



# NOVA TECHNOLOGY CORP.

## 2020 Annual Report

### Notice to readers

*This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*

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## I. Letter to Shareholders

Dear Shareholders,

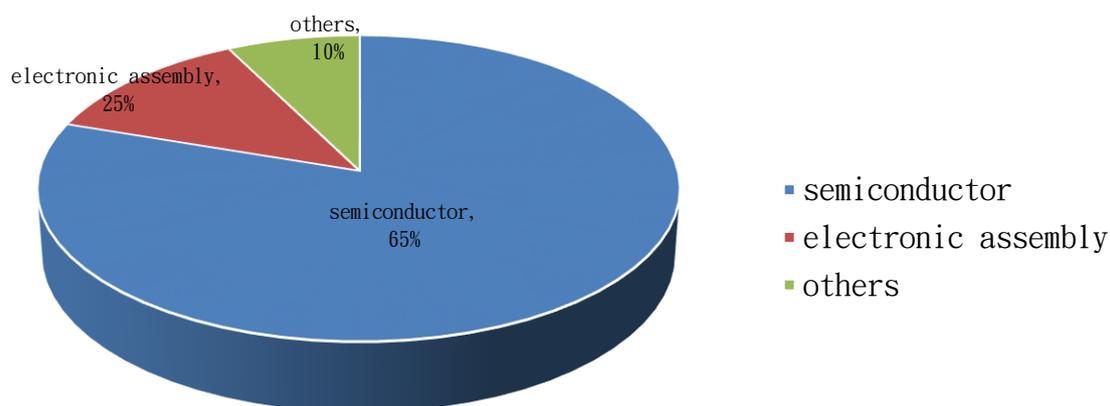
We would like to express our thanks to all shareholders for the support and encouragement Nova Tech upholds to excellent quality and customer satisfaction as the foundation to corporate sustainable management. In the future, Nova Tech will continue upholding to this concept and face the future growth and challenges with optimism as the return to the support of all shareholders. The company hereby describes the business performance of last year and this year's operational outlook in the followings:

### 2020 Business Review

#### A. Implementation results of business plan

In 2020, the trade war between China and the United States and covid-19 pandemic led to a decrease in overall revenue. The consolidated operating revenue in 2020 reached NTD 3,877 million, which declined 12% compared to last year. In terms of profit, the consolidated net profit after tax of 2020 was NTD 407 million, dropped 19% compared to last year.

Operating Revenue Type Ratio



Unit: NTD thousands, %

Item	2020	2019	Diff.
Operating revenue	3,877,444	4,406,270	(12.0)
Operating Cost	2,921,911	3,339,223	(12.5)
Gross profit	955,533	1,067,047	(10.5)
Operating expenses	361,037	400,911	(9.9)
Operating income	594,496	666,136	(10.8)
Non-Operating income and expenses	(21,924)	40,396	(154.3)
Income before income taxes	572,572	706,532	(19.0)

(1) State of 2020 budget implementation:

This item is not applicable since Nova Tech has not disclosed any financial forecasts.

(2) Financial structure and profitability

Item		2020	2019	
Financial Structure	Debt to asset ratio (%)	52.03	48.13	
	Long-term capital to property, plant and equipment (%)	1,957.56	1,801.48	
Solvency	Current ratio (%)	203.00	227.59	
	Quick ratio (%)	159.84	178.86	
Profitability	Return on assets (%)	8.91	11.42	
	Return on stockholders' equity (%)	17.81	21.83	
	Ratio to issued capital (%)	Operating income	175.22	196.34
		Pre-tax income	168.76	208.24
	Profit ratio (%)	10.51	11.28	
Basic after-tax EPS (NTD)	12.01	14.65		

B. Technology and R&D Overview:

Although facing the overall economic slump, Nova Tech actively invests in R&D aspect. The R&D department continuously develops various innovative engineering methods and equipment improvements for different industries and projects in order to meet customers' needs and enhance our advantages. Described as below:

(1) Process waste solvent and waste TMAH recycling and reuse: cooperate with foreign companies and domestic institutes to develop high-purification and reuse of chemicals with rectification technology as the core technology.

The amount of process TMAH is increasing day by day. Our company cooperate with top domestic institutes to focus on the high-concentration waste TMAH solution recovery system that can be handled by the customers in their plants. Followings are the advantages:

- (a) Reduce the cost of removing sludge and waste liquid for electro-optical customers.
- (b) Reduce the operation cost of wastewater treatment plant for electro-optical customers.
- (c) In purpose of reaching circular economy, recycling valuable chemicals in waste liquids, such as H<sub>3</sub>PO<sub>4</sub>, aluminum, etc.
- (d) Produce other chemicals with high economic value, such as Iron(II) phosphate, Tricalcium phosphate, etc.

Applied in the current electro-optical customers' plants to help they reduce production costs and improve process recovery rate to achieve the circular economy. Using fractional distillation to separate residual liquid and distillate, then generate ferric phosphate via low temperature crystallization technique. This technology has preliminary results in TMAH recycling and the related patent is under application.

(2) Recent years, global climate anomalies and environment changes have increasingly attracted worldwide attention. The Company actively cooperates with various universities, colleges and companies to evaluate the recycling and reuse technology of chemicals in high-tech industries. In view of the fact that organic solvents escape into the air, in addition to polluting the environment, they can also cause many hazards such as carcinogenicity, mutagenicity, acute toxicity, harm the human central nervous system, and result in skin diseases. The Company has cooperated with German manufacturers to introduce a thin-film VOC recovery system, which can be effectively installed in sites contain volatile organic compound to prevent volatile pollutants from escaping into the atmosphere, reduce environmental pollution, and eliminate harm to the human body.

(3) HPC High pressure single wafer cleaner

Purpose: For wet and related process of higher performance and cleanliness. In other words, verify air & liquid pattern in Chamber.

Function: By automatic transferring, perform high pressure/ dual media/ dry type cleaning to single wafer in particular chamber to achieve requirement of high level cleanliness.

Critical technology: Unique chamber design/ media pattern control/ swing infeeding ARM/ fully automatic transferring system. This development can be widely used in the Final Clean for 4"&6" wafer, cleaning process for 8"&12" wafer in high-end packaging. Based on this technology, it can also be developed into high-end 12" wafer process applications such as Lift-off & PR Stripper & UBM Etch... etc.

(4) Optimization design for fully type robot arm in Wet Bench

Purpose: By optimizing the robot arm, the mechanical performance will be improved meanwhile assembly can be simplified to lower the cost of robot implementation and improve performance of related process.

Function: Movement of X(transferring), Y(lifting), R(gripping) axis are built by servo driven Rack and ball screw system.

Critical technology: New design mechanism in robot arm to reduce shape for adapting small size application with higher requirement of precision. Such as cassetteless type bench application in the advanced front-end wafer production, etc. This development can be also used in wet bench and high precision transferring.

## **Business Plan for 2021**

### **A. Business objectives**

- (1) Implement corporate governance and deepen corporate culture.
- (2) Sustaining the relationship with existing customers in Taiwan, mainland China and Southeast Asia, developing new customers to improve operational efficiency.
- (3) Strengthen cooperation with international partners and deepen the professional and technical capabilities of green energy, water resources engineering as well as high-tech manufacture equipment.
- (4) Recruiting multiple talents and actively training management teams.

### **B. Sales forecast and sales policy**

According to estimation from SEMI, the strong growth of global semiconductor equipment market continues. Besides the demand for semiconductor front-end and back-end equipment, the growth trend is expected to go on in year of 2021 and 2022 under the support of application from technologies such as 5G and high-performance computing. The global market will grow in the next two years.

The market for front-end fab equipment (including wafer process, fab facilities, and mask equipment) will grow by 15% in 2020 to reach 59.4 billion US dollars. It is expected to have 4% and 6% growth in 2021 and 2022 respectively. And the foundry and logic department, which accounts for about half of the total sales of wafer manufacturing equipment, whose year expenditure has shown a double-digit mid-range growth rate of 30 billion US dollars thanks to the massive investment in advanced technology; the growth of expenditures in NAND flash memory manufacturing equipment is 30%, exceeding 14 billion US dollars, DRAM is expected to stimulate the growth in year of 2021 and 2022.

In terms of regions, China, Taiwan, and South Korea are the leading groups in the equipment spending in 2020. With continued investment in foundry and memory sectors, China will rank first place in the overall semiconductor equipment market for the first time this year; South Korea is expected to lead the world in 2021 due to the recovery of memory investment and increasing logic investment. The equipment spending in Taiwan remains strong because of continuous investment in advanced logic foundry. The report also possesses optimistic attitude that other regions will also grow in the next two years.

## **Future development strategy**

High-tech process supply systems are mainly used in semiconductor, optoelectronics, and other high-investment industries, where safety and quality requirements are competitive. The technology and demand of high-tech industries are changing with each passing day, which can adapt to the changes in the market and raise the development of the business, so that they can survive and grow rapidly under the elimination mechanism of market. In the situation where the competition between domestic and foreign peers has become more intense, technological capabilities, scale economies, efficiency enhancement, and integration services are the winning factors. In view of this, the company continued to carry out research and development of related products, seeking cooperation between domestic and foreign advanced products and manufacturers, and constantly self-improvement, in response to market demand and future development. The Company will seek for the opportunities in integration of industrial up-stream and down-stream to increase the overall synergy.

Due to climate and environmental changes, water shortages are spreading throughout the world. The World Meteorological Organization predicts that one billion people will face drinking water crisis in the global coastal areas in 2050. Our company has cooperated with international water resources professional companies to develop water resources related system equipment and engineering to provide customers with the best solutions and services, and to take the responsibilities of global citizens.

## **The impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

### **A. External competitive environment**

In the situation where the competition between domestic and foreign peers has become more intense, technological capabilities, economies of scale, efficiency enhancement, and integration services are the winning factors. The implementation of professional technology is the only ways to expand the space for career development and create vitality. In current industrial competition pattern, we can quickly grasp the source of raw materials and provide customers with faster and more advanced products and services, which are the important factors related to being the leader in the industry. In view of this, our company continued to carry out research and development of related products, seeking cooperation and products through domestic and foreign, and constantly self-improvement, in response to market demand and future development.

### **B. Regulatory environment**

Our company regularly reviews changes in laws and regulations and complies with the requirements of the competent authorities and upholds the concept of upright management. As a whole, changes in the regulatory environment will have no great impact on our company.

### **C. Macroeconomic conditions**

Looking forward to 2021, the global economy and industries still face the threat of the epidemic and other factors. Semiconductors, electric vehicles, scenario of price increases and 5G, long-distance demand are regarded as the star industries for 2021. It is optimistic that the harsh supply and demand situation in the semiconductor industry in 2020 will continue in 2021. The World Semiconductor Trade Statistics (WSTS) estimates that the global semiconductor market value is expected to increase by about 8.4% in 2021; the research institute IC Insights also predicts that the semiconductor market will grow by more than 10% in 2021.

## **Important production and sales policies**

In recent years, our company has continuously researched and developed high-tech industrial process equipment and the surrounding pipeline engineering design and overall system to provide customers with competitive customized equipment and services. In addition to working in Mainland China for many years, we also follow government's promotion of South moving policy and the trend of the rise in Southeast Asian region, company has set up a subsidiary in Singapore to help expand overseas markets.

Production and sales policies will keep bringing out advantages and grasp current opportunities, we will continue to meet customers' needs to consolidate existing customers and develop new customers in order to maintain steady growth in company business and profitability. As a production, we continue to strengthen our design capabilities, and on the premise of ensuring the production of high-quality equipment, we have expanded equipment manufacturing capacity in mainland China and steadily move forward.

## **Corporate Social Responsibility**

"Happy employees, satisfied customers, and sustainable environment" is the goal and responsibility of Nova Technology. Adhering to the goal is to start from the surrounding stakeholders, create team benefits, and create a sustainable Nova Technology. The customer's attempt is our mission, to reach goal is the spirit of Nova Technology, satisfying customers and applying core skills as well as adding the environmental protection elements to customer needs, reducing the environmental impact of the production process, and pursuing win-win symbiosis.

In addition, "Sincerity, Trustworthy, Simple, Steady" has always been the consistent corporate culture of Nova Technology to pursuit of sustainable management. We know that the sustainable development of the company is maintained by good communication and interaction with all stakeholders. We also hope to gradually integrate corporate social responsibility into daily operations and corporate behavior, so that every member of our company will feedback to society and be friendly to the environment. In terms of talent cultivation, we cooperate with institutes to provide students with opportunities to enter the industry. At the same time, we will promote the mentoring system, new employee orientation, promote the elite school, and create a growth stage.

Nova Technology implements the government's promotion of work safety and health management, requesting each project to be based on standard operating mode, ensuring the safety management of the site's work, and promoting notices. We strictly request the safety equipment and protection to be checked from time to time during the construction process to ensure that all executives successfully complete the project and return home safely.

All the personnel of Nova Technology uphold the company's "Tomorrow to be Better" concept and continue to overcome difficulties. We hope to provide customers with satisfactory services and the greatest benefit for shareholders with excellent products, better solutions and quality.

Sincerely,

Chairman: Chin-Li Liang

President: Wei Ma

Financial and Accounting Manager: Chun-Yen Ou

## II. Company Profile

### 1. Date of Incorporation: June 13, 1997

### 2. Company History

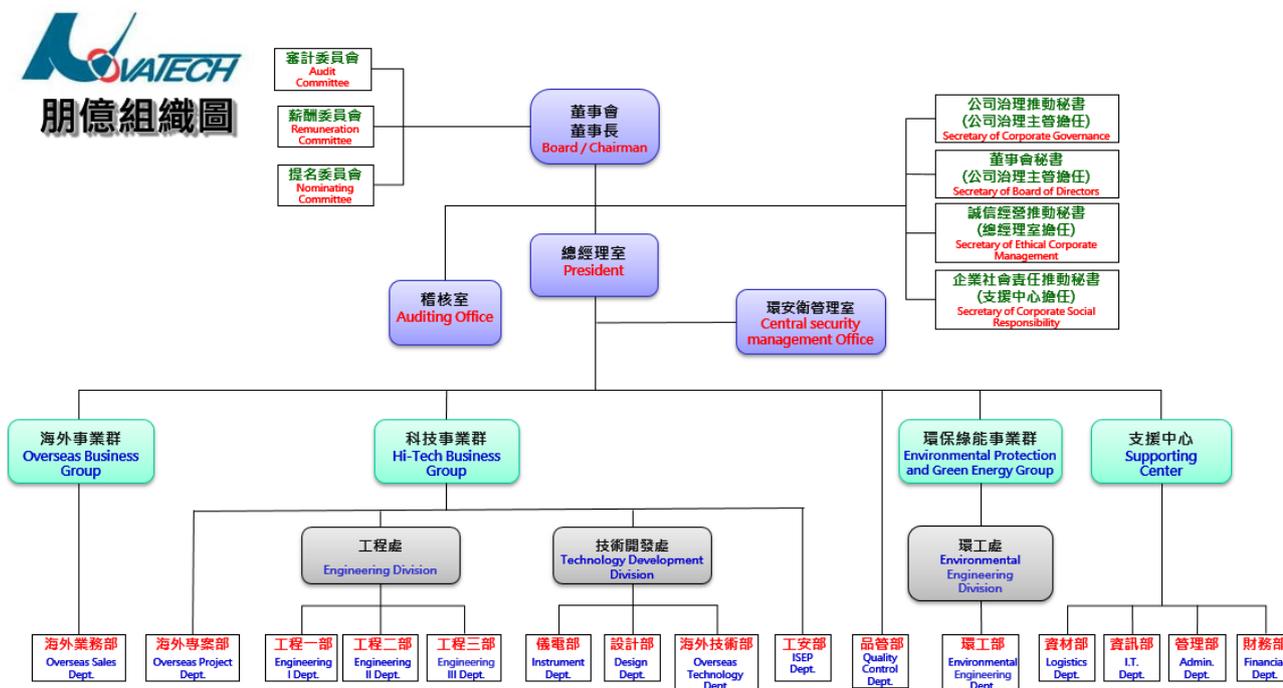
Year	Milestones
1997.06	The official establishment of NOVA TECHNOLOGY CORP., initially operating a chemical dispense system and CMP slurry dispense system at the time of foundation. Paid-in capital was NTD 5,000,000.
2001.02	Capital increased by cash NTD 3,510,000 and capital increased by earning NTD 7,490,000, with paid-in capital increased to NTD 16,000,000.
2002.12	Capital increased by earning NTD 24,000,000 with paid-in capital increased to NTD 40,000,000.
2004.08	Capital increased by earning NTD 35,020,000 with paid-in capital increased to NTD 75,020,000.
2004.11	Set up a wholly-owned subsidiary in Shanghai, Winmax Technology Corporation, and established a production processing based including clean rooms in Shanghai Waigaoqiao Free Trade Zone, which is a professional company of design, manufacturing, sales, and service in one.
2005.12	Capital increased by earning NTD 28,180,000 with paid-in capital increased to NTD 103,200,000.
2006.12	Capital increased by earning NTD 7,410,000 with paid-in capital increased to NTD 110,610,000.
2007.07	Capital increased by earning NTD 21,380,000 with paid-in capital increased to NTD 131,990,000.
2008.08	Capital increased by earning NTD 21,000,000 with paid-in capital increased to NTD 152,990,000.
2008.02	Cooperated with Nippon Refine Co., Ltd. to develop solvent recycling and renewal system.
2009.03	Nova Tech jointed strategic alliance with Acter Co., Ltd. (Code : 5536) and became the 100% invested subsidiary of Acter Co., Ltd.
2014.08	In response to the future corporate development, Nova Tech separated Nova Tech agency and sales department into a new wholly-owned company established as Winmega Technology Corp. Winmega Technology Corp. became the subsidiary with 100% investment under Nova Tech and specializes in electronic equipment, equipment agency and wholesale as major business items. The paid-in capital is NTD 15,000,000.
2014.08	Capital increased by cash NTD 19,010,000 with paid-in capital increased to NTD 172,000,000.
2015.10	Capital increased by earning NTD 51,600,000 with paid-in capital increased to NTD 223,600,000.
2015.12	Capital increased by cash NTD 30,000,000 with paid-in capital increased to NTD 253,600,000.
2016.02	Set up a wholly owned subsidiary in Suzhou, Suzhou Winmax Technology Corporation which main business line includes the design, manufacturing, sales, and services of gas cabinet and equipment. Paid-in capital is USD 1,000,000.
2016.07	Set up a wholly owned subsidiary in Singapore - Novatech Engineering & Construction Pte Ltd. The main business of the company undertakes the semiconductor industry automation supply system business with a paid-in capital of SGD 1,000,000.
2016.08	Capital increased by earning NTD 12,680,000 with paid-in capital increased to NTD 266,280,000.
2016.10	The application for initial public offering (IPO) was approved by GTSM. (Code: 6613).
2016.11	Capital increased by cash NTD 30,000,000 with paid-in capital increased to

Year	Milestones
	NTD 296,280,000.
2016.12	The application for the GTSM registration and trading was approved by Gre Tai Securities Market.
2017.12	Capital increased by cash NTD 43,000,000 with paid-in capital increased to NTD 339,280,000. The application for the GTSM registration and trading was approved by Gre Tai Securities Market. Listed on Gre Tai Securities Market.
2020.12	Carry out strategic cooperation, resource integration, transfer investment Rayzher Industrial Co., Ltd. 25% equity, mainly gas equipment and engineering services as the main business projects.

### III. Corporate Governance Report

#### 1. Organization

##### A. Organization Chart



## B. Major Corporate Functions

Department	Functions
Board/ Chairman	<ol style="list-style-type: none"> <li>1. Call up shareholders' meeting and board of directors meeting.</li> <li>2. Drafting intermediate and long-term development strategies of the company to assure the sustainable management of the company.</li> <li>3. Responsible for the development and introduction of new business and new products, strategic alliance and investment evaluation.</li> </ol>
Auditing Office	Evaluate the completeness of the internal control system and various standards, inspect whether internal control is continuously effective operating, measure department execution outcome, and properly provide improvement suggestions to advocate the effectiveness.
President Office	<ol style="list-style-type: none"> <li>1. Implement board resolutions.</li> <li>2. Drafting corporate overall strategy, sorting comprehensive business, supervising business divisions with the achievement of annual operation objectives; leading the company to optimize human resources through the financial orientation of profit center system.</li> <li>3. Responsible for the business promotion of project pilot-stage.</li> </ol>
Quality control Dept.	<ol style="list-style-type: none"> <li>1. Supervises the quality control and audit of engineering department.</li> <li>2. Supervise the quality inspection of construction projects and carry out regular quality inspection and key inspection.</li> <li>3. Quality check and construction quality assessment of materials or equipment provided by supplier.</li> <li>4. Prevent and deal with the quality management problems of customer feedback.</li> <li>5. Implement quality control education and training.</li> <li>6. Other related to project quality management.</li> </ol>
Overseas Business Group	Responsible for overseas sales supervision and coordination, and promotion and introduction of new technology and equipment.
Overseas Sales Dept.	Responsible for promoting overseas business and engineering plans of project and supervision of the execution.
Hi-Tech Business Group	Design, construction, installation, maintenance, processing improvement, and system transport of the automatic supply system for chemical, gas, and slurry of semiconductor and photoelectric industries, new customer and new market establishment, and sales promotion outsourcing, customer quotation negotiation, and tender bids.
Technology Development Division	Providing the instrument of the chemical automatic supply system and software/hardware design plan for machinery equipment, machinery/control panel manufacturing, pilot operation, manufacturing operation, processing improvement, new equipment and technology development for semiconductor, photoelectric, and display industries.
Instrument Dept./ Overseas Technology Dept.	<ol style="list-style-type: none"> <li>1. Instrument and electric equipment system/engineering design and changing management.</li> <li>2. Supervising hardware and software design of electric system of equipment.</li> <li>3. Initial planning and design for tender projects.</li> <li>4. Pre-tender and execution budgeting, project cost and budget management, project schedule progress management.</li> <li>5. Project equipment materials purchase requisition and outsourcing.</li> <li>6. Self made control panel testing, shipment and quality control.</li> <li>7. Drawing management.</li> <li>8. Pilot operation.</li> </ol>
Design Dept.	<ol style="list-style-type: none"> <li>1. Equipment system engineering design and change management.</li> <li>2. Pre-tender and execution budgeting, project cost and budget management, project schedule progress management.</li> <li>3. Initial planning and design for tender projects.</li> </ol>

Department	Functions
	<ol style="list-style-type: none"> <li>4. Self-made machinery shipment management and testing, quality management.</li> <li>5. Drawing management.</li> </ol>
Overseas Project Dept.	<ol style="list-style-type: none"> <li>1. Overseas engineering project execution and assistance (major area in China and Southeast Asia).</li> <li>2. Project schedule control and quality control.</li> <li>3. Sales information and customer services and promotion.</li> <li>4. On-site initial planning and design of tender project preparation.</li> <li>5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management.</li> <li>6. Project construction, installation, supervision, and maintenance.</li> <li>7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service.</li> <li>8. Construction site safety plan, management, and confirm that various operations correspond to standards.</li> <li>9. Contractor safety inspection and assessment.</li> </ol>
Engineering Division	<p>Providing the instrument of the chemical automatic supply system and software/hardware design plan for machinery equipment, customer service and promotion for semiconductor, photoelectric, and display industries.</p>
Engineering I, II, III Dept.	<ol style="list-style-type: none"> <li>1. District Project execution and assistance.</li> <li>2. Project schedule control and quality control.</li> <li>3. Sales information and customer services and promotion.</li> <li>4. On-site initial planning and design of tender project preparation.</li> <li>5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management and quality management.</li> <li>6. Project construction, installation, supervision, and maintenance.</li> <li>7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service.</li> <li>8. Construction site safety plan, management, and confirm that various operations correspond to standards.</li> <li>9. Contractor safety inspection and assessment.</li> </ol>
Central security management Office	<p>Organizing labor safety and health training and plan for the company and associate suppliers; counseling the prevention of occupational accidents, conducting factory stationed labor safety management, labor health management, promoting labor safety-related laws and regulations and the establishment, promotion and auditing environmental safety and health management system. Irregular inspection, work safety defect statistics and tracking improvement.</p>
Quality Control Dept.	<ol style="list-style-type: none"> <li>1. Supervising the quality inspection and control of the engineering department.</li> <li>2. Supervising the inspection of construction engineering quality, implementation of regular quality inspection, and key point inspection.</li> <li>3. Quality inspection and construction quality audit for materials or equipment provided by suppliers.</li> <li>4. Quality management problems prevention and treatment through customer feedback.</li> <li>5. Implementing quality control course education training.</li> <li>6. Other relevant engineering quality management matters.</li> </ol>
Environmental Protection and Green Energy Group	<ol style="list-style-type: none"> <li>1. Promotion and introduction of equipment, method, and chemical engineering technology.</li> <li>2. Environmental protection/chemical engineering project operations and supervision.</li> <li>3. New technology, new equipment search, and development</li> </ol>

Department	Functions
<p>Environmental Engineering Division</p> <p>Environmental Engineering Dept.</p>	<ol style="list-style-type: none"> <li>1. Promotion and execution of seawater desalination operation.</li> <li>2. Promotion and execution of reclaimed water operation.</li> <li>3. Energy saving project sales promotion and execution.</li> <li>4. The monitoring and supervision and independent technician training of the abovementioned project outsourcing.</li> <li>5. Environmental protection, green energy-related project tender preparation, bidding, and execution integration.</li> <li>6. Other environmental protection, green energy, and water reduction related matters.</li> </ol> <ol style="list-style-type: none"> <li>1. Execution and assistance in green energy engineering projects.</li> <li>2. Project schedule control and quality control.</li> <li>3. Sales information and customer service and promotion.</li> <li>4. On-site initial planning and design for tender project preparation.</li> <li>5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management.</li> <li>6. Project construction, installation, supervision, and maintenance.</li> <li>7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service.</li> <li>8. Construction site safety plan, management, and confirm that various operations correspond to standards.</li> <li>9. Contractor safety inspection and assessment.</li> </ol>
Supporting Center	<ol style="list-style-type: none"> <li>1. Integrating, supervising and coordinating relevant supporting department units with the execution of relevant affairs.</li> <li>2. Promoting corporate management and corporate social responsibility related matters.</li> <li>3. Planning and promoting short-term projects.</li> </ol>
Financial Dept.	Fund management transfer and financing plan, shares affairs treatment, long and short-term investment operation management, cost analysis report preparation, tax affairs plan and report, financial statement preparation and analysis, budgeting, Board of Directors and shareholders' meeting convening matters, the announcement of tax filing.
Admin. Dept.	<ol style="list-style-type: none"> <li>1. Human resource, administrative general affairs, and postal affairs. Promote the establishment of management and system for company personnel, salary, appointment, training, and property in addition to execute relevant operations according to company policy, providing various administrative and general affairs support.</li> <li>2. Management system documentation control ISO system, internal quality objective control, procedures/management guidelines document, intellectual property document and legal letters, providing the revision and maintenance of various management system documents.</li> <li>3. Project information document management Sales quotation control table, project cost control table, project revenue and expenditure statement, and information report and archival management.</li> </ol>
IT Dept.	Computer network system establishment and management, various information system maintenance, database and information security maintenance and management, software usage control maintenance.
Logistics Dept.	Company material and equipment purchase, project outsourcing, warehousing and transport management, establishing good supplier control, project outsourcing form and procurement sheet management, and executing import/export business.

