min

Ernst & Young, Taiwan
March 20, 2020

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

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2019 Amount	%	As of December 31, 2018 Amount	%
Current assets					
Cash and cash equivalents	4 and 6	$1,011,839	5	$990,335	5
Financial assets at fair value through profit or loss, current	4 and 6	5,367	-	4,985	-
Financial assets at fair value through other comprehensive income, current	4 and 6	22,378	-	117,480	1
Contract assets, current	4 and 6	25,471	-	30,170	-
Notes receivables, net	4 and 6	151,127	1	187,992	1
Notes receivables from related parties, net	4, 6 and 7	623	-	1,631	-
Accounts receivables, net	4 and 6	506,259	3	465,303	3
Accounts receivables from related parties, net	4, 6 and 7	104,067	1	99,074	1
Finance lease receivables, net	4 and 6	47,211	-	38,040	-
Inventories, net	4 and 6	105,093	1	92,255	-
Prepayments		286,345	2	314,871	2
Other current assets		57,269	-	66,542	-
Total current assets		2,323,049	13	2,408,678	13
Non-current assets					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	80,952	-	201,770	1
Financial assets measured at amortised cost, non-current	4, 6 and 8	11,500	-	11,500	-
Investments accounted for under the equity method	4 and 6	9,029,272	49	8,680,890	48
Property, plant and equipment	4, 6 and 7	4,856,574	26	5,023,609	28
Right-of-use assets, net	4 and 6	169,316	1	-	-
Investment property, net	4 and 6	282,353	2	282,579	2
Intangible assets	4 and 6	64,428	-	73,197	-
Deferred tax assets	4 and 6	315,462	2	304,814	2
Prepayment for equipment		1,004,709	5	783,071	4
Refundable deposits	7	217,139	1	227,974	1
Long-term receivables	6	33,505	-	30,633	-
Long-term lease receivables	4 and 6	132,209	1	117,488	1
Other assets, non-current	8	5,834	-	3,004	-
Total non-current assets		16,203,253	87	15,740,529	87
Total assets		$18,526,302	100	$18,149,207	100

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

		As of			
		December 31, 2019		December 31, 2018	
Liabilities and Equity	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	4 and 6	$3,000,000	16	$2,350,000	13
Contract liabilities, current	4 and 6	1,153,044	6	1,134,977	6
Notes payables		147,877	1	222,947	1
Accounts payables		221,311	1	218,226	1
Accounts payables to related parties	7	78,739	1	96,046	1
Other payables	7	546,017	3	532,021	3
Current tax liabilities	4 and 6	149,087	1	211,977	1
Lease payables, current	6	77,370	-	-	-
Current portion of long-term loans	4 and 6	184,000	1	684,000	4
Other current liabilities		68,930	-	126,208	1
Total current liabilities		5,626,375	30	5,576,402	31
Non-current liabilities					
Long-term loans	4 and 6	166,000	1	350,000	2
Provisions, non-current	4	7,200	-	7,200	-
Lease liabilities, non-current	6	91,497	1	-	-
Net defined benefit liabilities, non-current	4 and 6	1,305,500	7	1,309,685	7
Guarantee deposits	6	590,434	3	585,012	3
Other liabilities, non-current	4 and 6	80	-	1,487	-
Total non-current liabilities		2,160,711	12	2,253,384	12
Total liabilities		7,787,086	42	7,829,786	43
Equity attributable to the parent					
Capital					
Common stock	6	4,511,971	25	4,511,971	26
Additional paid-in capital	6	763,317	4	724,912	4
Retained earnings	6		-		
Legal reserve		3,527,515	19	3,322,832	18
Special reserve		170,798	1	131,578	1
Unappropriated earnings		2,112,670	11	2,087,315	11
Other components of equity	4 and 6	(58,666)	-	(170,798)	(1)
Treasury stock	4 and 6	(288,389)	(2)	(288,389)	(2)
Total equity		10,739,216	58	10,319,421	57
Total liabilities and equity		$18,526,302	100	$18,149,207	100

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

		2019		2018	
Item	Notes	Amount	%	Amount	%
Operating revenue	4, 6 and 7	$7,020,708	100	$6,941,037	100
Less : Sales returns and allowances	6	(30,259)	-	(31,691)	-
Net revenue		6,990,449	100	6,909,346	100
Operating costs	6 and 7	3,550,573	(51)	3,484,189	(50)
Gross profit		3,439,876	49	3,425,157	50
Operating expenses	6 and 7				
Sales and marketing expenses		(628,033)	(9)	(640,849)	(9)
General and administrative expenses		(1,110,358)	(16)	(1,097,331)	(16)
Research and development expenses		(102,243)	(2)	(105,582)	(2)
Expected credit losses		(11,668)	-	(11,300)	-
Subtotal		(1,852,302)	(27)	(1,855,062)	(27)
Operating income		1,587,574	22	1,570,095	23
Non-operating income and loss					
Other income	6	27,572	1	66,129	1
Other gains and losses	6	18,039	-	(25,230)	-
Finance costs	6	(25,540)	(1)	(26,956)	-
Share of profit or loss of associates accounted for using the equity method		827,653	12	729,994	10
Subtotal		847,724	12	743,937	11
Income before income tax		2,435,298	34	2,314,032	34
Income tax expenses	4 and 6	(298,737)	(4)	(267,204)	(4)
Net income		2,136,561	30	2,046,828	30
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	6	(83,624)	(1)	(59,828)	(1)
Unrealized gains on financial assets at fair value through other comprehensive income	6	54,396	1	(34,880)	(1)
Share of other comprehensive (loss) income of associates and joint ventures-may not be reclassified subsequently to profit or loss	6	72,614	1	(19,667)	-
Income tax related to items that will not be reclassified	6	10,035	-	8,010	-
Items that may be reclassified subsequently to profit or loss					
Share of other comprehensive (loss) income of associates and joint ventures-may be reclassified subsequently to profit or loss	6	(3,804)	-	41,597	1
Total other comprehensive (loss) income, net of tax		49,617	1	(64,768)	(1)
Total comprehensive income		$2,186,178	31	$1,982,060	29
Earnings per share (NT$)	4 and 6				
Basic earnings per share		$4.85		$4.64	
Diluted earnings per share		$4.84		$4.64	

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Other Components of Equity				
Description	**Common Stock**	**Additional Paid-in Capital**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Exchange Differences on Translation of Foreign Operations**	**Unrealized Gain or Loss on Financial Assets at fair value through other comprehensive income**	**Unrealized Gain or Loss on Available-for-Sale Financial Assets**	**Treasury Stock**	**Total Equity**
Balance as of January 1, 2018	$4,511,971	$691,334	$3,102,274	$65,182	$2,171,354	$(140,450)	$-	$8,872	$(288,389)	$10,122,148
Impact of retroactive application	-	-	-	-	39,344	-	(44,049)	(8,872)	-	(13,577)
Balance as of January 1, 2018 after restatement	4,511,971	691,334	3,102,274	65,182	2,210,698	(140,450)	(44,049)	-	(288,389)	10,108,571
Appropriations and distributions of 2017 unappropriated earnings										
Legal reserve	-	-	220,558	-	(220,558)	-	-	-	-	-
Special reserve	-	-	-	66,396	(66,396)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,804,788)	-	-	-	-	(1,804,788)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(8,354)	-	-	-	-	-	-	-	(8,354)
Donated surplus	-	2,959	-	-	-	-	-	-	-	2,959
Net income in 2018	-	-	-	-	2,046,828	-	-	-	-	2,046,828
Other comprehensive (loss) income, net of tax in 2018	-	-	-	-	(73,278)	41,597	(33,087)	-	-	(64,768)
Total comprehensive income	-	-	-	-	1,973,550	41,597	(33,087)	-	-	1,982,060
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(5,191)	-	5,191	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973
Balance as of December 31, 2018	$4,511,971	$724,912	$3,322,832	$131,578	$2,087,315	$(98,853)	$(71,945)	$-	$(288,389)	$10,319,421
Balance as of January 1, 2019	$4,511,971	$724,912	$3,322,832	$131,578	$2,087,315	$(98,853)	$(71,945)	$-	$(288,389)	$10,319,421
Appropriations and distributions of 2018 unappropriated earnings										
Legal reserve	-	-	204,683	-	(204,683)	-	-	-	-	-
Special reserve	-	-	-	39,220	(39,220)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,804,788)	-	-	-	-	(1,804,788)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(568)	-	-	-	-	-	-	-	(568)
Donated surplus	-	-	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	2,136,561	-	-	-	-	2,136,561
Other comprehensive (loss) income, net of tax in 2019	-	-	-	-	(87,783)	(3,804)	141,204	-	-	49,617
Total comprehensive income	-	-	-	-	2,048,778	(3,804)	141,204	-	-	2,186,178
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	25,268	-	(25,268)	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973
Balance as of December 31, 2019	$4,511,971	$763,317	$3,527,515	$170,798	$2,112,670	$(102,657)	$43,991	$-	$(288,389)	$10,739,216

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Description	2019	2018
Cash flows from operating activities:		
Profit before tax from continuing operations	$2,435,298	$2,314,032
Net income before tax	2,435,298	2,314,032
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Expected credit losses	11,668	11,300
Depreciation	1,005,197	892,511
Amortization	47,590	50,127
Interest expense	25,540	26,956
Interest revenue	(2,836)	(2,571)
Dividend income	(5,160)	(9,186)
Share of gain of associates and accounted for using the equity method	(827,653)	(729,994)
Gain on lease modification	(43)	-
(Gain) loss of financial assets at fair value through profit or loss	(382)	152
Loss on disposal of property, plant and equipment	11,135	7,861
Loss on disposal of investments	428	-
Impairment loss	-	9,879
Changes in operating assets and liabilities:		
Contract assets	4,699	5,227
Notes receivables, net	36,865	19,811
Notes receivables from related parties, net	1,008	1,736
Accounts receivables, net	(52,624)	(81,796)
Accounts receivables from related parties, net	(4,993)	(18,967)
Lease receivables	(23,892)	26,301
Long-term receivables	(2,872)	11,201
Contract liabilities	18,067	61,383
Inventories, net	(83,385)	(42,121)
Prepayments	28,526	4,348
Other current assets	9,273	(372)
Notes payables	(75,070)	(39,473)
Accounts payables	3,085	(23,066)
Accounts payables to related parties	(17,307)	(24,743)
Other payables	13,996	16,799
Other current liabilities	(57,278)	(4,312)
Net defined liabilities, non-current	(87,809)	(55,168)
Cash generated from operations	2,411,071	2,427,855
Interest received	2,836	2,571
Interest paid	(23,055)	(26,945)
Income tax paid	(362,240)	(147,347)
Net cash provided by operating activities	2,028,612	2,256,134
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	-	(27,344)
Disposal of investments accounted for using the equity method	8,901	-
Capital deducted by cash of investments accounted for using the equity method	20,568	-
Acquisition of financial assets at fair value through other comprehensive income	(131,522)	-
Disposal of financial assets at fair value through other comprehensive income	387,255	-
Capital deducted by cash of financial assets at fair value through other comprehensive income	14,583	8,333
Acquisition of property, plant and equipment	(670,156)	(714,167)
Proceeds from disposal of property, plant and equipment	9,683	17,375
Acquisition of intangible assets	(38,821)	(42,357)
Increase in prepayment for equipment	(221,638)	(9,977)
Decrease (increase) in refundable deposits	10,835	(2,118)
(Increase) decrease in other assets	(2,830)	10,681
Dividends received	560,342	596,681
Net cash used in investing activities	(52,800)	(162,893)
Cash flows from financing activities:		
Increase in short-term loans	650,000	150,000
Decrease in long-term loans	(684,000)	(184,000)
Increase in guarantee deposits	5,208	8,732
Cash payments for the principal portion of lease liability	(120,728)	-
Cash dividends paid	(1,804,788)	(1,801,829)
Net cash used in financing activities	(1,954,308)	(1,827,097)
Net increase in cash and cash equivalents	21,504	266,144
Cash and cash equivalents at beginning of year	990,335	724,191
Cash and cash equivalents at end of year	$1,011,839	$990,335

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

(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..

The Company changed the Chinese name and was approved by Taipei City Government on July 23, 2019.

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

The parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 20, 2020.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on The Company is described below:

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 Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b. For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Company was 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. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arised.

c. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized 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 previously classified as operating leases

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

   On January 1, 2019, the Company's right-of-use asset and lease liability increased by NT$234,309 thousand and NT$234,309 thousand, respectively.

   In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

   i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
   ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
   iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
   iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
   v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(iii) As of January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.125%.

ii. The explanation for the difference of NT30,898 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$265,207
Discounted using the incremental borrowing rate on January 1, 2019	$257,071
Less: adjustment to leases that meet and elect to account in the same way as short-term leases (if any)	(16,388)
Less: adjustment to leases that meet and elect the underlying asset of low value (if any)	(6,374)
The carrying value of lease liabilities recognized as of January 1, 2019	$234,309

d. The Company is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. 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.

B. Definition of 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.

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

a. highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

b. prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

c. IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

d. separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

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 January 1, 2020. The standards and interpretations have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 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	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

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. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT$, which is also the Company's functional currency.

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

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

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

Financial asset measured at fair value through other comprehensive income

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

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

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.

B. Impairment of financial assets

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

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

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments 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 liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(7) Fair value measurement

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

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

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

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

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

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

(8) Inventories

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

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

Raw materials - Purchase cost on a weighted average basis

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

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

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(9) Investments accounted for under the equity method

The investment in a subsidiary is according to “Rule Governing the Preparation of Financial Statements 21 by Securities Issuers”. Therefore, profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements. According to IFRS 10 — Consolidated Financial Statements , agreeing with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

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

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

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

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

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

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

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

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

(10) Property, plant and equipment

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

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

Buildings	51~61 years
Machinery and equipment	4~9 years
Security equipment	6~20 years
Office equipment	4~11 years
Transportation equipment	4~7 years
Other equipment	6~20 years
Right-of-use assets/leased assets (note)	1~15 years

Note: The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

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

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

(11) Investment property

<u>The accounting policy from January 1, 2019 as follow:</u>

The Company's owned 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, 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, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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.