## 2. Directors and Management Team

### A. Directors and Independent Directors

March 27, 2021; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Positions concurrently held at Nova Technology and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
	ACTER GROUP CORPORATION LIMITED	Taiwan	-	2009.03.02	2019.05.24	3	21,098,179	62.19	21,098,179	62.19	0	0	0	0	None	None	None	None	None
Chairman	Representative Chin-Li Liang	Taiwan	Male	2007.03.02	2019.05.24	3	287,977	0.85	287,977	0.85	2,472	0.01	0	0	<ul style="list-style-type: none"> <li>• Department of Electrical Engineering – Refrigerating and Air-conditioning, Taipei Tech</li> <li>• EMBA, National Chiao Tung University</li> <li>• Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman/ President, Acter Co., Ltd.</li> <li>• Chairman, Nova Technology Corp.</li> <li>• Chairman, Her Suo Engineering Co., Ltd.</li> <li>• Chairman, Acter Technology Integration Group Co., Ltd</li> <li>• Director, Sheng Huei (Shenzhen) Engineering Co., Ltd.</li> <li>• Director, Shenzhen Dingmao Trade Co., Ltd.</li> <li>• Legal Representative, Sheng Huei International Co., Ltd. Corporate</li> <li>• Legal Representative, Acter International Limited Corporate</li> <li>• Legal Representative, New Point Group Limited Corporate</li> <li>• Director, Nova Technology Singapore Pte., Ltd</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Supervisor, Winmax Technology Corporation</li> <li>• Director/ President, Fengze Engineering Co., Ltd.</li> <li>• Chairman, Winmega Technology Corp.</li> <li>• Supervisor, Suzhou</li> </ul>	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Positions concurrently held at Nova Technology and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Winmax Technology Corporation • Director, Novatech Engineering & Construction Pte Ltd. • Director, Sheng Huei (Vietnam) Engineering Co., Ltd. • Chairman, Acter Technology Co., Ltd. • Director, Waste Recovery Technology Inc.				
	Acter Group Corporation Limited	Taiwan	-	2009.03.02	2019.05.24	3	21,098,179	62.19	21,098,179	62.19	0	0	0	0	None	None	None	None	None
Director	Representative Chung-Cheng Hsu	Taiwan	Male	2005.12.01	2019.05.24	3	252,158	0.74	222,158	0.65	0	0	0	0	<ul style="list-style-type: none"> <li>• National Taiwan University EMBA-International Business Master</li> <li>• National Taiwan University Department of Chemical Engineering</li> <li>• President, Acter Group Corporation Limited</li> <li>• Supervisor, Sheng Huei Engineering (Suzhou) Co., Ltd.</li> <li>• Director, Sheng Huei Engineering (Shenzhen) Co., Ltd.</li> <li>• Supervisor, Shenzhen Shiding Trading Co., Ltd.</li> <li>• Director, Pt. Novamex Indonesia</li> <li>• Director, Acter Egeineering Co., Ltd.</li> <li>• Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>• Vice president, Osense Technology Corp.</li> <li>• President, Nova Technology Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Nova Technology Corp.</li> <li>• Chairman, Winmax Technology Corp.</li> <li>• Chairman, Suzhou Winmax Technology Corp.</li> <li>• Director, Winmega Technology Corp.</li> <li>• Director, Fengze Engineering Co., Ltd</li> <li>• Director/ President, Novatech Engineering &amp; Construction Pte Ltd.</li> </ul>	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Positions concurrently held at Nova Technology and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Acter Group Corporation Limited	Taiwan	-	2009.03.02	2019.05.24	3	21,098,179	62.19	21,098,179	62.19	0	0	0	0	None	None	None	None	None
	Representative Bi-Hui Wu	Taiwan	Female	2016.05.30	2019.05.24	3	45,537	0.13	45,537	0.13	0	0	0	0	<ul style="list-style-type: none"> <li>• National Chung Hsing University College of Management Master Program</li> <li>• Feng Chia University Department of International Business</li> <li>• President, Long King Leather Products Co., Ltd.</li> <li>• President, Linglu Composite Building Material (shanghai) Co., Ltd.</li> </ul>	None	None	None	
Independent Director	Chih-Yi Chi	Taiwan	Male	2016.12.05	2019.05.24	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Ph.D., Harvard University Economics Department</li> <li>• National Taiwan University Master in Economics</li> <li>• Associate Professor, National Chung Hsing University College of Finance and Taxation</li> <li>• Director, National Chung Hsing University Accounting Department</li> <li>• Associate Professor, National Chung Cheng University Department of Economics</li> <li>• Supervisor, Siward Crystal Technology</li> <li>• Independent Director, Sinon Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Professor, National Chung Hsing University College of Department of Finance and Taxation</li> <li>• Independent Director/ Audit Committee Member/ Remuneration Committee Member, Gourmet Master Co., Ltd.</li> </ul>	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Positions concurrently held at Nova Technology and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Sheng-Yung Yang	Taiwan	Male	2016.12.05	2019.05.24	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Ph.D., Drexel University Finance Department</li> <li>• Dean and distinguished professor, College of Management, Asia University</li> <li>• Head, National Chung Hsing University of Department of Finance and Taxation Department of Finance</li> <li>• CEO, National Chung Hsing University EMBA</li> <li>• Dean and vice president of international affairs, International College, Providence University</li> <li>• Remuneration Committee Member, Sinon Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Distinguished Professor, National Chung Hsing University Department of Finance and Taxation</li> <li>• Director/ Audit Committee Member/ Remuneration Committee Member, JMicron Technology Corp.</li> <li>• Director/ Audit Committee Member/ Remuneration Committee Member/ Risk Management Committee Member, CTBC Financial Holding Co., LTD.</li> <li>• Director/ Audit Committee Member/ Remuneration Committee Member/ Risk Management Committee Member/Sustainable Committee Member, CTBC Bank Co., Ltd.</li> <li>• Supervisor, Financial Engineering Association if Taiwan</li> <li>• Director, Chinese Robo-Advisor Association Strategic Mentor</li> <li>• New Generation College, National Association of Small &amp; Medium Enterprises</li> <li>• Managing Supervisor of Taiwan Association of Board Governance</li> </ul>	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Positions concurrently held at Nova Technology and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Cheng Li	Taiwan	Male	2017.07.14	2019.05.24	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• Ph.D., Tulane University</li> <li>• Attorney, U.S. Federal and New York State</li> <li>• Attorney, Lee &amp; Tsai. Attorney at Law</li> <li>• Chair of Tunghai University Department of Law and Director of Graduate Institute of Law</li> <li>• Associate Professor, Tunghai University Department of Law</li> <li>• Advisor, Trade Investigation Commission of the Ministry of Economic Affairs</li> <li>• Consultant, International Patent Trademark &amp; Law Office</li> </ul>	<ul style="list-style-type: none"> <li>• Associate Professor, Tunghai University EMBA</li> <li>• Associate Professor, Feng Chia University EMBA</li> <li>• Independent Director/ Remuneration Committee member, Ginko International Co., Ltd.</li> <li>• Director/ Audit Committee Member / Remuneration Committee member, Rexon Industrial Corporation, Ltd.,</li> </ul>	None	None	None
Independent Director	Hui Yin Chiu	Taiwan	Female	2019.05.24	2019.05.24	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>• National Taiwan University Master in Accounting.</li> <li>• National Chengchi University Bachelor of Accounting.</li> <li>• Partner CPA, Deloitte &amp; Touche.</li> <li>• Assurance department manager, Deloitte &amp; Touche.</li> <li>• Partner CPA, Everwell &amp; Co., CPAs.</li> </ul>	<ul style="list-style-type: none"> <li>• Partner CPA, F. K. Lin Co., CPAs.</li> <li>• Representative, Li Jung Investment Co., Ltd</li> <li>• Independent Director/ Audit Committee Member/ Remuneration Committee member, CastleNet Technology Inc.</li> </ul>	None	None	None

Note: Chairman and President of the Company are not the same person, spouses or relatives within the first degree of kinship.

B. Major Shareholders of the institutional shareholders:

March 30, 2021

Name of Institutional Shareholders	Major Shareholders
Acter Co., (Note)	Xiang-Hui Development Co., Ltd. (4.72%), Chin-Li Liang (4.02%), Chiu-Chang Investment Co., Ltd. (4.01%), Sumitomo Chemical Engineering Co., Ltd. (2.41%), Tai-Tsen Hu (2.28%), Hsin-Ming Kao.(1.93%), Jung-Tang Yang (1.83%),Chih-Cheng Tsai, (1.34%), Citibank in custody for Norges Bank (1.24%), Standard Chartered in custody for Fidelity Funds (1.18%)

(Note) Source: Acter Group Corporation Limited 2020 Annual Report

Major Shareholders of the Company's major institutional shareholders:

March 30, 2021

Name of Institutional Shareholders	Major Shareholders
Xiang-Hui Development Co., Ltd. (Note 1)	Jung-Tang Yang (28.54%), Wei-Han-Jhieh Yang (28.54%), Sin-Hao Yang (26.84%)
Chiu-Chang Investment Co., Ltd (Note 1)	Yi-Hua Wang (5%), Chiao-Yin Liang (30%), Min-Jie Liang (30%)
Sumitomo Chemical Engineering Co., Ltd. (Note 2)	Sumitomo Chemical Co., Ltd. (100%)

(Note 1) Source: Get Information about Companies of Businesses in Taiwan, Ministry of Economic Affairs

(Note 2) Source: Sumitomo Chemical Engineering Co., Ltd.

C. Professional qualifications and independence analysis of directors:

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute (Notes 1)												Concurrent independent director position in other publicly traded companies.
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	11	12	
Acter Group Corporation Limited Representative: Chin-Li Liang	-	✓	✓	-	-	-	✓	-	-	-	✓	✓	✓	✓	✓	-	
Acter Group Corporation Limited Representative: Chung-Cheng Hsu	-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Acter Group Corporation Limited Representative: Bi-Hui Wu	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Chih-Yi Chi	✓	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Sheng-Yung Yang	✓	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Cheng Li	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Hui-Yin Chiu	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Directors and Supervisors meeting the following criteria in 2 years prior to the election and during the tenure, place “✓” at the space under each criteria code.

- (1) Not an employee of this Company or its affiliates
- (2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

D. Management Team:

March 27, 2021; Unit: Shares, %

Title	Name	Nationality	Gender	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (education background)	Concurrent positions at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Status of Managerial officers Acquiring Employee Stock Option Certificate
					Number	%	Number	%	Number	%			Title	Name	Relation	
Vice Chairman and Special assistant of director's business	Chung-Cheng Hsu (Note 2)	Taiwan	Male	2006.03.01	222,158	0.65	-	-	-	-	<ul style="list-style-type: none"> <li>National Taiwan University EMBA-International Business Master</li> <li>National Taiwan University Department of Chemical Engineering</li> <li>President, Acter Group Corporation Limited</li> <li>Supervisor, Sheng Huei Engineering (Suzhou) Co., Ltd.</li> <li>Director, Sheng Huei Engineering (Shenzhen) Co., Ltd.</li> <li>Supervisor, Shenzhen Shiding Trading Co., Ltd.</li> <li>Director, Pt. Novamex Indonesia</li> <li>Director, Acter Engineering Co., Ltd.</li> <li>Director, Nova Technology Singapore Pte. Ltd.</li> <li>Director, Nova Technology Malaysia Sdn. Bhd.</li> <li>Vice president, Osense Technology Corp.</li> <li>President, Nova Technology Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Nova Technology.</li> <li>Chairman, Winmax Technology Corp.</li> <li>Chairman, Suzhou Winmax Technology Corp.</li> <li>Director, Winmega Technology Corp.</li> <li>Director, Fengze Engineering Co., Ltd.</li> <li>Director/ President, Novatech Engineering &amp; Construction Pte Ltd.</li> </ul>	None	None	None	None
President and R&D Supervisor	Wei Ma (Note 3)	Taiwan	Male	2016.02.01	189,120	0.56	-	-	-	-	<ul style="list-style-type: none"> <li>Lunghwa Vocational Institute-Department of Mechanical Engineering</li> <li>Chairman, Winmax Technology Corp.</li> <li>Chairman, Suzhou Winmax Technology Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Winmax Technology Corp.</li> <li>Director, Suzhou Winmax Technology Corp.</li> <li>Supervisor, Winmega Technology Corp.</li> <li>President, Nova Technology Corp.</li> </ul>	None	None	None	None

March 27, 2021; Unit: Shares, %

Title	Name	Nationality	Gender	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (education background)	Concurrent positions at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Status of Managerial officers Acquiring Employee Stock Option Certificate
					Number	%	Number	%	Number	%			Title	Name	Relation	
Vice President	Min-Lang Su	Taiwan	Male	2012.02.01	100,861	0.3	-	-	-	-	<ul style="list-style-type: none"> <li>National Chiao Tung University Department of Engineering and Management Science Master Program</li> <li>Assistant Vice President, Nove technology corp.</li> </ul>	None	None	None	None	None
Vice President	Wei-chao Yang	Taiwan	Male	2017.05.22	145,825	0.43	1,952	0.01	-	-	<ul style="list-style-type: none"> <li>National Chiao Tung University EMBA</li> <li>Special assistant to the Chairman / Assistant manager, Acter Group Corporation Limited</li> <li>Financial Manager, eMemory Technology Inc.</li> <li>Assistant Manager, Power Flash General Administration Office</li> <li>Supervisor, Winmega Technology Corp.</li> </ul>	None	None	None	None	None
Assistant Vice President	Yi-yun Huang	Taiwan	Male	2013.05.01	105,911	0.31	11,000	0.03	-	-	<ul style="list-style-type: none"> <li>Ta Hwa Vocational College Department of Electronic Engineering</li> <li>Deputy Director, Nove technology Corp.</li> </ul>	None	None	None	None	None
Assistant Vice President	Tze-da Chang (Note 4)	Taiwan	Male	2017.07.10	6,000	0.02	-	-	-	-	<ul style="list-style-type: none"> <li>National Cheng Kung University Department of Chemistry Master Program</li> <li>Manager, Neo Solar Power Senior</li> <li>Assistant Manager, Formosa Epitaxy Incorporation Senior</li> </ul>	None	None	None	None	None
Assistant Vice President	Jin-Liang Chen	Taiwan	Male	2017.06.02	14,000	0.04	-	-	-	-	<ul style="list-style-type: none"> <li>National Cheng Kung University Institute Master in International Management</li> <li>National Chung Hsing University Department of Environmental Engineering Master</li> <li>Senior Engineer, Winbond Electronics Corp.</li> <li>Principal Engineer, Motech Industries Inc.</li> </ul>	None	None	None	None	None

March 27, 2021; Unit: Shares, %

Title	Name	Nationality	Gender	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (education background)	Concurrent positions at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Status of Managerial officers Acquiring Employee Stock Option Certificate
					Number	%	Number	%	Number	%			Title	Name	Relation	
Assistant Vice President	Chih-Chen Wen	Taiwan	Male	2020.05.06	4,000	0.01	-	-	-	-	<ul style="list-style-type: none"> <li>National Hsinchu Senior Industrial Vocational School, Department of Electrical Engineering.</li> <li>Engineer, Sanyang Motor Co., Ltd.</li> </ul>	None	None	None	None	None
Financial and Accounting Manager	Chun-Yen Ou	Taiwan	Male	2009.06.16	56,090	0.17	-	-	-	-	<ul style="list-style-type: none"> <li>Providence University Accounting Department</li> <li>Supervisor, PwC Taiwan</li> </ul>	None	None	None	None	None

Note 1: Chairman and President of the Company are not the same person, spouses or relatives within the first degree of kinship.

Note 2: Chung-Cheng Hsu, President of the company transferred to Chairman of Winmax Technology Corp. and Suzhou Winmax Technology Corp. on March 1<sup>st</sup>, 2020.

Note 3: Wei Ma, Executive vice president of the company was promoted to be the President on March 1<sup>st</sup>, 2020.

Note 4: Assistant VP Tze-da Chang is dismissed on April 30, 2020, and disclose the information during his tenure of office only.

### 3. Remuneration of Directors, President and Vice Presidents

#### A. Remuneration of Directors (Independent Directors included)

December 31, 2020 ; Unit: NT\$ Thousand, %

Title	Name	Remuneration to Directors								Ratio of Total Remuneration		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 4)
		Remunerations (A)		Retirement allowance (B)		Bonus to Directors (C)		Business execution expenses (D) (Note 1)		(A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances (E) (Note 2)		Retirement allowance (F)		Profit Sharing- Employee Bonus (G) (Note 3)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		All companies listed on the financial statement		The company	All companies in the consolidated financial statements	
Chairman	Acter Group Corporation Limited (Representative: Chin-Li Liang)																					
Vice Chairman	Acter Group Corporation Limited (Representative: Chung-Cheng Hsu)	0	0	0	0	11,028 (Note 5)	11,028 (Note 5)	852	852	2.91	2.91	4,259	7,037	0	0	1,166	0	1,166	0	4.25	4.93	36,514
Director	Acter Group Corporation Limited (Representative: Bi-Hui Wu)																					
Independent Director	Chih-Yi Chi	835	835	0	0	0	0	84	84	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	None
Independent Director	Sheng-Yung Yang	835	835	0	0	0	0	84	84	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	None
Independent Director	Cheng Li	835	835	0	0	0	0	84	84	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	None
Independent Director	Hui-Yin Chiu	835	835	0	0	0	0	84	84	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	None

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Remuneration for Independent directors shall be determined according to the company's "Regulations Governing Remuneration Paid to Directors and Functional Committee." Remuneration for independent directors includes fixed fee, transportation and attendance fee per meeting. If an independent director is appointed as a member of any functional committee by the board of directors of the company, he/she will receive additional remuneration, transportation and attendance fee paid to members of functional committee.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None

Note 1: Referring to the business execution expenses for directors of most recent year (including honorarium, special disbursement, various allowances, dormitory, company car and supply of other physical items).

Note 2: Relevant remuneration received by Directors who are also employees (including salary, differential pay, severance pay, various bonuses and rewards...etc.).

Note 3: Referring to the profit sharing- employee bonus (including stocks and cash) by directors and adjunct employees (including adjunct president, vice president, other managerial officers, and employees) of most recent year.

Note 4: The remuneration refers to pay, remuneration (including remuneration for the employee, director, and supervisor) and expenses of executing business received by the Company's director who employs as director, supervisor, or manager in reinvested companies other than the subsidiaries.

Note 5: Director Remuneration was approved by Board of Director meeting on Feb.22, 2021 and will pay to Acter Group Corporation Limited

#### Range of Remunerations

Range of remunerations paid to Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Parent company and all the invested enterprise
Less than NT\$1,000,000	Chih-Yi Chi, Sheng-Yung Yang, Cheng Li, Hui-Yin Chiu	Chih-Yi Chi, Sheng-Yung Yang, Cheng Li, Hui-Yin Chiu	Chih-Yi Chi, Sheng-Yung Yang, Cheng Li, Hui-Yin Chiu	Chih-Yi Chi, Sheng-Yung Yang, Cheng Li, Hui-Yin Chiu
NT\$1,000,000~ 1,999,999	-	-	-	-
NT\$2,000,000~ 3,499,999	-	-	-	-
NT\$3,499,999~4,999,999	Acter Group Corporation Limited (Representative: Chin-Li Liang , Chung-Cheng Hsu, Bi-Hui Wu)	Acter Group Corporation Limited (Representative: Chin-Li Liang , Chung-Cheng Hsu, Bi-Hui Wu)	Acter Group Corporation Limited (Representative: Chin-Li Liang, Bi-Hui Wu)	Acter Group Corporation Limited (Representative: Bi-Hui Wu)
NT\$5,000,000~9,999,999	-	-	Acter Group Corporation Limited (Representative: Chung-Cheng Hsu)	-
NT\$10,000,000~14,999,999	-	-	-	Acter Group Corporation Limited (Representative: Chung-Cheng Hsu)
NT\$15,000,000~29,999,999	-	-	-	-
NT\$30,000,000~49,999,999	-	-	-	Acter Group Corporation Limited (Representative: Chin-Li Liang)
NT\$50,000,000~99,999,999	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	7	7	7	7

B. Remuneration of Supervisors: Not applicable

C. Remuneration of President and Vice Presidents

December 31, 2020; Unit: NT\$ thousands

Title	Name	Salary (A)		Retirement Pension (B)		Bonuses and Allowances (C) (Note 1)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements (Note 4)		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Special assistant of director's business	Chung-Cheng Hsu	9,408	13,243	304	304	8,557	8,557	4,746	0	4,746	0	5.65	6.59	554
President	Wei Ma													
Vice President	Min-Lang Su													
Vice President	Wei-Chao Yang													

Note 1: Fill out the various bonuses, rewards, honorarium, special disbursements, various allowances, dormitory, company car, physical items and amount of other remuneration of the most recent year to the president and vice president. For supply of houses, automobiles and other transportation modes or special personal expenditures, disclose the nature and cost of the assets supplied, the actual rental or rental calculated by fair market price, gasoline and other reimbursement. Besides, pursuant to IFRS 2 Share-based Payment, the compensation should include employee stock option certificates, employee restricted stocks and subscription stocks.

Note 2: The proposed amount of remuneration for managers in 2020 budget has not been resolved by the board of directors. The revealed amount which may be distributed is calculated based on the actual distributed amount in the previous year. Net profit refers to the net profit of most recent year; for companies already adopting IFRS, net profit refers to the net profit of individual financial statement of most recent year.

Range of Remunerations

Range of Remunerations Paid to President and Vice Presidents	Name of President and Vice Presidents	
	The company	Parent company and all the invested enterprise
Less than NT\$1,000,000	-	-
NT\$1,000,000~1,999,999	-	-
NT\$2,000,000~3,499,999	-	-
NT\$3,500,000~4,999,999	Wei-Chao Yang	-
NT\$5,000,000~9,999,999	Chung-Cheng Hsu, Wei Ma, Min-Lang Su	Chung-Cheng Hsu, Wei Ma, Min-Lang Su, Wei-Chao Yang
NT\$10,000,000~14,999,999	-	-
NT\$15,000,000~29,999,999	-	-
NT\$30,000,000~49,999,999	-	-
NT\$50,000,000~99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	4	4

D. Employee profit sharing granted to the management team

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Vice Chairman and Special assistant of director's business	Chung-Cheng Hsu	-	7,131	7,131	1.75
	President	Wei Ma				
	Vice President	Min-Lang Su				
	Vice President	Wei-Chao Yang				
	Assistant Vice President	Yi-Yun Huang				
	Assistant Vice President	Jin-Liang Chen				
	Assistant Vice President	Chieh-Chen Wen				
	Financial and Accounting Manager	Chun-Yen Ou				

Note1: The amount of compensation (including stock and cash) approved by the board of directors to the managers in the latest year. If it is impossible to estimate, the proposed amount of distribution this year will be calculated in proportion to the actual amount of distribution last year. The proposed allocation of managers in the company's compensation for 2020 has not been approved by the board of directors, and the disclosure is proportionate to the actual allocation for the previous year.

E. The amount of remuneration of recent two years paid from Nova Technology and all companies on consolidated financial statements to company directors, president, and vice presidents to net profit is analyzed and explained with the policy of remuneration, standards and portfolio, programs for remuneration formulation, and the association between management performance and future risks.

(1) The analysis of the amount of remuneration of recent two years on the Nova Technology and consolidated statements paid to the company directors, president, and vice presidents:

Unit: NT\$ thousands, %

Title	2019				2020			
	Total Amount of Remuneration		Ratio to Net Profit (%)		Total Amount of Remuneration		Ratio to Net Profit (%)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Directors	22,337	24,727	4.49	4.98	20,981	23,759	5.15	5.83
President & Vice Presidents	23,647	27,038	4.76	5.44	23,215	27,050	5.70	6.64

(2) The policies, standards, and portfolios for the payment of remuneration to directors, president, and vice presidents, the procedures for determining remuneration, and the correlation with risks and business performance.

a. Director and Independent Director :

Remuneration for directors shall be determined according to the company's "Regulations Governing Remuneration Paid to Directors and Functional Committee." Remuneration for directors includes transportation and attendance fare for directors per meeting. According to Article 19-1 of the Articles of Incorporation, when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not more than five percent of the income before tax exclude the amount of employees' and directors' remuneration as remuneration to directors and is stipulated with the Company's performance. The remuneration to directors shall be approved by Remuneration Committee and Board of Directors. The Directors' remuneration will not be paid to Independent Directors.

Remuneration for Independent directors shall be determined according to the company's "Regulations Governing Remuneration Paid to Directors and Functional Committee." Remuneration for independent directors includes fixed fee, transportation and attendance fee per meeting. If an independent director is appointed as a member of any functional committee by the board of directors of the company, he/she will receive additional remuneration, transportation and attendance fee paid to members of functional committee.

b. President and Vice President :

The remuneration of President and Vice President shall be determined according to the company's "Evaluation of the performance of managerial officers". Assessment the operational performance includes overall performance of the company (such as sales target achievement, net income achievement, return on equity) and individual performance assessment (such as annual target formulated with the President or Vice President, introduce or improve the talent cultivation, technical exchange and new industry development). Also consider with salary, bonuses, employee remuneration, and compensation received for being the director or supervisor of the subsidiary. Among them, salary and bonus which takes consideration of the position, responsibility, and contribution made to the company as well as the peer industry standards. Besides, employee compensation shall be approved by Remuneration Committee and Board of Directors. Remuneration committee and Board will periodically review the reasonableness of the remuneration and make timely adjustment of the remuneration system based on the Company's business and relevant laws to pursue remuneration

exceeding the risks that the Company may tolerate in order to avoid the Company's loss suffering even after the compensation payment.

#### 4. Implementation of Corporate Governance

##### A. Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020.

The attendance of director and independent director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Representative of Acter Co., Ltd: Chin-Li Liang	7	0	100%	2019.05.24 Re-elected.
Director	Representative of Acter Co., Ltd: Chung-Cheng Hsu	7	0	100%	2019.05.24 Re-elected.
Director	Representative of Acter Co., Ltd: Bi-Hui Wu	7	0	100%	2019.05.24 Re-elected.
Independent Director	Chih-Yi Chi	7	0	100%	2019.05.24 Re-elected.
Independent Director	Sheng-Yung Yang	7	0	100%	2019.05.24 Re-elected.
Independent Director	Cheng Li	7	0	100%	2019.05.24 Re-elected.
Independent Director	Hui-Yin Chiu	7	0	100%	2019.05.24 on board.

Other mentionable items:

- If there are any of the following circumstances applies, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:
  - Matters referred to in Article 14-3 of Securities and Exchange Act: The Company has already established the Audit Committee, please refer to the section B "Audit Committee" for the matters referred to in Article 14-5 of Securities and Exchange Act.
  - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.: Until the annual report on printed, the resolutions of the directors' meetings were unanimously approved by all present Board members.
- If there are Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

Directors' names	Meeting Dates	Contents of motions	Causes for avoidance	Resolved
Chung-Cheng Hsu	Jan.17, 2020	The company's 2019 evaluation of the performance of executives, and 2019 performance bonus distribution to management officers.	Mr. Chung-Cheng Hsu, recused himself during the discussion of and voting on this item because of the interested party relationship.	Approved by all attending directors without objection.

Directors' names	Meeting Dates	Contents of motions	Causes for avoidance	Resolved
Chin-Li Liang, Chung-Cheng Hsu, Bi-Hui Wu, Chih-Yi Chi, Sheng-Yung Yang, Hui-Yin Chiu, Cheng Li	Jan.17, 2020	The appointment of the Nominating Committee members.	They have recused themselves during the discussion of and voting on this item because they to be appointed as the member of the Nominating Committee.	Approved by all attending directors without objection.
Chung-Cheng Hsu	Nov. 06, 2020	The 2019 distribution of employees' remuneration for management officers.	Mr. Chung-Cheng Hsu, recused himself during the discussion of and voting on this item because of the interested party relationship.	

3. The objectives of the strengthening the function of the Board of Directors for recent years (e.g. set up an audit committee, upgrading information transparency) and executions were evaluated: Nova Technology Corp. developed "Rules of Procedure for Board of Directors Meeting" and management regulations of the company according to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Independent Director system was set up to improve the structure of the board of directors and operated according to relevant law and the interpretation from letters issued by competent authorities, in order to achieve dual performance in execution and supervision.

A. Board of Directors Structure

The board is comprised of members from a variety of backgrounds, who have been chosen based on the development needs of the company. All directors and independent directors have the academic background and experience necessary to enable the board's decision and supervisory capacity. "Directors Election Procedures" that stipulate a cumulative voting system and nomination system using director elections. This voting system not only increases minority shareholders' chances of participating in the board's decisions but also avoid monopolizing of nomination; furthermore, a set of by-election procedures was also introduced to avoid disruption to the company's business operations if some or all directors and the independent directors are dismissed. To ensure the independence of the board, the company has rules that each director and independent director is required to exercise their authorities independently. Information such as directors' shareholding ratio, transfer restrictions, and collateralized shares are fully disclosed on the Market Observation Post System, which investors are welcome to make inquiries on.

B. Independent Director System

The corporate regulations governing the number of seats for independent directors, eligibility and duties exercise are already stipulated in the "Articles of Incorporation" and "Rules Governing the Scope of Powers of Independent Directors." Currently, there are four seats of Independent Director, who are empowered to fully participate in decision making and right to express opinions according to the Securities and Exchange Act. To protect the rights of investors, it is stipulated in the Articles of Incorporation of Nova Technology that independent directors nominated and relevant procedures shall hold a certain number of shares according to the candidate nomination system prescribed in Article 192-1 of Company Act to avoid the monopoly or abuse of nomination right, thereby leading to a fair and transparent process.

C. Establishment of an Audit Committee

The company established an audit committee, which replaced supervisors according to Article 14-4 of the "Securities and Exchange Act". The committee is composed of four independent directors. All of them are chosen from persons with sufficient financial knowledge or business

experience. “Audit Committee Charter” outlines the level of independence expected from the audit committee and the role they play in the company's operations. The audit committee ensures that the company's internal control system is effectively implemented and financial statements are properly prepared.

The company official website also established the special mailbox for audit committee so the general investors, stakeholders or employees may communicate with the audit committee members directly via email.

D. Establishment of Remuneration Committee

The company established the “Remuneration Committee Charter” in accordance with Article 14-6 of the “Securities and Exchange Act”. And completed the recruitment of committee members to help the board perform its duties.

E. Establishment of Nominating Committee

The company established the “Nominating Committee Charter” and set up the Nominating Committee to ensure the soundness of the board and strengthen the management mechanism. The 1<sup>st</sup> term Nominating Committee is composed of seven directors selected by the board of directors and including four independent directors. The duties of the committee are finding, reviewing, and nominating candidates for directors, evaluating the performance of the board and so on....

F. Improving information transparency

Financial information, resolutions on material issues, board meeting participation, and director ongoing education information are published on the Market Observation Post System as required by law. The company's financial and business performance is also made accessible to the public on its website.

G. D&O insurance for directors

In order to reduce major damage risks assumed by the directors and managerial officers in the execution of their business, the Company has purchased D&O insurance for directors and managerial officers each year and reports to the Board of Directors, ensuring that the insurance contents are in compliance with the requirements.

4. Independent Directors’ attendance of each meeting of board of directors was as follows:

(As of)

◎: Attendance in Person; ☆: By Proxy; ●: Not present

	Chih-Yi Chi	Sheng-Yung Yang	Cheng Li	Hui-Yin Chiu
the 4 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.01.17)	◎	◎	◎	◎
the 5 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.02.24)	◎	◎	◎	◎
the 6 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.05.04)	◎	◎	◎	◎
the 7 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.05.21)	◎	◎	◎	◎
the 8 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.08.03)	◎	◎	◎	◎
the 9 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.11.06)	◎	◎	◎	◎
the 10 <sup>th</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2020.12.10)	◎	◎	◎	◎
the 11 <sup>st</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2021.02.05)	◎	◎	◎	◎
the 12 <sup>nd</sup> Meeting of the 9 <sup>th</sup> Term Board of Directors (2021.02.22)	◎	◎	◎	◎

## 5. Implementation Status of Board Evaluations

Evaluation cycles	Evaluation periods	Scope of evaluation	Evaluation method	Evaluation items
Internal assessment: Once a year	2020/01/01~ 2020/12/31	The evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees ( include 3 functional committees: Audit committee, Remuneration committee, Nominating committee).	Internal assessment: The Company performing evaluations by the Questionnaire of Self-Evaluation of Performance of the Board, Individual Board Members, and the Functional Committee.	The criteria for evaluating the performance of the board of directors, the board members and functional committees please refer to P.40~P.43
External assessment: carried out every three years.	2020/01/01~ 2020/12/31	The evaluation scope covers the evaluation of the board as a whole directors.	The Company has appointed the Taiwan Institute of Ethical Business and Forensics to perform the 2020 Board performance evaluation.	The criteria for evaluating the performance of the board of directors, please refer to P.40~P.43

## B. Audit Committee

A total of 5 (A) Audit Committee meetings were held in 2020.

The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Hui-Yin Chiu	5	0	100	2019.05.24 on board.
Independent Director	Chih-Yi Chi	5	0	100	2019.05.24 Re-elected.
Independent Director	Sheng-Yung Yang	5	0	100	2019.05.24 Re-elected.
Independent Director	Cheng Li	5	0	100	2019.05.24 Re-elected.

Other mentionable items:

1. The Audit Committee is responsible to review the following major matters:

- A. Review financial report.
- B. Adopt or amend the internal control system.
- C. Assessment of the effectiveness of the internal control system.
- D. Adopt or amend regulations for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- E. Review a matter bearing on the personal interest of a director.
- F. Review a material asset or derivatives transaction.
- G. Review a material monetary loan, endorsement, or provision of guarantee.
- H. Review the offering, issuance, or private placement of any equity-type securities.
- I. Review the hiring or dismissal of an attesting CPA, or the compensation given thereto.
- J. Review the hiring or dismissal of accounting manager and chief internal auditor.
- K. Other material matters as may be required by the company or by the competent authority.