The Company transfers to or from investment properties when there is a change in use for these assets. 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.

The accounting policy before January 1, 2019 as follow:

The Company's 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 *Property, plant and equipment* 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.

The Company transfers to or from investment properties when there is a change in use for these assets.

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

(12) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

<u>Company as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

<u>Company as a lessor</u>

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

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

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

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

Company as a lessor

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

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

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

(13) Intangible assets

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

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

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

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

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

Computer software

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

A summary of the policies applied to the Company’s intangible assets is as follows:

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

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

(15) Provisions

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

<u>Provision for decommissioning, restoration and rehabilitation costs</u>

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

(16) Treasury shares

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

(17) Revenue recognition

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

Sale of goods

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

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

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

Rendering of services

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

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

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

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

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

(18) Borrowing costs

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

(19) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan.

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

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

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

(20) Income taxes

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

Current income tax

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

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

(1) Judgment

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

A. Investment properties

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

B. Operating lease commitment-Company as the lessor

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

C. Significant influence of affiliated enterprises

The Company holds less than 20% voting rights in some certain affiliated enterprises. However, after taking into consideration that the Company has the representation on the board of directors or equivalent governing body of the investee and other factors over certain affiliated enterprises. The Company has significant influence. Please refer to Note 6 for further details.

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

C. Pension benefits

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

D. Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax assets of the Company as of December 31, 2019.

E. Accounts receivables–estimation of impairment loss

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Petty cash	$5,875	$5,940
Checking and saving accounts	926,025	984,395
Cash Equivalent	79,939	-
Total	$1,011,839	$990,335

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

	As of December 31,	
	2019	2018
Financial assets designated at fair value through profit or loss:		
Fund	$5,367	$4,985
Current	$5,367	$4,985
Non-current	-	-
Total	$5,367	$4,985

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,	
	2019	2018
Equity instrument investments measured at fair value through other comprehensive income:		
Listed companies stocks	$22,378	$242,097
Unlisted companies stocks	80,952	77,153
Total	$103,330	$319,250
Current	$22,378	$117,480
Non-current	80,952	201,770
Total	$103,330	$319,250

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

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are NT$5,160 thousand and NT$9,186 thousand, respectively.

In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2019 and 2018 are as follow:

	For the years ended December 31,	
	2019	2018
The fair value of the investments at the date of derecognition	$387,255	$-
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	$10,804	$-

(4) Financial assets measured at amortized cost

	As of December 31,	
	2019	2018
Corporate bonds	$-	$-
Fixed-term deposits	11,500	11,500
Subtotal (total carrying amount)	11,500	11,500
Less: loss allowance	-	-
Total	$11,500	$11,500
Current	$-	$-
Non-current	11,500	11,500
Total	$11,500	$11,500

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6(19) for more details on loss allowance and Note 12 for more details on credit risk.

(5) Notes receivables

	As of December 31,	
	2019	2018
Notes receivables arising from operating activities	$151,127	$187,992
Less: loss allowance	-	-
Subtotal	151,127	187,992
Trade receivables from related parties	623	1,631
Less: loss allowance	-	-
Subtotal	623	1,631
Total	$151,750	$189,623

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivables, accounts receivables from related parties, and long-term receivables

	As of December 31,	
	2019	2018
Accounts receivables	$524,586	$479,819
Less: loss allowance	(18,327)	(14,516)
Subtotal	506,259	465,303
Accounts receivables from related parties	104,067	99,074
Less: loss allowance	-	-
Subtotal	104,067	99,074
Long-term receivables	33,505	30,633
Less: loss allowance	-	-
Subtotal	33,505	30,633
Total	$643,831	$595,010

Accounts receivables were not pledged.

Trade receivables are generally on 30-90 day terms. The total carrying amount as of December 31, 2019 and 2018 are NT$662,158 thousand and NT$609,526 thousand. Please refer to Note 6(19) for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(7) Lease receivables

	As of December 31,			
	2019(Note)		2018	
	Current	Non-current	Current	Non-current
Lease receivables			$40,805	$122,446
Less: Unearned finance income on finance lease			(2,765)	(4,958)
Lease receivables, net			$38,040	$117,488

The expected recovery of the lease receivable is as follows:

	As of December 31,	
	2019(Note)	2018
Within one year		$40,805
Over one year and within five years		120,397
Over five years		2,049
Total		$163,251

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(8) Inventories

	As of December 31,	
	2019	2018
Merchandise inventories	$105,093	$92,255

The cost of inventories recognized in expenses amounts to NT$477,212 thousand and NT$433,449 thousand for the years ended December 31, 2019 and 2018, respectively, including the write-down of inventories of NT$0 thousand.

Inventory valuation losses were not recognized for the years ended December 31, 2019 and 2018.

Inventories were not pledged.

(9) Investments accounted for under the equity method

	As of December 31,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Speed Investment Co., Ltd.	$2,700,922	100	$2,503,980	100
Lee Bao Security Co., Ltd.	1,121,557	100	1,047,468	100
Goyun Security Co., Ltd.	503,811	100	484,855	100
Chung Pao Tzu Tung Corporation	10,580	100	10,248	100
Goldsun Express Co., Ltd.	638,074	100	630,030	100
Kuo Hsing Security Co., Ltd.	525,374	84	514,633	84
Gowin Building Management and Maintenance Co., Ltd.	436,225	81	435,053	81
Aion Technology Inc.	185,028	74	165,401	74
Zhong Bao Insurance Broker Inc.	17,580	60	18,290	60
Lee Way Electronics Co., Ltd.	143,747	34	141,785	34
Lots Home Entertainment Co., Ltd.	70,362	21	70,425	21
TransAsia Catering Services Ltd.	812,393	67	814,093	67
SIGMU D.P.T. Company Ltd.	18,591	22	46,847	22
Subtotal	7,184,244		6,883,108	
Investments in associates:				
Goldsun Building Materials Co., Ltd.	1,536,588	6	1,478,222	6
TransAsia Airways Corp.	-	12	-	12
Tech Elite Holdings Ltd.	-	39	-	39
Yon Geng Healthcare Management Co., Ltd. (Note 1)	-	-	9,330	36
Anfeng Enterprise Co., Ltd.	13,706	30	13,570	30
Huaya Development Co., Ltd.	294,734	50	296,660	50
Subtotal	1,845,028		1,797,782	
Total	$9,029,272		$8,680,890	

Note 1: Yon Geng Healthcare Management Co., Ltd. was liquidated and completed the process in April 2019.

Details of other liabilities, non-current are as follows:

	As of December 31,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Taiwan Video System Co., Ltd.	$(80)	36	$(1,487)	36
Total	$(80)		$(1,487)	

A. Investments in subsidiaries

Investments in subsidiaries was accounted for investment accounted for under equity method when preparing the parent company only financial statements. The differences of accounting treatment are adjusted. One of the subsidiaries, Taiwan Video System Co., Ltd. has had credit balance in investment accounted for under equity method and is classified under non-current liabilities.

B. Investments in associates

The Company possessed less than 20% of ownership of Goldsun Building Material Co., Ltd. However, since the key management of the Company is also the chairman of the board of Goldsun Building Materials Co., Ltd. are the same, the significant influence of the Company over the Goldsun Building Materials Co., Ltd. was presumed to exist, and therefore the investments were accounted for using the equity method.

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

Information on the material associate of the Company:

Company name: Goldsun Building Materials Co., Ltd.

Nature of the relationship with the associate: The key management of the Company and Goldsun Building Materials Co., Ltd. are the same.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Goldsun Building Materials Co., Ltd. is listed on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Goldsun Building Materials Co., Ltd. is NT$1,294,207 thousand and NT$751,359 thousand, as of December 31, 2019 and 2018, respectively.

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

The summarized financial information of the associate is as follows:

	As of December 31,	
	2019	2018
Current assets	$14,943,866	$12,529,732
Non-current assets	22,101,127	23,179,348
Current liabilities	(9,955,912)	(11,021,908)
Non-current liabilities	(5,613,214)	(4,106,880)
Equity	21,475,867	20,580,292
Non-controlling interests	(1,091,518)	(1,097,997)
Shareholders of the parent	20,384,349	19,482,295
Proportion of the Company's ownership	6.49%	6.49%
Subtotal	1,322,944	1,264,401
Goodwill	222,792	222,792
Others	(9,148)	(8,971)
Carrying amount of the investment	$1,536,588	$1,478,222

	For the years ended December 31,	
	2019	2018
Operating revenue	$19,005,069	$18,644,806
Profit or loss from continuing operations	1,185,961	591,187
Other comprehensive income	161,018	(29,426)
Total comprehensive income	$1,346,979	$561,761

The Company's investments in other companies are not individually material. The aggregate carrying amount of the Company's interests in other companies is NT$308,440 thousand. The aggregate financial information based on Company's share of other companies is as follows:

	For the years ended December 31,	
	2019	2018
Profit or loss from continuing operations	$(755)	$(1,047)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	$(755)	$(1,047)

The associates had no contingent liabilities or capital commitments as of December 31, 2019 and 2018.

The investment value of part of the Company's investments accounted for under the equity method has impaired, and the impairment loss recognized in 2019 and 2018 amounted to NT$0 thousand and NT$9,879 thousand, respectively. The assessment of the impairment loss is mainly due to the fact that management evaluates the recoverable value of part of subsidiaries is lower than net equity and the recoverable amounts of the investment in the associates cannot be recovered and investment cost or salable price drops significantly due to the passage of the liquidation proposal. Therefore, the impairment loss needs be recognized in the statement of comprehensive income.

(10) Property, plant and equipment

	As of December 31,	
	2019	2018(Note)
Owner occupied property, plant and equipment	$4,856,574	
Property, plant and equipment leased out under operating leases	-	
Total	$4,856,574	$5,023,609

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Other equipment	Total
Cost:								
As of January 1, 2019	$1,434,715	$909,530	$320,156	$8,648,367	$488,021	$220,277	$677,888	$12,698,954
Additions	-	-	8,300	574,444	26,690	33,391	27,331	670,156
Disposals	-	-	(33,535)	(533,236)	(20,611)	(20,598)	(24,222)	(632,202)
Other changes	-	-	-	70,547	-	-	-	70,547
As of December 31, 2019	$1,434,715	$909,530	$294,921	$8,760,122	$494,100	$233,070	$680,997	$12,807,455
Depreciation and impairment:								
As of January 1, 2019	$-	$202,273	$298,451	$6,191,108	$414,363	$148,138	$421,012	$7,675,345
Depreciation	-	17,343	6,426	747,275	25,150	25,245	65,481	886,920
Disposals	-	-	(33,535)	(532,889)	(12,648)	(17,734)	(14,578)	(611,384)
As of December 31, 2019	$-	$219,616	$271,342	$6,405,494	$426,865	$155,649	$471,915	$7,950,881
Net carrying amount as of:								
December 31, 2019	$1,434,715	$689,914	$23,579	$2,354,628	$67,235	$77,421	$209,082	$4,856,574

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Property, plant and equipment (prior to the application of IFRS 16)

	Land and land Improvements	Buildings	Machinery and equipment	Security equipment	Office equipment	Transportation equipment	Other equipment	Total
Cost:								
As of January 1, 2018	$1,434,715	$909,530	$328,767	$8,578,652	$488,442	$212,535	$855,145	$12,807,786
Additions	-	-	10,710	649,033	12,126	21,959	20,339	714,167
Disposals	-	-	(19,321)	(620,729)	(12,547)	(14,217)	(197,596)	(864,410)
Other changes	-	-	-	41,411	-	-	-	41,411
As of December 31, 2018	$1,434,715	$909,530	$320,156	$8,648,367	$488,021	$220,277	$677,888	$12,698,954
Depreciation and impairment:								
As of January 1, 2018	$-	$184,930	$311,173	$6,059,837	$394,714	$135,426	$536,155	$7,622,235
Depreciation	-	17,343	6,502	736,627	31,664	25,828	74,320	892,284
Disposals	-	-	(19,224)	(605,356)	(12,015)	(13,116)	(189,463)	(839,174)
As of December 31, 2018	$-	$202,273	$298,451	$6,191,108	$414,363	$148,138	$421,012	$7,675,345
Net carrying amount as of:								
December 31, 2018	$1,434,715	$707,257	$21,705	$2,457,259	$73,658	$72,139	$256,876	$5,023,609

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

Property, plant and equipment were not pledged.

(11) Investment property

The Company's investment properties include owned investment properties. The Company has entered into commercial property leases on its owned investment properties with terms of between 1 and 3 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Land	Buildings	Total
Cost:			
As of January 1, 2019	$275,593	$8,130	$283,723
Additions	-	-	-
As of December 31, 2019	$275,593	$8,130	$283,723
As of January 1, 2018	$275,593	$8,130	$283,723
Additions	-	-	-
As of December 31, 2018	$275,593	$8,130	$283,723

	Land	Buildings	Total
Depreciation and impairment:			
As of January 1, 2019	$-	$1,144	$1,144
Depreciation	-	226	226
As of December 31, 2019	$-	$1,370	$1,370
As of January 1, 2018	$-	$917	$917
Depreciation	-	227	227
As of December 31, 2018	$-	$1,144	$1,144
Net carrying amount as of:			
December 31, 2019	$275,593	$6,760	$282,353
December 31, 2018	$275,593	$6,986	$282,579

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$3,875	$3,875
Less：Direct operating expense generated from rental income of investment property	(226)	(227)
Total	$3,649	$3,648

No investment property was pledged.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT$294,527 thousand and NT$290,457 thousand as of December 31, 2019 and 2018, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used are comparison approach and cost approach which supporting by market evidence, and the inputs used, capital interest rates and weighted average rates, are 3.78%, 2.00% and 3.67%, 2.00%, respectively.