- ◆ **Review Annual Financial Report**  
The Board of Directors has prepared the Company’s 2020 Business Report, Financial Statements and proposal for allocation of profits. The CPA firm of KPMG was retained to audit the Company Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Nova Technology Corporation.
  - ◆ **Assess the effectiveness of the internal control system**  
The Audit Committee assessed the effectiveness of the Company's internal control system policies and procedures (including finance, operation, risk management, information security, compliance, etc.) and reviewed periodic reports from the Company's Internal Audit Department, independent accountants and management. The Audit Committee believes that the Company's internal control system is effective and that the Company has adopted the necessary control mechanisms to monitor and correct violations.
  - ◆ **Hire or evaluate an attesting CPA**  
This issue has been approved by the 3<sup>th</sup> meeting of the 2<sup>nd</sup> term Audit Committee and the 5<sup>th</sup> meeting of the 9<sup>th</sup> term Board of Directors on Feb 24, 2020. In order to ensure the independence of the accounting firm, the Audit Committee has established an independent evaluation form to Assess the independence, professionalism and competence of accountants with reference to Article 47 of the Accountant law and Accountant's Code of Ethics Code No. 10.
2. In case the operation of audit committee meets one of the following conditions, describe the date of Board of Director meeting, session, motion content, and audit committee resolution results as well as the company handling on the opinions from audit committee:
- A. Matters referred to in Article 14-5 of the Securities Exchange Act.
  - B. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Audit Committee Meetings	Agenda Content and Subsequent Handling	Matters prescribed under Article 14-5 of Securities Exchange Act	Matters not adopted by the audit committee but resolved with the consent from two-thirds of all directors
Feb. 24, 2020	1. Resolved to approve the company’s and subsidiaries guarantees and endorsements.	✓	None
	2. Approved to provide a guarantee for credit limits applied for by subsidiaries.	✓	None
	3. Approved to provide a guarantee for credit limits applied for by Company.	✓	None
	4. Resolved to approve the company's “Statement of Internal Control System for the Year 2019”	✓	None
	5. Resolved to approve the company's 2019 Business Report and Financial Statements.	✓	None
	6. Resolved to approve the company's proposal for distribution of 2019 profit.	✓	None
	7. Resolved to approve the evaluation of qualification and independence of the Certified Public Accountants.	✓	None
	8. Resolved to to amend “Articles of Incorporation”	✓	None
	9. Resolved to amend the "Internal control systems - Other operation activities.”	✓	None

Audit Committee Meetings	Agenda Content and Subsequent Handling	Matters prescribed under Article 14-5 of Securities Exchange Act	Matters not adopted by the audit committee but resolved with the consent from two-thirds of all directors
	10. Resolved to amend the "Procedures for the Regulations Governing the Preparation of Financial Reports."	✓	None
	Results of the Audit Committee: All attending committee members reach consent to adopt the proposition as proposed.		
	Company handling on audit committee's opinion: No comments.		
May 04, 2020	1. Resolved to approve the company's guarantees and endorsements.	✓	None
	2. Approved to provide a guarantee for credit limits applied for by subsidiaries.	✓	None
	3. Approved to provide a guarantee for credit limits applied for by Company.	✓	None
	Results of the Audit Committee: All attending committee members reach consent to adopt the proposition as proposed.		
	Company handling on audit committee's opinion: No comments.		
Aug. 03, 2020	1. Resolved to approve the company's guarantees and endorsements.	✓	None
	2. Approved to provide a guarantee for credit limits applied for by subsidiaries.	✓	None
	3. Approved to provide a guarantee for credit limits applied for by Company.	✓	None
	4. Resolved to approve the remuneration of the Certified Public Accountants.	✓	None
	5. Resolved to approve the company as of June 30, 2020, the significant amount of receivables more than 3 months of credit is not funded loans.	✓	None
	Results of the Audit Committee: All attending committee members reach consent to adopt the proposition as proposed.		
	Company handling on audit committee's opinion: No comments.		
Nov. 06, 2020	1. Resolved to approve the company as of September 30, 2020, the significant amount of receivables more than 3 months of credit is not funded loans.	✓	None
	2. Resolved to approve the company's guarantees and endorsements.	✓	None
	3. Resolved to approve the company applied for financing credit line from the financial institution.	✓	None
	4. Resolved to approve the company 2021 budget proposal.	✓	None
	5. Resolved to approve the company 2021 audit plan proposal.	✓	None
	6. Resolved to amend the "Audit Committee Charter."	✓	None
	7. Resolved to amend the "Code of Ethical Conduct."	✓	None

Audit Committee Meetings	Agenda Content and Subsequent Handling	Matters prescribed under Article 14-5 of Securities Exchange Act	Matters not adopted by the audit committee but resolved with the consent from two-thirds of all directors	
	Results of the Audit Committee: All attending committee members reach consent to adopt the proposition as proposed.			
	Company handling on audit committee's opinion: No comments.			
Dec. 10, 2020	1. Resolved to approve the company's equity acquisition in Rayzher Industrial Co., Ltd.	✓	None	
	Results of the Audit Committee: All attending committee members reach consent to adopt the proposition as proposed.			
	Company handling on audit committee's opinion: No comments.			

3. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes of avoidance and voting should be specified: None
4. Individual communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
  - A. Hold a individual meeting with CPAs and the Company's chief internal auditor at least once a year.
  - B. The company audit committee members shall call for irregular seminars, the verification plan of the company's financial statements and the operation of the internal control system will be reported by the CPA and the internal auditors respectively, so that the audit committee can grasp the company's business profile and consider appropriate supervision. Consequently, the audit committee members can control the management status of the company with proper supervision. Apart from calling for audit committee meetings, audit committee members should also keep contact and interact with CPA and auditors via electronic correspondence.
  - C. The CPAs reports matters relating to the annual or quarter audited financial statements to the Audit committee meeting. During these discussions, audit committee members are given sufficient opportunities to communicate with the CPAs.
  - D. The results of individual communication between the independent directors, the Company's chief internal auditor and CPAs have been revealed on the company's website.

C. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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 taken into consideration the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the operation of company practices in formulating the “Corporate Governance Best Practice Principles” and compliance with relevant regulations to truly execute and process various information disclosures, thereby maintaining the rights and interests of investors, stakeholders and employees.	None
2. Shareholding structure & 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?  (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?  (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?  (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(1) The company has appointed a spokesperson and a deputy spokesperson to handle shareholders’ suggestions, doubts and disputes according to the “Corporate Governance Best Practice Principles.”  (2) The major shareholders of the company compose of management team and shareholders with long-term shareholding, who pay attention and control the shareholding status of major shareholders and director shareholding. They also regularly report the equity change in directors, managerial officers and shareholders with at least 10% of shareholding.  (3) The company and affiliated enterprises operate independently and have established relevant control over the internal control system, “Finance and Business Procedure for Group Members and Related Parties”, and “Subsidiary Management Procedures”  (4) The company has set up “Internal Material Information Handling and Prevention of Insider Trading Management Process Procedures,” to regulate Company insiders, who may acquire material and non-public information of the Company in the trading on such information.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			The Company announced in January 2020 to the employee in internal meetings about relative information on insider trading and to directors in Board of Directors meeting on Nov. 6, 2020.	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) Pursuant to Article 20 of the “Corporate Governance Best Practice Principles,” all members of the board shall have the knowledge, skills, and experience to perform their duties and the diversity representative of the Board. Base on this principle, the 7 directors of the 9<sup>th</sup> term Board of Directors are: Mr. Chin-Li Liang (Chairman), Mr. Chung-Cheng Hsu (Director), Mrs. Bi-Hui Wu (Director) have managed in various industry experience. They are good at leadership, management and have different industrial knowledge, decision-making ability and international market view. Mr. Cheng Li (Independent director) has experience in legal affairs. Mr. Chih-Yi Chi (Independent director) and Mr. Sheng-Yung Yang (Independent director) have Financial background. Mrs. Hui Yin Chiu (Independent director) is a CPA at law. The board of directors and management value inclusiveness and diversity to support the values of the company.</p> <p>To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <ol style="list-style-type: none"> <li>1. Ability to make operational judgments.</li> <li>2. Ability to perform accounting and financial analysis.</li> <li>3. Ability to conduct management administration.</li> <li>4. Ability to conduct crisis management.</li> <li>5. Knowledge of the industry.</li> <li>6. An international market perspective.</li> <li>7. Ability to lead.</li> <li>8. Ability to make policy decisions.</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Illustration									
			<p>The company also pays attention to gender equality in the composition of the board of directors. The ratio of female directors is more than 25%. There are 7 directors, including 2 female directors is 29%. Currently, 1 of the independent director service period is within 3 years and the other 3 independent directors is 3-6 years. From the aspect of the age of Board members, 2 of the Board members are between 60 and 70 years of age, and 5 of them are below 60 years of age. The implementation about diversity policy of each Director, please refer to 【Table 2】 , the policy also revealed on the company website and the MOPS.</p> <p>The specific management objectives and achievement of the Company’s diversity policy are as follows:</p> <table border="1"> <tr> <td>Management objectives:</td> <td>Progress</td> </tr> <tr> <td>Independent Directors form the majority of all directors.</td> <td>Achieved</td> </tr> <tr> <td>Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.</td> <td>Achieved</td> </tr> <tr> <td>Female directors more than one – third seats of directors.</td> <td>The company is committed to gender equality on the board of directors, in this term the female directors is about 29%.</td> </tr> </table>	Management objectives:	Progress	Independent Directors form the majority of all directors.	Achieved	Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.	Achieved	Female directors more than one – third seats of directors.	The company is committed to gender equality on the board of directors, in this term the female directors is about 29%.	
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Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors</p>			<p>(2) In addition to the establishment of the Remuneration Committee and Audit Committee regulated by law, the Company also established the Nominating Committee on Jan. 17, 2020. The 1<sup>st</sup> term Nominating Committee is composed of 7 directors including 4 independent directors. The member are: Mr. Chin-Li Liang (Chairman), Mr. Chung-Cheng Hsu (Director), Mrs. Bi-Hui Wu (Director) have managed in various industry experience. Mr. Cheng Li (Independent director) has experience in legal affairs. Mr. Chih-Yi Chi (Independent director) and Mr. Sheng-Yung Yang (Independent director) have Financial background. Mrs. Hui Yin Chiu (Independent director) is a CPA at law. The directors have considerable experience in different industries and are qualified to serve on the nominating committee.</p> <p>The scope of duties of the Committee are as the follows:</p> <ol style="list-style-type: none"> <li>1. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board and finding, reviewing, and nominating candidates for directors based on such standards.</li> <li>2. Evaluating the performance of the board and the independence of the independent directors.</li> <li>3. Establishing and reviewing on a regular basis programs for director continuing education.</li> <li>4. Reviewing corporate governance guidelines of the Company.</li> </ol> <p>(3) The company has developed “Regulations Governing Board of Director Assessment Process” adopted by the Board of Directors on May 22, 2017. By the end of each year, members of Board of Directors adopts questionnaire survey for self-assessments on Board operations (functional committees) and Board members. Pursuant to "Self-Evaluation or Peer</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
and referenced when determining the remuneration of individual directors and nominations for reelection ?			<p>Evaluation of the Board of Directors of XX Co., Ltd." the company amended the Article 3 at least one execution of external performance evaluation in every three years by the resolution of the 17<sup>th</sup> meeting of the 14<sup>th</sup> term of the Boards on April 1<sup>st</sup>, 2019.</p> <p>The items of measurement for the performance evaluation of the company’s Board of Directors comprise at least the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Level of involvement in company operations;</li> <li>2. Improvement of the quality of the board of directors' decision making;</li> <li>3. Composition and structure of the board of directors;</li> <li>4. Election and constantly continuing education;</li> <li>5. Internal Control of the directors; and</li> <li>6. Others.</li> </ol> <p>The items of measurement for the performance evaluation of the board members shall at least include the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Corporate Objectives and mission control;</li> <li>2. Cognition on director responsibilities;</li> <li>3. Level of involvement in company operations;</li> <li>4. Management and communication of internal relations;</li> <li>5. Professionalism and continuous continuing education of directors;</li> <li>6. Internal Control; and</li> <li>7. Others.</li> </ol> <p>The items of measurement for the performance evaluation of functional committee members shall at least include the following four aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the company;</li> <li>2. Awareness of the duties of the functional committee;</li> <li>3. Improvement of the quality of decisionmade by the</li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>functional committee;</p> <p>4. Makeup of the functional committee and election of its members;</p> <p>5. Internal control; and</p> <p>6. Others.</p> <p>After all questionnaires are completed, the Corporate Governance Division will then collect it and calculate the score. The internal evaluation of the Board, Board members, functional committee (include Remuneration Committee, Audit Committee and Nominating committee) in 2020 has been completed and reported to Bord of Director meeting on Feb. 22, 2021. The average rating is between 98.50% to 99.25% respectively, and shown operation well in the Board of Directors and functional committee.</p> <p>The Company has appointed the Taiwan Institute of Ethical Business and Forensics to perform the 2020 Board performance evaluation in May 2020 (evaluation periods is from Jan. 1<sup>st</sup> to Dec. 31, 2020). The institute has assigned 3 executive members: Xiao-Wen Wang, Cing-Ping ShaoandYao-Zong Chen, to perform the evaluation. The institute and the executive members are independent and have no business relation with the Company. The evaluation was conducted via acquiring the Company’s internal regulations and records, questionnaires, and onsite individual meetings based on these five dimensions (1. Level of involvement in company operations; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and constantly continuing education; 5. Internal Control). The Taiwan Institute of Ethical Business and Forensics has issued the report of the Board performance evaluation on Jan.18,2021 and report to the Board of Directors on Feb.22,2021.</p> <p>➤ Overall evaluation conclusion:</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Based on the 2020 Board performance evaluation, the advices for optimization are proposed:</p> <ol style="list-style-type: none"> <li>1. Provide the directors with sufficient time for them to understand the meeting materials</li> <li>2. Emphasize the remarks made by the directors in the meeting minutes of the board</li> <li>3. Amendment to the complaint regulations and create a complaint hotline</li> <li>4. Establish a succession program of professionals</li> <li>5. Bring in external consultants to provide a diverse perspective on CSR</li> <li>6. Increase the intensity of discussion on future business development strategies</li> <li>7. Carry out courses for the industry</li> </ol> <p>➤ Future Improvement Plans and Actions:</p> <ol style="list-style-type: none"> <li>1. Adequate time has been provided for the directors to read the meeting materials, and detailed statements and suggestions made by the directors have been recorded item by item in the Board Minutes.</li> <li>2. A " whistle-blowing system " has been established and a separate Prosecution E-mail address has been set up.</li> <li>3. The President reports to the board of directors quarterly on the strategy of future operation development.</li> <li>4. In view of the industry, will be in May 2021 for the relevant refresher courses.</li> </ol> <p>When nomination members of the board of directors, the Company will base its election on the evaluation results of individual Board member and according to the external organization suggested matters as the target for optimization. The operation of Board of Directors is evaluated well base on the result of the 2020 board performance evaluation and have been revealed on the website of the company.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			<p>(4) The company takes the statement presented by certified CPA firm while the Board of Directors develops the items of evaluation for the independence of review accountant according to “No.10 of “The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of Chin - Integrity, Objectivity and Independence.” The items of evaluation include:</p> <p>(a) if the accountant and spouses, minors or other hold at least 1% of the company’s shares.</p> <p>(b) Does the accountant is a spouse or having second degree of kinship with other directors.</p> <p>(c) Does the accountant have relative relation with personnel of material impact and duties such as board of directors, management officers and financial heads?</p> <p>(d) Does the accountant execute professional services through righteous and rigorous attitude?</p> <p>(e) Does the accountant accept major gifts with high value from the directors or managerial officers?</p> <p>(f) Does the accountant of co-practice serve as the review customer’s directors, supervisors, managerial officers, or persons with duties of material impact on the reviewing case in one year after resignation?</p> <p>The Company exams and evaluates CPA’s independence and capability annually, and submit a report to the Audit Committee and Board meeting. The report was approved by the 3<sup>th</sup> meeting of the 2<sup>nd</sup> term Audit Committee and the 5<sup>th</sup> meeting of the 9<sup>th</sup> term Board of Directors on Feb. 24<sup>th</sup>, 2020. After assessed, CPAs Hai-Ning Huang and Tzu-Hsin Chang from KPMG were qualified. Both CPAs do not have any direct or indirect interest relationship with either Board of Directors or Nova Technology Corp. and believed to have more than sufficient capabilities on auditing, taxation and time cost efficiency.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>The Vice President of Supporting Center, Mr. Wei-chao Yang has been appointed as the company secretary on April 1<sup>st</sup>, 2019, who is the most senior executive for corporate governance matters. Mr. Wei-chao Yang has been in a managerial position for at least three years in a public company in handling stock affairs and in corporate governance affairs.</p> <p>Wei-chao Yang, the former company secretary, was dismissed by the 4<sup>th</sup> meeting of the 1<sup>st</sup> term nominating committee and the 12<sup>nd</sup> meeting of the 9<sup>th</sup> term Board of Directors on Feb. 22, 2021, due to the adjustment of his position, and Jun-Yen Ou, the financial and accounting manager was appointed as company secretary. Jun-Yen Ou has held the position of finance supervisor in a public offering company for more than three years.</p> <p>The major job of chief corporate governance officer includes as following:            Handling matters relating to board meetings and shareholders' meetings according to laws; Producing minutes of board meetings and shareholders' meetings; Assisting in onboarding and continuous development of directors; Furnishing information required for business execution by directors; Assisting directors with legal compliance.</p> <p>The main duties of cooperate governance unit are shown as follows.</p> <ol style="list-style-type: none"> <li>(1) Furnishing information required for business execution by directors and arranging continuing education for directors.</li> <li>(2) Updating the developments of laws and regulations relating to the operation of the company in order to assist directors with legal compliance. The company secretary announced relative information on insider trading, corporate governance, condition of execution of CSR on Nov. 6<sup>th</sup>, 2020.</li> <li>(3) Assist the Board of Directors and Shareholders in meeting procedures and resolutions to comply with the law.</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(4) Before directors’ meeting, it will inquiry the opinion of every director to scheme and formulate agenda, and inform to all directors for attendance at least 7 days prior to the meeting as well as provide sufficient meeting materials for directors’ understanding about the content of relevant proposal.</p> <p>(5) Draw up and have prior booking for the date of Shareholders’ meeting; process the stock affairs; prepare meeting notice, handbook, annual report and minutes within statutory period; and report to MOPS and apply the certificate from Ministry of Economic Affairs after shareholders’ meeting.</p> <p>(6) Ensuring directors’ affair and the process of board resolution are in compliance with regulations.</p> <p>(7) Ensuring the contents report to MOPS are in compliance with regulation and accuracy by board and shareholder’s meeting resolution, to ensure the trading information acquired by shareholder is correct.</p> <p>(8) Renew the Directors’ and Officers’ Liability Insurance in January, 2021 and report the insured amount, coverage, premium rate, and other major contents of the liability insurance at the board meeting in February 5, 2021.</p> <p>(9) Prepare the Self-evaluation of Corporate Governance Evaluation and assist related divisions to follow up Corporate Governance Evaluation Indicators and related regulations by the Competent Authority published.</p> <p>(10) The latest annual continuing education of the corporate governance officer, Wei-chao Yang, refer to P.89 of the annual report “10. Continuing Education for Director and Company Secretary”.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>The Company understands the value of good communication between the interested parties. Besides establishing a stakeholder webpage on the official website, the Company also required the Department of Audit, Human Resource, Investor Relations and Central security management to establish a communication channel between the interested parties separately.</p> <p>The Company establishes “CSR” sections on the official website to explain to stakeholders the conducts for fulfilling CSR and may be contacted via the official website when needed. The Company will give proper feedback to any reasonable concerns raised by the stakeholders.</p> <p>The company has announced the result of stakeholders communication on Nov. 6<sup>th</sup>, 2020.</p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has commissioned full-time agent for stock affairs - KGI Securities Registry and Transfer Department to process shareholders’ meeting affairs.	None
7. Information disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		<p>(1)</p> <p>1. Disclosure of financial and business information The company has set up Chinese/ English version official website (<a href="http://www.novatech.com.tw">http://www.novatech.com.tw</a>) to regularly discloses and updates the Company’s financial services and relevant information on corporate governance for investors' reference.</p> <p>2. Corporate governance information The Company has disclosed information regarding the organization and function of Internal Auditing Dept., “Procedures for Endorsements and Guarantees”, “Procedure for Acquisition or Disposal of Assets” and “Procedures for Loaning of Company Funds” on the Company website.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(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)?</p> <p>(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>			<p>(2) The company set up specialist in charge of the collection work and adequately disclosing relevant information by requirement.</p> <ol style="list-style-type: none"> <li>1. The company has set up spokesperson and deputy spokesperson system by regulation and discloses the names and contact method on the company website. Also the Company will hold investors conference presentation according to practical needs.</li> <li>2. The company discloses information of investor conference on the Company website: The audio-visual record of investor conference has been posted on the Company website. The Company has disclosed finance and business information revealed in inventor conference on the Company website and the Market Observation Post System pursuant to regulations of Taiwan Stock Exchange.</li> <li>3. The company has set up English website to provide foreign investors with relevant company finance and services related information.</li> </ol> <p>(3) The Company has disclosed finance and business information on the Company website and the Market Observation Post System.</p>	
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders,</p>	✓		<p>The company’s management actively promotes corporate governance and relevant systems and measures adopted and travelling situations are summarized below:</p> <ol style="list-style-type: none"> <li>1. The company developed work conducts and actually executes the rights and care for employees without ranking, gender, and nationality, providing various insurance, education training,</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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)?			<p>physical health examination, and retirement matters. The occupational labor welfare committee of the company adopts labor-management as the communication channel between the two. The company also promotes and executes various multiple employee welfare policies, in order to create a harmonious work environment, enriching employee’s life. Additionally, the company truly executes safety quality, health and environmental management, with ISO9001, ISO14001 and ISO45001 certified. Moreover, special responsible environmental department will regularly promote and supervise the implementation to provide safety and quality work environment. The company sets up employee opinion mailbox at the human resource zone of company website, which the employees can communicate with the company directly.</p> <p>2. Investor relation, supplier relation and rights of stakeholders: The company appeals in corporate information transparency and adequately discloses financial and sales information by law and sets up a contact window and email for investors, suppliers and stakeholders to leave message and opinions. To strengthen corporate governance, the corporate governance setion on the company website in Chinese and English apart from the routine public disclosure of financial information, providing investors with more diverse information to protect the rights of investors from Taiwan and abroad. The company and suppliers sign agreement or purchase order in writing based on equality principle to validate the rights and obligation relations between the two, protecting the legitimate rights of each other.</p> <p>3. Director continuing education: All directors of the company shall take continuing education according to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” The</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>information of continuing education refer to P.89 of the annual report “10. Continuing Education for Director and Company Secretary”.</p> <p>4. Execution of risk management policy and risk measurement standards: The company focuses on the management of original business line and cooperates with relevant laws and regulations to promote and implement the execution of various policies. The company also has established risk management process standards and relevant management policies by the Board of Directors on Feb. 24<sup>th</sup>, 2020, should be able to respond to business environment, with the business and operational activities of the change and adjustment to lower and avoid any possible risk that jeopardizes the company and values the maintenance of personnel safety.</p> <p>The risk management of the company includes "market risk", "credit risk", "operational risk", "liquidity risk" and other risks. For major policy of corporate operation, investment projects, the acquisition or disposition of assets, endorsement guarantee and other matters will require the evaluation and analysis by relevant competent department, followed by submission to the Board of Directors for resolution and execution. The auditing department will develop annual audit plan according to the results of risk assessment with actual execution to implement risk control and other monitoring mechanism.</p> <p>Actively promote the implementation of the risk management mechanism, and report its operation to the board of directors at least once a year. The Company announced in January 2020 to the employee in internal meetings about relative information on insider trading and to directors in Board of Directors meeting on Nov. 6, 2020. Risk management related decisions and responsible units continue to supervise the implementation and coordination of the overall risk management, and strengthen the</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>awareness and cognition of the company's operational risk culture.</p> <p>5. Customer policy execution: The company sales department and engineering department staff are responsible for conducting communication and coordination from time to time to respond to the requirement of customization, providing excellent services and problem solution. The management department also conducts customer satisfaction survey from time to time to provide customers with various channels of two-way communication.</p> <p>6. Company purchasing liability insurance for directors: The company has purchased liability insurance for the directors. Information about the insured amount, coverage and premium rate has been reported in the Board meeting on Feb. 05, 2021.</p>	
9. Has the company adopted succession planning for board members and key executives, and disclosed the operational status of such planning on its website and in its annual report?	✓		<p>In planning the succession plan, the successor must not only have excellent work ability, but also have a value concept that is consistent with the company. Personality traits must include integrity, commitment, innovation and customer trust.</p> <p>As part of the Company's ongoing director succession plan, a database of directors has been established based on the following criteria:</p> <ol style="list-style-type: none"> <li>1. Integrity, responsibility, innovation and decision making ability, consistent with the core values of the company, and with professional knowledge and skills conducive to the management of the company.</li> <li>2. Industrial experience relevant to the business of the company.</li> <li>3. Overall board expertise is for boards that need to include corporate strategy, accounting and tax, finance, legal and corporate governance to meet the needs of the company.</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>The company has established “Rules for Performance Evaluation of Board of Directors” and conduct the performance evaluation on a regular basis, by relevant measure project, including company objectives and tasks of control and operating responsibility cognition, participation, the internal relationship between management and communication, business function and further, internal control and the concrete representation, etc., to confirm the board operation effectively, and performance evaluation of directors, For future reference in the selection of directors.</p> <p>The executive vice president Ma Wei was promoted to president on March 1, 2020, and the president Chung-Cheng Hsu was transferred to vice chairman. The company includes a subsidiary has three presidents, three vice presidents, in the future, continue depending on the time of the Board of Directors to carry out the work of the adjustment, in order to cultivate the views and experience, strategy development and full communication with the Board of directors. The performance evaluation of the relevant personnel will be reported and discussed in the remuneration committee, and it is expected that the appropriate candidates for the succession of the company’s executive managers and board members should be trained within 5-8 years.</p> <p>Strategic consensus camp for senior executives is held once a year. Topics include strategic thinking, performance management and talent management, high performance leadership, organizational change and continuous renewal, talent development and leadership inheritance, strategic map, etc.</p> <p>The middle level of the management, according to the company’s human resources planning, in addition to the continuous training of the company has both future development potential of colleagues, but also continue to recruit outstanding talent to the competitiveness of the company.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>In addition to professional competence, excellent management talents must also understand the implementation of the company’s overall operations. Through the education and training of the company’s system including professional skills, human resources, financial management, business marketing, etc., it also encourages potential colleagues. Continue to study in the EMBA and management classes of various colleges and universities, and strengthen the exchanges with outstanding people from different industries to enrich the experience and contacts of all aspects.</p> <p>The Company will also arrange important management to serve as members of the Board of Directors of the Company or investment enterprise, familiarize them with the operation of the Board of Directors, and have them participated in the planning of the Company’s or investment enterprise’s long-term strategic direction and vision.</p>	
<p>10. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>The Corporate Governance Center has released results of 6<sup>th</sup> Corporate Governance Evaluation in 2020. The company reviews items not achieving evaluation standard every year after the result of evaluation be announced, makes adjustment and improvement successively and carries out step by step. Please elaborate on the specific improvement situation on &lt;Table 1&gt;</p>				

&lt;Table 1&gt;

Item No.	Evaluation Indicator	Specific improvement measures
2.14	Did the company have any functional committees other than statutorily required committees, and did such functional committees have not less than three members, with at least half of the members being independent directors, and did the company disclose the organization, functions, and operations of such committees?	The Company has established a "Nomination Committee" on the 4 <sup>th</sup> Meeting of the 9 <sup>th</sup> term Board of Directors. The first committee is held by 7 directors, including 4 independent directors. For detailed operation, please refer to P.58 ~ P.59 information on the operation of the nominating committee. The company will also appoint key management members to serve on the board of directors of the company or the reinvestment enterprise, so that they can be familiar with the board of directors and participate in the development of the long-term strategic direction and vision of the company or the reinvestment enterprise.
2.22	Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, and has it furthermore carried out self-assessment at least once a year, and disclosed the assessment results on its website or in its annual report?	The company has revealed the board evaluation operation management measures and through after exposed by the board of directors in the company's web site and "Market Observation Post System (MOPS)", to establish a year need to perform an internal self-assessment, and every three years to perform external performance evaluation, the board of directors in 2020 the company perform quotation please refer P.33 the board of directors on the status of implementation of evaluation.
3.17	Did the company website disclose information related to the company's finances, business and corporate governance?	The company's official website has disclosed relevant financial, business and corporate governance situation, detailed information please refer to the company's website: <a href="http://www.novatech.com.tw/">http://www.novatech.com.tw/</a>

&lt;Table 2&gt;

Item Name	Nationality	Gender	Employee position	The term of independent director			Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international Market perspective	Ability to lead	Ability to make policy decisions
				Less than 3 years	3 ~ 9 years	More than 9 years								
Chin-Li Liang	Taiwan	Male	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Chung-Cheng Hsu	Taiwan	Male	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Bi-Hui Wu	Taiwan	Female	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Chih-Yi Chi	Taiwan	Male	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓
Sheng-Yung Yang	Taiwan	Male	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓
Cheng Li	Taiwan	Male	-	-	✓	-	✓	-	✓	✓	✓	✓	✓	✓
Hui-Yin Chiu	Taiwan	Female	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓

D. Composition, Responsibilities and Operations of the Remuneration Committee  
 (1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity (Note 1)	Criteria  Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		Instructor of public and private college/university with relevant study in business, legal affairs, finance, or discipline required by the company.	Professional occupation and technicians having been certified by national examination with qualification certificates in judge, prosecutors, attorney, accountant, or others as required for the company operations.	Work experience in business, legal affairs, finance, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chih-Yi Chi	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Sheng-Yung Yang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	None
Independent Director	Cheng Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Hui-Yin Chiu	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None

Note 1: Please fill out identity as director, independent director or others

Note 2: All members meeting the following conditions in two years before election and during the tenure shall place “✓” at the space under each criteria code.