(12) Intangible assets

	Computer software
Cost:	
As of January 1, 2019	$160,626
Addition-acquired separately	38,821
Reach amortized life	(60,764)
As of December 31, 2019	$138,683
As of January 1, 2018	$175,003
Addition-acquired separately	42,357
Reach amortized life	(56,734)
As of December 31, 2018	$160,626

	Computer software
Amortization and impairment:	
As of January 1, 2019	$87,429
Amortization	47,590
Reach amortized life	(60,764)
As of December 31, 2019	$74,255
As of January 1, 2018	$94,036
Amortization	50,127
Reach amortized life	(56,734)
As of December 31, 2018	$87,429
Net carrying amount as of:	
December 31, 2019	$64,428
December 31, 2018	$73,197

Recognized as amortized amount of intangible assets are as follows.

	For the years ended December 31,	
	2019	2018
Operating costs	$8,476	$7,699
Operating expenses	$39,114	$42,428

(13) Short-term loans

		As of December 31,	
	Interest Rates (%)	2019	2018
Unsecured bank loans	0.53%-0.80%	$3,000,000	$2,350,000

The Company's unused short-term lines of credits amount to NT$900,000 thousand and NT$750,000 thousand as of December 31, 2019 and 2018, respectively.

(14) Long-term loans

Details of long-term loans are as follows:

Lenders	As of December 31, 2019	Interest Rates (%)	Maturity date and terms of repayment
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	$62,000	0.88%~1.20%	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	88,000	0.88%~1.20%	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	200,000	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.
Subtotal	350,000		
Less: current portion	(184,000)		
Total	$166,000		

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%~1.20%	Loan starting March 25, 2016 till March 25, 2021; repayable every 3 months after 6 months of borrowing; interest paid every 3 months.
Unsecured Long-term Loan from Bank of Tokyo Mitsubishi UFJ	144,000	0.88%~1.20%	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		

(15) Guarantee deposits

	As of December 31,	
	2019	2018
Performance security deposit	$442,636	$432,560
Security line deposit	147,798	152,452
Total	$590,434	$585,012

(18) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 are NT$53,480 thousand and NT$53,240 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$26,225 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The average durations of the defined benefits plan obligation are 12 years and 13 years as of December 31, 2019 and 2018, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	$37,322	$41,310
Interest expense (income) of net defined benefit liabilities (assets)	14,275	19,184
Total	$51,597	$60,494

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

	As of December 31,	
	2019	2018
Defined benefit obligation	$1,439,773	$1,359,933
Plan assets at fair value	(134,273)	(50,248)
Other non-current liabilities – Net defined benefit liabilities recognized on the balance sheets	$1,305,500	$1,309,685

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, 2018	$1,368,625	$ (63,599)	$1,305,026
Current period service costs	41,310	-	41,310
Net interest expense (income)	20,119	(935)	19,184
Subtotal	61,429	(935)	60,494
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(34,700)	-	(34,700)
Actuarial gains and losses arising from changes in financial assumptions	65,035	-	65,035
Experience adjustments	32,581	(3,088)	29,493
Subtotal	62,916	(3,088)	59,828
Payments from the plan	(133,037)	133,037	-
Contributions by employer	-	(115,663)	(115,663)
As of December 31, 2018	1,359,933	(50,248)	1,309,685
Current period service costs	37,322	-	37,322
Net interest expense (income)	14,823	(548)	14,275
Subtotal	52,145	(548)	51,597
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	4,649	-	4,649
Actuarial gains and losses arising from changes in financial assumptions	53,269	-	53,269
Experience adjustments	27,789	(2,083)	25,706
Subtotal	85,707	(2,083)	83,624
Payments from the plan	(58,012)	58,012	-
Contributions by employer	-	(139,406)	(139,406)
As of December 31, 2019	$1,439,773	$(134,273)	$1,305,500

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

	As of December 31,	
	2019	2018
Discount rate	0.76%	1.09%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	$-	$79,726	$-	$82,285
Discount rate decreases by 0.5%	94,658	-	91,499	-
Future salary increases by 0.5%	93,740	-	91,110	-
Future salary decreases by 0.5%	-	79,922	-	82,743

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

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

(17) Equity

A. Common stock

The Company's authorized and issued capital were both NT$5,000,000 thousand and NT$4,511,971 thousand, and divided into 451,197,093 shares at NT$10 par value, as of December 31, 2019 and 2018. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2019	2018
Additional paid-in capital	$40,387	$40,387
Treasury share transactions	625,410	586,437
Changes in net assets of associates and joint ventures accounted for under the equity method	94,561	95,129
Donated surplus	2,959	2,959
Total	$763,317	$724,912

According to the Company Act, the capital reserve shall not be used except for making good 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, 2019 and 2018, 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, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing earnings, the Company is 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$39,220 thousand special reserve to undistributed earnings. As of December 31, 2019 and 2018, the special reserve were NT$170,798 thousand and NT$131,578 thousand, respectively.

Details of the 2019 and 2018 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 20, 2020 and June 14, 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$213,656	$204,683		
Special reserve	(112,133)	39,220		
Common stock-cash dividend	1,804,788	1,804,788	$4	$4
Total	$1,906,311	$2,048,691		

Please refer to Note 6(21) for further details on employees' compensation and remuneration to directors and supervisors.

(18) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Sale of goods revenue	$684,185	$651,067
Rendering of service revenue	6,306,264	6,258,279
Total	$6,990,449	$6,909,346

Analysis of revenue from contracts with customers during the years ended December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019:

	Electronic System
Sale of goods	$684,185
Rendering of services	6,306,264
Total	$6,990,449
Timing of revenue recognition:	
At a point in time	$684,185
Over time	6,306,264
Total	$6,990,449

For the year ended December 31, 2018:

	Electronic System
Sale of goods	$651,067
Rendering of services	6,258,279
Total	$6,909,346
Timing of revenue recognition:	
At a point in time	$651,067
Over time	6,258,279
Total	$6,909,346

B. Contract balances

a. Contract assets – current

	2019.12.31	2018.12.31	2018.1.1
Rendering of services	$25,471	$30,170	$35,397
Total	$25,471	$30,170	$35,397

Contract assets have decreased during 2019 and 2018 as the Company obtained an unconditional right to receive the consideration during the period transferred to trade receivables at the reporting date.

Please refer to Note 6(19) for more details on the impairment impact.

b. Contract liabilities – current

	2019.12.31	2018.12.31	2018.1.1
Rendering of services	$1,153,044	$1,134,977	$1,008,524
Total	$1,153,044	$1,134,977	$1,008,524

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to revenue	$(1,060,707)	$(1,323,725)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	$1,078,774	$1,450,178

C. Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$1,153,044 thousand as of December 31, 2019. Management expects the transaction price allocated to unsatisfied performance obligations will be recognized as revenue during the 12 months.

D. Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit losses		
Contract assets	$-	$-
Trade receivables	11,668	11,300
Subtotal	11,668	11,300
Non-operating income and expenses - Expected credit losses		
Financial assets measured at amortized cost	-	-
Total	$11,668	$11,300

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

The credit risk for the Company's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period) and the Company only transacts with banks and institutions with good credit rating. Therefore, the loss allowance amounts to NT$0 thousand which is measured at expected credit loss ratio of 0%.

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

A. The gross carrying amount of contract asset is NT$25,471 thousand, and its loss allowance amounts to NT$0 thousand which is measured at expected credit loss ratio of 0%.

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

As of December 31, 2019

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	$928,299	$47,853	$6,308	$5,178	$1,092	$4,598	$993,328
Loss ratio	0-2%	2-10%	10-30%	30-50%	50-80%	80-100%	
Lifetime expected credit losses	(5,790)	(2,707)	(1,715)	(2,660)	(857)	(4,598)	(18,327)
Total	$922,509	$45,146	$4,593	$2,518	$235	$-	$975,001

As of December 31, 2018

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

Note: The Company's notes receivables, finance lease receivables, long-term receivables, and long-term lease receivables are not overdue.

The movement in the loss allowance of trade receivables during the years ended December 31, 2019 and 2018 are as follows:

	Trade receivables	Notes receivables	Others (Note)
Balance as of January 1, 2019	$14,516	$-	$-
Addition/(reversal) for the current period	11,668	-	-
Write off	(7,857)	-	-
Balance as of December 31, 2019	$18,327	$-	$-
Balance as of January 1, 2018 (in accordance with IAS 39)	$15,915	$-	$-
Transition adjustment to retained earnings as of January 1, 2018	-	-	-
Beginning balance (in accordance with IFRS 9)	15,915	-	-
Addition/(reversal) for the current period	11,300	-	-
Write off	(12,699)	-	-
Balance as of December 31, 2018	$14,516	$-	$-

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

(20) Leases

A. Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate such as land and buildings, transportation equipment and other equipment. The lease terms range from one to five years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

a. Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018(Note)
Land	$163,261	
Transportation equipment	6,055	
Total	$169,316	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the Company's additions to right-of-use assets amount to NT$61,423 thousand.

(ii) Lease liabilities

	As of December 31,	
	2019	2018(Note)
Lease liabilities	$168,867	
Current	$77,370	
Non-current	91,497	

Please refer to Note 6(22)(3) for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018(Note)
Land	$112,926	
Transportation equipment	5,125	
Total	$118,051	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018(Note)
The expenses relating to short-term leases	$27,665	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	7,716	
Total	$35,381	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounting to NT$156,109 thousand.

e. Other information relating to leasing activities

(iii) Extension and termination options

Some of the Company's agreement (e.g. property rental agreement) contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. Operating lease commitments - Company as a lessee (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial property leases with having an average life of one to ten years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than one year		$165,490
Later than one year and not later than five years		99,717
Later than five years		-
Total		$265,207

Operating lease expenses recognized are as follows:

	As of December 31,	
	2019(Note)	2018
Minimum lease payments		$101,239

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Company as a lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6(11) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

The Company has entered into leases on certain equipment with lease terms range from one to five years. These leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2019	2018(Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$19,576	
Subtotal	19,576	
Lease income for finance leases		
Selling profit or loss	928	
Finance income on the net investment in the lease	4,419	
Subtotal	5,347	
Total	$24,923	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6(10) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019	2018(Note)
Not later than one year	$8,443	
Later than one year but not later than two years	3,909	
Later than two years but not later than three years	1,848	
Later than three years but not later than four years	1,560	
Later than four years but not later than five years	1,273	
Later than five years	1,760	
Total	$18,793	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

For finance leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019	2018(Note)
Not later than one year	$51,210	
Later than one year but not later than two years	46,392	
Later than two years but not later than three years	38,734	
Later than three years but not later than four years	38,096	
Later than four years but not later than five years	14,886	
Later than five years	-	
Total undiscounted lease payments	189,318	
Less: Unearned finance income to finance leases	(9,898)	
Less: loss allowance	-	
Net investment in the lease (Finance lease receivables)	$179,420	
Current	$47,211	
Non-current	132,209	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments - Company as a lessor (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial property leases with remaining terms of between one and five years. 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, 2019 and 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than one year		$16,656
Later than one year and not later than five years		17,340
Later than five years		-
Total		$33,996

The contingent rent is not recognized as income for the years ended December 31, 2019 and 2018.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(21) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$939,816	$861,752	$1,801,568	$975,030	$891,762	$1,866,792
Labor and health insurance	88,095	78,109	166,204	86,333	77,844	164,177
Pension	58,187	46,890	105,077	60,915	52,819	113,734
Remuneration to directors	-	111,294	111,294	-	104,999	104,999
Other employee benefits expense	30,377	22,113	52,490	31,514	23,316	54,830
Depreciation	814,668	190,529	1,005,197	771,854	120,657	892,511
Amortization	8,476	39,114	47,590	7,699	42,428	50,127

The headcount of the Company were 2,471 and 2,563, including 11 non-employee directors for the years ended December 31, 2019 and 2018, respectively.

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

Based on profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 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, 2019 amount to NT$25,849 thousand and NT$103,394 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 20, 2020 to distribute NT$25,645 thousand and NT$102,582 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively.

No material differences exist between the estimated amount and the actual distribution of NT$24,356 thousand and NT$97,423 thousand in cash as the employees' compensation and remuneration to directors for the year ended December 31, 2018.

The average employee benefits expenses of the Company were NT$865 thousand and NT$891 thousand for the years ended December 31, 2019 and 2018, respectively.

The average employee salaries expenses of the Company were 732 thousand and 732 thousand for the years ended December 31, 2019 and 2018, respectively. The average rate of change of the employee salaries was 0%.

(22) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Rental income	$19,576	$54,372
Interest income		
Financial assets measured at amortized cost	118	112
Cash in banks	2,247	1,999
Others	471	460
Subtotal	2,836	2,571
Dividend income	5,160	9,186
Total	$27,572	$66,129

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	$(11,135)	$(7,861)
Loss on disposal of investments	(428)	-
Foreign exchange loss, net	601	4
Impairment loss	-	(9,879)
Miscellaneous gain (loss)	28,576	(7,342)
Gain (loss) on financial assets at fair value through profit or loss (Note 1)	382	(152)
Gain on lease modification	43	(Note 2)
Total	$18,039	$(25,230)

Note 1: Loss on financial assets at fair value through profit or loss was arising from financial assets designated at fair value through profit or loss.

Note 2: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$23,055	$26,945
Interest on lease liabilities	2,271	(Note)
Interest for finance lease	(Note)	-
Total interest expenses	25,326	26,945
Interest for deposits received	214	11
Total finance costs	$25,540	$26,956

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(23) Components of other comprehensive income

For the year ended December 31, 2019

	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	$(83,624)	$-	$(83,624)	$10,035	$(73,589)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	54,396	-	54,396	-	54,396
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	72,614	-	72,614	-	72,614
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,804)	-	(3,804)	-	(3,804)
Total of other comprehensive (loss) income	$39,582	$-	$39,582	$10,035	$49,617

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(59,828)	$-	$(59,828)	$8,010	$(51,818)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	(34,880)	-	(34,880)	-	(34,880)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(19,667)	-	(19,667)	-	(19,667)
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	41,597	-	41,597	-	41,597
Total of other comprehensive (loss) income	$(72,778)	$-	$(72,778)	$8,010	$(64,768)

(24) 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, 2019	For the years ended December 31, 2018
Current income tax expense (income):		
Current income tax charge	$301,249	$313,180
Adjustments in respect of current income tax of prior periods	(1,899)	(8,102)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(613)	6,989
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(44,863)

Total income tax expense (income)	$298,737	$267,204

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(10,035)	$(8,010)

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,	
	2019	2018
Accounting profit before tax from continuing operations	$2,435,298	$2,314,032
Tax at the domestic rates applicable to profits in the country concerned	$487,060	$462,806
Tax effect of revenues exempt from taxation	(168,905)	(145,860)
Investment tax credit	(77)	-
Tax effect of deferred tax assets / liabilities	(17,442)	(4,413)
Corporate income surtax on undistributed retained earnings	-	7,636
Adjustments in respect of current income tax of prior periods	(1,899)	(8,102)
Others	-	(44,863)
Total income tax expense recognized in profit or loss	$298,737	$267,204

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences				
Unrealized bad debt expense	$1,285	$725	$-	$2,010
Depreciation difference for tax purpose	11,536	(294)	-	11,242
Compensated absences	7,153	300	-	7,453
Decommissioning costs	1,440	-	-	1,440
Impairment losses	125,015	10,419	-	135,434
Defined benefit liabilities, non-current	158,385	(10,537)	10,035	157,883
Deferred tax (expense)/income		$613	$10,035	
Net deferred tax assets/(liabilities)	$304,814			$315,462

Reflected in balance sheet as follows:					
Deferred tax assets		$304,814			$315,462

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Tax rate change impact recognized in profit and loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences					
Unrealized bad debt expense	$1,359	$(314)	$240	$-	$1,285
Depreciation difference for tax purpose	9,853	(55)	1,738	-	11,536
Compensated absences	6,080	-	1,073	-	7,153
Decommissioning costs	1,224	-	216	-	1,440
Impairment losses	106,263	-	18,752	-	125,015
Defined benefit liabilities, non-current	134,151	(6,620)	22,844	8,010	158,385
Deferred tax (expense)/income		$(6,989)	$44,863	$8,010	
Net deferred tax assets/(liabilities)	$258,930				$304,814
Reflected in balance sheet as follows:					
Deferred tax assets	$258,930				$304,814

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amount to NT$136,511 thousand and NT$147,264 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns	Notes
The Company	Assessed and approved up to 2017	-

(25) 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,	
	2019	2018
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,136,561	$2,046,828
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Basic earnings per share (NT$)	$4.85	$4.64

	For the years ended December 31,	
	2019	2018
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$2,136,561	$2,046,828
Employee bonus (in thousands)	-	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousands)	$2,136,561	$2,046,828
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	440,923	440,923
Effect of dilution:		
Employee bonus-stock (in thousands)	291	276
Weighted average number of ordinary shares outstanding after dilution (in thousands)	441,214	441,199
Diluted earnings per share (NT$)	$4.84	$4.64

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

7. Related party transactions

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

Name and nature of relationship of the related parties

Related Party Name	The Relationship with the Company
SECOM Co., Ltd.	Entity with joint control or significant influence over the Company
Speed Investment Co., Ltd.	Subsidiary

Related Party Name	The Relationship with the Company
Lee Bao Security Co., Ltd.	Subsidiary
Goyun Security Co., Ltd.	Subsidiary
Chung Pao Tzu Tung Corporation	Subsidiary
Goldsun Express & Logistics Co., Ltd	Subsidiary
Kuo Hsing Security Co., Ltd.	Subsidiary
Gowin Building Management and Maintenance Co., Ltd.	Subsidiary
Aion Technology Inc.	Subsidiary
Zhong Bao Insurance Broker Inc.	Subsidiary
Taiwan Video System Co., Ltd.	Subsidiary
Lee Way Electronics Co., Ltd.	Subsidiary
Lots Home Entertainment Co., Ltd.	Subsidiary
TransAsia Catering Services Ltd.	Subsidiary
Titan Star International Co., Ltd.	Subsidiary
Gowin Security Co., Ltd.	Subsidiary
SVS Corporation	Subsidiary
Lee Bao Technology Co., Ltd.	Subsidiary
Babyboss Co., Ltd.	Subsidiary
Goldsun Express Ltd.	Subsidiary
Brightron Technology and Engineering Corporation (2018: Litenet Corporation)	Subsidiary
Choppa Tech Co., Ltd.	Subsidiary
Guoyun Technology Co., Ltd.	Subsidiary
Comlink Fire Systems Inc.	Subsidiary
SIGMU D.P.T. Co., Ltd.	Subsidiary
Zhong Bao Lease Co., Ltd.	Subsidiary
Lee Yuan Biomedical Co., Ltd.	Subsidiary
Goyun Parking Co., Ltd.	Subsidiary
Living Plus Food & Beverage Co., Ltd. (2018: Zhan Food Team Inc.)	Subsidiary
Sunseap Solutions Taiwan Limited	Subsidiary
Jiansheng International Co., Ltd.	Subsidiary
Goldsun Building Materials Co., Ltd.	Associate
Anfeng Enterprise Co., Ltd.	Associate
Wellpool Co., Ltd.	Associate
Raixin Quality products Ltd.	Associate
Kunyung Construction and Engineering Co., Ltd.	Associate
Legend Travel Service, Ltd.	Associate
eSkylink Inc.	Associate
Taipei Port Terminal Company, Ltd.	Other related party
Wellchang Interior Design and Decoration Co., Ltd.	Other related party
Hobby Werks Co., Ltd.	Other related party
Chengxin Investment Co., Ltd.	Other related party

Related Party Name	The Relationship with the Company
Shin Lan Enterprise Inc.	Other related party
Azure International Holdings Taiwan	Other related party

Significant transactions with related parties

(1) Sales

	For the years ended December 31,	
	2019	2018
Subsidiaries	$147,120	$203,253
Associates	201,973	182,777
Other related parties	79	42
Total	$349,172	$386,072

The selling price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 30~90 days, while for third party domestic sales was month-end 30~90 days. The outstanding balance at every year end was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Costs

	For the years ended December 31,	
	2019	2018
Entity with joint control or significant influence over the Company	$30,566	$8,187
Subsidiaries	478,117	454,099
Associates	737	790
Other related parties	-	693
Total	$509,420	$463,769

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 2-3 months.

(3) Notes receivables from related parties

	As of December 31,	
	2019	2018

Associates	$623	$1,631
Less: loss allowance	-	-
Net	$623	$1,631

(4) Accounts receivables from related parties

	As of December 31,	
	2019	2018
Subsidiaries	$16,337	$37,567
Associates		
Anfeng Enterprise Co., Ltd.	87,608	61,255
Others	94	196
Subtotal	87,702	61,451
Other related parties	28	56
Total	104,067	99,074
Less: loss allowance	-	-
Net	$104,067	$99,074

(5) Trade and other payables to related parties

	As of December 31,	
	2019	2018
Entity with joint control or significant influence over the Company	$568	$1,485
Subsidiaries		
Titan Star International Co., Ltd.	59,185	49,078
Aion Technology Inc.	13,486	30,473
Others	5,035	14,610
Subtotal	77,706	94,161
Associates	465	400
Total	$78,739	$96,046

(6) Lease expenditure

	For the years ended December 31,	
	2019	2018
Subsidiaries	$10,789	$16,624
Other related parties	14,238	15,021

Total	$25,027	$31,645

The lease deposits to related parties amounts to NT$33,304 thousand and NT$33,164 thousand as of December 31, 2019 and 2018.

(7) Property transactions

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

	As of December 31,	
	2019	2018
Entity with joint control or significant influence over the Company	$10,754	$14,720
Subsidiaries	172,326	118,699
Total	$183,080	$133,419

(8) 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 royalty significant influence over the Company. The royalty was calculated in proportion of annual net sales deducted by related cost. The royalty was NT$46,664 thousand and NT$47,576 thousand for the years ended December 31, 2019 and 2018, respectively. The royalty payable was NT$23,101 thousand and NT$20,681 thousand for the years ended December 31, 2019 and 2018, respectively, which was recognized as other payables.

(9) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$224,372	$215,683
Post-employment benefits	2,098	1,935
Total	$226,470	$217,618

8. Assets pledged as security

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

Items	Carrying amount December 31, 2019	Carrying amount December 31, 2018	Secured liabilities
Financial assets measured at amortized cost	$11,500	$11,500	Oil passbook guarantee

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31, 2019	As of December 31, 2018
Financial assets designated at fair value through profit or loss	$5,367	$4,985
Financial assets at fair value through other comprehensive income	103,330	319,250
Financial assets measured at amortized cost		
Cash and cash equivalents	1,005,964	984,395
Financial assets measured at amortized cost	11,500	11,500
Trade receivables	975,001	940,161
Refundable deposits	217,139	227,974
Subtotal	2,209,604	2,164,030
Total	$2,318,301	$2,488,265

Financial liabilities	As of December 31, 2019	As of December 31, 2018
Financial liabilities at amortized cost:		
Short-term loans	$3,000,000	$2,350,000
Trade and other payables	993,944	1,069,240
Long-term loans (including current portion with maturity	350,000	1,034,000

less than 1 year)		
Lease liabilities	168,867	(Note)
Guarantee deposits	590,434	585,012
Total	$5,103,245	$5,038,252

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

Because non-functional currency transaction price of the company is tiny, currency risk doesn't have significant influence.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items assumed to be possessed for a fiscal year and exposed to interest rate risk as of the end of the reporting period, including borrowings with floating interest rates. The analysis indicates that when the interest rates increase / decrease by ten basis points, the Company's profit would decrease / increase by NT$2,216 thousand and NT$2,604 thousand for the years ended December 31, 2019 and 2018, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed equity securities classified as equity instruments investments, measured at fair value through other comprehensive income could have an impact of NT$(2,238) thousand and NT$(24,210) thousand on the income or equity attributable to the Company for the years ended December 31, 2019 and 2018 respectively. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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

As of December 31, 2019 and 2018, amounts receivables from top ten customers are minor compared to the total accounts receivables of the Company. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The possibility of changing of interest rates relating to borrowings with floating interest rates is low, so the Company estimates interest rates as the rate of the balance sheet date.

<u>Non-derivative financial instruments</u>

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Borrowings	$3,205,382	$168,052	$-	$-	$3,373,434
Trade and other payables	993,944	-	-	-	993,944
Lease Liability	78,696	50,980	13,585	31,200	174,461
As of December 31, 2018					
Borrowings	$3,241,942	$333,972	$46,200	$-	$3,622,114
Trade and other payables	1,069,240	-	-	-	1,069,240

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 2019 is as follows:

	Short-term loans	Long-term loans	Leases liabilities	Balance of liabilities arising from financing activities
2019.1.1	$2,350,000	$1,034,000	$234,309	$3,618,309
Cash flow	650,000	(684,000)	(120,728)	(154,728)
Non-cash changes				
Acquisition	-	-	55,286	55,286
2019.12.31	$3,000,000	$350,000	$168,867	$3,518,867

Information of reconciliation for liabilities during 2018 is as follows:

	Short-term loans	Long-term loans	Balance of liabilities arising from financing activities
2018.1.1	$2,200,000	$1,218,000	$3,418,000
Cash flow	150,000	(184,000)	(34,000)
2018.12.31	$2,350,000	$1,034,000	$3,384,000

(7) Fair values of financial instruments

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

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

a. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$5,367	$-	$-	$5,367
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	22,378	-	80,952	103,330

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$4,985	$-	$-	$4,985
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	242,097	-	77,153	319,250

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, 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, 2019	$77,153
Total losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (present in Unrealized gains or losses on measured at fair value through other comprehensive income equity instrument investment)	18,382
Acquisition/issue for the year ended December 31, 2019	-
Disposition/acquittance for the year ended December 31, 2019	(14,583)
Ending balances as of December 31, 2019	$80,952

	Assets
	Measured at fair value

	through other comprehensive income Stock
Beginning balances as of January 1, 2018	$114,321
Total losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (present in Unrealized gains or losses on measured at fair value through other comprehensive income equity instrument investment)	(28,835)
Acquisition/issue for the year ended December 31, 2018	-
Disposition/acquittance for the year ended December 31, 2018	(8,333)
Ending balances as of December 31, 2018	$77,153

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, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's profit or loss by NT$7,919 thousand

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	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the

	of the stocks	Company's profit or loss by NT$2,257 thousand

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

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

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

As of December 31, 2019

	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)	$-	$-	$294,527	$294,527
Investments accounted for under the equity method (please refer to Note 6)	1,294,207	-	-	1,294,207

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6)	$-	$-	$290,457	$290,457
Investments accounted for under the equity method (please refer to Note 6)	751,359	-	-	751,359

(9) Significant assets and liabilities denominated in foreign currencies

The Company does not have significant assets and liabilities denominated in foreign currencies. The foreign exchange gain was NT$601 thousand and NT$4 thousand for the years ended December 31, 2019 and 2018, respectively.

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

(10) Capital management

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

13. <u>Additional disclosures</u>

(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.

Attachment 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)
	For the year ended 2019						
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Revenues	$(16,581)	Note 4	-
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Costs	199,076	Note 4	2%
0	Taiwan Secom Co., Ltd.	Lee Bao Security Co., Ltd.	1	Accrued expenses	21,998	-	-
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	59,186	-	-
0	Taiwan Secom Co., Ltd.	Kuo Hsing Security Co., Ltd.	1	Revenues	18,738	Note 4	-
0	Taiwan Secom Co., Ltd.	CHOPPA Tech Co., Ltd.	1	Revenues	46,936	Note 4	1%
0	Taiwan Secom Co., Ltd.	Lee Way Electronics Co., Ltd.	1	Revenues	38,762	Note 4	-
1	Titan Star International Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	267,262	Note 4	2%
2	Aion Computer Communication Co., Ltd.	Taiwan Secom Co., Ltd.	2	Revenues	224,854	Note 4	2%
3	Goyun Security Co., Ltd.	Kuo Hsing Security Co., Ltd.	3	Revenues	55,186	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.