- (1) Not an employee of this Company or its affiliates
- (2) Not a director or supervisor of the company or any of 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 of one percent or more of the total number of issued 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 a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

(2) Attendance of Members at Remuneration Committee Meetings

- a. There are 4 members in the Remuneration Committee.
- b. The tenure of the remuneration committee is from May 24, 2019 to May 23, 2022.  
A total of 4 (A) Remuneration Committee meetings were held in 2020.  
The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Chih-Yi Chi	4	0	100	2019.05.24 Re-elected.
Member	Sheng-Yung Yang	4	0	100	2019.05.24 Re-elected.
Member	Cheng Li	4	0	100	2019.05.24 Re-elected.
Member	Hui-Yin Chiu	4	0	100	2019.05.24 on board.

Other mentionable items:

1. The scope of duties of the Committee are as the follows:

- A. Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- B. Establishing and periodically reviewing the performance goals for the directors and managerial officers of the Company and the policies, systems, standards, and structure for their compensation.
- C. Periodically assessing the degree to which performance goals for the directors and managerial officers of the Company have been achieved, and setting the types and amounts of their individual compensation.

◆ The Committee shall perform the duties in accordance with the following principles:

- (1) Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and the company's compensation philosophy.
- (2) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of the business goals and the financial position of the Company.
- (3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- (4) For directors and managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.
- (5) The content and amount of the remuneration of directors and managerial officers should be considered reasonable. The decision on the remuneration of directors and managerial officers should not be significantly different from the financial performance.
- (6) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration 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 (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

3. Resolutions of the remuneration 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.

4. The State of operations of the Remuneration Committee in the recent fiscal year:

Remuneration committee	Agenda Content and Subsequent Handling
Jan. 17, 2020	1. Resolved to amend the “Remuneration Committee Charter.”
	2. Resolved to approve the 2019 evaluation of the performance of executives.
	3. Resolved to approve the 2019 performance bonus distribution to management officer and internal chief auditor.
	Results of the Remuneration Committee : All attending committee members reach consent to adopt the proposition as proposed.
	Company handling on Remuneration committee’s opinion: No comments.
Feb. 24, 2020	1. Resolved to approve 2019 remuneration distribution to directors and employees.
	2. Resolved to approve the salary of the company's new President.
	3. Resolved to approve the employee's 2020 compensation policy.
	4. Resolved to approve the proportion to the appropriation of employees’ and directors' bonus in 2020.
	Results of the Remuneration Committee : All attending committee members reach consent to adopt the proposition as proposed.
Company handling on Remuneration committee’s opinion: No comments.	
May 04, 2020	1. Resolved to approve the annual salary adjustment of the company's managers.
	2. Resolved to approve the salary of the company's new manager.
	Results of the Remuneration Committee : All attending committee members reach consent to adopt the proposition as proposed.
	Company handling on Remuneration committee’s opinion: No comments.
Nov. 06, 2020	1. Resolved to approve the 2019 distribution of employees’ remuneration for management officers.
	Results of the Remuneration Committee : All attending committee members reach consent to adopt the proposition as proposed.
	Company handling on Remuneration committee’s opinion: No comments.

E. Composition, Responsibilities and Operations of the Nominating Committee

(1) Professional Qualifications and Independence Analysis of Nominating Committee Members

Identity (Note1)	Criteria  Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Nominating Committee Member	Remarks	
		Instructor of public and private college/university with relevant study in business, legal affairs, finance, or discipline required by the company.	Professional occupation and technicians having been certified by national examination with qualification certificates in judge, prosecutors, attorney, accountant, or others as required for the company operations.	Work experience in business, legal affairs, finance, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Independent Director	Sheng-Yung Yang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Chih-Yi Chi	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Cheng Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Hui-Yin Chiu	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Director	Chin-Li Liang	-	✓	✓	-	-	-	✓	-	-	-	✓	✓	1	None
Director	Chung-Cheng Hsu	-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	-	None
Director	Bi-Hui Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None

Note 1: Please fill out identity as director, independent director or others

Note 2: All members meeting the following conditions in two years before election and during the tenure shall place “✓” at the space under each criteria code.

- (1) Not an employee of this Company or its affiliates
- (2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Managers other than those listed in (1) or (2) or (3), not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, nor a director, supervisor, or employee of one of the largest institutional shareholders in terms of shareholdings of the company pursuant to paragraph 1 or paragraph 2 of article 27 of the company act.
- (6) Not a director, supervisor or employees of other companies in which more than half of the directors' seats or voting shares are controlled by the same person.
- (7) Not a director, supervisor or employee of another company or organization who is the same person or spouse as the chairman, general manager or equivalent of the company.
- (8) Not a director, supervisor, or employee of a shareholder that directly holds five percent or more of the total number of issued shares of the company, of a certain company or organization that has a financial or business relationship with the company.
- (9) Not a professional, proprietor, partner, director, supervisor, manager and spouse of individual proprietor, partnership, companies or organizations who do provide audit services for the company or affiliated enterprises or provide business, legal, finance, accounting or other related services for which the aggregate amount of compensation in the last two years is not more than NT \$500,000.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

(2) Attendance of Members at Nominating Committee Meetings

- a. There are 7 members in the Nominating Committee.
- b. The tenure of the nominating committee is from January 17, 2020 to May 23, 2022.

A total of 3 (A) Nominating Committee meetings were held in 2020.

The attendance record of the Nominating Committee members was as follows:

Title	Name	Attendance in Person(B)	By Poxy	Attendance Rate (%) (B/A)	Remarks
Convener	Sheng-Yung Yang	3	0	100	2020.01.17 on board
Member	Chih-Yi Chi	3	0	100	2020.01.17 on board
Member	Cheng Li	3	0	100	2020.01.17 on board
Member	Hui-Yin Chiu	3	0	100	2020.01.17 on board
Member	Chin-Li Liang	3	0	100	2020.01.17 on board
Member	Chung-Cheng Hsu	3	0	100	2020.01.17 on board
Member	Bi-Hui Wu	3	0	100	2020.01.17 on board

Other mentionable items:

1. The scope of duties of the Committee are as the follows:

- A. Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board and finding, reviewing, and nominating candidates for directors based on such standards.
- B. Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board and the independence of the independent directors.
- C. Establishing and reviewing on a regular basis programs for director continuing education.
- D. Reviewing corporate governance guidelines of the Company.

If a member of the Committee has a stake in performing the duties in the preceding paragraph, he/she shall state the important aspects of its stake in the meeting of the Committee concerned, and where there is a likelihood that the interests of this Company would be prejudiced, he/she may not participate in discussion or voting, shall recuse himself/herself from any such discussion and voting, and may not exercise voting rights as proxy on behalf of another member of the Committee.

2. If the board of directors declines to adopt or modifies a recommendation of the nominating 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 nominating committee's opinion: None.
3. Resolutions of the nominating 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.

F. Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Abstract Explanation										
1. Did the company following the principle of materiality, conducted risk assessment on environmental, social, or corporate governance issues related to the company's operations, and adopted relevant risk management policies or strategies?	✓		<p>The company has set up “Risk Management Policy” and approved by Board of Directors. The risk matters shall be evaluated and reviewed by each management unit on a regular basis, and the President shall report to the Board of Directors periodically. The company formulate relevant contingency measures in the process of operation to prevent and control the possible risks. Also conducts risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the CSR principle of materiality. The risk assessment is summarized below:</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk Assessment Item</th> <th>Risk management policies or strategies</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental protection and climate change</td> <td>The company has developed strategies to strengthen green project management capabilities, reduce environmental damage, introduce waste solvent recovery, waste oil and gas recovery, waste water zero discharge system, water recovery and seawater desalination system, and expand water resources.</td> </tr> <tr> <td>social</td> <td>Safety and health risk management</td> <td>The Central security management office studied, coordinated and planned safety and health regulations to effectively prevent occupational disasters and ensure the health and safety of employees.</td> </tr> </tbody> </table>	Major issues	Risk Assessment Item	Risk management policies or strategies	Environment	Environmental protection and climate change	The company has developed strategies to strengthen green project management capabilities, reduce environmental damage, introduce waste solvent recovery, waste oil and gas recovery, waste water zero discharge system, water recovery and seawater desalination system, and expand water resources.	social	Safety and health risk management	The Central security management office studied, coordinated and planned safety and health regulations to effectively prevent occupational disasters and ensure the health and safety of employees.	None
			Major issues	Risk Assessment Item	Risk management policies or strategies								
			Environment	Environmental protection and climate change	The company has developed strategies to strengthen green project management capabilities, reduce environmental damage, introduce waste solvent recovery, waste oil and gas recovery, waste water zero discharge system, water recovery and seawater desalination system, and expand water resources.								
			social	Safety and health risk management	The Central security management office studied, coordinated and planned safety and health regulations to effectively prevent occupational disasters and ensure the health and safety of employees.								

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Abstract Explanation										
			<table border="1"> <tr> <td>Major issues</td> <td>Risk Assessment Item</td> <td>Risk management policies or strategies</td> </tr> <tr> <td>social</td> <td>Product safety</td> <td>The company for the equipment explosion-proof certification, committed to provide high quality products and quality service.</td> </tr> <tr> <td>Corporate governance</td> <td>Socioeconomy and compliance</td> <td>To strength corporate governance of the board of directors, implementing ethical corporate management, and ensuring that all employees of the company comply with relevant laws and regulations.</td> </tr> </table> <p>Please refer to the second chapter of the CSR report for detailed procedures and instructions</p>	Major issues	Risk Assessment Item	Risk management policies or strategies	social	Product safety	The company for the equipment explosion-proof certification, committed to provide high quality products and quality service.	Corporate governance	Socioeconomy and compliance	To strength corporate governance of the board of directors, implementing ethical corporate management, and ensuring that all employees of the company comply with relevant laws and regulations.	
Major issues	Risk Assessment Item	Risk management policies or strategies											
social	Product safety	The company for the equipment explosion-proof certification, committed to provide high quality products and quality service.											
Corporate governance	Socioeconomy and compliance	To strength corporate governance of the board of directors, implementing ethical corporate management, and ensuring that all employees of the company comply with relevant laws and regulations.											
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>The President as the Chief Officer and supporting center is the responsible unit for planning and executing the operation of corporate social responsibility policies. The center not only routinely reports to the Board of Directors each year but also discloses such execution status on the company website.</p> <p>The CSR Task Force are the Operation &amp; Governance team, Employee &amp; Social care team, Sustainable Environment and Product Service team. Their members are, General Manager Office, Supporting Center, Administration Department, Logistics Department, Public Safety Department, Technology and Environment Department. The primary roles of the CSR Task Force are as follows: establish the policy of social responsibility, plan and execute the target and programs, reviews and examines the efficiency of the management system regularly, compilation and accomplished the CSR report within the set time frame.</p>	None									

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>The company secretary reported the execution of CSR in the Board meeting on the Nov. 6, 2020. Excerpts are as follows:</p> <p>a. Caring for the environment of the company and fulfilling its corporate social responsibility.</p> <ul style="list-style-type: none"> <li>➤ Specific approach: Encourage employees to actively participate in community activities and continue to invest in social welfare, and develop a corporate culture of doing good. Also provide industry-academia cooperation plans to enhance youth employability.</li> <li>➤ Implemenetation results: <ul style="list-style-type: none"> <li>a.) Participate in the financial group legal person Taiwan Catholic Church Hsinchu diocesan - marginal youth service center hosted "regeneration etude", appeal to donate second-hand goods charity sale, give teenagers a chance! Give items a new home! A total of 16 volunteers participated in the charity sale (112 hours in total) and donated second-hand goods and proceeds to the organizer.</li> <li>b.) Sponsor Blue Sky Home Charity Day and Family Day Tour to care for the society and contribute love and warmth.</li> <li>c.) To the response of each YMCA "happy good day. Love charity activities, in order to promote the Taichung district weak service plan - fewer poor education, to neuropsychology, home services, disadvantaged women to lift themselves from poverty, spontaneous donated supplies goods to participate in the charity sale, let more family to improve the situation, to carry out the public spirit concern disadvantaged families, share the happiness to love.</li> <li>d.) The Company provided summer internship participation opportunities to three college students, and signed industry-academia cooperation plans with National Taipei University of Technology and National Pingtung University of Science and Technology to enhance youth employability. Total cost NT\$350,700 for this plan.</li> </ul> </li> </ul>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>b. Advance workplace health and establish a safe work environment</p> <ul style="list-style-type: none"> <li>➤ Specific approach: Advance employees' health goals, organize employee physical examination and various employee travel activities to stretch their minds and bodies, and balance work and life. At the same time, implement various work safety management systems and establish a safe working environment.</li> <li>➤ Implementation results: In 2020, the Company has held Fire safety education, employee physical examination and travel activities to enhance employee health and safe living environment. The total accumulated working hours without injury at work were 1,937,522 hours from 2014 to 2020 (total labors involved was 187).</li> </ul>	
<p>3. Environmental issue</p> <p>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(2) Do the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?</p>	✓		<p>(1) Nova Technology follows the characteristics of project process and develops standard operating procedures and standards, which not only requires personnel to truly comply with company standards for executing project process but is also devoted in strengthening the operation environment, activities, instrument or equipment safety, health and risk control, in addition to routinely cooperate with the environment testing of implementing process. Currently Nova Technology has been certified by ISO45001 occupational safety and management system.</p> <p>(2) Nova Technology has been certified ISO9001 and ISO14001 quality management system and environmental management system, in addition to devoting in the R&amp;D and use of technology with enthusiasm, providing customers with energy conservation design solution, adopting dual energy conservation and thermal recycling equipment in attempt to reduce environmental pollution and energy reuse. The company adopts power saving, water saving and energy conservation from daily routines to upgrade the utilization of various resources.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?			(3) The company established the "Environmental Protection and Green Energy Group" to focus on the development of SRS waste solvent recycling system and zero waste water discharge system, reclaimed water recycling system, waste oil and gas system and seawater desalination system to reduce environmental impact and develop new business opportunities. The Company makes risk identification and implements measures in response to climate change based on the Recommendations of the Task Force on Climate-related Financial Disclosures published by TCFD in order to evaluate the impact on corporate finance, reduce risks as well as enhance the governance of climate change accordingly.	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			(4) Nova Technology actively devotes in the R&D of energy conservation technology for its main business line and promotes energy saving and carbon reduction as well as other environmental protection awareness in employees from time to time. a. With regards to paper use, the company continues to promote paperless and must adopt two-side printing or reuse recycled paper in case printing is necessary to reduce amount of paper use. b. In terms of electricity consumption, the company has made great efforts to turn off lights and air conditioners. The head office also adopts air conditioners with energy-saving and environmental protection seals, adjust air conditioners to 1°C, and comprehensively use T5 lighting fixtures. It advocates turning off lights and pulling out plugs to achieve the efficiency of saving electricity. c. Regularly announce and request to employees, personal travel should take more public transport to reduce the emissions of CO2 and N2O. d. Procurement of green products, reduce the use and disposal of disposable tableware, and encourage staff to participate in local sustainability workshops and training to enhance environmental awareness and awareness of environmental issues.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons															
	Yes	No	Abstract Explanation																
			<p>The company’s emissions, water consumption, and waste volume over the past two years are shown in the table below:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>GHG emissions (Scope 1)</td> <td>238.41 tons of CO2e</td> <td>239.02 tons of CO2e</td> </tr> <tr> <td>GHG emissions (Scope 2)</td> <td>111.88 tons of CO2e</td> <td>94.98 tons of CO2e</td> </tr> <tr> <td>Waste</td> <td>-</td> <td>1.83 tons</td> </tr> <tr> <td>Energy consumption</td> <td>6.21(GJ/m<sup>2</sup>)</td> <td>5.57(GJ/m<sup>2</sup>)</td> </tr> </tbody> </table> <p>The Corporate Sustainability Report of the company has revealed on the company's website.</p>	Item	2018	2019	GHG emissions (Scope 1)	238.41 tons of CO2e	239.02 tons of CO2e	GHG emissions (Scope 2)	111.88 tons of CO2e	94.98 tons of CO2e	Waste	-	1.83 tons	Energy consumption	6.21(GJ/m <sup>2</sup> )	5.57(GJ/m <sup>2</sup> )	
Item	2018	2019																	
GHG emissions (Scope 1)	238.41 tons of CO2e	239.02 tons of CO2e																	
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Waste	-	1.83 tons																	
Energy consumption	6.21(GJ/m <sup>2</sup> )	5.57(GJ/m <sup>2</sup> )																	
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) Nova Technology develops “Work Rules” according to Labor Standard Act and relevant laws and decrees to protect the legitimate rights of employees. The company does not impose restriction in the appointment and position promotion in terms of face and gender. All employees with the capacity and meeting eligibility may have equal rights. Furthermore, to prevent incidents of sexual harassment, the company develops “Sexual Harassment Prevention Regulations” to accept relevant grievance cases. Pursuant to The Universal Declaration of Human Rights, The United Nations Global Compact and The International Labour Organization’s Declaration on Fundamental Principles to set up the company’s “Human Rights Policy” to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the related international initiatives. This policy has been announced during the company's internal review meeting in January 2020 and every quarterly</p>	None															

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?			<p>review meeting to all employees and disclosed on the company's website.</p> <p>(2) The company complies with relevant laws and decree to develop “Employment Remuneration Administration Polices,” “Employee Appraisal Guidelines” and “Employee Reward and Discipline Guidelines,” in attempt to adopt public and explicit management regulations to encourage employees with distinguished performance with incentives and provide room for improvement to those with poor performance, thereby fulfilling the corporate management philosophy and meet the objectives of corporate social responsibility. The supporting center regularly reviews the market level of salary each year in attempt to provide employees with reasonable salary and remuneration. They also take achievement rate of annual budget target and individual performance into consideration when calculating employee’s bonus. Besides, according to Article 19-1 of the “Articles of Incorporation,” when distributing the surplus profits for each fiscal year, the company shall first offset its losses of previous years and set not less than three percent of the profit before tax excluding the amount of employees’ and directors’ compensation as compensation to employees. The content and implementation of employee welfare and retirement system, please refer to P.116 ~ P.118 of the annual report.</p>	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			<p>(3) Nova Technology offers employees with operation instruction and education training for safety and health. The Company has set up “Procedure of the Labor Health Protection and Occupational Disease Prevention” and has obtained certification of the “Badge of Accredited Healthy Workplace” in 2019. In the future, the company will continue to deal with employee physical examination, regularly carry out on-site doctor and nursing teacher consultation in the factory, and continue to actively protect the health of employees through electronic health education.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(4) Does the company provide its employees with career development and training sessions?</p> <p>(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</p>			<p>The company follows Labor Safety and Health Act, and the Central security management Office is responsible for planning, implementing, and supervising health management related operations and education and training. Through regular safety and health education and drills necessary for automatic inspection and prevention of disasters, to improve colleagues' awareness of the hazards of the working environment and emergency response capabilities. For work environment and employee safety, please refer to P.118 ~ P.119 of the annual report.</p> <p>(4) The company has set up personnel promotion related system and provide proper training based on personal potential and professional skills. Employee education training courses are instructed based on different talent of employees and classified instruction to help employees bring their talent into full play and attain sense of achievement from work.</p> <p>(5) The company is based on engineering technology service to provide customers with customized design planning and construction as well as other integrated services, in addition to complying with relevant laws and regulations and international standards for execution of service marketing and labeling.</p> <p>The company has set up stakeholder zones official sites with respective specific contact windows respectively on the company's website. Also regularly implements customer satisfaction survey each year and the administrative department sends out “customer satisfaction survey.” The management review meeting will discuss the survey results and conducts problem analysis and improvement suggestions, which will be reviewed by management representative before handing over to departments for execution, in order to meet customer expectation and provide quality services.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>The company has set up “Intellectual Property Right Protection Management Procedure” to ensure information of our products and services will not be misused, disclosed, lost, or damaged, fulfilling our due care to clients’ intellectual properties. This would help prevent loss of our company reputation and properties.</p> <p>If the Company fails to prevent the infringement of the Intellectual Property Rights of the Company and a relevant infringement action is brought as a result, it may: 1. Causing the Company to be unable to use the specific technology; 2. Weakens the competitiveness of the Company against competitors who benefit from the infringement of the Company's intellectual property rights, thereby reducing the opportunity for the Company to generate revenue. The Company has taken steps to minimize the potential loss of shareholders' equity due to intellectual property claims and litigation. These include: immediate protection of the company's technology and business with defensive intellectual property rights.</p> <p>➤ Protection and management of business secrets The Company and all employees have signed the "Employment Agreement", which has the following provisions concerning the protection of trade secrets:</p> <ol style="list-style-type: none"> <li>1. Employees shall keep and maintain the confidentiality of business secrets in accordance with the duty of care of a good manager.</li> <li>2. Employees of the Company shall not disclose or use the trade secrets owned by their former employers.</li> <li>3. Any business secrets related to the job completed by the employee during his/her tenure shall be owned by the Company.</li> <li>4. After the employee leaves the company, he/she shall still abide by the obligation of confidentiality, shall not disclose any business secrets, and shall not use the company's business secrets within one year, and shall reserve the right of legal retroactive and compensation for the</li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?			<p>loss of the company.</p> <p>➤ Implement</p> <p>2019: actively layout industry-related technology patents, discuss and establish a research and development department to strengthen technology development and enhance the depth of patent layout.</p> <p>2020: Hold monthly meetings to review feasible technologies and transform them into patents or trade secrets, so as to strengthen the awareness and cognition of intellectual property protection of the company and achieve the annual intellectual property KPI target.</p> <p>➤ The company's intellectual property achievements of all new patents are as follows:</p> <ol style="list-style-type: none"> <li>1. Quantity of obtained license: 15 pieces (including design and improvement of manufacturing process and fixture, etc.)</li> <li>2. Industry and university cooperation case: chemical barrel cover and joint disassembly equipment (quantity in application: 5 pieces)</li> </ol> <p>The Company has reported the intellectual property related matters to the Board of Directors on November 6, 2020.</p> <p>(6) The company develops a "Supplier Management Process" to implement the supplier assessment process. The Central security management Office is responsible for the assessment of the supplier's environmental management and the Logistics Dept. shall inform the supplier of the company's environmental policy; If there is any update of the environmental policy, it should also be informed that the Central security management Office should cooperate with the regular assessment of suppliers, issue the "supplier environmental safety and health management questionnaire" and conduct the field assessment before the field assessment, so as to know whether the supplier's environmental safety and health management status is included in the</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>supplier assessment.</p> <p>Implement and execute the Level 1 suppliers to sign the "cooperation commitment letter", promising the suppliers to comply with the relevant regulations on environmental protection, occupational safety and health, labor and human rights, and not to use metals from conflict areas. The company inspects, evaluates and holds meetings with suppliers from time to time to ensure that all relevant parties comply with relevant standards.</p>	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The company has prepared a 2019 corporate social responsibility report and entrusted the PricewaterhouseCoopers (PwC) Taiwan to carry out limited assurance according to the Assurance Standards Gazette No. 1 of the Republic of China for the Report. 2020 corporate social responsibility report is still in progress.	None
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:				
<p>The company develops "Corporate Social Responsibility Best Practice Principles", develops employee ethical conducts and behavior principles, and environmental safety and health management policies to implement the execution according, which conforms to the basic philosophy and standards of "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"</p>				

7. Other important information helping to understand the operation of corporate social responsibility:

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>1. Human Rights</p> <p>(1) Conforming to Labor Standard Act and relevant laws and decrees.</p> <p>(2) Others (such as maintaining the employees and job applicants to assure the employees without harassment and discrimination).</p>		✓		<p>(1) Nova Technology develops “Work Rules” according to Labor Standard Act and relevant laws and decrees to protect the legitimate rights of employees. The company does not impose restriction in the appointment and position promotion in terms of face and gender. All employees with the capacity and meeting eligibility may have equal rights. Furthermore, to prevent incidents of sexual harassment, the company develops “Sexual Harassment Prevention Regulations” to accept relevant grievance cases. “Human Rights Policy” was set to secure the human rights and benefits of all the employees (active employees, contractors and temporary workers, interns etc.) after referencing the related international initiatives. To reconcile labor/management relations, Nova Technology holds labor/management meetings from time to time.</p> <p>(2) Nova Tech has developed “Sexual Harassment Prevention Regulations” and “Personal Information Protection Policy” to maintain peer rights and privacy.</p>
<p>2. Employee Rights, safety and health</p> <p>(1) Provide employees with full education and training.</p> <p>(2) Provide employees with full response opinions and rights.</p>		✓		<p>(1) Nova Technology stimulates employees with self-development and active cultivation of professionals in order to promote the use of human resources. Education training methods and planning for management units to take charge of education training plan.</p> <p>(2) The company has set up employee mailbox on the company's website (under the HR section) for employees to respond personal rights, benefits, management, and work environment from the employees.</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
(3) Others (such as occupational safety and health management system having been certified by OHSAS18001 or relevant institutes, providing employees with reasonable welfare and remuneration...etc. )				(3) Nova Technology has acquired ISO9001 quality assurance, ISO14001 environmental management system, and ISO45001 occupational safety health management system. The current validity period of the above certifications is 2019/07/29-2021/06/28. Nova Technology also adopts the health workplace certificate for Ministry of Health and Welfare Health Promotion Administration. The employee salary related system also complies with law regulation and ordinance, including the minimum wages and legal formulation of welfare.
<p>3. Care for Employees</p> <p>(1) Assure the safety of work environment</p> <p>(2) Develop labor health and safety related policy in writing.</p> <p>(3) Others (such as paying attention the physical and mental development of workers and family life)</p>		✓		<p>(1) Nova Technology establishes an environmental safety department, which responsibility aims to implement the procedures and execution management of the safety health management process in the company and all construction sites. The department regularly cooperates with the implementation of operation environment testing to thoroughly comply with provisions governing safety and health regulations, thereby protecting the safety and health of all employees.</p> <p>(2) Nova Technology has developed labor safety and health related requirement with cooperation accordingly.</p> <p>(3) The Company has established “Employee welfare committee” for years and organizes the processing of employee travel activities and clubs, gathering and reunions activities. In particular, the holding of family day enhances interaction between employees and family through activities. The company expects employees to balance between family life and physical and mental development after work. The human resource personnel will care about the recent status of employees on a regular basis.</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>4. Environmental Protection</p> <p>(1) Develop environmental protection policy in writing.</p> <p>(2) Comply with environmental protection related laws and decrees.</p> <p>(3) Others (such as developing energy conservation, pollution reduction and pollution prevention technology, equipment and activities; Resource reuse, waste recycling and reduction, hazardous substance prohibition)</p>		✓		<p>Nova Technology is certified by environmental protection policy (ISO14001) for conformity and actively devotes in the R&amp;D of energy conservation technology project, sea water desalination, waste gas treatment, sludge and waste liquid incineration system, in addition to promote the cooperation with energy conservation, carbon reduction and environmental protection awareness over the long run, implement waste paper reduction and resource recycling. The company actively assists with patrolled inspection and supervision of execution.</p>
<p>5. Investor Relation</p> <p>(1) Increase operation transparency</p> <p>(2) Value corporate governance</p> <p>(3) Others</p>		✓		<p>(1) The company announces financial and operation information on “Market Observation Post System (MOPS)” according to the company law and regulations to assure the basic rights of investors.</p> <p>(2) To improve the company system, the company complies with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to strengthen the function of directors and functional committee in order to upgrade the operational transparency of the company and protect shareholder’s rights.</p> <p>(3) The company sets up website and spokesperson, proxy spokesperson system with emphasis on providing investors with more transparent financial information.</p>
<p>6. Supplier Relation</p> <p>(1) Value the reasonableness of procurement price</p> <p>(2) Others</p>		✓		<p>The company follows ISO9001 standards to develop the “Procurement and Raw Material Management Procedures.” The signing of basic procurement agreement will explicitly define the company’s standards and specification required for conformance when procuring the materials, in order to assure the relevant rights and interests of the company, providing unobstructed communication management with suppliers and</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
				maintaining due rights and interests between the parties under mutual trust and benefit.
7. Rights and interests with stakeholders (1) Respect for intellectual property right  (2) Comply with laws and regulations  (3) Others ( such as disclosing the execution of corporate social responsibility on company website)		✓		(1) Nova Technology respects intellectual property right without incident of infringement. (2) The relevant regulations and system of company management all comply with provisions prescribed in relevant laws. (3) Nova Technology has disclosed the execution of corporate social responsibility on company website and the annual report for shareholders' meeting.
8. Rights of Consumers Value the relation with customers (such as protecting consumers' rights, value product quality, safety and innovation, valuation and immediate handling of customer complaint, providing complete product information...etc.)		✓		Nova Technology strives to meet the objectives in "customer satisfaction" but not only valuing project construction quality, safety and techniques innovation but also provide immediate handling and improvement on customer complaints.

G. Fulfillment of Ethical Corporate Management and Actions Taken

- (1) Nova Technology has developed "Ethical Corporate Management Best Practice Principles," "Ethical Conduct Principles," "Procedures for Ethical Management and Guidelines for Conduct." "Corporate Governance Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles" to implement the management philosophy of ethics and plainness. The company also develops "Ethical Conduct Principles" to request directors and managerial officers not to indirectly and indirectly provide, receive, devote, or request for any improper interests or engage in other conducts violating ethics, illegitimacy, or illegal conduct or conducts violating obligations of commissioning.
- (2) Actions Taken:
  - a. Nova Technology staff is prohibited from providing or collecting illegitimate proceeds and avoid engagement in commercial transactions with agents, suppliers, customers, or other commercial transaction objects with unethical management.
  - b. Nova Technology staff shall comply with relevant regulations and avoid unethical conduct.
  - c. Nova Technology staff should take immediate actions of aversion in case of conflict of interests.

- d. Nova Technology staff shall comply with regulations governing the operation related to company business secrets and may not disclose known company business secrets to the third party and may not inquire or collect non-duty related business secrets.
- e. Company matters related to major decisions of operation, investment projects, acquisition or disposition of assets, capital loan, endorsement guarantee, and bank financing shall all undergo the evaluation and analysis by relevant competent departments before submitting to the Board of Directors for discussion and resolution.
- f. The company financial department shall review transaction accounts according to the accounting standards and conduct handling on customer's credit services. In case of major projects or doubts, consult with CPA for verification. The company shall regularly report to the competent authority by required laws and announce the matters and information to be disclosed.
- g. The Company audit department will audit operations on a regular basis or randomly to audit all departments in order to assure the sound and effective execution of the internal control system.
- h. To create a management environment of sustainable development, Nova Technology has long uphold to "integrity" for management principles and its commitment to integrity management not only is exhibited in management transparency (disclosing financial information and corporate governance related information on company website and Market Observation Post System (MOPS)) and establishes complete corporate governance system (developing "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"), thereby to engage in commercial activities through fair approach.

(3) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) The company has been committed to uphold to ethical conducts for all operations by developing "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct" and "Ethical Conduct Principles" and approved by the board of directors to improve the management. The company also describes the policy of Nova Technology's ethical management in the annual report and company website as well as the commitment from Board of Directors and management to proactive fulfillment.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>			<p>(2) The regulation of “Ethical Conduct Principles” and “Ethical Corporate Management Best Practice Principles” revealed that employees may not request, agree, hand over or collect any forms of gifts, rebate, bribery or other interests. The company also sets up reporting channel or employees and relevant staff to report any illegitimate conducts. Additionally, the company evaluates the legitimacy and ethical records of the transaction party before establishing commercial relation other others to assure fair and transparent business management without requesting, providing or collecting bribery.</p> <p>(3) The company has announced relevant regulations on the company internal website for peers to query at all time. Moreover, education training and internal meetings promote company management philosophy and requirements that employees will fully understand and truly comply.</p>	
<p>2. Implement Ethical Corporate Management</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs</p>	✓		<p>(1) The company carries out the supplier assessment every year and signs the "cooperation commitment letter" for the top ten suppliers, in which the relevant terms of ethical conducts are specified. General suppliers are in accordance with a certain process of prudent assessment, uphold the principle of integrity and fairness, careful selection of trading objects.</p> <p>(2) The company develops ethical management related regulations with strengthened propaganda in attempt to establish consensus in the ethical management among all employees, thereby strengthening the execution</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?			<p>effect. The President belongs to the Board of Directors and serves as the executive secretary for promoting ethical management. Its responsibilities include the maintenance, supervision and execution of corporate ethics related system. Moreover, in case of discovering or receiving report on any involvement of unethical conducts by the company staff, the company shall immediately investigate on relevant facts. In case evidence shows violation of relevant laws or the company policy and regulations governing ethical management, the company shall immediately request the person acting to stop relevant conducts with proper handling.</p> <p>President report Implementation of Ethical Management to Board of Directors meeting on Nov. 6<sup>th</sup>, 2020 has revealed on the company website.</p> <p>Implementation results:</p> <ol style="list-style-type: none"> <li>a. Education: please refer to 2.(5).</li> <li>b. Regulations announce: President announced relevant regulation to all employee in meeting on January, 2020 and to the Board of Directors meeting on Nov. 6<sup>th</sup>, 2020.</li> <li>c. Reporting system and whistleblower protection: The “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, have established reporting systems to actively prevent dishonest conduct and encourage internal and external staff to report dishonest conduct.</li> </ol>	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external education trainings on operational integrity?</p>	✓		<p>Moreover, the company may claim for indemnification through legal procedures if necessary in order to maintain the reputation and rights of the company. For unethical conduct already happened, the responsible department will review relevant internal control system and operation procedures in addition to proposing improvement measures to eradicate identical conducts from reoccurrence. The company’s responsible unit should review the improvement measures on unethical conducts, handling method and subsequent review to report to the Board of Directors. There were no external or internal prosecutions in 2020.</p> <p>(3) It is required by the “Ethical Conduct Principles” of the company that employees shall voluntarily advert incidents involving stakeholder relation when executing duties and violators will be disposed by company rules.</p> <p>(4) Nova Technology has long assured the accuracy and integrity of financial report process and control in addition to establishing effective accounting system and internal control system for operation activities with potentially higher risk of unethical conducts. The internal audit also develops annual audit plan to execute audit according to the results of risk assessment in addition to preparing audit report for report to the BOD.</p> <p>(5) Through educational training and internal meetings, the Company promotes the Company's business philosophy and requirements so that employees can</p>	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			fully understand and comply with them. In 2019, the company introduced the integrity standards courses into the E-learning system and included it as the annual required course to enhance the attentions of all the employees constantly. There are 146employees completed the training and the participation ratio is 100% in 2020. Total training 292 hrs. The Company also sends staff to participate in Ethical Corporate Management Best Practice Principles as well as other related seminar training courses.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company develop specific reporting and incentive system in addition to establishing convenient reporting channel and assigning suitable dedicated personnel for handling to the reported party?</p>	✓		<p>(1) The company develops “Ethical Conduct Principles” and “whistle-blowing system” and has revealed on the company website. The company employees are all responsible for complying with the standards and relevant regulations while department heads shall fully implement and assure that all their employees understand, accept, and abide by the relevant regulations.</p> <p>The employees shall stay alert to conducts violating work ethical principles and in case of any doubt or discovering any violation of laws or conducts under the principles, employees may report via opinion and grievance mailbox. The competent department will investigate and clarify the report case. Except for serious situation that must be reported to the Board of Directors, the company shall discipline the employees according to “Employee Reward and Discipline Guidelines.” In case of violation to law, the company may also propose litigation. Violators with position under managerial officers may propose specific facts</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the company provide proper whistleblower protection?</p>			<p>and enclose relevant information to the supporting center of the reviewing unit in case the party perceives violation of law and improper damage of rights for personal disciplinary measures. Violators who are managerial officers (including) or higher shall follow the company’s grievance regulations specified under “Ethical Conduct Principles.”</p> <p>The company reporting channel not only includes the employee opinion and independent mailbox but also set ups audit committee mailbox to improve the supervision function.</p> <p>No major internal and external prosecutions occurred in 2020.</p> <p>(2) For peer employees and relevant personnel reporting illegal violations or participation in the investigation process, the company will give proper protection, to prevent them from unfair treatment or revenge.</p> <p>(3) For informers receiving revenge due to proper reporting, apart from relevant compensation, the company shall also sanction the person taking revenge according to the “Employee Reward and Discipline Guidelines” of the company.</p>	
<p>4. Strengthen information disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	✓		<p>The company has explicitly disclosed the management philosophy on company website and place regulations related to ethical management for peer employees to query at all time.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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:  Nova Technology has taken consideration of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and in consideration of corporate practice operation, the company has developed “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct.” Moreover, the company complies with relevant regulations with true implementation of ethical management to regulate the company staff with precautions during the execution of duties.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).  The company management actively implements ethical management. The relevant system and measures taken and the performance situation are summarized below: To establish ethical corporate and strengthen corporate governance and risk control, the company specifies the directors, managerial officers and employees shall comply with laws and regulations as well as preventing unethical conducts when executing operations under “Procedures for Ethical Management and Guidelines for Conduct” in order to improve the management environment.				

#### H. Corporate Governance Guidelines and Regulations

The company develops “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Ethical Conduct Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and relevant provisions in addition to disclose information on Market Observation Post System (MOPS) (<http://mops.twse.com.tw>) as required by law for the public to query. Additionally, the spokesperson system has been set up to provide consultation to the public.

#### I. Other Important Information Regarding Corporate Governance

The Company has developed “Internal Material Information Handling and Prevention of Insider Trading Management Process Procedures.” The revision of the procedures will require the resolution for adoption by the Board of Directors and notify via an announcement. Please refer to the “Corporate Governance” for investor zone on the company website: <http://www.novatech.com.tw>.

J. Internal Control System  
(1) Statement of Internal Control

**NOVA TECHNOLOGY CORPORATION**  
Statement of Internal Control System

Date: Feb. 22, 2021

Nova Technology Corp. (the company) has conducted a self-assessment of internal controls for the period of January 1, 2020, to December 31, 2020. The results are as follows:

1. The company acknowledges that the company's Board of Directors and management are responsible for establishing, implementing and maintaining the existing internal control system. The purpose of the internal control system is to provide reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency, and the safeguard of assets, etc.), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws and regulations.
2. The internal control system has its inherent constraints. Regardless of how well the system is implemented, it can only provide a reasonable assurance that the above goals will be achieved. Indeed the effectiveness of the internal control system may vary due to the resulting changes in the environment and circumstances. The company's internal control system is self-monitoring and requisite actions are promptly taken to address any recognized shortcomings in the system.
3. The company evaluates the effectiveness of the design and performance of its internal control system as indicated in the Rules Governing Internal Control Systems Established by Public Listed Companies announced by the Securities and Exchange Commission, MOF. Based on the management control process, the items for assessing the internal control specified in the Points are 1. Control Environment 2. Risk Assessment 3. Control Activities 4. Information and Communication and 5. Monitoring. Each is comprised of certain factors that are described in the Points.
4. The company has evaluated the effectiveness of the design and performance of its internal control system in accordance with the above factors.
5. The company believes that the internal control system including learning the effectiveness of the design and execution is reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws and regulations and provides reasonable assurance of achieving the goals of operational efficiency and effectiveness according to the result of above-mentioned assessment period on December 31, 2020.
6. This Statement of Internal Control will be a prominent feature of Nova Technology Corp annual report and prospectus and will be released to the public. Should any statement contained within be misleading or falsely represented, Articles 20, 32, 171 and 174 of the Securities Exchange Law shall apply.
7. This Statement of Internal Control has been approved by the Board of Directors on Feb. 22, 2021. Three directors and four independent directors attended the meeting and agreed with the content of the statement.

NOVA TECHNOLOGY CORPORATION

Chairman : Chin-Li Liang



President : Wei Ma



(2) Commissioned an accountant project to review the internal control system should disclose the accountant review report : None.

K. Punishment for the company and internal staff, the punishment of company to internal staff violating internal system control, and primary flaws and improvement situations of most recent year and as of the printing of the annual report : None.

L. Major resolutions reached shareholders' meeting and board of directors' meeting of recent year:

(1) Major resolution of Shareholders' Meeting.

Time	Key Agenda	Execution
May 21, 2020	1. Adoption of the 2019 Business Report and Financial Statements.	Resolved by Shareholders' Meeting.
	2. Adoption of the Proposal for Distribution of 2019 Profits.	Resolved by Shareholders' Meeting and the ex-dividend record date was on July 5, 2020 and cash dividend was paid on July 17, 2020. (NT\$10 per share)
	3. Discussion on the proposal to amend "Articles of Incorporation."	Resolved by Shareholders' Meeting and approved by Central Region Office, MOEA on June 5, 2020. It was implemented and has been revealed on the company's website.
	4. Discussion on the proposal to amend "Rules of Procedure for Shareholder Meetings."	Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.

(2) Major resolution of Board of Directors meeting

Time	Key agenda
Jan. 17, 2020	<ol style="list-style-type: none"> <li>1. Resolved to amend the "Remuneration Committee Charter."</li> <li>2. Resolved to approve the 2019 evaluation of the performance of executives.</li> <li>3. Resolved to approve the 2019 performance bonus distribution to managerial officer and internal chief auditor.</li> <li>4. Resolved to approve the appointment of the Nominating Committee members.</li> </ol>
Feb. 24, 2020	<ol style="list-style-type: none"> <li>1. Resolved to approve the change in President.</li> <li>2. Resolved to approve the qualifications of new President.</li> <li>3. Resolved to approve the 2020 director's education plan.</li> <li>4. Resolved to approve 2019 remuneration distribution to directors and employees.</li> <li>5. Resolved to approve the company's new President compensation policy.</li> <li>6. Resolved to approve the employee's 2020 compensation policy.</li> <li>7. Resolved to approve the proportion to the appropriation of employees' and directors' bonus in 2020.</li> <li>8. Resolved to approve the company's guarantees and endorsements.</li> <li>9. Approved to provide a guarantee for credit limits applied for by subsidiaries.</li> <li>10. Resolved to approve the company applied for financing credit line from the financial institution.</li> <li>11. Resolved to approve the company's Statement of Internal Control System for the Year 2019.</li> <li>12. Resolved to approve the company's 2019 Business Report and Financial Statements.</li> <li>13. Resolved to approve the company's proposal for distribution of 2019 profit.</li> <li>14. Resolved to approve the evaluation of qualification and independence of the Certified Public Accountants.</li> <li>15. Resolved to amend the "Articles of Incorporation."</li> <li>16. Resolved to amend the "Internal control systems - Other operation activities."</li> <li>17. Resolved to amend the "Procedures for preparation of financial statements."</li> <li>18. Resolved to amend the "Rules of Procedure for Shareholders Meetings."</li> <li>19. Resolved to amend the "Internal Material Information Handling and Prevention of</li> </ol>

Time	Key agenda
	Insider Trading Management Process Procedures.” 20. Resolved to set up “Risk Management Policy.” 21. Approved to convene the company's 2020 annual shareholders’ meeting.
May 4, 2020	1. Resolved to approve the annual salary adjustment of the company's managers. 2. Resolved to approve the salary of the company's new manager. 3. Resolved to approve the company’s guarantees and endorsements. 4. Approved to provide a guarantee for credit limits applied for by subsidiaries. 5. Resolved to approve the company applied for financing credit line from the financial institution.
May 21, 2020	1. Resolved to approve the company’s vice chairman. 2. Resolved to approve the ex-dividend record date for cash dividends distribution.
Aug 03, 2020	1. Resolved to approve the company’s guarantees and endorsements. 2. Approved to provide a guarantee for credit limits applied for by subsidiaries. 3. Resolved to approve the company applied for financing credit line from the financial institution. 4. Resolved to approve the remuneration of the Certified Public Accountants. 5. Resolved to amend the “Nominating Committee Charter.” 6. Resolved to amend the “Corporate Governance Best Practice Principles.” 7. Resolved to amend the “Procedures for Election of Directors.” 8. Resolved to amend the “Regulations Governing the board Performance Evaluation.” 9. Resolved to approve the company as of June 30, 2020, the significant amount of receivables more than 3 months of credit is not funds lending by the company.
Nov 06, 2020	1. Resolved to approve the 2018 distribution of employees’ remuneration for managerial officers. 2. Resolved to approve the company as of Sep 30, 2020, the significant amount of receivables more than 3 months of credit is not funds lending by the company. 3. Resolved to approve the company’s guarantees and endorsements. 4. Resolved to approve the company applied for financing credit line from the financial institution. 5. Resolved to approve the company 2021 budget proposal. 6. Resolved to approve the company 2021 audit plan proposal. 7. Resolved to amend the “Audit Committee Charter.” 8. Resolved to amend the “Code of Ethical Conduct” 9. Resolved to amend the “Rules Governing the Scope of Powers of Independent Directors.”
Dec 10, 2020	1. Resolved to approve acquire the common shares of Rayzher Industrial co., Ltd.
Feb 05, 2021	1. Resolved to amend the “Remuneration Committee Charter.” 2. Resolved to approve the 2020 evaluation of the performance of executives. 3. Resolved to approve the 2020 performance bonus distribution to managerial officer and internal chief auditor. 4. Resolved to amend the “Rules of Procedure for Board of Directors Meeting.” 5. Resolved to amend the “Procedures for Ethical Management and Guidelines for Conduct.” 6. Resolved to amend the “Corporate Social Responsibility Best Practice Principles.”
Feb 22, 2021	1. Resolved to approve the 2021 director’s education plan. 2. Resolved to approve Proposed nomination of new corporate governance directors 3. Resolved to approve 2020 remuneration distribution to directors and employees. 4. Resolved to approve the employee's 2021 compensation policy. 5. Resolved to approve the proportion to the appropriation of employees’ and directors'bonus in 2021. 6. Resolved to approve the company as of Dec 31, 2020, the significant amount of receivables more than 3 months of credit is not funds lending by the company.

Time	Key agenda
	7. Resolved to approve the company's guarantees and endorsements. 8. Resolved to approve the company applied for financing credit line from the financial institution. 9. Resolved to approve the company's Statement of Internal Control System for the Year 2020. 10. Resolved to approve the company's 2020 Business Report and Financial Statements. 11. Resolved to approve the company's proposal for distribution of 2020 profit. 12. Resolved to amend the "Articles of Incorporation." 13. Resolved to amend the "Procedure for Acquisition or Disposal of Assets." 14. Resolved to amend the "Rules of Procedure for Shareholders Meetings." 15. Resolved the "Whistle-Blowing System." 16. Approved to convene the company's 2021 annual shareholders' meeting

M. The director or independent director discrete opinion for the adoption of important resolutions by the Board of Directors with records or statements in writing for the most recent year and as of the printing date of the annual report, which main content: NA.

N. The summary of resignation and dismissal of company chairman, president, accounting head, financial head, internal audit head, company secretary and R&D head in recent years and as of the printing date of the annual report:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Chung-Cheng Hsu	2006.03.01	2020.03.01	In order to meet the the company's organization adjustment.
Corporate Governance Officer	Wei-Chao Yang	2019.04.01	2021.02.22	In order to meet the the company's organization adjustment.

## 5. Information Regarding the Company's Audit Fee and Independence

### A. Information of CPA

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Hai-Ning Huang	Tzu-Hsin Chang	2020.01.01~2020.12.31	None

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Scale of information on CPA's Fees

Unit: NT\$

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$2,000,000			✓	
2	NT\$2,000,001 ~4,000,000		✓		✓
3	NT\$4,000,001 ~6,000,000				
4	NT\$6,000,001 ~8,000,000				
5	NT\$8,000,001 ~10,000,000				
6	Over NT\$10,000,000				

B. Information on Audit Fee and Non-Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Remarks
			System of Design	Company Registration	Human Resource	Others (notes)	SubTotal		
KPMG	Hai-Ning Huang	2,020				250	250	2020.01.01~ 2020.12.31	Note 1
	Tzu-Hsin Chang								
KPMG	Hai-Ning Huang					50	50	2020.01.01~ 2020.12.31	Note 2

Note 1: Non-Audit fees include Tax report NTD 250 thousand.

Note 2: Report of Affiliated Enterprises of the Company NTD 50 thousand

- C. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the number of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.
- D. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: Not applicable.
- 6. Information on replacement of certified public accountant within the last 2 fiscal years or any subsequent interim period: Not applicable.**
- 7. The company's Chairman, President, or any management officer in charge of finance or accounting matters have in recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise: Not applicable.**

**8. Transfer of equity interests and pledge of change in equity interests by a director, management 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 printing of the annual report.**

A. Change in Shareholding of Directors, Management Officers, and Major Shareholders

Unit: Shares

Title	Name	2020		As of March 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chin-Li Liang	-	-	-	-
Vice Chairman	Chung-Cheng Hsu	(30,000)	-	-	-
Director /Major Shareholders	Acter Group Corporation Limited	-	-	-	-
Director	Acter Group Corporation Limited Representative: Chin-Li Liang	-	-	-	-
Director	Acter Group Corporation Limited Representative: Chung-Cheng Hsu	(30,000)	-	-	-
Director	Acter Group Corporation Limited Representative: Bi-Hui Wu	-	-	-	-
Independent director	Chih-Yi Chi	-	-	-	-
Independent director	Sheng-Yung Yang	-	-	-	-
Independent director	Cheng Li	-	-	-	-
Independent director	Hui-Yin Chiu	-	-	-	-
President	Wei Ma	-	-	-	-
Vice President	Min-Lang Su	(3,000)	-	-	-
Vice President	Wei-chao Yang	-	-	-	-
Assistant Vice President	Yi-yun Huang	-	-	-	-
Assistant Vice President	Tze-da Chang (Note 1)	-	-	-	-
Assistant Vice President	Jin-Liang Chen	-	-	-	-
Assistant Vice President	Chih-Chen Wen (Note 2)	4,000	-	-	-
Financial and Accounting Manager	Chun-Yen Ou	-	-	-	-

Note 1: Be Dismissed on Apr. 30, 2020, and disclose the information during his tenure of office only.

Note 2: On Board on May 6, 2020, and disclose the information during his tenure of office only.

B. Information on the equity transfer for directors, management officers and shareholders holding at least 10% of shares: None.

C. Pledge of equity for directors, supervisors, management officers, and shareholders with at least 10% of shares: None.

**9. The company's Top 10 shareholders are related parties as defined as spouses and kinship within second degree relative.**

March 27, 2021, Unit: Shares, %

Name	Number of Shares Held by the party		Shares held by Spouse-Minors		Total number of shares registered under other people's name		Top 10 shareholders who have mutually related by stakeholders who are spouse or relatives by second degree kinship, whose title or name and relation		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relation	
Acter Group Corporation Limited Representative: Chin-Li Liang	21,098,179	62.19%	-	-	-	-	-	-	-
	287,977	0.85%	2,472	0.01%	-	-	-	-	-
Chin-Li Liang	287,977	0.85%	2,472	0.01%	-	-	Acter Group Corporation Limited	Acter Group Corporation Limited Chairman	-
Chung-Cheng Hsu	222,158	0.65%	-	-	-	-	-	-	-
Yau-Hua Tsai	204,000	0.60%	-	-	-	-	-	-	-
Yi shui tang investment co., Ltd.	200,000	0.59%	-	-	-	-	-	-	-
Wei Ma	189,120	0.56%	-	-	-	-	-	-	-
Yung-Da Long	168,000	0.50%	-	-	-	-	-	-	-
Wei-chao Yang	145,825	0.43%	1,952	0.01%	-	-	-	-	-
Dong-Ying Luo	131,000	0.39%	-	-	-	-	-	-	-
Tai-Ping Ye	128,000	0.38%	-	-	-	-	-	-	-

**10. 2020 Continuing Education for Directors and Company Secretary**

Title of Managerial Officer	Name of Managerial Officers	Course Organizer	Course Title	Training Hours	Training Date
Director	Chin-Li Liang	Taiwan Institute of Director	Enterprise growth strategy and innovation.	3	2020.02.20
		International Artificial Intelligence and Law Research Foundation	New form of legal issues in the age of artificial intelligence - with the core of data governance	1	2020.07.19
		Taiwan Institute of Director	Enterprise perpetual physical examination	3	2020.08.16
		Taiwan Investor Relations Institute	Enterprise a good recipe! Independent Director - Enterprise Wind Double Blade Knife	3	2020.9.19
Director	Chung-Cheng Hsu	Accounting Research and Development Foundation	Use in robot process automation to improve internal control efficiency	6	2020.03.31
Director	Bi-Hui Wu	Taiwan Corporate Governance Association	Strategies for Organization Change	3	2020.08.11
		Taiwan Corporate Governance Association	Contests for Corporate Control and case study	3	2020.09.19
Independent Director	Chih-Yi Chi	Accounting Research and Development Foundation	Practice and case analysis about Labor laws and regulations under COVID-19	6	2020.07.28
Independent Director	Sheng-Yung Yang	Taiwan Academy of Banking and Finance	Reflection and prospect of risk control against anti-money laundering	3	2020.09.02
		Taiwan Academy of Banking and Finance	Development of corporate governance practices and Intellectual Property management strategy	3	2020.09.02
Independent Director	Cheng Li	Taiwan Corporate Governance Association	Analysis of the latest corporate governance cases	3	2020.08.06
		Taiwan Academy of Banking and Finance	Corporate Governance Series Forum	3	2020.07.24
Independent Director	Hui-Yin Chiu	Securities and Futures Institute	How does the director and supervisor supervise the company to establish whistleblower system and the introduction of the draft law of Whistleblower Protection Act	3	2020.01.20
			Analysis and decision on the making of enterprise financial information	3	2020.01.20
Company Secretary	Wei-Chao Yang	Taiwan Corporate Governance Association	About the key information hidden in the financial statements	3	2020.07.31
			Global corporate sustainability - From Vision 2050 to Action 2020.	3	2020.07.03
			10 courses in corporate governance	3	2020.06.12
			Trade secret protection and non-competition	3	2020.05.22

**11. The total number of shares and total equity stake held in the same reinvestment enterprise by the company, its directors, managers, and any companies controlled either directly or indirectly by the company.**

2020.12.31, Unit: Thousand Shares, %

Reinvestment Business	Nova Tech Investment		Director, Supervisor, Managerial Officers, and direct or indirect control of business investment		Comprehensive Investment	
	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio
Winmax Technology Corporation	(Note 2)	100%	(Note 2)	0%	(Note 2)	100%
Winmega Technology Corporation	3,000	100%	0	0%	3,000	100%
Suzhou Winmax Technology Corporation	(Note 2)	100%	(Note 2)	0%	(Note 2)	100%
Novatech Engineering & Construction Pte. Ltd.	1,000	100%	0	0%	1,000	100%
Rayzher Industrial Co., Ltd (Note 1)	3,125	25%	0	0%	3,125	25%

Note 1: Investment adopting Equity Method by the company.

Note 2: Limited company.

#### IV. Capital Overviews

##### 1. Capital and Shares

###### A. Source of Capital

Unite: Shares, NTD

Year Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Share	Amount (NT\$)	Share	Amount (NT\$)	Source of Capital	Capital Increased by Assets Other than Cash	Other
1997.06	10	500,000	5,000,000	500,000	5,000,000	Establishment	None	Note 1
2001.02	10	1,600,000	16,000,000	1,600,000	16,000,000	Capital incase by cash NTD3,510 thousand Capital increase by earning NTD7,490 thousand	None	Note 2
2002.12	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase by earning NTD 24,000 thousand	None	Note 3
2004.08	10	7,502,000	75,020,000	7,502,000	75,020,000	Capital increase by earning TND 35,020 thousand	None	Note 4
2005.12	10	10,320,000	103,200,000	10,320,000	103,200,000	Capital increase by earning NTD 28,180 thousand	None	Note 5
2006.12	10	11,061,000	110,610,000	11,061,000	110,610,000	Capital increase by earning NTD7,410 thousand	None	Note 6
2007.07	10	13,199,000	131,990,000	13,199,000	131,990,000	Capital increase by earning NTD21,380 thousand	None	Note 7
2008.08	10	15,299,000	152,990,000	15,299,000	152,990,000	Capital increase by earning NTD 21,000 thousand	None	Note 8
2014.08	51	17,200,000	172,000,000	17,200,000	172,000,000	Capital increase by cash NTD19,010 thousand	None	Note 9
2015.10	10	50,000,000	500,000,000	22,360,000	223,600,000	Capital increase by earning NTD 51,600 thousand	None	Note 10
2015.12	30	50,000,000	500,000,000	25,360,000	253,600,000	Capital increase by cash NTD30,000 thousand	None	Note 11
2016.08	10	50,000,000	500,000,000	26,628,000	266,280,000	Capital increase by earning NTD 12,680 thousand	None	Note 12
2016.11	43	50,000,000	500,000,000	29,628,000	296,280,000	Capital increase by cash NTD30,000 thousand	None	Note 13
2018.01	135	50,000,000	500,000,000	33,928,000	339,280,000	Capital increase by cash NTD43,000 thousand	None	Note 14

Note 1: 1997.06.13 Approved by 86 Jiang 3 Bing Zi No. 181286.  
 Note 2: 2001.02.12 Approved by (90) Zhong-Zi No. 09031694440.  
 Note 3: 2002.12.18 Approved by Zhong-Zi No. 091331142380.  
 Note 4: 2004.08.17 Approved by Zhong-Zi No. 09332571370.  
 Note 5: 2005.12.13 Approved by Zhong-Zi No. 09433326480.  
 Note 6: 2006.12.28 Approved by Zhong-Zi No. 09533352950.  
 Note 7: 2007.07.02 Approved by Zhong-Zi No. 09632353400.  
 Note 8: 2008.08.14 Approved by Zhong-Zi No. 09732842860.  
 Note 9: 2014.08.07 Approved by Zhong-Zi No. 10333564140.  
 Note 10: 2015.10.01 Approved by Zhong-Zi No. 10433774350.  
 Note 11: 2015.12.01 Approved by Zhong-Zi No. 10433962690.  
 Note 12: 2016.08.17 Approved by Zhong-Zi No. 10534264260.  
 Note 13: 2016.11.29 Approved by Zhong-Zi No. 10534473440.  
 Note 14: 2018.01.02 Approved by Zhong-Zi No. 10733001820.

Type of shares	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Common Shares	33,928,000	16,072,000	50,000,000	GTSM Listed Company Stock

## 2. Status of Shareholders

As of March 27, 2021

Shareholders Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	-	35	4,724	17	4,776
Shareholding (shares)	-	-	21,770,541	11,951,954	205,505	33,928,000
Percentage	-	-	64.17%	35.23%	0.6%	100.00%

## 3. Shareholding Distribution Status

### A. Common Shares (The par value for each share is NT\$10)

As of March 27, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,744	282,799	0.83
1,000 ~ 5,000	2,620	4,650,873	13.71
5,001 ~ 10,000	234	1,779,221	5.25
10,001 ~ 15,000	67	848,929	2.50
15,001 ~ 20,000	22	404,170	1.19
20,001 ~ 30,000	37	892,796	2.63
30,001 ~ 40,000	15	525,661	1.55
40,001 ~ 50,000	8	360,706	1.06
50,001 ~ 100,000	15	988,332	2.91
100,001 ~ 200,000	10	1,382,199	4.07
200,001 ~ 400,000	3	714,135	2.11
400,001 ~ 600,000	-	-	-
600,001 ~ 800,000	-	-	-
800,001 ~ 1,000,000	-	-	-
1,000,001 or over	1	21,098,179	62.19
Total	4,776	33,928,000	100.00

### B. Ownership Diversification of Preferred Share: The Company does not issue preferred share.

#### 4. List of Major Shareholders

As of March 27, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Acter Group Corporation Limited	21,098,179	62.19
Chin-Li Liang	287,977	0.85
Chung-Cheng Hsu	222,158	0.65
Yau-Hua Tsai	204,000	0.60
Yi shui tang investment co., Ltd.	200,000	0.59
Wei Ma	189,120	0.56
Yung-Da Long	168,000	0.50
Wei-chao Yang	145,825	0.43
Dong-Ying Luo	131,000	0.39
Tai-Ping Ye	128,000	0.38

#### 5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; Thousand Shares

Item	Year		Current Year as of March 31, 2021 (Note 1)
	2019	2020	
Market Price per Share	Highest (NTD)		143.5
	Lowest (NTD)		135
	Average (NTD)		139.63
Net Worth per share	Before Distribution (NTD)		Not Applicable
	After Distribution (NTD)		Not Applicable
EPS	Weighted Average Shares (Thousand shares)		33,928
	EPS	Diluted	Not Applicable
		Adjusted Diluted	Not Applicable
Dividend Per Share	Cash Dividend (NTD)		Not Applicable
	Stock Dividend (NTD)	Stock Dividend from Retained Earnings	Not Applicable
		Stock Dividend from Capital Surplus	Not Applicable
	Accumulated Undistributed Dividends		Not Applicable
ROI Analysis	Price / Earnings Ratio		Not Applicable
	Price / Dividend Ratio		Not Applicable
	Cash Dividend Yield Rate		Not Applicable

Note 1: Net worth per share and EPS should be filled from the information of most recent quarter attested (audited) by CPA to the printing date of the annual report; fill out the remaining columns with the current year information as of the printing date of the annual report.