Attachment 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	$52,000 (Note 1)	$30,000	$4,400 (Note 1)	1.0%	(Note 6(2))	$-	Business turnover	$-	-	$-	$615,918 (Note 1)	$1,231,837 (Note 2)
2	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	Other receivables - related parties	Yes	60,000 (Note 1)	60,000	45,000 (Note 1)	1.0%	(Note 6(2))	-	Business turnover	-	-	-	615,918 (Note 1)	1,231,837 (Note 2)
3	Speed Investment Co., Ltd.	SIGMU D.P.T. Co., Ltd.	Other receivables - related parties	Yes	30,000 (Note 3)	30,000	30,000 (Note 3)	1.0%	(Note 6(2))	-	Business turnover	-	-	-	615,918	1,231,837
4	Goldsun Express & Logistics Co., Ltd.	Goldsun Express Ltd.	Other receivables - related parties	Yes	60,000 (Note 3)	-	- (Note 3)	1.3%	(Note 6(2))	-	Business turnover	-	-	-	127,470	254,941

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 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 6: (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.

Attachment 3

Endorsement/Guarantee provided to others for the year ended December 31, 2019 (Expressed in Thousands of New Taiwan Dollars)

No.	Endorsor/Guarantor	Receiving party: Company name	Receiving party: Relationship	Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company (Note 5)	Guarantee provided by a subsidiary (Note 5)	Guarantee provided to subsidiaries in Mainland China (Note 5)
1	Aion Computer Communication Co., Ltd.	Brightron Technology and Engineering Corportion (2018: LITENENT Corporation)	An investee which holds directly 100% of equity interest.	$50,167 (Note 1)	$1,864	$1,864	$1,864	-	0.74%	$50,167 (Note 1)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Kuo Hsing Security Co., Ltd.	An investee which holds 1.45% of equity interest.	2,000 (Note 2)	1,040	1,040	1,040	-	0.14%	5,369,608 (Note 2)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Taiwan Secom Co., Ltd.	Parent company	3,221,765 (Note 2)	2,650	2,650	2,650	-	0.35%	5,369,608 (Note 2)	N	N	N
2	Gowin Building Management and Maintenance Co., Ltd.	Goyun Parking Co., Ltd.	An investee which holds directly 100% of equity interest.	3,221,765 (Note 2)	50,000	50,000	-	-	6.62%	5,369,608 (Note 2)	N	Y	N
3	Speed Investment Co., Ltd.	Lots Home Entertainment Co., Ltd.	An investee which holds directly 78.98% of equity interest.	3,221,765 (Note 3)	25,000	25,000	25,000	-	0.81%	5,369,608 (Note 3)	N	N	N

Note 1: 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 20%.

(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 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 3: 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 4: 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.

Attachment 4-1

Securities held for the year ended December 31, 2019 (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	356,832	$5,367	-	$15.04	
	Listed companies stocks-							
	Sercomm Corporation	-	Financial assets at fair value through other comprehensive income-current	288,000	22,378	0.12%	77.70	
	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	2,708,333	25,550	2.08%	9.43	
	GAMA PAY Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	3,214,285	27,417	5.36%	8.53	
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,591,367	21,929	10.61%	13.78	
	Global Securities Finance Corporation	-	Financial assets at fair value through other comprehensive income-non-current	624,950	3,200	0.16%	5.12	
	Raixin Quality Products Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,353,333	2,856	11.28%	2.11	
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	14,500	0.04%	88.80	
	Unlisted companies stocks-							
	Huijia Health Life Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	50,000	83	0.30%	1.66	
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	49,076	0.12%	88.80	

Attachment 4-2

Securities held for the year ended December 31, 2019 (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	$321,924	0.80%	$88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	281,000	15,117	0.78%	53.80	
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	198,252	0.49%	88.80	
Lee Bao Technology Co., Ltd.	Unlisted companies stocks-							
	GENIRON.COM Inc.	-	Financial assets at fair value through other comprehensive income-non-current	619,590	8,538	4.13%	13.78	
Lots Home Entertainment Co., Ltd.	Unlisted companies stocks-							
	The Tag-Along Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	825,000	8,250	1.50%	10.00	
GC&C Holdings Limited	Fund-							
	AZI	-	Financial assets at fair value through profit or loss-current	333,333	-	-	-	
Goyun Security Co., Ltd.	Unlisted companies stocks-							
	Taiwan Secom Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income-current	252,820	22,450	0.06%	88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	181,500	9,765	0.50%	53.80	

Attachment 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	
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	$179,923	0.45%	$88.80	
	Wellpool Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	302,500	16,275	0.84%	53.80	
	Unlisted companies stocks-							
	Ciding Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	717,391	6,451	2.17%	8.99	
	Mingfu Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	100,000	504	9.09%	5.04	
	Yuji Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,012,500	11,856	3.75%	11.71	
	Fund-							
	AsiaVest Opportunities Fund	-	Financial assets at fair value through profit or loss-current	200	928	0.74%	154.87	
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	126,189	0.31%	88.80	
	Sercomm Corporation	-	Financial assets at fair value through other comprehensive income-current	73,000	5,672	0.03%	77.70	
	Unlisted companies stocks-							
	Golden Harvest Food Enterprise Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,460,000	22,265	7.30%	15.25	
	International Integrated Systems, Inc	-	Financial assets at fair value through other comprehensive income-non-current	497,227	5,251	0.71%	10.56	
	Kaoshiung Airport Catering Service	-	Financial assets at fair value through other comprehensive income-non-current	1	-	-	-	
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	196,000	6.67%	9.80	

Attachment 5

Related party transactions for purchases and sales amounts exceeding NT$100 million or 20% of capital stock (Expressed in Thousands of New Taiwan Dollars)

Purchaser (seller)	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit Term	Unit price	Credit Term	Balance	Percentage of total receivables (payable)	
Taiwan Secom Co., Ltd.	Aion Computer Communication Co., Ltd.	Subsidiary accounted for under the equity method	Note 1	$224,854	Note 1	30-60 days	-	-	$(13,486)	3%	
	Anfeng Enterprise Co., Ltd.	Investee accounted for under the equity method	Sales	(195,969)	-3%	30-60 days	-	-	87,608	11%	
	Leebao Security CO., Ltd.	Subsidiary accounted for under the equity method	Purchase	199,076	6%	30-60 days	-	-	21,998	5%	
	Titan Star International Co., Ltd.	Subsidiary accounted for under the equity method	Note 2	267,262	Note 2	30-60 days	-	-	(59,186)	13%	
Goldsun Express & Logistics Co., Ltd.	Goldsun Building Materials Co., Ltd.	Investee accounted for under the equity method	Note 3	(504,475)	Note 3	30 days	-	-	63,815	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.	Taipei City	Investment holding	$415,130	$415,130	241,966,797	100.00%	$2,700,922	$154,864	$130,947	
	Lee Bao Security Co., Ltd.	Taipei City	Security services providing	198,006	198,006	69,986,215	100.00%	1,121,557	202,964	203,150	
	Goyun Security Co., Ltd.	Kaohsiung City	Security services providing	40,034	40,034	26,512,450	100.00%	503,811	90,112	92,208	
	Chung Pao Tzu Tung Corporation	Taipei City	Sales of electric, telecommunications and fireproof products	20,000	20,000	2,000,000	100.00%	10,580	2,332	121	
	Goldsun Express & Logistics Co., Ltd.	New Taipei City	Air cargo transporting services	613,878	613,878	55,942,758	100.00%	638,074	44,196	43,752	
	Kuo Hsing Security Co., Ltd.	Taipei City	Corporate security guarding services	-	-	29,321,619	83.77%	525,374	162,352	117,589	
	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	101,911	101,911	28,463,488	80.96%	436,225	127,875	92,453	
	Aion Computer Communication Co., Ltd.	Taipei City	Technology support services	139,356	139,356	12,739,895	73.75%	185,028	31,898	37,887	
	Zhong Bao Insurance Broker Inc	Taipei City	Insurance broker	3,600	3,600	608,400	60.00%	17,580	4,901	2,941	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	449,526	449,526	11,356,902	36.20%	(80)	(5,026)	(458)	
	Tech Elite Holdings Ltd.	Hong Kong	Investment holding	66,416	66,416	2,000,000	39.22%	-	-	-	
	Yon Geng Healthcare Management Co., Ltd.	Taipei City	Retail of medical equipment	-	20,000	-	-	-	-	-	
	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	121,419	121,419	10,288,341	34.29%	143,747	52,719	17,721	
	Anfeng Enterprise Co., Ltd.	Taipei City	Automated Teller Machine (ATM) services	10,820	10,820	900,000	30.00%	13,706	4,308	1,171	
	Lots Home Entertainment Co., Ltd.	Taipei City	Video sales and rental services	186,480	186,480	4,308,392	21.02%	70,362	(4,284)	25	
	Huaya Development Co., Ltd.	Taipei City	Operating hotel and sales of cement products and asbestos waves	314,899	314,899	25,512,892	49.83%	294,734	(1,937)	(1,926)	
	TransAsia Airways Corp.	Taipei City	Aviation services	833,409	833,409	76,245,604	10.05%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	1,374,479	1,374,479	89,875,518	6.49%	1,536,588	1,096,190	71,058	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	750,687	750,687	24,562,918	67.02%	812,393	21,211	17,131	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	6,776	27,344	677,617	22.00%	18,591	7,820	1,883	
Speed Investment Co., Ltd.	Titan Star International Co., Ltd.	Taipei City	Manufacturing, selling and processing of security-related equipment and parts	393,185	393,185	84,933,981	100.00%	1,409,463	124,465	124,875	
	Zhong Bao Security Holding (Samoa) Co., Ltd.	Samoa	Investment holding	-	193,091	-	-	-	-	-	
	SVS Corporation	Taipei City	Vehicles maintenance services	80,000	80,000	8,000,000	100.00%	38,988	1,764	2,350	
	Babyboss Co., Ltd.	Taipei City	Educational and recreational services	152,308	220,000	15,230,776	84.62%	133,572	(4,024)	(3,124)	
	Lots Home Entertainment Co., Ltd.	Taipei City	Video sales and rental services	375,568	375,568	16,191,608	78.98%	24,976	(4,284)	95	
	CHOPPA Tech Co., Ltd.	Taipei City	POS system for retail	86,090	86,090	8,637,000	57.58%	96,147	(1,149)	(4,179)	

	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	150,376	150,376	14,078,783	46.93%	207,663	52,719	25,868	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	151,021	151,021	14,845,300	47.32%	648	(5,026)	(15,446)	
	Zhong Bao Insurance Broker Inc	Taipei City	Insurance broker	1,927	1,927	101,400	10.00%	2,930	4,901	490	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	103,456	103,456	9,900,199	0.71%	144,693	1,096,190	7,921	
	Yon Geng Healthcare Management Co., Ltd.	Taipei City	Retail of medical equipment	-	326	-	-	-	-	-	
	Comlink Fire Systems Inc	Taoyuan City	Wholesale of fire safety equipment	85,938	85,034	205,866	99.81%	76,801	12,981	10,058	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	11,051	57,118	1,517,684	49.26%	41,646	7,820	4,254	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	80,000	80,000	2,424,242	6.61%	59,211	21,211	1,593	
	Jiansheng International Co., Ltd.	Taipei City	Medical equipment and AED rental services	20,000	20,000	2,000,000	100.00%	20,130	88	74	
	Livingplus Food and Beverage Co., Ltd. (2018: Zhan Food Team Inc.)	Taipei City	Catering services	30,000	-	3,000,000	37.50%	18,529	(19,014)	(4,402)	
	Brightron Technology and Engineering Corporation (2018: LITENENT Corporation)	Taipei City	Light controlling system services	124,740	-	17,827,884	67.94%	167,722	(25,519)	(15,329)	
	Sunseap Solutions Taiwan Limited	Taipei City	Energy-saving solutions technology	3,060	-	306,000	51.00%	3,060	(203)	-	
Zhong Bao Security Holding (Samoa) Co., Ltd.	Zhong Bao Security Holding (Mauritius) Co., Ltd.	Mauritius	Investment holding	-	130,096	-	-	-	-	-	
Titan Star International Co., Ltd.	ESKYLINK INC	Taipei City	Telecom value-added network services	7,301	7,301	884,016	19.71%	19,307	31,779	5,586	
	Livingplus Food and Beverage Co., Ltd. (2018: Zhan Food Team Inc.)	Taipei City	Light controlling system services	30,244	30,244	2,280,116	8.69%	35,350	(25,519)	(6,088)	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	363,809	363,809	55,309,747	3.99%	813,130	1,096,190	44,633	
	Taiwan Video System Co., Ltd.	Taipei City	Sales and manufacture of digital signage and monitors	21,516	21,516	614,779	1.96%	(420)	(5,026)	380	
	TransAsia Airways Corp.	Taipei City	Aviation Services	54,007	54,007	4,405,028	0.58%	-	-	-	Note 1
	Comlink Fire Systems Inc	Taoyuan City	Wholesale of fire safety equipment	176	176	384	0.19%	34	12,981	51	
	SIGMU D.P.T. Co., Ltd.	Taipei City	Wholesale and installation of fire safety equipment	55	203	4,887	0.17%	138	7,820	15	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	100,000	100,000	3,030,303	8.27%	74,081	21,211	3,640	