## **6. Dividend Policy and Implementation Status**

### **A. Dividend Policy:**

- (1) The existing articles of incorporation regarding dividend policy are described below:  
In case of surplus for the annual settlement, the following order of distribution will apply:
  - a. Withholding taxes;
  - b. make up for losses;
  - c. Deposit 10% of the statutory surplus reserve, except when the statutory reserve has reached the total paid-in capital;
  - d. Authorize or repatriate special surplus reserves in accordance with law or the competent authority;
  - e. The balance depends on the company's environment, growth stage and long-term financial plan to retain some of the surplus. For its balance and accumulated undistributed earnings for the previous year, Board of Directors regards the financial situation and economic development of the current year, assigning shareholders. Dividends and bonuses are submitted by the Board of Directors to the Shareholders' meeting resolution.
- (2) The company takes consideration of the environment and growth stage of the company to respond to future fund requirements, financial structure, earnings condition and stable dividend policy. The company can properly adopt stock dividend or cash dividend for supplying the distribution of surplus appropriation of no less than 10% as shareholders' dividend bonus, depending on the demand for funds and the level of dilution for EPS. In particular, cash dividend may not be lower than 10% of the total amount of distributed dividend. However, due to the company's significant investment plan and the inability to obtain other funds, the board of directors proposed and the shareholders' meeting decided not to issue cash dividends.
- (3) The company distribute its dividends in the form of cash and stipulates more than 60% of total attributable earnings. Historical information about dividends distribution is available on the Company's website.

### **B. Proposed Distribution of Dividend:**

The proposal for distribution of 2020 profits has approved by the Board of Directors on Feb. 22, 2021. This proposal, a cash dividend of NT\$271,424,000 (NT\$8 per share).

## **7. The effect of issuance of bonus shares proposed by the shareholders' meeting on corporate business performance and EPS: Not applicable.**

## **8. Employee and Directors' Remuneration**

### **A. Information Relating to employee bonus and director remuneration as indicated in Articles of Incorporation of Nova Technology:**

The company shall distribute the employee's remuneration to not less than 3% of the company's profit. The profit means that's the company's profit before income tax for the year without deducting the employee's and director's remuneration than covering the deficit. The director's remuneration shall not exceed 5%.

- B.** In the current period, the estimated basis of the compensation for employees, directors and supervisors, the basis for the calculation of the number of shares paid by the employees of the stock and the actual distribution amount are accounted for when there is a difference between the estimated number and the estimated number of shares:
  - (1) Current period estimation basis: Please refer to the instruction in the above-mentioned section.
  - (2) The company does not distribute stocks as employee remuneration this period.
  - (3) Accounting treatment when the actual distribution amount in the current period is different from the estimated number: It is regarded as the change in accounting estimates and is included in the profit or loss of the actual distribution year.

- C. Profit Distribution for Employee Remuneration and Directors' Remuneration for 2020 Approved in Board of Directors Meeting:
- (1) The remuneration of employees and the remuneration of directors and supervisors was distributed in cash or stocks; if there is any difference between the estimated annual amount and reality of the recognized expenses, the difference caused and treatment should be disclosed:
    - a. Distribution of employee remuneration and directors' remuneration amount in cash or stocks: The Board of Directors adopted with a resolution to distribute employee remuneration in the amount of NTD 27,568,965 and the director remuneration in the amount of NTD 11,027,586 on February 22, 2021.
    - b. If there is any difference between the above amount and the annual estimated amount of the recognized expenses, the difference reasoned and accounting treatment should be revealed: None.
  - (2) The amount of employee bonus distributed in stocks and the individuals of current period and the net profit of individual financial report as well as employee remuneration total amount calculated in ratio: None.
- D. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares, amount and share price), and the difference between the recognition of employees, directors and supervisors, and the difference should be noted, reason, and treatment:
- (1) The actual distribution of employee's and directors' remuneration from the previous year (2019):  
Employees' Remuneration: NTD 26,458,279.  
Directors' Remuneration: NTD 11,906,226.
  - (2) In case of discretion between the above-mentioned amount and the remuneration recognized for employees and directors describe the discretion, reason, and treatment: None.

**9. Buyback of Treasury Stock: None.**

**10. Issuance of corporate bonds: None.**

**11. Issuance of preferred stocks: None.**

**12. Issuance of Global Depository Receipts: None.**

**13. Issuance of Employee Stock Options: None.**

**14. Issuance of New Restricted Employee Shares: None.**

**15. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**

**16. Financing Plans and Implementation: The Company does not issue and has not completed incidents unrealized from project benefits.**

## V. Operational Highlights

### 1. Business Activities

#### A. Scope of Business:

- (1) Main areas of business operations:  
High-tech industry processing supply system design, project contracting, equipment manufacturing, material agency; environmental protection and equipment manufacturing, sales, installation, and testing.

a. Revenue distribution:

Unit ; NT\$ thousands

Major Divisions	Total Sales in Year 2020	(%)
High-Tech Industry Processing Supply System Equipment Sales	2,486,480	64.13%
High-Tech Industry Processing Supply System Integrated Project	1,001,305	25.82%
High-Tech Equipment Material Agency Sales	161,539	4.17%
Environmental Protection Equipment Sales and Integration Project	228,120	5.88%
Total	3,877,444	100%

b. Main products:

Semiconductor and panels are high-tech industry processing supply system, divided into water, gas, and chemicals. The common technical foundation includes pipelines, transport and, procedural design and construction. The difference lies in the selection of materials and the filtering system. Currently, the company mainly specializes in chemical supply system, including system design, machinery equipment manufacturing and sales, equipment and pipeline construction installation and testing, and expanding to gas supply system and water supply system and even to high-tech industry customers with smaller processing scale, or the high-tech industry peripheral industries, gradually accumulating gas and water supply system construction experience as the basis for striving for gas and water supply system business in the future.

The particular gas supply system undergoes intensive competition in price due to the big amount of suppliers in semiconductors and panel industries. Nova Technology devotes in developing clean chemicals supply and dispensing system that in case the particular gas supplies system related performance could not be as complete as clean chemicals supply and dispensing system, the company's mid-term plan will expand to customers other than those of semiconductor and panel industries. For example, the gas production company can be added to the construction performance and Nova Technology can cooperate with the difference in customer properties by developing a gas cabinet of toxic gas from the gas cabinet of inert gas that had been developed, in order to provide total solutions with customers. Nova Technology intends to accumulate performance over the long-term planning to provide customers with the total services in gas and chemical supply systems.

Additionally, in the environmental protection field, the company offers a sludge drying system, waste treatment equipment, and construction installation services.

The company cooperated with large Japanese factories for its high-tech factory process produced waste chemical solvents handling to provide SRS waste solvent recycling system equipment manufacturing, sales, and construction installation services. The service items generally include the follows depending on the targets and content:

- i. High-tech industry water, gas and chemical processing supply system equipment manufacturing and sales;
- ii. High-tech industry water, gas, chemical processing supply system integration project;
- iii. Environmental protection equipment sales and integration project;
- iv. High-tech industry equipment and material agency sales.

c. New product (services) of development for the plan:

- i. Waste Solvent recovery system and relevant equipment.
- ii. Slurry dispense mixing equipment.
- iii. Seawater desalination system and relevant equipment.

B. Industry Overview:

(1) Industry-Current Condition and Development

The company specializes in providing high-tech industry water, gas, chemical processing supply system integration services and related equipment manufacturing, and is one of the high-tech industry plant affairs system and the important link in normal production operation. The company mostly provides services to cross-strait and international semiconductor and panel corporations with the main application of industry overview described below:

a. Semiconductor industries

Global sales of semiconductor manufacturing equipment by original equipment manufacturers are projected to increase 16% compared to \$59.6 billion in 2019 and register a new industry record of \$68.9 billion in 2020, SEMI announced today in releasing its Year-end Total Semiconductor Equipment Forecast – OEM Perspective at SEMICON Japan. The growth is expected to continue with the global semiconductor manufacturing equipment market reaching \$ 71.9 billion in 2021 and \$76.1 billion in 2022.

Both the front end and the back end semiconductor equipment segments are expected to power the expansion. The wafer fab equipment segment – which includes wafer processing, fab facilities, and mask/reticle equipment – is projected to rise 15% to reach \$59.4 billion in 2020, followed by 4% and 6% growth in 2021 and 2022, respectively. The foundry and logic segments, which account for about half of total wafer fab equipment sales, will see a mid-teens percentage increase this year to reach \$30 billion in spending driven by investments in leading-edge technologies. Spending on NAND flash manufacturing equipment will surge 30% this year, surpassing \$14 billion, while DRAM is expected to lead the expansion in 2021 and 2022.

The assembly and packaging equipment segment is forecast to grow 20% to \$3.5 billion in 2020, followed by 8% and 5% increases in 2021 and 2022, respectively, driven by advanced packaging applications. The semiconductor test equipment market is expected to rise 20% in 2020, reaching \$6 billion, and continue to expand in 2021 and 2022 on demand for 5G and high-performance computing (HPC) applications.

China, Taiwan and Korea are projected to be the leading regions in spending in 2020. Robust foundry and memory investment in China is expected to propel the region to the top of the total semiconductor equipment market for the first time this year. In 2021 and 2022, Korea is forecast to lead the world in semiconductor equipment investments on the back of a memory recovery and increases in logic investment. Equipment spending in Taiwan will remain robust, powered by leading-edge foundry investment. Most other regions tracked will also see growth during the forecast period.

The following results reflect market size in billions of U.S. dollars.



Fueled by surging pandemic-inspired demand for electronics devices, the global semiconductor industry is on track to register a rare three consecutive years of record highs in fab equipment spending with a 16% increase in 2020 followed by forecast gains of 15.5% this year and 12% in 2022, SEMI highlighted today in its quarterly World Fab Forecast report.

Fabs worldwide will add about \$10 billion worth of equipment in each of the three years as spending climbs to top \$80 billion at the end of the forecast period. Explosive demand for electronics that are the backbone of communications, computing, healthcare and online services – sectors that mounted robust responses to the COVID-19 outbreak as the world rallied to curb the coronavirus’s spread – account for much of the spending.

The bulk of fab investments in 2021 and 2022 will be seen in the foundry and the memory sectors. Driven by leading edge investment, foundry spending is expected to grow 23% in 2021, reach \$32 billion and flatten in 2022. Overall memory spending will increase in the single digits to reach \$28 billion in 2021 while DRAM will surpass NAND Flash, and then surge by 26% in 2022 on the strength of both DRAM and 3D NAND investment.



#### b. Panel Industry

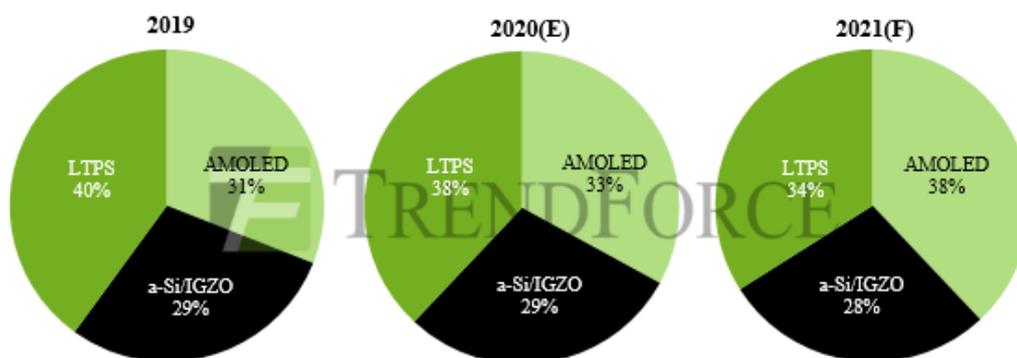
As the COVID-19 pandemic caused flagship smartphones to turn in lower-than-expected sales performances in 1H20, the market share of AMOLED phones fell short of forecasts made in early 2020, according to TrendForce’s latest investigations. The market share of AMOLED phones for 2020 is expected to reach 33%, a 2% increase YoY, thanks to the release of Apple’s new iPhone 12 models in 2H20. LTPS LCD smartphones are likewise undergoing sluggish demand this year; their market share is projected to reach 38%, a 2% decrease YoY. On the other hand, the majority of smartphone market demand has reemerged for the entry-level and mid-range segments, thereby lending support to the demand for a-Si LCD smartphones, some of which are now in short supply. The market share of smartphones with a-Si displays is estimated to reach 29% this year, remaining relatively unchanged from 2019.

However, as the pandemic is slowly brought under control in 2H20, the demand for smartphones has made a gradual return to stable levels as well, with downstream smartphone brands beginning to step up their panel procurement activities. Huawei, for instance, stocked up on smartphone panels in 3Q20 ahead of the U.S. sanction’s September 15 deadline, thus providing some upward momentum for entry-level and mid-range smartphone panel demand. In 4Q20, other smartphone brands have similarly been stocking up in preparation for the upcoming smartphone demand in 2021, while the shortage of TDDI persists. Therefore, the demand for entry-level and mid-range smartphone panels is projected to last until 1H21. In light of this, TrendForce projects the market share of a-Si smartphone displays to undergo only a slight decline in 2021, reaching 28%.

With regards to high-end smartphone panels, on the other hand, the market has become hypercompetitive as Korean AMOLED panel suppliers aggressively pursue client orders, and Chinese panel makers construct additional AMOLED panel fabs. As such, smartphone manufacturers are expected to increase their adoption of AMOLED panels, and the resultant upward momentum will likely propel the market share of AMOLED smartphone displays to 38% in 2021. In other words, the share of LTPS displays in the smartphone market will be constrained by both rising demand for high-end AMOLED phones and momentum from entry-level and mid-range a-Si IGZO phones. These constraints will be detrimental to the overall LTPS capacity utilization rate and profitability, in turn forcing panel makers to accelerate their strategies to expend LTPS panel capacities.

TrendForce believes that panel makers' major LTPS capacity allocation plans will include not only their current smartphone applications, but also notebook panels or tablet panels, both of which are trending towards mid-sized dimensions. The market for LTPS notebook panels has gradually expanded due to Taiwanese panel makers' developmental efforts in the past few years. In this market, Chinese panel makers are expected to become competitors in the supply chain going forward. Furthermore, LTPS panels will see further application in the automotive panel market, which is more niche compared to the notebook and tablet markets. Japanese and Korean panel makers currently maintain a competitive advantage in automotive panel manufacturing, followed closely by Taiwanese and Chinese companies. Alternatively, technological development in Mini LED and Micro LED has become an important topic in panel industry in the past two years, with panel makers successively investing resources into backplanes for these emerging display technologies. LTPS technology appears promising as a potential backplane for Mini LED and Micro LED displays, while also serving as an avenue for expending panel makers' excess capacities.

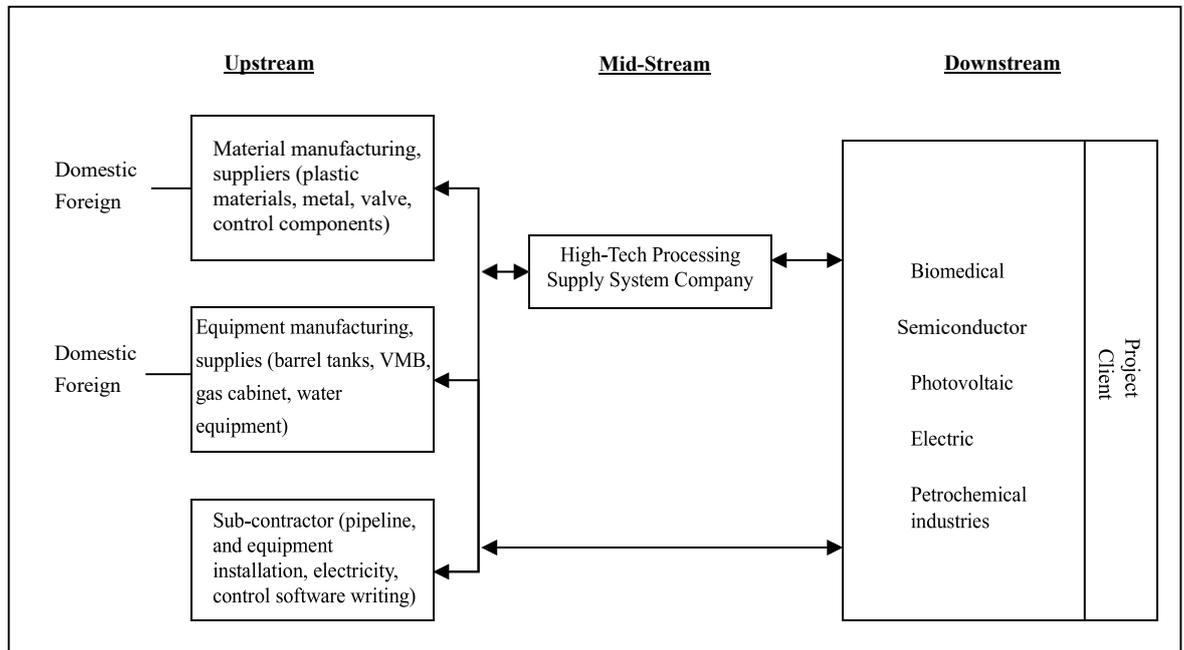
圖、2019~2021年智慧型手機市場不同顯示技術比重變化



Source: TrendForce, Nov., 2020

(2) Association between Industry Upstream, Mid-Stream and Down Stream

High-tech processing supply system falls between project client and project materials, equipment, and project outsourcer, which provides the customer with process supply system equipment and project services, which association between upstream, midstream, and uptown as shown in the following drawing.



(3) Product Trends

The demand of water, gas, and chemical processing supply system mainly comes from high-tech industry plant expansion, new plan and production line adjustment or processing improvement, which performance condition is mainly affected by high-tech industry capital expenditure. Because of the massive expenditure in high-tech industry plant expansion capital, while the change in technology quickly and product life cycle shortens, enterprises strongly request plant expansion to conform to the schedule for ease of management, reducing coordination and integration process. The processing supply system is mostly constructed for suppliers with turn-key capacity.

Processing supply system technology has reached a certain level and in the future as technology advances, the demand for cleanness will increase and will adjust the equipment following the change in customer processing, system design and construction method. Moreover, due to the massive amount invested in semiconductor and the panel industry production process, the processing supply system malfunction could result in massive loss so customers will have a higher demand for quality and stability, therefore quality suppliers will have higher loyalty, forming high threshold for new suppliers.

(4) Product Competition

The high-tech processing supply system is mainly applied to semiconductor, photovoltaic and higher-capital expenditure industries. The requirement for safety and quality will establish a competition threshold while high-tech industry technology and demand changes frequently to cope with the pace of market change expand development room for business in order to survive and grow quickly under the elimination mechanism of market competition.

Nova Technology invests in high-tech processing supply system early while the high-tech industry has high precision and high-quality demand for quality and processing, which requires longer certification from customers and recommendation by customers. The company has accumulated high-quality construction performance and taken market share in the high-tech industry processing supply system for years. A subsidiary company, Winmax Technology Corporation offers high-tech industry processing chemical supply system, processing as supply system equipment. The company and Winmax Technology Corporation is the system equipment

supplier recognized by the IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited, which relevant equipment also acquired the qualification certification from SEMI. For years Nova Technology has received orders from Chinese State-Owned high-tech industry and private enterprises, which is highly recognized in terms of technology and quality with a high level of competitiveness.

### C. Research and Development

#### (1) Technical Level of Operating Services:

The development for high-tech industry processing system involves the chemical/gas characteristics applied, processing authentication, overalls system evaluation design, machinery mechanical design, site pipeline planning design, instrument control hardware, software integration development, raw materials property evaluation and selection, processing method, safety standards evaluation...etc. Nova Technology's technology originated from the cooperation with a Japanese company- Sumitomo Corporation and the technical advisor, which after years of independent R&D has boosted the system overall design, equipment processing, and control system software writing capacity with 100% self-manufacturing capacity. The subsequent R&D of the high-tech industry for special gas supply systems, wastewater treatment systems, waste solvent recycling and reuse treatment system, have all shifted to high-tech industry processing recycling and reuse system with gradual advancement.

Nova Technology's existing product lines consist of the chemical supply system in high-tech industry system, which core technology developed upward into a wet bench, chemical machineral polishing system (CMP) and chemical liquid automatic dispensing and filling system; the downward development is the cooperation with Nippon Refine Co., Ltd. for the development of waste solvent recycling and reuse system. To increase revenue and profit source, in addition to diversifying single industry operation risk, the company resolved to expand the product lines and step into the environmental protection equipment sales, installation and testing, including gas treatment system (VOC, DeNOx), MVR energy-conservation system, water resource reuse system, seawater desalination system and other green business to increase the cope of customer services. Nova Technology cooperated with Sumitomo Chemical Co Ltd, solvent recycling leader in Japan – Nippon Refine Co., Ltd., Israeli Sea Water Desalination company, and Korean photovoltaic industry equipment company as well as other international corporations, which not only expand the product line and customer groups but also absorbs their technology and success experience throughout the cooperation process and from the technical guidance from international corporations, thereby enhancing the technical level of the company and becoming the power driving Nova Technology to continue growth. Nova Technology invests in high-tech processing supply system industry at an early stage while the high-tech industry has high precision and high-quality demand for quality and processing, which requires longer certification from customers and recommendation by customers. The company has accumulated high-quality construction performance and taken market share in the high-tech industry processing supply system for years.

The core technology of the company lies in total system integration. The relevant R&D and system design require the cooperation with customer processing demand and factory site status, taking consideration of safety, stability and future expandability as well as other factors to conduct preliminary planning and fundamental design in addition to giving feedback to customers for communication. After validating the relevant details and acquiring customer order, the staff at the design division will conduct relevant machinery detailed mechanical design, site pipeline planning and design drawing, and instrument hardware selection and software plan writing.

The company owns 20 years of the chemical processing supply system and engineering contracting experience, which transforms past engineering management experience into the standard process (SOP), using ISO, internal control and relevant form requirement to standardize procedures and control points in writing. For a case evaluation, plan, execution and review, the company use autonomous inspection of form through these four stages to reduce the error rate and rigorous control progress, cost, and improve construction quality, as described below:

a. Evaluation Stage

The company carefully evaluates case technology/productivity feasibility before taking the project, the possible risks for the execution process (including a client credit check), to evaluate if to participate in the project tender. In case the company decides to participate in project tender, the company will need to prepare initial drawing based on the project content of the client requirement, supply chain and past quotation, and good interaction with the suppliers to control raw material and project outsourcing change, in order to precisely estimate pre-bidding case by taking consideration of market competition and thereby calculating the reasonable profits before quotation.

b. Planning Stage

Validate the contracting of projects and start designing the project details, including:

i. Select a suitable project manager from the company.

Understand customer operation habits (customer's corporate SOP), production line scale, production line's future expansion plan, the chemical raw material characteristics required for use in the industry production processing, and the demand for cleanness, flow, and usage. The design needs to conform to customers required processing supply system with deliberate planning of the construction schedule.

ii. Formulate an outsourcing plan and select a qualified outsourcing supplier based on the project sale and nature.

c. Execution Stage

i. Project Progress Control

The company manages project-based construction where project managers with rich experience in project management collectively manage the project and contact clients directly, controlling the demand and ideas of the client. Project manager's work mostly includes the validation of project construction in accordance with project agreement content and project design, coordinating sub-contracting projects and controlling project progress, in addition to regularly provide weekly reports to customers and the senior manager of Nova Technology. The weekly report includes content in construction progress and key issues to be resolved. Senior managers must control the project progress (including the delay in lead time for raw material, shipment progress, progress by block, and site total execution progress). In case the project progress is delayed, find out the root cause and propose solutions to implement execution, in order to complete the project within the deadline required by the customer.

ii. Project Cost Control

Before undertaking a chemical supply processing system project, Nova Technology must validate that the ERP system will control project procurement amount based on pre-tender costs after undertaking the project. In case the procurement items, quantity or unit price of project exceeds the budget, the procurement system will immediately show warning sign and the person in charge will need to explain the reason for over-spending, which will then be approved by the chairman before further procurement. The rigorous pre-tender cost estimation, implementation of the project budget system, and effective control of project costs will avoid additional costs or waste and thereby enhancing the company's price competition and profitability in project cases.

iii. Project Quality Control

The Company adopts on-site monitoring and equipment installation monitoring to assure project quality:

(1) On-Site Monitoring

On-site workers and staff validate the items of construction from the toolbox for that day before starting to work daily, verify if the actual construction conforms to the drawing design and if the construction quality meets the requirement, in addition, filling out a standard inspection form.

(2) Equipment Installation Monitoring

The company offers quality control personnel who will validate if the machinery or barrel manufacturing conforms to the company design with good quality during the equipment manufacturing period, completion and installation period.

d. Review Stage

The company will archive the relevant information of completed projects and modularize the details of different types of construction, thereby reducing the design costs for future projects. Additionally, the company will review cases completed and adopt as reference for future contracting cases or design, so project staff can timely design suitable solutions for customers based on their requirements.

In the sum of the above-mentioned description, the business processing supply system project management core run by the company, in spite of the absence of substantial innovation, but will implement each execution details through deliberate evaluation for the risk and profits after taking the projects. The excellent interaction with suppliers will help the company control the trends of raw material prices and acquire better prices. Customers after cooperation will still choose to cooperate with Nova Technology for subsequent plant building or project expansion, so the company becomes the tier-1 supplier for the chemical processing supply system.

Subsidiary company -Winmax Technology Corporation is not only the system equipment supplier recognized by the IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited but also the People's Republic of China National Standard GB 50781-2012 Chinese Electronics Engineering Chemical System Engineering Technical Specification Coding Unit. The subsidiary has acquired multiple patents in China, particularly the high-tech enterprises certified by the Chinese Government. Moreover, the relevant equipment has also acquired qualified certification from SEMI. For years, the company has acquired orders from Chinese state-owned high-tech industry and private companies, recognized for its technology and quality with high competitiveness. The processing supply system has developed for years while the fundamental skill is an existing technology and hence there is no concern over theft of business secrets.

(2) Research and Development Personnel Education and Experience Distribution and Seniority

The key company supervisors have over 10 years' seniority, including Vice Chairman Chung-Cheng Hsu, President and R&D Head Wei Ma, Technological Business Division Vice President Min-Lang Su, Technology Development Division Assistant Vice President Yi-Yun Huang, and Overseas Sales Department manager Jia-Hong Guo...etc. President Ma, Wei is one of the first groups of technicians introducing the semiconductor processing supply system of SCI (System Chemistry Incorporation) from the U.S. to Taiwan. He is the founding employee of Nova Technology and executed the Worldwide Semiconductor Manufacturing Co., Macronix International Co., Ltd, Nanya, and Micron Technology projects with Sumitomo Group through strategic alliance early. During the office at Winmax Technology Corporation, Wei Ma and Sumitomo Group joined in a strategic alliance to execute SMIC and other projects, forming delegates to develop chemical supply system processing equipment production technology and set up factories in Shanghai Waigaoqiao Free Trade Zone. The company led the system equipment supplier recognized by the IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited. Additionally, the key employees of the company include technical development division with responsibly in PLC, network structure system and SCADA software writing with rich experience and high stability.

Subsidiary company - Winmax Technology Corporation develops R&D projects each year, conducting research on existing equipment function improvement, customer requirement, future trends, and newly introduced technology. The R&D projects include the projects that collaborated between the units of the engineering business. The statistics of R&D people include the design department and instrument department as well as personnel actually participating in R&D projects.

- a. Education and Experience Distribution of R&D Peers and Seniority as shown in the following table:

Item		Year		
		2019	2020	As of March 31, 2021
Education Distribution	Master's Degree	1	1	1
	Bachelor's Degree	26	28	39
	Vocational College	65	78	63
	Senior High School (including) and lower	0	0	1
Total		92	107	104
Average Seniority (Year)		4.74	4.875	4.925

- b. R&D expenses invested in most recent year and as of the printing date of the annual report.

Unit: NT\$ Thousand

Item	2020	As of March 31, 2021
R&D Expense	118,335	24,715

(3) Technology and Products with Successful Development:

The owner of all relevant patents in the group is Nova Technology or a 100% shareholding subsidiary. According to patent related law, the establishment of a patent must be determined for “easily visible” problems. The lack of real innovation or progress will prevent one from acquiring a patent. The processing supply system has developed for long while the fundamental method is existing technology. The company and the competitors could not apply for the patent and hence do not concern infringement. Additionally, the group processing supply system mainly consists of customers from semiconductor and panel industries, and since the processing technology of these two industries upgrade constantly and quickly. Nonetheless, to reduce variables in the manufacturing process in order to maintain the safety and stability in the production process, customers of semiconductors and panel industries mostly require maintaining the existing method of the fundamental design of the processing supply system. Moreover, to avoid design or construction error or construction delay that prevents the entire production line from operation or manufacturing failure that leads to giant loss, most of the clients take project performance as one of the foremost important factors of consideration when choosing the suppliers, supported by factory quotation.

The group business content can be divided into project and equipment, where project consists of pipeline design and installation which could not attain innovation easily and hence does not apply for a patent. Currently, the equipment focuses on existing products to make improvements in order to meet customer requirements more or make the processing supply system smoother and hence is applied for invention patent mostly. In the future, the company will pay attention to industry movement depending on the progress of processing breakthrough or new business development, thereby paying attention to the opportunities for applying invention. The following describes the company’s patent marketing plan for the five major products:

a. Clean Chemicals Supply and Dispensing System

Chemical processing supply system has been developed for years while customers mostly request for maintaining the existing method in processing supply system in order to control all variable in processing. Hence the company does not have invention patent for the existing business processing supply system while the R&D for processing supply system only focuses on the demand proposed by customers to lower customer costs, upgrade system capacity, upgrade system security, and other improvements on chemical supply system equipment when applying for an invention patent.

b. Special Gas Supply System

The processing supply system includes water, gas, and chemical categories, and the company applies pipeline design, transport design, and other foundation to expand the scope of business to gas supply system with the development of gas supply system related equipment.

c. Wet Technology Equipment (Wet Processing Equipment)

Wet Processing Equipment is a high-tech industry processing production equipment, covering multiple equipment types and processing applications, including cleaning/etching/development/glue removing and multiple processes. The Wet Processing Equipment which our company develops is applied to the cleaning equipment of semiconductor or LED industries. Currently, the company operates chemical processing supply system integration services and related equipment processing. To expand the business cope and increase business and profit, existing equipment manufacturing technology is used as a foundation to develop Processing Equipment.

d. Stripper Recycling System

Stripper recycling system refers to the collection of stripper liquid after being used in the panel industry production process, which can be recycled and reused through the rectification system, which is then added with original liquid for mixture before putting into the processing for repeated use.