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.	New Taipei City	The custom broker services	$26,833	$26,833	3,361,248	100.00%	$37,953	$44,196	$2,495	
Goyun Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	15,000	15,000	2,154,042	6.13%	36,521	127,875	7,723	
	TransAsia Airways Corp.	Taipei City	Aviation Services	28,978	28,978	1,635,080	0.22%	-	-	-	Note 1
	Babyboss Co., Ltd.	Taipei City	Educational and recreational services	1,814	4,891	692,304	3.85%	6,077	(4,024)	(31)	
	CHOPPA Tech Co., Ltd.	Taipei City	POS system for retail	10,080	10,080	1,008,000	6.72%	11,201	(1,149)	(67)	
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	82,571	82,571	8,800,000	0.64%	106,206	1,096,190	8,448	
	Guoyun Technology Co., Ltd.	Kaohsiung City	Car parking lot services	100,000	100,000	10,000,000	100.00%	86,325	(1,913)	(1,923)	
Kuo Hsing Security Co., Ltd.	Gowin Building Management and Maintenance Co., Ltd.	Taipei City	Building management services providing	26,615	26,615	4,540,260	12.91%	115,990	127,875	16,822	
	Lee Way Electronics Co., Ltd.	Taipei City	Police-Citizen connection and AED rental services	29,045	29,045	2,707,458	9.02%	42,437	52,719	4,835	
	TransAsia Airways Corp.	Taipei City	Aviation Services	47,581	47,581	4,360,832	0.57%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	172,492	172,492	12,669,386	0.91%	195,097	1,096,190	10,103	
	Zhong Bao Lease Co., Ltd.	New Taipei City	Mini-Storage rental services	30,000	30,000	3,000,000	100.00%	27,364	(356)	(356)	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	70,000	70,000	2,121,212	5.79%	52,476	21,211	1,394	
Gowin Building Management and Maintenance Co., Ltd.	Gowin Security Co., Ltd.	Taipei City	Corporate security guarding services	40,000	40,000	4,000,000	100.00%	86,098	27,606	21,115	
	Kuo Hsing Security Co., Ltd.	Taipei City	Corporate security guarding services	12,515	12,515	506,692	1.45%	15,596	162,352	2,539	
	TransAsia Airways Corp.	Taipei City	Aviation Services	19,639	19,639	2,101,872	0.28%	-	-	-	Note 1
	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	72,599	72,599	4,650,459	0.34%	69,289	1,096,190	3,774	
	Goyun Parking Co., Ltd.	Taipei City	Car parking lot services	50,000	50,000	5,000,000	100.00%	45,057	216	216	
Babyboss Co., Ltd.	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	77,509	77,509	7,900,000	0.57%	116,161	1,096,190	6,330	
Lee Way Electronics Co., Ltd.	Lee Yuan Biomedical Co., Ltd.	Taipei City	Medical equipment and AED rental services	30,000	30,000	3,000,000	100.00%	58,219	23,845	23,687	
	TransAsia Catering Service Ltd.	Taoyuan City	Production and sales of instant foods and in-flight catering	50,000	50,000	1,515,152	4.13%	35,056	21,211	(943)	
Lee Bao Security Co., Ltd.	Lee Bao Technology Co., Ltd.	Taipei City	Automated Teller Machine (ATM) services	50,000	50,000	5,000,000	100.00%	32,667	620	620	
Aion Computer Communication Co., Ltd.	Peregrine Soleil Asset Holdings Limited	British Virgin Islands.	Investment holding	189,961	189,961	5,469,502	100.00%	46,623	(801)	(801)	
	Brightron Technology and Engineering Corporation (2018: LITENET Corporation)	Taipei City	Light controlling system services	81,623	81,623	6,132,000	23.37%	96,360	(25,519)	(12,248)	

	Goldsun Building Materials Co., Ltd.	Taipei City	Ready mixed concrete, real estate sale, and lease	9,427	9,427	900,000	0.06%	13,243	1,096,190	718	
Peregrine Soleil Asset Holdings Limited	GC&C Holdings Limited	Cayman Islands	Investment holding	189,691	189,691	5,460,502	100.00%	47,350	(555)	(555)	

Attachment 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 Germany GmbH	Germany	Sales of digital signage, monitors, and etc.	$5,917	$5,917	-	100.00%	$4,905	$1,939	$1,939	
TransAsia Catering Service Ltd.	Tian-sha Food, Ltd.	Taoyuan City	Retail of food product	18,000	18,000	1,800,000	30.00%	23,360	10,199	3,060	
CHOPPA Tech Co., Ltd.	Livingplus Food and Beverage Co., Ltd (2018: Zhan Food Team Inc.)	Taipei City	Catering services	43,000	31,000	4,700,000	58.75%	28,124	(19,014)	(13,203)	

Attachment 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, 2019	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of Outflow December 31, 2019
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 4,850	(2)	-	-	-	-	USD (214)	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)	-	-	-	-	-

Accumulated Investment in Mainland China as of 2019/12/31	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$12,674	$133,475	$6,100,409

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 2008. 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.

6-6. If the company and its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date on which the annual report is printed, the impact of the difficulties on the company's financial situation shall be specified: None.

VII. FINANCIAL STATUS AND FINANCIAL PERFORMANCE

7-1. Financial status

Year / Items	Dec. 31, 2019	Dec. 31, 2018	Difference	
			Amount	%
Current assets	8,847,137	7,766,130	1,081,007	13.92%
Investments accounted for using equity method	3,345,514	3,217,147	128,367	3.99%
Property, plants, and equipment	6,761,760	7,016,933	(255,173)	-3.64%
Other non-current assets	3,544,242	2,887,969	656,273	22.72%
Total assets	22,498,653	20,888,179	1,610,474	7.71%
Current liabilities	8,570,169	7,480,454	1,089,715	14.57%
Non-current liabilities	2,744,360	2,606,987	137,373	5.27%
Total liabilities	11,314,529	10,087,441	1,227,088	12.16%
Share capital	4,511,971	4,511,971	-	0.00%
Capital surplus	763,317	724,912	38,405	5.30%
Retained earnings	5,810,983	5,541,725	269,258	4.86%
Other equities	(58,666)	(170,798)	112,132	-65.65%
Treasury stock	(288,389)	(288,389)	-	0.00%
Non-controlling interests	444,908	481,317	(36,409)	-7.56%
Total equity	11,184,124	10,800,738	383,386	3.55%

＊ Main reasons of significant changes in assets, liabilities, and equity in the most recent two fiscal years:

1.The increase in other non-current assets is mainly due to the addition of right-of-use assets after the adoption of IFRS16.

2.The increase in other equities is mainly due to the increase in gains on unrealized financial asset profits at fair value through other comprehensive income.

＊ Effect of financial position and changes in the most recent fiscal years: No significant effects in the financial position.

＊ Future countermeasures: Not applicable.

7-2. Financial performance

7-2. Financial performance

Unit: NT$ thousand

Items \ Year	2019	2018	Amount of increase (Decrease)	Rate of change (%)
Net operating income	13,411,677	13,393,619	18,058	0.13%
Operating cost	8,519,007	8,486,576	32,431	0.38%
Gross profit	4,892,670	4,907,043	(14,373)	-0.29%
Operating expenses	2,359,654	2,346,408	13,246	0.56%
Operating income	2,533,016	2,560,635	(27,619)	-1.08%
Non-operating revenues and expenses	145,802	(15,860)	161,662	-1019.31%
Net profit before tax	2,678,818	2,544,775	134,043	5.27%
Income tax expenses	(502,039)	(445,640)	56,399	12.66%
Current period net profit	2,176,779	2,099,135	77,644	3.70%
Other current comprehensive income or loss (net after-tax)	53,821	(64,144)	117,965	-183.91%
Total consolidated income for the period	2,230,600	2,034,991	195,609	9.61%
Profit attributable to owners of the parent company	2,136,561	2,046,828	89,733	4.38%
Comprehensive income attributable to owners of the parent company	2,186,178	1,982,060	204,118	10.30%

＊ Analysis and description of the changes of the increase/decrease ratio in the most recent two years:

1.The increase in non-operating revenues and expenses is mainly due to the increase in the share of other gains (losses) of associates and joint ventures, accounted for using the equity method.

2.The increase in other comprehensive income is mainly due to the recognition of unrealized gain on the valuation of equity instruments measured at fair value through other comprehensive income.

＊ The sales amount and its basis over the next year: Please refer to Pages1～2 ”1. Letter to Shareholders”.

＊ Effect of financial position and changes in the most recent two years: No significant effect on the financial position.

＊ Future countermeasures: Not applicable.

7-3. Cash Flow Analysis

7-3-1. Analysis of changes in cash flow in the most recent year

Unit: NT$ thousand

Beginning cash balance	Net cash flow from year-round operating activities	Cash outflow for the year	Retained (insufficient) amount of cash	Remedy for cash shortage	
				Investment plan	Financial plan
5,021,795	3,105,008	1,811,120	6,315,683	-	-

Analysis of changes in cash flow in this year:

(1) Operating activities: The net cash inflow from operating activities is NT$ 3,105,008 thousand, which is mainly due to net profit before tax of NT$ 2,678,818 thousand.

(2) Investment activities: The net cash outflow from investment activities is NT$ 536,807 thousand, which is mainly due to the acquisition of property, plants, and equipment for NT$ 846,143 thousand and the disposal of financial assets at fair value through other comprehensive income of NT$ 323,806 thousand.

(3) Financing activities: The net cash outflow from financing activities is NT$ 1,278,835 thousand, which is mainly due to the dividend distribution from a surplus of NT$ 1,804,788 thousand, an increase in long- and short-term borrowings by NT$ 886,000 thousand, and repayment of the principal amount of lease liabilities of NT$ 283,618 thousand.

7-3-2. Inefficient Capital liquidity improvement plan: Not Applicable.

7-3-3. Cash flow forecast analysis for the next year:

Unit: NT$ thousand

Beginning cash balance	Estimated net cash flow from year-round operating activities	Estimated cash outflow for the year	Estimated retained (insufficient) amount of cash	Remedy for estimated cash shortage	
				Investment plan	Financial plan
6,315,683	3,734,570	3,040,372	7,009,881	-	-

Analysis of changes in cash flow in this year:

(1) Operating activities: Mainly due to the estimated operating profit from business activities gained through expected revenue growth.

(2) Investment activities: Mainly due to the expected acquisition of devices and equipment.

(3) Financing activities: Mainly due to the expected dividend distribution from surpluses and debt repayment.

7-4. Impacts on financial operations from major capital expenditures in the most recent year: None.

7-5. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(1) Investment policy for the most recent year: The Company's investment in other businesses is a priority considering the peripheral business related to the core business, followed by other businesses that can obtain higher profits.

(2) Investment profit: The Company’s gain on the share in affiliates and co-investment under equity method for year 2019 and 2018 are NTD 160,876 thousand and NTD 66,831 thousand.

(3) Investment plan for the coming year：None.

7-6. The risk analysis and assessment in the recent years and as of the printing date of this annual report:

(1) The effect upon the company's profits (losses) from interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The Company’s loss on exchange, interest income and loss situation:
   The Company’s 2019 loss on foreign exchange was NT$ 9,920 thousand, interest income was NT$ 21,996 thousand, and interest expenses were NT$ 40,323 thousand.
2. The impact on the company's income due to inflation:
   In the most recent year, the interest rate changes have been small and the inflation has been moderate, which has no significant impact on the Company's income.
3. The company's specific measures in response to interest and exchange rate fluctuations and inflation:
   The Company adopts natural hedging methods to reduce risks due to exchange rate fluctuations.

(2) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company's financial policy is based on the principle of steady and conservative operations, and does not engage in high-risk and highly leveraged investments, nor does it engage in the trading of derivative commodities. Loaning funds to others and the endorsement guarantee are handled in accordance with the Company's “Procedures for Loaning of Funds and Making of Endorsements or Guarantees” to protect the Company's maximum interests.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The company's future operational focus will be based on the integrated service of 《MyVita+》 and the IOT system. It plans to add more 《MyVita+》 AI smart products and features, and provide more 《MyVita+》 APP features and cell phone integration with new high-tech products. It also plans to add new innovative service products, including smart image (face) identification systems, upgraded version of cloud guarding etc. From Smart Home to Smart City, the development of related innovative service projects accelerates the introduction of AI, including smart transportation (parking), smart street lights, smart security community, etc., and we apply big data analysis to identify problems and business opportunities. The Company expects to invest approximately NT$ 100,000,000 in research and development to fulfill the aforementioned needs and other future operation commitment.

(4) Effect on the company's financial operations by change of important policies and regulations at home and abroad, and measures to be taken in response:

The management of the Company is actively up to date and responds to important domestic and international policies and laws. It follows national laws and regulations, promotes corporate governance, adjusts operations and internal control, and ensures the smooth operation of financial operations to maintain the company's sustainable development.

(5) Effect of science and technology, as well as industrial change, on the company’s finances and operations, and measures to be taken in response:

The company's R&D integration is always up to date with the trends. It invests in R&D when necessary, to adjust operational strategies in order to ensure a smooth operation of the business.

(6) Effect of changes in the company's corporate image on the company’s crisis management, and measures to be taken in response:

Based on the concept of sustainable management, the company's corporate image has always been good and has been recognized by consumers and investors. It follows the laws and regulations promoting corporate governance in order to implement corporate social responsibility and integrity management concepts. The company has a corporate website, a communications system, and a publicity department to create a transparent and reliable communications channel with the media and investors or other related parties to maintain the company's excellent corporate image. There is no change in corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: Not Applicable.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not Applicable.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:
The company has no consolidative problem of sales or purchasing operation currently. The company also makes a list of alternative suppliers. The supply is all regular at the present stage, if the company encounters any emergency situation, it will be replaced by the alternative supplier to ensure that the company is functioning properly.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding a greater than 10% stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: Not Applicable.

(11) Effect upon and risk to the company associated with any change in governance or top management, and mitigation measures being or to be taken: Not Applicable.

(12) Litigious and non-litigious matters. The company, directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined to be or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price: Not Applicable.