To improve the revenue and profit growth of company, the company business scope extends from the chemical processing supply system to a polishing liquid recycling system. Winmax Technology Corporation cooperated with Japanese waste solvent recycling SRS equipment (polishing liquid recycling deice) – Nippon Refine Co., Ltd. to expand the project business in a polishing liquid recycling and reuse system equipment. Hence the waste liquid recycling rate of the system (referring to the rate of deducing water and impurities to reuse waste liquid accounting for the total volume) can reach 90% or higher. Moreover, the SRS equipment's overall investment costs can be recycled in 1-2 years. The Chinese enterprises take consideration of the short payback period of the equipment with the cost-saving benefit. What's more, polishing liquid procurement cost and the influence of preferential policy from China on environmental protection equipment tax, the local enterprises have higher intention to invest in environmental protection equipment. It is expected that the growth in demand for stripper recycling system will be highly optimistic. In cooperation with the business development, Nova Technology starts to develop relevant projects and installation.

e. Green Energy Environmental Protection System Integration

In recent years, change in the global climate and in the environment eventually draws attention from people through environmentally protection issues. Nova Technology not only active develops environmental protection and green energy business by cooperating with sea water Desalination Corporation from Israel and introducing wastewater zero discharge system, reclaimed water and seawater desalination system, expanding water resource and other green energy and environmental protection system business but also cooperate with external schools and companies to evaluate high-tech used chemicals and evaluate recycling technologies. The business is at the initial stage of development and hence has not acquired a patent.

In the sum of the description, Nova Technology's existing business processing supply system has developed for long while customers mostly request processing supply system to maintain the existing methods in order to control all variables in processing. Hence patent consists of an invention patent. Additionally, to increase company revenue and profit growth, the company starts developing Wet Processing Equipment, Stripper Recycling System, Green Energy Environmental Protection System Integration and other businesses. Nonetheless, the business is still at the initial stage of development and hence few patents have been applied and mostly consisting of invention patents. The following table describes the R&D outcome in the recent years.

Type	Brief Description
Patent	Three - step clamping wafer positioning mechanism
	Cuprate solution mixing system
	Dimethylacetamide recovery system
	High purity anhydrous hydrofluoric acid sampling equipment
	Dual power automatic wafer handling mechanism
	200L barrel automatic filling equipment
	Oxidation furnace for semiconductor processing
	Semiconductor light rigid cleaning machine
	Nitrogen dryer for wafer
	Improved quick connection system for anti - stolid acid barrels
	Integrated door lock safety device
	A quantitative container with adjustable volume
	Liquid eddy current suppression structure
	Collective atomizing device
	Oscillating atomizer
	A piping device for conveying chemical fluids
Valve control system with valve life warning	

D. Long and Short-Term Business Development Plan:

(1) Short-Term Business Development Plan

- a. Cooperate with Chinese national policies to continue expanding high-tech processing equipment in the market share of China.
- b. Cooperate with Chinese national policies and continue expanding waste solvent recycling /reuse equipment in the market share of China.
- c. Proactively participate in domestic water resource public project to expand the business scope of the company.
- d. Continue to participate in domestic and foreign academic exchange research in order to upgrade technical level.
- e. Continue talents recruitment and training, establishing talents' database to cooperate with the stable development of the company.

(2) Long-Term Business Development Plan

a. Clean Chemicals Supply and Dispensing System

Continue to participate in the new factory bidding of semiconductor and panel industries in China, in order to expand new customers and continue expanding the market share in Cross Strait. In the long run, the company will plan the maintenance and the development of cross-strait tier-1 factory clients to avoid industry saturation and completion, while customers with smaller scale can easily be eliminated by competition. Additionally, the company will continue to expand other regions or other industries.

b. Supply System for Particular Gas

The mid-term plan intends to expand customers other than those from semiconductor and panel industries to enhance the construction performance. Nova Technology also cooperates with the difference in customer properties by developing a gas cabinet of toxic gas from the previous gas cabinet of inert gas that had been developed in order to provide total solutions to customers. Nova Technology intends to accumulate performance over the long-term plan to provide customers with total services in gas and chemical supply systems.

- c. **Wet Processing Equipment**  
 Gradually, optimize the existing multiple chip batch cleaning equipment, improve and upgrade technology/cost control/assembly manufacturing and other dimensions, increase sales volume and thereby using the multiple chip batch learning equipment as the foundation to develop single wafer and automatically transporting cleaner. Eventually, the company will expand equipment type and improve product series. Furthermore, the company will develop wet bench related auxiliary technology or application to realize the comprehensive technical upgrade and product marketing from a single machine to partial function.
- d. **Stripper Recycling System**  
 In response to the opportunity of Chinese panel manufacturers and incentive for environmental protection, the business scale of stripper Recycling System is constantly expanded with cooperation for recycling system with Sumitomo Co., in the co-development of semiconductor processing waste liquid. In the long run, the company will collaborate with Sumitomo Co., to co-develop applied customer groups in existing or new processing waste liquid recycling equipment, in addition to increasing the business scale.
- e. **Green Energy Environmental Protection System Integration**  
 Green Energy Environmental Protection System Integration feature water resource as the key guidelines to design cooperation with international corporations, developing seawater desalination, recycling and neutral water recycling business also resource technology for waste material. In the long run, the company will apply cumulative performance to independent design and undertake water resource cases, waste recovery cases and thereby develop relevant equipment.
- f. **TMAH(developer) recovery and regeneration system**  
 Due to the evolution of semiconductor and panel processes, a large number of developers have been used in the yellow process, and the wastewater after the reaction contains a high concentration of ammonia nitrogen, which will have adverse effects on the environment and water resources if not properly treated. We have cooperated with foreign operators to develop a one-stop treatment system, and the relevant test modules have been tested in an optical power plant. After being introduced into the system, the used developer solution in the process can be effectively recovered, achieving the goal of circular economy.

## 2. Market and Sales Overview

### A. Market Analysis:

#### (1) Main Product Sales Regions

Nova Tech and its subsidiary companies currently offer high-tech industry processing system design, equipment manufacturing and sales, and environmental protection equipment sales and processing system integration service projects, and serving Taiwan and China as the main service regions.

Unit: NT\$ thousand, %

Region	2019		2020	
	Sales Amount	%	Sales Amount	%
Taiwan	839,051	19%	651,934	16.81%
China	3,321,052	75%	3,100,325	79.96%
Others	246,167	6%	125,185	3.23%
Total	4,406,270	100%	3,877,444	100%

(2) Market Share

The group mainly provides the system design for semiconductor and panel high-tech industry processing supply system, equipment manufacturing and pipeline construction installation and testing services, and currently the group does not have the industry statistics provided by industry research institute. Hence the company could not use explicit statistics as the calculation base for market share. According to IC Insights, the 2021 global semiconductor capital expenditure will be USD 1250 billion. The estimation of revenue yields the group's relatively lower ratio in semiconductor and panel industries compared with primary production equipment, which is because the processing supply system is only a small project to the semiconductor and panel industry capital expenditure.

The scope of group business consists of Taiwan and China, while there is no relevant public statistics in Taiwan available for comparison. Additionally, the state-owned enterprises in China approve major project investment plan in main province, city development and reform committee, compared with the cleaning chemical supply system project cases, the 2017~2020 Chinese projects exceeding USD 3 million while the group undertook 2, 9, and 8 cases of project quantity, weighing 25%, 64% and 53%, indicating the group's certain market share in the Chinese high-tech industry chemical processing supply system.

**State-Owned Enterprise of Main land China in Massive High Purity Chemical Dispense System Project Case Statistics**

Project	Year	2018	2019	2020
	Quantity of total project exceeding USD 3 million		8	14
Quantity of project undertaken by the group		2	9	8
Market share		25%	64%	53%

(3) Future Market Supply/Demand Status and Growth

With regards to supply, high-tech industry requires stability, precision and cleanness with high requirement standards in water, gas and chemical processing supply system. Suppliers of semiconductors and panel industries usually chose companies with good reputation and rich experience to undertake the relevant projects. New suppliers will have difficulties in accessing and hence the supply quantity does not grow substantially.

With regards to demand, SMEI shows that driven by massive demand, it is estimated that capital expenditure scale will up to 16 % increase to USD 64.6 billion in 2020, it will be revised up to USD 56.6 billion and another 16 % to \$74.6 billion in 2021, and another 12 % to USD 83.6 billion in 2022.

(4) Competing Advantage

a. Stable financial structure

The industry operation of the group requires bidding fund, material equipment fund, pre-payment deposit, performance bond, and warranty assurance as well as other funds or bank's warranty for line of credit depending on the different project criteria. Moreover, the working capital or bank guarantee credit line will increase following the scale of project. The group has focused on its original business since the foundation with excellent operation status and stable financial structure. Apart from assuring the maintenance of stable operation during the recession, the group can participate in cases which increases due to the credit line for operational working capital and bank's guarantee amount as well.

b. Rich manufacturing/construction experience and prestigious product/construction quality

The processing supply system transport substance contains acid, alkaline with high safety requirements; hence the equipment cleanness and stability will affect the overall safety, product yield rate and production progress. Hence the industry achievement, reputation, and products, and construction quality are one of the foremost considerations for the customer.

The group inherits the technical foundation from Sumitomo Chemical Co., Ltd. and has constantly developed the high-tech industry processing and peripheral pipeline project

design as well as the overall system, providing customers with competitive customized equipment and services. The group also acquired DNV ISO9001, ISO14001, OHSAS18001 certificates while subsidiary company - Winmax Technology Corporation has the high-tech industry in China, owning qualified R&D capacity and equipment manufacturing technology as well as recognition by local governments. The group has been invited to become the People's Republic of China National Standard GB 50781-2012 Chinese Electronics Engineering Chemical System Engineering Technical Specification Coding Unit as well as the system equipment supplier recognized system equipment supplier from People's Republic of China National Standard GB 50781-2012 Chinese Electronics Engineering Chemical System Engineering Technical Specification Coding Unit and acquired relevant equipment from Semiconductor Equipment and Materials International (SEMI) qualified certificate and Taiwan ITRI certified anti-proof has received orders from cross-strait high tech industries. The company owns leading experience and competitive capacity compared with their peers, which can quickly design and manufacture the equipment meeting customer demand, satisfying customer with different requirement of various customers. The group manufactures, with rich construction experience, cumulate years of accumulation, mature production techniques, project management with excellent capacity, and self-rigorous on the requirement of products and construction, winning recognition from customers.

c. Product/processing design conforming to client requirement

The manufacturing supply system offers not only design and construction based on product type, production method, production scale and processing demand but also company semiconductor and panel industries with production processing upgrade, while water, gas and chemical supply system must be adjusted accordingly. The group controls relevant industry information movement and development trends to closely cooperate with customers through excellent communication, understanding customer's actual needs deeply and providing required processing supply system through customization.

d. Instant service or technical support

Semiconductor and panel industries are high-capital expenditure group, and the productivity utilization affects the expense amortization substantially. The smooth production line is one of the key factors to profit while processing supply system is the infrastructure. In case the supply system fails, the production line will suspend and the backup plan can provide instant service or technical support to reduce the risk of interruption with production process and providing customers with consideration of choosing processing supply system. The group possesses localization advantages and has accumulated years of construction and manufacturing experiences. Most senior employees are capable of problem-solving and hence maintenance staff is highly mobile. Additionally, the group cooperates with customers to routinely replace new components or allocate maintenance personnel during the end of the year maintenance period, providing customers with instant service and technical support to reduce customers' loss in processing interruption and raise customers' loyalty.

e. Specialized Technical Personnel

The group owns personnel with rich practical experiences and has considerably emphasizes on the education training of employees and recruitment of professionals since the foundation. The group frequently sends personnel to participate in education training on basis, in order to strengthen the technical level and capacity of the company. Moreover, the group also proactively co-develops engineering system design with professional institutions to build and manage techniques, thereby, maintaining technical leadership in the market.

(5) Develop favorable and unfavorable factors and response actions for vision.

a. Favorable Factors:

i. Continuous development of Chinese high-tech industry processing equipment market

Shanghai announced the semiconductor development plan from 2021 to 2025, saying that it will build China's first semiconductor industry chain during the 14th Five-Year Plan period, actively introduce the most advanced manufacturing process technology in China, and promote new memory projects such as magnetoresistance random access memory (MRAM), 3D NAND and floating gate memory.

At the same time, BCD, IGBT, CIS, MEMS and other special process research and development and industrialization, and 6", 8" GaAs, GaN and SiC process technology construction, toward 5G, new energy vehicles and other application scenes, accelerate compound semiconductor product verification applications. Unveiling the industrial development strategy.

Promote the large-scale development of semiconductor equipment industry, focusing on the R&D and industrialization of 12-inch advanced etching, cleaning, ion implantation, mask, thin film, wet process, heat treatment and optical measurement equipment; Support the development of silicon materials industry and improve the technology and productivity of 12-inch wafers; Actively introduce Chinese photoresist, mask, the third generation semiconductor and other materials enterprises to enter.

In addition, the scale of semiconductor industry is planned to exceed CNY100 billion by 2025, and the leading position of chip manufacturing and equipment and materials made in China will be further strengthened. IC design, packaging and testing will form a large-scale cluster. By 2035, it will build a high-level industrial ecology and become an "Oriental Core Port" with global influence.

ii. Upgrade in downstream industry technology drives the industry to continuously develop

As the economic development and living standards rise, consumers constantly demand to upgrade in high-tech products in terms of precision and effectiveness, which drives high-tech industries to continue refining the processing and improving product quality. Moreover, the intense competition of the market drives high-tech industries to upgrade product performance while paying more attention to costs control. The group also improves processing according to the downstream customers or upgrade in technology generation, thereby, driving the processing supply system to develop constantly.

iii. New technology and new industry bring new markets

The demand of processing supply system is produced with the progress in technology, which automatically supplies the water, gas and chemicals need for the production process in fixed-schedule and fixed amount through structural design and automated instrument control, which not only saves manpower but also reduces likelihood of human errors. Currently, the high-tech processing supply system is mainly applied to semiconductor, panel industry, solar power industry, LED industry and bio-pharmaceuticals industries. As technology evolves, new technology, new products and new industries form while the scope of processing supply system application can be constantly expanded to produce room for new market in the scope of the group's business.

iv. Global Emphasis on Environmental Protection Engineering, which facilitates the promotion of business in environmental protection and green energy.

In recent years, change in global climate and in environment eventually draws attention from people through environmentally protection issues. The group proactively develops environmental protection and green energy business, including the expansion of development in waste solvent recycling and reuse integrate system, which recycles and reuses the waste solvent produced from the production of high-tech suppliers, which not only effectively lowers production costs for suppliers but also becomes the effective scheme for protecting the Earth. Moreover, the group cooperates with international corporations to develop system and equipment related to water resource usage, introduce wastewater zero discharge system, reclaimed water and seawater desalination system. The group copes with global environmental protection trend and develops environmental protection and green energy business, which not only makes contribution to the protection of the Earth through executing corporate social responsibility but also brings the power for future business growth of the group.

b. Unfavorable factors and response measures

- i. The market demand is subject to substantial influence from downstream industry economic fluctuations.

The main source of revenue for the group comes from semiconductor and panel supplier's plant building, plant expansion, processing adjustment produced processing supply system demand. In case, the recession leads to lower consumption, affecting the sales of electronic products and causing the semiconductor and panel industry capital expenditure to reduce, the reduction will reduce the order and sales revenue amount of the group accordingly.

**Response Measures:**

Apart from existing semiconductor and panel industries, the group also steps into solar power industry, LED industry, and electronic chemical industries. The diversification of industries can reduce the impact of single industry's economic fluctuation on business. The group also begins the expansion to Southeast Asian market in attempt to lower the risk of single-region economic circulation. Moreover, the group's new environmental protection and green energy division expands into waste solvent recycling system (SRS) market and water resource treatment business by introducing the wastewater zero discharge system, reclaimed water system and seawater desalination system, proactively developing environmental protection equipment and integration work, and planning the scope of business expansion in order to lower the degree of influence from industry economic fluctuation.

- ii. Shift of Domestic High-Tech Industries

As the government policy, the domestic high-tech industries also shift to Chinese market and Southeast Asian countries, where industries marketing overseas are forced to confront the feasibility of expanding overseas market with unfamiliar laws and investment environment could increase risks for the company management.

**Response Measures:**

The group has cumulated rich experience in project scale for years, cultivating the Chinese market over a long period of time and hence the influence of high-tech suppliers shifting outbound to China is insignificant. Apart from China, the group cooperates with government in promoting southbound policy and the rise of Southeast Asian countries. Apart from exporting equipment to relevant regions, the group also set up subsidiary company –NTEC in Singapore in favor of striving for projects from Taiwanese companies and plants built by international corporations, which will facilitate the future expansion of overseas market.

- iii. Price Competition

Due to the recent recession in Taiwan and intensely competitive market, competitors enter price war and bring the profit rate down in general.

In China, Korean peer industries invested in China and eventually takes up market share, who will likely become the major competitors in the future development.

**Response Measures:**

The group is experienced with manufacturing supply system engineering for years and maintains excellent cooperation with suppliers to timely control the raw material and variation in project outsourcing price. Moreover, the company controls project progress and hence could effectively control project costs, hereby providing customers with competitive project quotation. Additionally, the group's subsidiary companies in Shanghai and Suzhou both own production to provide local customers in China with related equipment, in addition to saving transportation cost, custom tariff and insurance costs. Compared with foreign suppliers, the group's price is highly competitive. In the future, the group will continue to establish good local supply chain to attain cost control, maintain price competitive advantage, boost efficiency and quality, and increase future business opportunism. Moreover, the group relies on advanced technology, excellent

product and construction quality as well as reasonable price to increase customer loyalty, boosting competitive advantage through excellent reputation.

iv. Difficulty with Fostering Talents:

Processing supply system requires professional knowledge and construction management capacity in chemical, machinery and instrument control. The company cooperates with customer production technology, processing scale, and different characteristic of products to customize for a supply system with customization and suitable installation. Moreover, following the changing techniques in high-tech industry, the demand for processing supply system changes increases in complexity and requires professionals with experience to cope with the customer's design requirement. Nonetheless, the cultivation of professionals requires the accumulation of considerable time and experience, and hence the development of professionals is not easy.

**Response Measures:**

The company listed on OTC will enhance corporate publicity and attract talents to join the company. Apart from establishing good work environment and use complete welfare measure, employee bonus system, and relevant employee incentive measures, the company boosts employee cohesion and provide employees with complete education training to establish a transparent and systematic promotion channel so that employees will identify to the company. Distinguished talents can be retained consequently.

B. Important purpose and production manufacturing process of main products

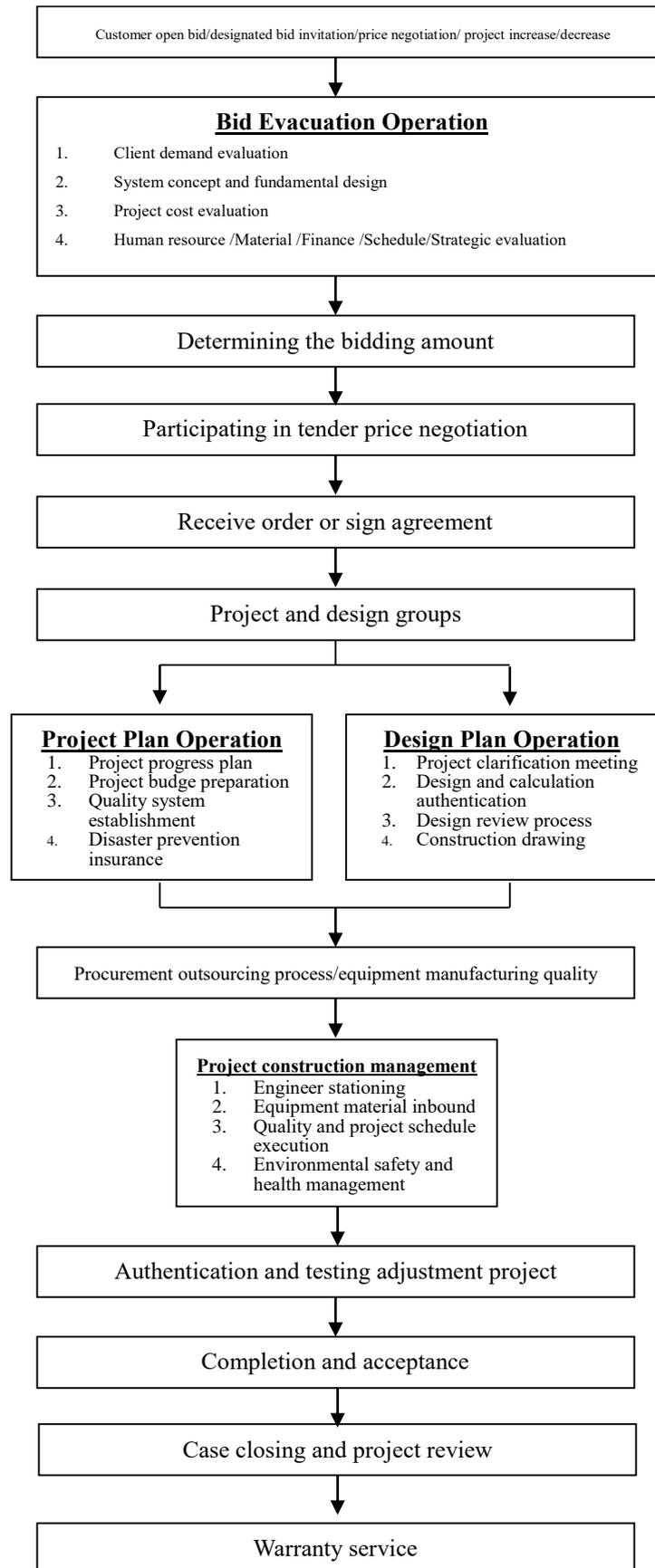
(1) Important purpose of main products

The company is a professional manufacturer in high-tech industry processing equipment. We aim to supply high-safety, high cleanness and high-stability manufacturing applied raw materials in the production process so that products will retain the high precision in production process and be assured for production yield rate and stable product quality. After applying the chemical materials from the production process of products, the company offers equipment that assists with recycling and reuse before the client could reapply, thereby, removing loading on the Earth and effectively lowering the production cost for suppliers. The products are described in the following table:

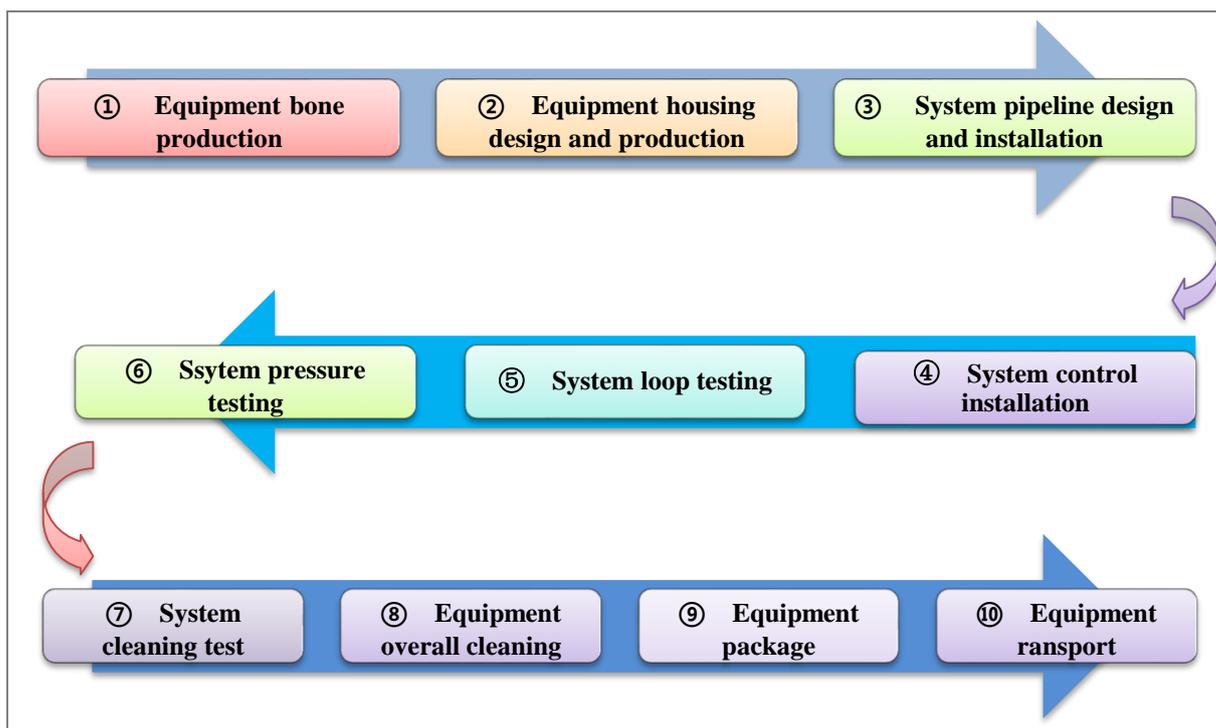
Product Lines	Main Purpose and Functions
High-Tech Industry Processing Supply System Equipment Sales	Providing the machinery equipment needed for the water, gas and chemical supply system of high-tech industry customer processing, including equipment design, equipment manufacturing/outsourcing, installation and testing.
High-Tech Industry Processing Supply System Integrated Project	Providing integrated project of water, gas and chemical supply system for high-tech industry processing, including system design, pipeline construction, equipment
Environmental Protection Equipment Sales and Integration Project	The reduction, recycling treatment and reuse, of waste water, waste gas, waste chemical liquid or other wastes from high-tech industry processing post-section or special industry, including system design, pipeline construction, equipment manufacturing/procurement/outsourcing, installation and testing.
High-Tech Equipment Material Agency Sales	Commissions collected for agency for foreign and domestic high-tech industry processing equipment and material collection and the income from trading equipment and consumables.

(2) Production and Manufacturing Process (Figure)

a. System Design and Construction



b. Equipment manufacturing



- C. Main raw materials supply status: the company procures materials and equipments with variation according to agreement regulations. The main operation model is divided into two sections:
- (1) The contractors contract through both material and labor.
  - (2) To be purchased by the company.

The company procurement consists of engineering materials equipment, including pumps, pipes, electricity distribution plate, monitoring equipment, control device...etc. Machineries are independently produced by Winmax Technology Corporation and Suzhou Winmax Technology Corporation while the Company also completes the design followed by associate suppliers with assembly operation. The Company has established long-term stable and excellent supply relation with domestic and foreign suppliers.

- D. Name of customers having purchased at least 10% of total products purchased in any one year of the most recent two years and its procurement (sales) amount and ratio, in addition to explain the reason for change.

(1) Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

2019(Note 1)					2020(Note 1)					2021 Q1			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
	Other	2,983,041	100	None		Others	2,388,860	100	None	Note 2			
Total	Procurement net amount	2,983,041	100		Total	Procurement net amount	2,388,860	100					

Note 1: Suppliers without total sales amount exceeding 10% in 2019 and 2020.

Note 2: Information as of the day before the printing date of annual report, which has not reviewed by the CPA.

## (2) Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

2019					2020					2021 Q1			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
1	S14 Company	631,163	14.32	None	1	Y Company	571,861	14.75	None	Note 1			
2	H Company	445,850	10.12	None	2	C3 Company	457,054	11.79	None				
	Others	3,329,257	75.56	None		Others	2,848,529	73.46	None				
Total	Sales Net Amount	4,406,270	100		Total	Sales Net Amount	3,877,444	100					

Note 1: Information as of the day before the printing date of annual report, which has not reviewed by the CPA.

Reason for change in procurement and sales: The Company mainly involves in project-based contracting customized equipment manufacturing and project services. The objects of service compared with the manufacturing industries of general massive standard products do not have fixed customer for sales and suppliers, which changes by the scale and content of projects undertaken.

## E. Production in the Last Two Years

Unit: NT\$ thousands

Output	Year	2019			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
High-Tech Industry Processing Supply System Equipment Sales				2,284,437			1,967,293
High-Tech Industry Processing Supply System Integrated Project				926,738			705,725
High-Tech Equipment Material Agency Sales		Note 1	Note 1	57,577	Note 1	Note 1	73,251
Environmental Protection Equipment Sales and Integration Project				70,471			175,642
Total				3,339,223			2,921,911

Note 1: The company supplies materials, equipment, and project contracting services of processing supply system needed for semiconductor and photovoltaic industries, in addition to distributing semiconductor and photovoltaic high-tech industry equipment material and products. The type of products is various while the equipment made by client customization is independent and could not be calculated for production and sales volume and hence is calculated for production and sales volume by product type.

## F. Sales Volume of Most Recent Two Years

Unit: NT\$ thousands

Sales Volume	Year	2019				2020			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
High-Tech Industry Processing Supply System Equipment Sales			12,188		2,919,505		1,157		2,485,323
High-Tech Industry Processing Supply System Integrated Project			787,375		430,391		625,371		375,935
High-Tech Equipment Material Agency Sales		Note 1	36,323	Note 1	96,473	Note 1	25,161	Note 1	136,378
Environmental Protection Equipment Sales and Integration Project			3,165		120,850		245		227,874
Total			839,051		3,567,219		651,934		3,225,510

Note 1: The company supplies materials, equipment, and project contracting services of processing supply system needed for semiconductor and photovoltaic industries, in addition to distributing semiconductor and photovoltaic high-tech industry equipment material and products. The type of products is various while the equipment made by client customization is independent and could not be calculated for production and sales volume and hence is calculated for production and sales volume by product type.

### 3. Human Resources

Year		2019	2020	As of March 31, 2021
Number of Employees	Direct Employee	419	422	423
	Indirect Employee	60	74	73
	Total	479	496	496
Average Age		35.83	36.32	36.15
Average Service Seniority		5.72	6.09	6.15
Education	Doctor	0	0	0
	Masters	19	22	22
	Bachelor's Degree	165	167	181
	Vocational College	141	153	147
	Senior High School	74	75	70
	Below Senior High School	80	79	76

### 4. Environmental Protection Expenditure

- A. According to the law, the installation permit, pollutant emission permit, payable pollution prevention fees or dedicated personnel in environmental protection must be set up for the required pollution facility application of acquisition, payment or set up status are described below: the company business mainly aims to contract the equipment manufacturing of chemicals supply system and the project design and pipeline construction of air pollution prevention equipment. The operational activities do not produce pollutants and the factory is not regulated by law. According to the "Stationary Pollution Source Installation and Operating Permit Management Regulations" and "Water Pollution Control Act," the factory does not set up pollutant emission outlet, preventive equipment operation or emission license requirement.
- B. The company investment to major equipment for environmental pollution prevention, the purpose and possible benefits: None.
- C. In recent two years and as of the printing date of the annual report, the process of company improving environmental pollution involving pollution disputes, please explain the handling process: None.
- D. In most recent two years and as of the printing date of the annual report, the company suffers loss from environmental pollution (including compensation), total amount of disposition and disclose of future response measures (including improvement measures) and possible expenditures (including possible loss incurred by not taking response measures, disposition, and the estimated amount of compensation. If such amount could not be reasonable estimated, explain the fact that could not be reasonably estimated): None.
- E. Currently the influence of pollution status and improvement on company surplus, competitor status, and capital expenditure and the material environmental protection capital expenditure estimated for the coming two years: None.