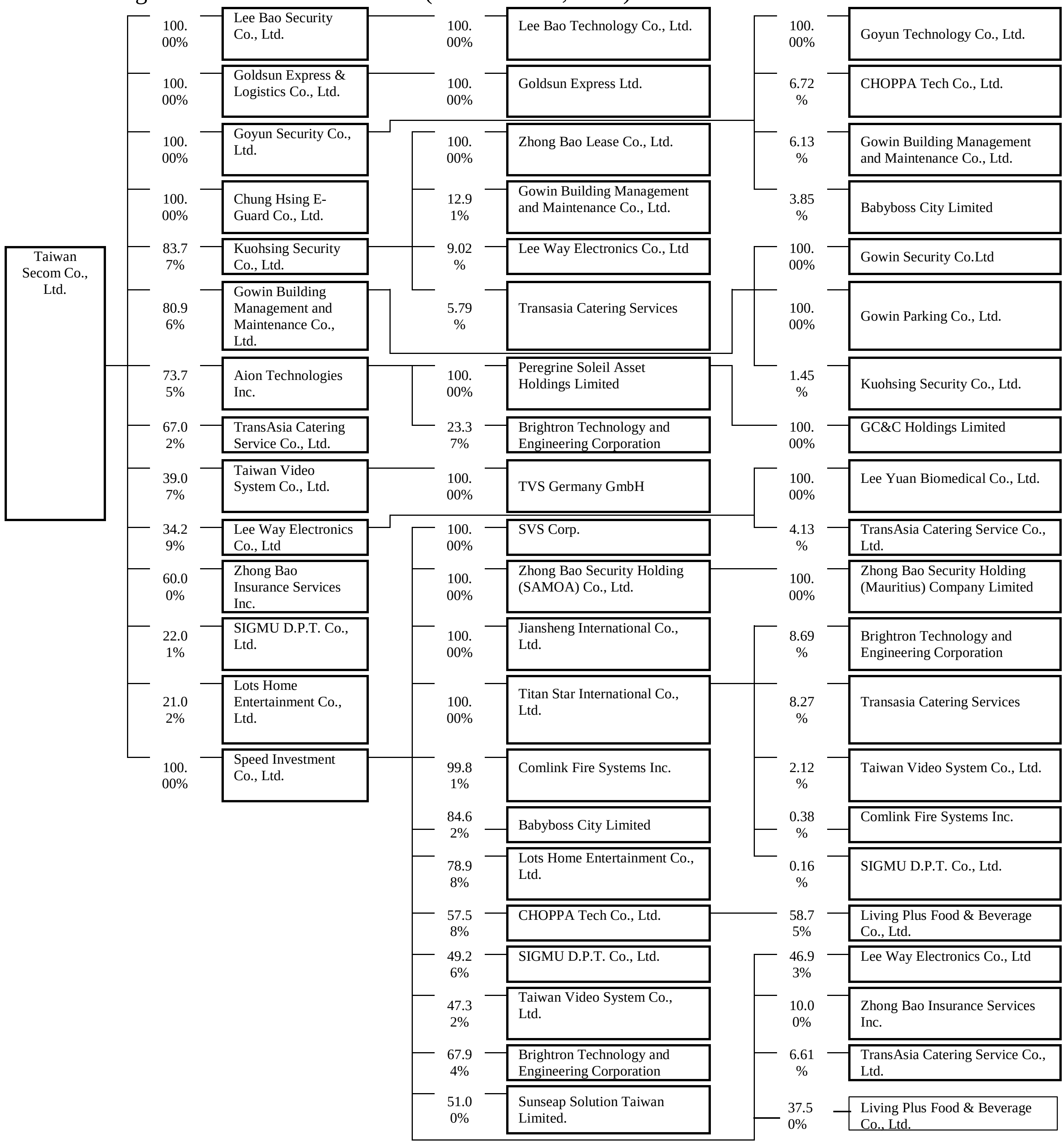
(13) Other major risks, and mitigation measures being or to be taken: None

VIII. Special matters to be recorded:

I. Information related to the Company's Affiliates

8-1 Consolidated business reports of affiliates

8-1-1. Organization chart for affiliates (as of Dec. 31, 2019)



Note1: The Company does not have the controlling and subordinate relation defined in Article 369-3 of the Company Act.

8-1-2. Basic Information of Affiliated Companies

Unit: thousand; (Unless otherwise specified, all values in NTD)

Company Name	Date of Incorporation	Address	Paid-in Capital	Type of Business
Kuohsing Security Co., Ltd	1989.12.16	9F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	350,025	Static guard services
Gowin Building Management and Maintenance Co., Ltd.	1992.05.26	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	351,578	Building management and maintenance
Goyun Security Co., Ltd.	1998.12.31	7F., No.2-4, Renyi St., Kaohsiung City	265,125	Security service
Lee Bao Security Co., Ltd.	1998.01.02	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	699,862	Security service
Aion Technologies Inc.	1994.08.01	12F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	172,752	Information service
Speed Investment Co., Ltd.	1996.09.13	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	2,419,668	Investment in production and service
Goldsun Express & Logistics Co., Ltd.	1998.01.14	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	559,428	Logistics transportation, warehousing service
Chung Hsing E-Guard Co., Ltd.	2000.11.21	4F., No.693, Sec. 5, Zhongshan N. Rd., Taipei City	20,000	Electronic information supply service
Lee Way Electronics Co., Ltd.	1998.05.08	3F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	300,000	Sale and lease of electronic equipment
Titan Star International Co., Ltd.	1995.07.10	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	849,933	Manufacturing of security equipment
Goldsun Express Ltd.	2004.10.19	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	33,612	Customs declaration
Zhong Bao Security Holding (Samoa) Company Limited	2004.09.27	Vistra Corporate Services Centre, Ground Floor NPF Building,Beach Road, Apia, Samoa	192,953	Holding company
Zhong Bao Security Holding (Mauritius) Company Limited	2002.09.10	3F,Standard Chartered Tower,19Cybercity, Ebene,Street,Port Louis,Replublic Mauritius	130,095	Holding company
Zhong Bao Insurance Services Inc.	2006.01.02	10F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	10,140	Insurance business
Brightron Technology and Engineering Corporation	2004.04.12	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	262,400	Lighting control system
Babyboss City Limited	2006.12.19	6F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	180,000	Professional role playing service for children
SVS Corporation	2009.02.13	No.418, Songhe St., Nangang Dist., Taipei City	80,000	Locomotive repair industry
Lee Bao Technology Co., Ltd.	2009.04.29	5F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	50,000	ATM machine service
Goyun Technology Co., Ltd.	2014.02.06	7F., No.2-4, Renyi St., Kaohsiung City	100,000	Parking lot business
Lots Home Entertainment Co., Ltd.	1997.11.26	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	205,000	Video broadcasting and film production
Taiwan Video System Co., Ltd.	1983.06.27	8F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	313,730	The business of manufacturing video signal displays and its accessories
TVS Germany GmbH	89.12.05	Osterrade 54, 21031 Hamburg Germany	EUR150	Terminals, video systems, industrial equipment and other goods
Gowin Security Co., Ltd	2011.04.22	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	40,000	Security service
CHOPPA Tech Co., Ltd.	2012.08.06	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	150,000	Other machinery, electrical appliances, audio & visual electronic products manufacturing, wireless communication machinery and electronic components manufacturing, etc.
Comlink Fire Systems Inc.	1999.08.23	No.16, Ln. 60, Baoshi St., Guishan Dist., Taoyuan City	2,063	Fire safety equipment wholesale, overhaul, installation engineering
TransAsia Catering Service Co., Ltd.	2002.10.17	No.538, Sec. 1, Sanmin Rd., Dayuan Dist., Taoyuan City	366,480	Sky catering, baking and steaming food manufacturing, seasoning manufacturing, and catering, etc.
Chung Po Rental Co., Ltd.	2016.07.13	4F., No.102, Chong’an St., Sanchong Dist., New Taipei City	30,000	Cargo rental, warehousing, residential and building development, rental and sales, real estate leasing, etc.
Goyun Parking Co., Ltd.	2016.01.14	4F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	50,000	Parking lot management, flower cultivation, and gardening
Lee Yuan Biomedical Co., Ltd.	2016.08.18	No.85, Sec. 2, Jianguo N. Rd., Zhongshan Dist., Taipei City	30,000	Wholesale of electrical appliances, wholesale of precision instruments, wholesale of telecommunications equipment

Company Name	Date of Incorporation	Address	Paid-in Capital	Type of Business
SIGMU D.P.T. Co., Ltd.	2016.08.01	6F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	30,808	Fire safety equipment installation engineering, environmental testing service
Living Plus Food & Beverage Co., Ltd.	2016.01.27	4F., No.693, Sec. 5, Zhongshan N. Rd., Shilin Dist., Taipei City	80,000	Catering
Jiansheng International Co., Ltd.	2018.01.03	7F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	20,000	Wholesale of electrical appliances, wholesale of precision instruments, wholesale of telecommunications equipment
Sunseap Solutions Taiwan Limited	2019.06-17	6F., No.139, Zhengzhou Rd., Datong Dist., Taipei City	6,000	Energy technology service and lighting equipment installation engineering

8-1-3. Information of shareholders presumed to have controlling and subordinate relations: Not applicable.

8-1-4. The overall relationship between business enterprises covered by the industry:

（1）The business carried out by the Company and its affiliate companies includes：

A. About the security maintenance which include anti-theft measures, fire prevention and disaster prevention of office premises, business premises, warehouses, performing arts venues, competition venues, residences, exhibition venues, parking lots, etc.

B. Security maintenance for the transportation of cash or other valuables.

C. Personal safety maintenance.

D. System planning, design, maintenance, repair and installation of related equipment and equipment for theft prevention, fire prevention, disaster prevention, etc.

E. Information service.

F. Investment in production services

G. Manufacturing, trading and processing of mainframes and sensors for fire protection and anti-theft devices .

H. Logistics delivery, warehousing services

（2）Affiliate companies' business related to each other and the division of labor：

Our company has business affiliates for invoicing transactions, leasing offices, commissioning design and purchasing R&D materials, etc., such as Kuohsing Security Co., Ltd , Gowin Building Management and Maintenance Co., Ltd., Goyun Security Co., Ltd, Lee Bao Security Co., Ltd., Aion Technologies Inc., Speed Investment Co., Ltd., Goldsun Express & Logistics Co., Ltd., Chung Hsing E-Guard Co., Ltd., Lee Way Co., Ltd., Titan Star International Co., Ltd., CHOPPA Tech Co., Ltd., Taiwan Video System Co., Ltd.

8-1-5. Information of affiliates' Directors, Supervisors and General Managers

Company name	Title (Note1)	Name or Rep	Shares owned (Note 2) (Note3) Capital contribution/ share	%	Corporate Rep
Kuohsing Security Co., Ltd	Chairman	Rep：LIN Fei-Chang	29,321,619	83.77%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LU Hung-Liang			
	Supervisor	Rep：CHEN Su-Ling	506,692	1.45%	Gowin Building Management and Maintenance Co., Ltd.
Gowin Building Management and Maintenance Co., Ltd.	Chairman	Rep：LIN Chih-Fang	28,463,488	80.96%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LIN Lei			
	Supervisor	Rep：CHEN Su-Ling	4,540,260	12.91%	Kuohsing Security Co., Ltd
Goyun Security Co., Ltd.	Chairman	Rep：CHANG Yi-Chun	26,512,450	100.00%	Taiwan Secom Co., Ltd.
	Director	Rep：LIN Lei			
	Director	Rep：HSU Lan-Ying			
	Supervisor	Rep：CHEN Su-Ling			
Lee Bao Security Co., Ltd.	Chairman	Rep：KAO Chang-Hsiung	69,986,215	100.00%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：SU Ying-Chang			
	Supervisor	Rep：CHEN Su-Ling			
Aion Technologies Inc.	Chairman	Rep：CHEN Ying-Chun	12,739,895	73.75%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LIN Ming-Sheng			
	Director	Rep：LI Jung-Kuei			
	Supervisor	LIN Chien-Han	588,623	3.41%	
Speed Investment Co., Ltd	Chairman	Rep：LIN Ming-Sheng	241,966,797	100.00%	Taiwan Secom Co., Ltd.
	Director	Rep：CHEN Su-Ling			
	Director	Rep：HSU Lan-Ying			
	Supervisor	Rep：SU Ying-Chang			
Goldsun Express & Logistics Co., Ltd.	Chairman	Rep：KUO Chia-Ming	55,942,758	100.00%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：CHANG Ming-Tung			
	Supervisor	Rep: LIN Lei			
Chung Hsing E-Guard Co., Ltd.	Chairman	Rep：LIU Fu-Hsing	2,000,000	100.00%	Taiwan Secom Co., Ltd.
	Director	Rep：CHOU Hsing-Kuo			
	Director	Rep：LIN Chien-Han			
	Supervisor	Rep：CHEN Su-Ling			
Lee Way Electronics Co., Ltd	Chairman	Rep：LIU Fu-Hsing	10,288,341	34.29%	Taiwan Secom Co., Ltd.
	Director	Rep：HUNG Pei-Hsiu			
	Director	Rep：HSU Lan-Ying			
	Director	Rep: CHOU Hsing-Kuo			
	Director	Rep：LIN Chien-Han			
	Supervisor	Rep: CHEN Su-Ling	2,707,458	9.02%	Taiwan Secom Co., Ltd.
Titan Star International Co., Ltd.	Chairman	Rep：HSU Te-Yu	84,933,981	100.00%	Speed Investment Co., Ltd
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LI Jung-Kuei			
	Supervisor	Rep：CHEN Su-Ling			
Peregrine Soleil Asset Holdings Limited	Director	Rep：LIN Ming-Sheng	5,469,502	100.00%	Aion Technologies Inc.
GC&C Holdings Limited	Director	Rep：LIN Ming-Sheng	5,460,502	100.00%	Peregrine Soleil Asset Holdings Limited

Company name	Title （Note1）	Name or Rep	Shares owned (Note 2) (Note3)		Corporate Rep
			Capital contribution/share	%	
Goldsun Express Ltd	Chairman	Rep：KUO Chia-Ming	3,361,248	100.00%	Goldsun Express & Logistics Co., Ltd.
	Director	Rep：CHANG Ming-Tung			
	Director	Rep：HSU Lan-Ying			
	Supervisor	Rep: LIN Lei			
Zhong Bao Insurance Services Inc.	Chairman	Rep：LEI Ching-Ming	608,400	60.00%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：CHEN Yuan-Chun	50,700	5.00%	
	Supervisor	Rep：CHEN Su-Ling	101,400	10.00%	Speed Investment Co., Ltd
Brightron Technology and Engineering Corp.	Chairman	Rep: LIN Lei	6,132,000	23.37%	Aion Technologies Inc.
	Director	Rep: LIN Ming-Sheng			
	Director	Rep: CHOU Hsing-Kuo			
	Supervisor	Rep: CHENG Sheng-Ying	2,280,000	8.69%	Titan Star International Co., Ltd.
Babyboss City Limited	Chairman	Rep：LIN Yi-Hsuan	15,230,776	84.62%	Speed Investment Co., Ltd
	Director	Rep: LIN Chien-Han			
	Director	Rep：HSU Lan-Ying			
	Supervisor	Rep：CHEN Su-Ling	692,304	3.85%	Goyun Security Co., Ltd.
Lots Home Entertainment Co., Ltd.	Chairman	Rep: LIN Chien-Han	4,308,932	21.02%	Taiwan Secom Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep: CHU Han-Kuang			
	Supervisor	Rep：CHEN Su-Ling	16,191,068	78.98%	Speed Investment Co., Ltd
Taiwan Video System Co., Ltd.	Chairman	Rep：SU Ying-Chang	11,356,902	39.07%	Taiwan Secom Co., Ltd.
	Director	Rep: YU Hao-Wen			
	Director	Rep: CHEN Shu-Hui			
	Director	Rep: LI Jung-Kuei			
	Director	Rep: vacant			
	Supervisor	Rep：CHEN Ying-Chun	663,893	2.28%	Yuan Hsin Investment Co., Ltd.
	Supervisor	Rep: CHEN Yu-Shan			
TVS Germany GmbH	Director	Rep：Li, Fang	150,000	100.00%	Taiwan Video System Co., Ltd.
SVS Corporation	Chairman	Rep：SU Ying-Chang	8,000,000	100.00%	Speed Investment Co., Ltd
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LIN Lei			
	Supervisor	Rep：CHEN Su-Ling			
Lee Bao Technology Co., Ltd.	Chairman	Rep：KAO Chang-Hsiung	5,000,000	100.00%	Lee Bao Security Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep: SU Ying-Chang			
	Supervisor	Rep：CHEN Su-Ling			

Company name	Title (Note1)	Name or Rep	Shares owned (Note 2) (Note 3) Capital contribution/ share	%	Corporate Rep
Gowin Security Co., Ltd.	Chairman	Rep：Lin, Chih-Fang	4,000,00	100.00%	Gowin Building Management and Maintenance Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LIN Lei			
	Supervisor	Rep：CHEN Su-Ling			
Goyun Parking Co., Ltd.	Chairman	Rep：Lin, Chih-Fang	5,000,000	100.00%	Gowin Building Management and Maintenance Co., Ltd.
	Director	Rep：HSU Lan-Ying			
	Director	Rep：LIN Lei			
	Supervisor	Rep：CHEN Su-Ling			
Goyun Technology Co., Ltd.	Chairman	Rep：CHANG Yi-Chun	10,000,000	100.00%	Goyun Security Co., Ltd.
	Director	Rep：LIN Lei			
	Director	Rep：HSU Lan-Ying			
	Supervisor	Rep：CHEN Su-Ling			
CHOPPA Tech Co., Ltd.	Chairman	Rep: LIN Chien-Han	8,637,000	57.58%	Speed Investment Co., Ltd
	Director	Rep：Li, Jung-Kuei			
	Director	Rep：CHEN Ying-Chun			
	Supervisor	Rep：SU Ying-Chang	1,008,000	6.72%	Goyun Security Co., Ltd.
Lee Yuan Biomedical Co., Ltd.	Chairman	Rep：Chou, Hsing-Kuo	3,000,000	100%	Lee Way Co., Ltd.
	Director	Rep：HUNG Pei-Hsiu			
	Director	Rep：CHEN Su-Ling			
	Supervisor	Rep: LIU Fu-Hsing			
Comlink Fire Systems Inc.	Chairman	Rep: CHOU Hsing-Kuo	205,866	99.81%	Speed Investment Co., Ltd.
	Director	Rep: HSU Lan-Ying			
	Director	Rep: LIN Lei			
	Supervisor	Rep: SU Ying-Chang	384	0.19%	Titan Star International Co., Ltd.
TransAsia Catering Service Co., Ltd.	Chairman	Rep: HE Ming-Chou	24,562,918	67.02%	Taiwan Secom Co., Ltd.
	Director	Rep: HSU Lan-Ying			
	Director	Rep: HU Chih-Chiang			
	Supervisor	Rep: CHEN Su-Ling	2,388,144	6.52%	Trust Sandstone Co., Ltd.
Chung Po Rental Co., Ltd.	Chairman	Rep: LIN Fei-Chang	3,000,000	100.00%	Kuo Hsing Security Co., Ltd.
	Director	Rep: HSU Lan-Ying			
	Director	Rep: LU Hung-Liang			
	Supervisor	Rep: CHEN Su-Ling			
SIGMU D.P.T. Co., Ltd.	Chairman	Rep: LI Jung-Kuei	1,517,684	49.26%	Speed Investment Co., Ltd.
	Director	Rep: HUANG Chun-Hung			
	Director	Rep: LIN Chien-Han			
	Supervisor	Rep: HSU Lan-Ying	4,887	0.17%	Titan Star International Co., Ltd.
Living Plus Food & Beverage Co., Ltd.	Chairman	Rep: HSIEH Li-Ping	4,700,000	58.75%	CHOPPA Tech Co., Ltd.
	Director	Rep: TSENG Wei-Han			
	Director	Rep: WU Yu-Lun			
	Supervisor	HSU Lan-Ying	3,000,000	37.05%	Speed Investment Co., Ltd.
Jiansheng International Co., Ltd.	Chairman	Rep: LI Jung-Kuei	2,000,000	100%	Speed Investment Co., Ltd.
	Director	Rep: LIN Ming-Sheng			
	Director	Rep: CHANG Nai-Sen			
	Supervisor	Rep：SU Ying-Chang			
Sunseap Solutions Taiwan Limited	Chairman	Rep: LIN Chien-Han	306,000	51%	Speed Investment Co., Ltd.
	Director	Rep: CHIN Hsiao-Tang	306,000		
	Director	Rep: LI Jung-Kuei	306,000		
	Director	Rep: Phuan Ling Fong	294,000	49%	Sunseap Solutions Taiwan Limited
	Director	Rep: Wu Jueh Ming Lawrence	294,000		
	Supervisor	CHENG Sheng-Ying			

Note 1：If the affiliate company is a foreign company, the position is equivalent.

Note 2：If the invested company is a joint stock company, please fill in the number of shares and shareholding ratio. Please fill in the capital amount and capital contribution ratio and indicate it.

Note 3：When the director or supervisor is a corporate Rep, the relevant information of the Rep shall be disclosed.

8-1-6. Operation summary of affiliates

Company name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Current Profit and Loss (after tax)	EPS (NTD; after tax)
Kuohsing Security Co., Ltd.	350,025	1,151,330	161,156	990,174	1,206,165	133,557	162,352	4.64
Gowin Building Management and Maintenance Co., Ltd.	351,578	1,003,193	248,118	755,075	1,158,713	122,737	127,875	3.64
Goyun Security Co., Ltd.	265,125	631,569	105,308	526,261	733,785	92,453	90,111	3.40
Lee Bao Security Co., Ltd.	699,862	2,869,765	1,748,208	1,121,557	1,123,451	261,599	202,964	2.90
Aion Technologies Inc.	172,752	350,672	99,836	250,836	318,132	54,336	31,898	1.85
Speed Investment Co., Ltd.	2,419,668	3,175,615	8,433	3,167,182	169,236	155,388	155,788	0.64
Goldsun Express & Logistics Co., Ltd.	599,428	956,826	319,449	637,377	859,984	51,521	44,222	0.74
Chung Hsing E-Guard Co., Ltd.	20,000	60,297	619	59,678	537	111	2,355	1.18
Lee Way Electronics Co., Ltd	300,000	546,326	99,617	446,709	213,918	34,461	54,565	1.82
Titan Star International Co., Ltd.	849,340	1,492,883	99,226	1,393,657	323,286	84,135	126,081	1.48
Peregrine Soleil Asset Holdings Limited	USD 5,470	USD 1,581	USD 26	USD 1,555	USD -	USD (8)	USD (26)	USD -
GC&C Holdings Limited	USD 5,461	USD 1,580	USD 1	USD 1,579	USD -	USD (21)	USD (18)	USD -
Goldsun Express Ltd.	33,612	46,682	8,703	37,979	66,525	2,767	2,522	0.75
Zhong Bao Insurance Services Inc.	10,140	34,860	5,561	29,299	16,639	4,700	4,901	4.83
Brightron Technology and Engineering Corporation	262,400	357,612	110,744	246,868	75,733	(26,331)	(25,519)	(0.97)
Babyboss City Limited	180,000	176,597	19,441	157,156	118,891	(3,731)	(4,023)	(0.22)
Lots Home Entertainment Co., Ltd.	205,000	81,597	51,365	30,232	3,721	(1,333)	(4,581)	(0.22)
Taiwan Video System Co., Ltd.	313,730	5,883	4,514	1,369	-	(300)	328	0.01
TVS Germany GmbH	EUR 150	EUR 152	EUR 6	EUR 146	EUR -	EUR -14	EUR 58	EUR -
SVS Corporation	80,000	51,411	12,966	38,445	30,971	598	1,221	0.15
Lee Bao Technology Co., Ltd.	50,000	32,753	86	32,667	60,862	763	620	0.12
Goyun Security Co., Ltd.	40,000	138,474	52,376	86,098	424,958	33,696	27,606	6.90
CHOPPA Tech CO., Ltd.	150,000	226,931	55,484	171,447	120,207	10,161	(3,090)	(0.21)

Goyun Technology Co., Ltd.	100,000	97,909	12,528	85,381	72,338	(3,021)	(2,866)	(0.29)
Comlink Fire Systems Inc.	2,063	56,512	13,832	42,680	142,511	14,446	11,778	57.09
Lee Yuan Biomedical Co., Ltd.	30,000	76,654	18,435	58,219	73,333	29,537	23,687	7.90
SIGMU D.P.T. Co., Ltd.	30,808	134,820	50,238	84,582	111,932	12,494	7,857	2.55
Gowin Parking Co., Ltd.	50,000	77,012	31,955	45,057	50,884	441	216	0.04
TransAsia Catering Service Ltd.	366,480	1,106,406	210,632	895,774	599,499	20,916	24,070	0.66
Chung Po Rental Co., Ltd.	30,000	28,267	903	27,364	1,172	(448)	(356)	(0.12)
Living Plus Food & Beverage Co., Ltd.	80,000	81,353	31,942	49,411	46,234	(16,765)	(19,014)	(2.38)
Jiansheng International Co., Ltd.	20,000	23,107	2,993	20,114	305	71	71	0.04
Sunseap Solutions Taiwan Limited	6,000	5,977	180	5,797	-	(208)	(203)	(0.34)

8-1-2. Affiliated Enterprise Report

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Taiwan Secom Co., Ltd. (the “Consolidated FS of the Affiliates”), we represent the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the “Criteria Governing the Preparation of Affiliated Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and certify that these are the same as those required to be included in the Consolidated Financial Statements of Taiwan Secom Co., Ltd. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with the International Financial Reporting Standard 10. Moreover, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Taiwan Secom Co., Ltd. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Taiwan Secom Co., Ltd.
Chairman: LIN Hsiao-Hsin

March 20, 2020

VIII. Special matters to be recorded:

8-2. Private equity securities transactions in recent years and to the publication date of the annual report: None.

8-3. Holding or disposal of the company's shares by the subsidiaries in the most recent year and to the publication date of the annual report:

Company name	Paid-in capital Paid-in capital	Source of capital	The Company's percentage of shareholding (%)	Date of acquisition or disposal	No. and value of shares acquired	No. and value of shares disposed of	Losses or gains from of investments (Note)	No. of shares held as of the printing date of this annual report	Status of pledged items	Amount of endorsement/guarantee the Company provided for its subsidiaries	Amount of loans the Company provided for its subsidiaries
Speed Investment Co., Ltd.	2,419,668	Own funds Source of capital	100.00%	-	-	-	-	2,026,155 shares 165,942 Thousand NTD	None	-	-
Kuohsing Security Co., Ltd.	350,025	Own funds Source of capital	83.77%	-	-	-	-	3,625,284 shares 296,911 Thousand NTD	None	-	-
Gowin Building Management and Maintenance Co., Ltd.	351,578	Own funds Source of capital	80.96%	-	-	-	-	2,232,564 shares 182,847 Thousand NTD	None	-	-
Goyun Security Co., Ltd.	265,125	Own funds Source of capital	100.00%	-	-	-	-	252,820 shares 20,706 Thousand NTD	None	-	-
Chung Hsing E-Guard Co., Ltd.	20,000	Own funds Source of capital	100.00%	-	-	-	-	552,655 shares 45,263 Thousand NTD	None	-	-
Titan Star International Co., Ltd.	849,340	Own funds Source of capital	100.00%	-	-	-	-	1,421,043 shares 116,383 Thousand NTD	None	-	-
Lee Way Electronics Co., Ltd.	300,000	Own funds Source of capital	34.29%	-	-	-	-	163,284 shares 13,373 Thousand NTD	None	-	-
As of the printing date of this annual report					-	-	-	10,273,805 shares 841,425 Thousand NTD	None	-	-

Note: No significant influence on the Company's financial performance and financial position.

8-4. Other necessary additional statements: None.

IX. Matters that have a significant impact on shareholders' equity or securities prices as set forth in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act in the most recent year and to the publication date of the annual report: None.

TAIWAN SECOM COMPANY LTD. Annual Report 2019 Printed on March 31, 2020

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Annual Report 2019

Chairman
林孝信