### 5. Labor/Management Relations

- A. List the employee welfare measure, continuing education, training, retirement system and the implementation for employees as well as the labor/management agreement and rights maintenance measures for employees.
  - (1) Employee welfare measures:  
To promote labor/management harmony, employee cohesion and care for employee's welfare, the company sets up employee welfare committee apart from labor and national health insurance to advocate for various employee welfare measures, including employee health examination, employee trip, outdoor activities and year-end welfare measures in addition to assisting with the communication of opinions between labor and management.

The main employee welfare measures of the company are described below

- a. Employees are entitled to labor, health insurance, pension funds , group insurance and dependants group insurance.
- b. Employees are entitled to birth, marriage, funeral, injury/disease allowance, and disaster subsidy.
- c. The company prepares birthday celebration allowance, Dragon Boat Festival bonus, Mid-Autumn labor bonus, year-end lottery, annual bonus, employee remuneration, and employee stock option.
- d. Organize dinner parties, health activities, birthday parties and travel for domestic and foreign employees from time to time, and provide travel subsidies.
- e. Language subsidy and verification fee subsidy for foreign language courses.
- f. Provide comfortable and safe dormitory for employees from other counties.
- g. The company appeals in stable growth and protection of employees' right to work.
- h. In order to create a high-quality and healthy workplace environment, the company regularly provides on-site nurse practitioner and physician resident service to consult employees' physical conditions or working conditions. The annual service fee of on-site nurse practitioner and physician in 2020 was NTD148 thousand. Regular health lectures, annual health check-up, help employees to understand and manage their own health status, always care for employees, implement health care and promotion.

(2) Continuing education and training:

In response to the fast changes in industry technology and assurance of employee's talent development, in order to meet the company objectives, the Company offers education training as one of the key points to the human resource management of the company. The company offers various seminars, training to upgrade employee's professional skills and knowledge in order to strengthen their work attitude, providing employees with the opportunities and fund to participate in external training. The company expects all the employees contribute their knowledge, upgrade work quality and level, create the overall profits for the company and thereby help the personal career plan and overall company profits to the growth through work and training as well.

(3) Retirement system and implementation thereof:

The Company enforces the workers' retirement rules pursuant to the Labor Standard Law and allocates the pension reserve on a monthly basis. The rules are outlined as following:

- a. The Company allocated the pension reserve equivalent to 5% of the total salary on a monthly basis before the end of September 2002, and 6.5% thereof after October 2002. The pension reserve will be deposited to the exclusive account maintained at the Bank of Taiwan. As of July 2005, the Company has executed the new system according to the employees' will and choice, and allocated the pension fund according to the Labor Pension Act. The company has been allocated NTD 375 thousand for 2020.
- b. Payment of pension fund: The Company paid the pension fund pursuant to the Labor Standard Act or Labor Pension Act pursuant to laws subject to the employees' choice as of Jul. 1, 2005. The company has been allocated NTD 9,089 thousand for 2020.
- c. According to the provisions of International Accounting Standard No.19, the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report.

(4) Agreements between Labor/Management and the maintenance measures of various employee rights. The company values employee opinions and is committed to establish one opened environment. Supervisors and departments also call up labor/management meeting regularly to encourage employees with expression of opinions through opened and transparent scheme to communicate with relevant personnel in addition to requesting supervisors and relevant departments with fast replay, thereby, implementing the purpose of two-way communication. Due to the harmony in labor/management relations, there has not been any dispute requiring negotiation between the labor/management parties.

(5) Employee Stock Option, Remuneration and Shareholding:

Employee profit sharing plan aims to share corporate operational outcome with employees through actual participation and integrates with company operational objectives. At the end of the accounting year, any surplus left from settlement of operation will be paid for tax and cover the deficit in addition to appropriating 10% legal reserve, followed by appropriating certain ratio from the remaining surplus as employee remuneration. The company also agrees to appropriate certain ratio of capital increase as employee stock option as each capital increase so that employees can subscribe

the stocks by personal intent.

- B. In recent years and as of the printing date of the annual report, the company’s loss from labor/management dispute while the future and current possible estimation amount and response measures are disclosed. In case the estimation could not be reasonably made, the company shall explain the facts of unreasonable estimation:

The Company is used to valuing the employees’ benefits and calling a labor and employer meeting regularly, and also installs the suggestions box to make a two-way communication channel available to employees. Therefore, the relationship between labor and employer is harmonious and no dispute over labor has arisen in the past. No material loss or punishment has been suffered by the Company due to dispute between labor and employer in the past three years. In the future, the Company will continue to adhere to the same principle and solidify the relationship between labor and employer further.

- C. Employee Conduct or Formulation of Ethical Principles:

- (1) The company develops employee work conducts and delivers to the employees in writing during appointment to explicitly define the rights and obligations of both parties and relevant conduct standards during the term.
- (2) The company has developed “Ethical Conduct Principles” to regulate the managerial officers of the company (including) in comfort to ethical standards. Refer to the company website for more information <http://www.novatech.com.tw/>

- D. Protection Measures for Work Environment and Employee Personal Safety:

- (1) The company aims to prevent occupational accident and protect the safety and health of labor. The company adopts of an Occupational Health and Safety management system (OH&S management system) (ISO14001, ISO45001). According to the industry characteristic of the company, to identify the unacceptable risks of material environmental consideration and occupational safety health, controlling the impact and hazard on the environment and people. The application of P-D-C-A management circulation method will continuously plan, implement, audit and improve the OH&S management performance. The company has obtained ISO14001 and ISO45001 system certification. Committed to workplace health, the Company has obtained the Badge of accredited Healthy Workplace certification by the Health Promotion Administration in 2020.

- (2) Industrial Safety Management Performance

According to ISO regulations, the OH&S management objectives are set annually, and the achievement of the OH&S management objectives is tracked quarterly. The results of OH&S management in 2019-2020 are shown below:

OH&S management objectives	Execution	
	2019	2020
To control the penalty for violation of customer code (pieces)	4	2
safety deficiency list (pieces)	49	58
Chemical emergency plan training (person)	0	17
Hazardous Chemicals & Chemical wipes treatment training (person)	8	30
Risk in confined space training (person)	8	17
High risk work training (person)	0	24
Fire Safety training	134	99
Accumulated working hours without injury at work	1,622,978hrs	1,937,522hrs

- (3) Audit process

To set up dedicated departments: Central Security Management Office is to control the ability of work safety, assign occupational safety and hygiene officer to customer factory, management in OH&S management system, complying with laws and regulations and the requirement of customer, perform operation before/in/after independent inspection, found that do not conform to the requirements of the item immediately improve responsibility unit, reduce the job hazard risk.

(4) Professional industrial safety management

All employees of the company shall have the certification of a safety and hygiene supervisor or above, and shall obtain more than one professional license. The site management personnel also hold the professional certificates related to the operation. The professional roster of the statistical company is as follows:

Safety management specialist		Site administration specialist	
Level A technician for for labor safety management	2	Level A technician for for labor safety & health management	6
Level A technician for for labor health management	1	Level C technician for for labor safety & health management	31
Level B technician for for labor safety & health management	7	Supervisor in charge of specified chemical substance operations	24
Labor safety & health management qualifications	5	Supervisor in charge of organic solvent operations	21
First Aider personnel	18	Supervisor in charge of roofing operations	14
Supervisor in charge of hypoxia operations	11	Fire Administrator	3
Supervisor in charge of scaffolds assembly works	7	Supervisors in charge of high-pressure gas operations	2
Operator of Category A pressure vessels	1	Dedicated Wastewater And Sewage Treatment Specialists (Level A/B)	7
Level A specialist of dedicated Air Pollution Control	4	Technician of Toxic Chemicals (Level A/B)	4
Level A technician of Waste Disposal	2		

(5) Safety control of high-risk operation

The company is engaged in the construction of water, gas and chemical related supply equipment pipelines. The company has set up “Work health and safety policy”. During the construction period, the company will encounter many high-risk operations due to the environment or equipment. Safety and hygiene worker need to be on the spot throughout the supervision, found that there is a risk of safety hazards, should immediately stop work for improvement, if not in the site, construction is prohibited.

**6. Important Contracts**

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	C3 Company	2017/07/06 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	C5 Company	2019/04/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	CR Company	2019/08/07 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	G1 Company	2019/04/08 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H Company	2017/08/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H1 Company	2018/10/17 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H3 Company	2019/08/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	L Company	2018/9/28 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S1 Company	2014/07/29 ~ 2018/11/30	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S10 Company	2018/08/07 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S11 Company	2017/09/27 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S14 Company	2018/08/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S15 Company	2018/08/10 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S17 Company	2019/05/22 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S18 Company	2017/06/05 ~ 2019/07/24	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2018/09/26 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	None
Project and Equipment Agreement Project	S23 Company	2019/06/04 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S4 Company	2019/08/02 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S5 Company	2019/02/05 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	Z Company	2019/12/11 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M3 Company	2018/03/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S7 Company	2018/08/16 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S8 Company	2018/06/12 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H5 Company	2020/05/06 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	I Company	2020/12/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	C6 Company	2020/07/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	AU Company	2016/04/06 ~ 2017/12/31	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	C2 Company	2017/12/07 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	C3 Company	2017/07/06 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	CH Company	2017/02/28 ~ 2018/12/31	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	G1 Company	2019/06/26 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	H Company	2019/06/01 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	H3 Company	2019/06/30 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	H4 Company	2017/9/20 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	M2 Company	2017/09/01 ~ 2017/11/30	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S11 Company	2017/09/27~2019/04/18	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S18 Company	2017/06/05 ~ 2019/07/27	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S21 Company	2019/10/01 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S9 Company	2019/06/05 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Y Company	2019/09/03 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Z1 Company	2020/10/01 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Q Company	2020/12/28 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Water gasification supply integration engineering	A1 Company	2019/09/09 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	D Company	2017/10/06 ~ 2018/03/15	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	H2 Company	2018/04/27 ~ 2018/08/31	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	J Company	2017/11/13 ~ 2018/07/15	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	M4 Company	2018/02/26 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	N Company	2019/03/19 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	P1 Company	2018/02/12 ~ 2019/03/31	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	S15 Company	2018/04/04 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	S2 Company	2020/04/07 Complete acceptance by construction progress	Water gasification supply integration engineering	None
Water gasification supply integration engineering	SP Company	2018/11/14 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	AC Company	2020/12/14 ~ 2022/1/12	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	C7 Company	2020/12/17 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	F Company	2020/01/07 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Other	H1 Company	2020/01/01~2024/6/30	Executory contract	None
Tenancy Agreement	Shanghai Hangyuan Industrial Co.,Ltd.	2019/05/18 ~ 2021/05/17	Winmax Factory Lease Agreement	None
Tenancy Agreement	Shanghai Huahong real estate Co.,Ltd.	2019/05/01 ~ 2022/04/30	Winmax Office Lease Agreement	None
General Credit Line Agreement	Mega International Commercial Bank	2020/10/06~2021/08/31 (Nova) 2020/01/25 ~ 2021/01/24 (Winmax, Suzhou Winmax)	General Credit Line	None
General Credit Line Agreement	Mega International Commercial Bank	2020/10/06~2021/08/31 (Nova)	Letter of Guarantee	None
General Credit Line Agreement	Taishin International Bank	2020/12/01~2021/11/30 (Nova)	General Credit Line Agreement	None
General Credit Line Agreement	DBC Bank	2020/04/08~2021/04/0 (Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Taipei Fubon Bank	2020/12/25~2021/10/25 (Nova)	General Credit Line Agreement	None
General Credit Line Agreement	HSBC Bank	2020/12/01~2021/11/30 (Nova)	General Credit Line Agreement	None

Agreement	Counterparty	Period	Major Contents	Restrictions
General Credit Line Agreement	E.SUN Commercial Bank	2020/10/13~2021/09/01 (Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Fubon China	2020/03/25~2023/03/31 (Winmax) 2020/03/25~2023/03/31 (Suzhou Winmax)	General Credit Line Agreement	None
General Credit Line Agreement	Bank of China	2020/08/07~2021/02/04 (Winmax)	General Credit Line Agreement	None
General Credit Line Agreement	China Construction Bank	2020/10/09~2023/08/21 (Winmax) 2020/08/21~2021/08/21 (Suzhou Winmax)	General Credit Line Agreement	None

## VI. Financial Information

### 1. Five-Year Financial Summary

#### A. Condensed Balance Sheet

##### (1) Condensed Consolidated Balance Sheet - Based on IFRS

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2021	
		2016	2017	2018	2019	2020		
Current Assets		3,321,971	5,246,107	4,209,253	4,114,592	4,515,989	(Note 3)	
Property, Plant and Equipment		86,447	92,816	144,648	140,068	134,268		
Intangible Assets		0	0	0	0	0		
Other Assets		54,341	53,647	37,821	76,508	202,775		
Total Assets		3,462,759	5,392,570	4,391,722	4,331,168	4,853,032		
Current Liabilities	Before Distribution	2,316,473	3,265,046	1,869,503	1,807,869	2,224,653		
	After Distribution	2,494,241	3,604,326	2,378,423	2,147,149	N/A		
Non-current Liabilities		80,667	129,888	216,408	276,537	300,173		
Total Liabilities	Before Distribution	2,397,140	3,394,934	2,085,911	2,084,406	2,524,826		
	After Distribution	2,574,908	3,734,214	2,594,831	2,423,686	N/A		
Equity Attributable to Shareholders of the Parent		1,065,619	1,997,636	2,305,811	2,246,762	2,328,206		
Capital stock		296,280	339,280	339,280	339,280	339,280		
Capital Surplus		239,295	866,545	866,545	866,545	866,545		
Retained Earnings	Before Distribution	553,807	817,987	1,140,428	1,118,971	1,190,528		
	After Distribution	376,039	478,707	631,508	779,691	N/A		
Other Equities		(23,763)	(26,176)	(40,442)	(78,034)	(60,147)		
Treasury Stocks		0	0	0	0	0		
Non-controlling Interests		0	0	0	0	0		
Total Equity	Before Distribution	1,065,619	1,997,636	2,305,811	2,246,762	2,328,206		
	After Distribution	887,851	1,658,356	1,796,891	1,907,482	N/A		
Note 1: Financial information from 2016 to 2020 has been audited and assured by the CPA.								
Note 2: The distribution of 2020 earnings is to be determined in the 2021 shareholders' meeting.								
Note 3: Financial information as of the quarter immediately preceding the printing date of this annual report has not been audited and assured by the CPAs.								

## (2) Condensed Standalone Balance Sheet - Based on IFRS

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		1,468,736	2,149,828	1,708,640	1,782,632	1,630,110
Property, Plant and Equipment		66,514	68,278	67,241	66,001	63,686
Intangible Assets		0	0	0	0	0
Other Assets		674,347	953,190	1,317,753	1,470,729	1,753,076
Total Assets		2,209,597	3,171,296	3,093,634	3,319,362	3,446,772
Current Liabilities	Before Distribution	1,063,311	1,043,772	571,359	807,470	828,512
	After Distribution	1,241,079	1,383,052	1,080,279	1,146,750	N/A
Non-current Liabilities		80,667	129,888	216,464	265,130	290,054
Total Liabilities	Before Distribution	1,143,978	1,173,660	787,823	1,072,600	1,118,566
	After Distribution	1,321,746	1,512,940	1,296,743	1,411,880	N/A
Equity Attributable to Shareholders of the Parent		1,065,619	1,997,636	2,305,811	2,246,762	2,328,206
Capital stock		296,280	339,280	339,280	339,280	339,280
Capital Surplus		239,295	866,545	866,545	866,545	866,545
Retained Earnings	Before Distribution	553,807	817,987	1,140,428	1,118,971	1,190,528
	After Distribution	376,039	478,707	631,508	779,691	N/A
Other Equities		(23,763)	(26,176)	(40,442)	(78,034)	(68,147)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	1,065,619	1,997,636	2,305,811	2,246,762	2,328,206
	After Distribution	887,851	1,658,356	1,796,891	1,907,482	N/A

Note 1: Financial information above has been audited and assured by the CPAs.

Note 2: The distribution of 2020 earnings will be adopted by 2021 shareholders' meeting.

## B. Condensed Statement of Comprehensive Income

### (1) Consolidated Condensed Statement of Comprehensive Income - Based on IFRS

Unit : NT\$ thousand

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2021
	2016	2017	2018	2019	2020	
Net Operating Revenue	2,651,372	3,342,542	4,866,703	4,406,270	3,877,444	(Note 2)
Gross Profit	588,055	997,444	1,101,052	1,067,047	955,533	
Net Operating Income	331,252	675,902	705,569	666,136	594,496	
Non-operating Income and Expenses	22,307	(79,191)	99,428	40,396	(21,924)	
Income before Income Tax	353,559	596,711	804,997	706,532	572,572	
Income from Continuing Operations – after tax	264,391	447,475	559,863	496,941	407,392	
Loss from Discontinued Operations	0	0	0	0	0	
Net Income	264,391	447,475	559,863	496,941	407,392	
Other Comprehensive Income – after Tax	(47,674)	(7,940)	(16,608)	(47,070)	13,332	
Total Comprehensive Income	216,717	439,535	543,255	449,871	420,724	
Net income attributable to shareholders of the parent	264,391	447,475	559,863	496,941	407,392	
Net income attributable to non-controlling interest	0	0	0	0	0	
Comprehensive income attributable to Shareholders of the parent	216,717	439,535	543,255	449,871	420,724	
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	
Earnings per Share	9.83	15.07	16.5	14.65	12.01	

Note 1: Financial information from 2016 to 2020 has been audited and assured by the CPA.

Note 2: Financial information as of the quarter immediately preceding the printing date of this annual report has not been audited and assured by the CPAs.

### (2) Condensed Standalone Statement of Comprehensive Income - Based on IFRS

Unit : NT\$ thousand

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)				
	2016	2017	2018	2019	2020
Net Operating Revenue	1,284,689	1,466,807	1,847,874	1,912,720	1,718,210
Gross Profit	177,909	433,771	341,993	340,217	239,942
Net Operating Income	79,918	295,479	194,128	202,018	114,208
Non-operating Income and Expenses	232,865	249,294	517,334	421,074	398,574
Income before Income Tax	312,783	544,773	711,462	623,092	512,782
Income from Continuing Operations – after tax	264,391	447,475	559,863	496,941	407,392
Loss from Discontinued Operations	0	0	0	0	0
Net Income	264,391	447,475	559,863	496,941	407,392
Other Comprehensive Income – after Tax	(47,674)	(7,940)	(16,608)	(47,070)	13,332
Total Comprehensive Income	216,717	439,535	543,255	449,871	420,724
Net income attributable to shareholders of the parent	264,391	447,475	559,863	496,941	407,392
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	216,717	439,535	543,255	449,871	407,392
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per Share	9.83	15.07	16.5	14.65	12.01

Note 1: Financial information above has been audited and assured by the CPAs.

C. Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified opinion
2017	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified opinion
2018	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified opinion
2019	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified opinion
2020	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified opinion

2. Five-Year Financial Analysis

A. Consolidated Financial Analysis - Based on IFRS

Item (Note 2)	Year	Financial Analysis for the Most Recent Five Years (Note 1)					As of March 31, 2020
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt to asset Ratio	69.23	62.96	47.50	48.13	52.03	(Note 2)
	Long-term Fund to Property, Plant and Equipment	1326.00	2292.20	1743.69	1801.48	1957.56	
Liquidity(%)	Current Ratio	143.41	160.67	225.15	227.59	203.00	
	Quick Ratio	86.77	93.09	192.71	178.86	159.84	
	Interest Coverage ratio	93882	50841	Note 4	56174	27827	
Operating performance	Accounts Receivable Turnover (times)	3.13	4.63	4.32	2.98	2.61	
	Average Collection Period	117	79	84	122	140	
	Inventory Turnover (times)	0.71	0.77	2.28	5.52	3.46	
	Accounts Payable Turnover (times)	2.49	2.36	3.77	3.40	3.35	
	Average Inventory Turnover Period	514	474	160	66	106	
	Property, Plant and Equipment Turnover (times)	31.62	37.29	40.99	30.95	28.27	
	Total Assets Turnover (times)	0.80	0.75	0.99	1.01	0.84	
Profitability	Return on Total Assets Ratio (%)	8.02	10.13	11.44	11.42	8.91	
	Return on Equity (%)	28.22	29.22	26.02	21.83	17.81	
	Pre-tax income to Paid-in Capital (%)	119.33	175.88	237.27	208.24	168.76	
	Net Margin (%)	9.97	13.39	11.5	11.28	10.51	
	Earnings per share (NT\$)	9.83	15.07	16.50	14.65	12.01	
Cash flow	Cash Flow ratio (%)	34.62	20.65	Note 6	31.59	10.00	
	Cash Flow Adequacy ratio (%)	Note3	Note 3	75.2	100.43	95.44	
	Cash Reinvestment ratio (%)	60.13	22.86	Note 1	2.37	Note 1	
Leverage	Operating leverage	2.03	1.64	1.38	1.43	1.41	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	
<p>Please explain the reason for changes in financial ratios in the most recent two years (exempt if deviation is within 20 %).</p> <ul style="list-style-type: none"> <li>● Decrease in Inventory turnover / Increase in Average days in sales: Due to lower operating costs as a result of lower turnover in 2020 compared with the previous year.</li> <li>● Decrease in Interest Coverage ratio: Due to increase borrowing in 2020.</li> <li>● Decrease in Return on Total Assets Ratio, Return on Equity Ratio: Due to a decrease in net profit after tax for 2020.</li> <li>● Decrease in Cash Flow Ratio / Cash Flow Reinvestment Ratio: The decrease was mainly due to the decrease in cash flow from operating activities.</li> </ul>							

Note 1: The net cash flow from operating activities is negative and has no significance to analytical.

Note 2: Financial information as of the quarter immediately preceding the printing date of this annual report has not been audited and assured by the CPAs.

Note 3: Less than five fiscal years have elapsed since the adoption of the IFRS for financial information.

Note 4: No interest expense in this period and has no significance to analysis.

B. Financial Analysis - Based on IFRS (Standalone Financial Statements)

Item(Note 4)	Year	Financial Analysis for the Past Five Years (Note 1)				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debt to asset Ratio	51.77	37.01	25.47	32.31	32.45
	Long-term Fund to Property, Plant and Equipment	1723.38	3115.97	3751.10	3805.84	4111.2
Liquidity (%)	Current Ratio	138.13	205.97	299.05	220.77	196.75
	Quick Ratio	85.70	137.37	235.52	152.53	149.11
	Interest Coverage ratio	83066	46424	Note 8	582429	57781
Operating performance	Accounts Receivable Turnover (times)	3.20	3.66	6.08	4.98	3.97
	Average Collection Period	114	100	60	73	92
	Inventory Turnover (times)	0.54	0.53	1.83	4.24	3.25
	Accounts Payable Turnover (times)	2.58	2.12	3.79	3.85	3.65
	Average Inventory Turnover Period	676	689	200	86	112
	Property, Plant and Equipment Turnover (times)	19.17	21.76	27.27	28.71	26.50
	Total Assets Turnover (times)	0.68	0.55	0.59	0.60	0.51
Profitability	Return on total assets (%)	14.05	16.67	17.87	15.50	12.06
	Return on Equity (%)	28.22	29.22	26.02	21.83	17.81
	Pre-tax income to Paid-in Capital (%)	105.57	160.57	209.7	183.65	151.14
	Net Margin (%)	20.58	30.51	30.30	25.98	23.71
	Earnings per share (NT\$)	9.83	15.07	16.50	14.65	12.01
Cash flow	Cash Flow ratio (%)	24.31	18.06	17.58	Note 2	Note 2
	Cash Flow Adequacy ratio (%)	Note 3	Note 3	51.82	34.68	29.06
	Cash Reinvestment ratio (%)	11.26	0.50	Note 2	Note 2	Note 2
Leverage	Operating leverage	3.23	1.72	1.59	1.63	2.09
	Financial Leverage	1.00	1.00	1.00	1.00	1.01

Please explain the reason for changes in financial ratios in the most recent two years (exempt if deviation is within 20 %).

- Decrease in Accounts Receivable Turnover/Increase in Average Collection Period: The increase was mainly due to the longer transaction terms by different customers.
- Decrease in Inventory turnover / Increase in Average days in sales: Due to lower operating costs as a result of lower turnover in 2020 compared with the previous year.
- Decrease in Interest Coverage ratio: Increase in interest expense due to borrowing in 2020.
- Decrease in Return on total assets: Due to decrease in net profit after tax for 2020. Operating leverage: Due to decrease in operating profits in 2020.

Note 1: Financial information above has been audited and assured by the CPAs.

Note 2: The net cash flow from operating activities is negative and has no significance to analytical.

Note 3: Less than five fiscal years have elapsed since the adoption of the IFRS for financial information.

Note 4: The calculation formulas are as follows:

1. Financial Structure

(1) Debt to asset Ratio = Total Liabilities / Total Assets.

(2) Long-term Fund to Property, Plant and Equipment = (Total Shareholder's Equity + Non-current

Liabilities) / Net Property, Plant and Equipment.

2. Liquidity
  - (1) Current Ratio = Current Assets / Current Liabilities.
  - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
  - (3) Interest Coverage Ratio = Net Income before Income Tax and Interest Expenses / Interest Expenses.
3. Operation Performance
  - (1) Accounts Receivable Turnover = Net Sales / Average Accounts Receivable.
  - (2) Average Collection Period = 365 / Accounts Receivable Turnover.
  - (3) Inventory Turnover = Cost of Sales / Average Inventory.
  - (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payable.
  - (5) Average Inventory Turnover Period = 365 / Inventory Turnover.
  - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
  - (7) Total Asset Turnover = Net Sales / Average Total Assets.
4. Profitability
  - (1) Return on Total Assets = [Net Income + Interest Expenses\*(1 - Tax Rate)] / Average Total Assets.
  - (2) Return on Equity = Net Income / Average Shareholder's Equity.
  - (3) Net Margin = Net Income / Net Sales.
  - (4) Earnings per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
  - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
  - (2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the past 5 Years / (Capital Expenditures + Increase in Inventory + Cash Dividends) for the past 5 Years.
  - (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital).
6. Leverage
  - (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income.
  - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 5: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 6: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note 7: Issuer should classify operating cost and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistence.

Note 8: No interest expense in this period so not significance to analysis.

### 3. Audit Committee's Review Report in the Most Recent Year



朋億股份有限公司  
NOVA TECHNOLOGY CORP.

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements (included consolidated and individual), and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Nova Technology Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit committee members of Nova Technology Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

**NOVA TECHNOLOGY CORPORATION**

Chairman of the Audit Committee: Hui-Yin Chiu

A handwritten signature in black ink, appearing to read 'Chi, Hui Yin'.

February 22, 2021

4. **Annual Consolidated Financial Report in the Most Recent Year: Refer to P.142~P.196.**
5. **Annual Parent Company only Financial Report in the Most Recent Year: Refer to P.197~P.251.**
6. **Impact of Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being published: None.**

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Financial Status

Unit: NT\$ thousands, %

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	4,114,592	4,515,989	401,397	9.76
Property, Plant and Equipment	140,068	134,268	(5,800)	(4.14)
Other Assets	76,508	202,775	126,267	165.04
<b>Total Assets</b>	<b>4,331,168</b>	<b>4,853,032</b>	<b>521,864</b>	<b>12.05</b>
Current Liabilities	1,807,869	2,224,653	416,784	23.05
Non-current Liabilities	276,537	300,173	23,636	8.55
<b>Total Liabilities</b>	<b>2,084,406</b>	<b>2,524,826</b>	<b>440,420</b>	<b>21.13</b>
Capital Stock	339,280	339,280	0	0
Capital Surplus	866,545	866,545	0	0
Retained Earnings	1,118,971	1,190,528	71,557	6.39
Other Equity	(78,034)	(68,147)	9,887	(12.67)
<b>Total Equity</b>	<b>2,246,762</b>	<b>2,328,206</b>	<b>81,444</b>	<b>3.62</b>

Analysis of Deviation over 20% and NT\$10 million:

- (1) The increase in Other Assets was mainly due to investment Rayzher Industrial Co., Ltd. 25% equity.
- (2) The increase in Current Liabilities and Total Liabilities was mainly due to the increase in borrowing.

### 2. Financial Performance

Unit: NT\$ thousands, %

Item \ Year	2019	2020	Increase/Decrease	Difference (%)
Operating Costs	3,339,223	2,921,911	(417,312)	(12.50)
Gross Profit	1,067,047	955,533	(111,514)	(10.45)
Operating Expenses	400,911	361,037	(39,874)	(9.95)
Net Operating Income	666,136	594,496	(71,640)	(10.75)
Non-Operating Income and Expenses	40,396	(21,924)	(62,320)	(154.27)
Income before Income Tax	706,532	572,572	(133,960)	(18.96)
Income Tax Expense	209,591	165,180	(44,411)	(21.19)
Net Income	496,941	407,392	(89,549)	(18.02)

1. Analysis of Deviation over 20% and NT\$10 million:

- (1) The increase in Non - Operating Income and Expenses was mainly due to the exchange loss arising from the appreciation of NTD.
- (2) The decrease in income tax expense due to the decrease in net profit before tax for the current period.

2. Impact of sales volume forecast and the basis on Corporate Finance and Business, and Response Measures: Refer to "B. Sales Forecast and sales policy" on Page 7.

### 3. Cash Flow

#### A. Cash Flow Analysis for the Current Year (2020):

Unit: NT\$ thousands, %

Item	2019	2020	Variance %
Cash Flow Ratio (%)	31.59	10.00	(68.36)
Cash Flow Adequacy Ratio (%)	100.43	95.44	(4.97)
Cash Re-investment Ratio (%)	2.37	(4.40)	(286.04)

Main causes for changes in the cash flow:  
 1. The decrease in Cash Flow Ratio / Cash Flow Adequacy Ratio / Cash Re-investment Ratio: The decrease was mainly due to the increase in cash flow from operating activities.

B. Remedy for Cash Deficit and Liquidity Analysis: As a result of the cash inflow from operating activities, remedial actions were not required.

#### C. Cash Flow Analysis for the Coming Year:

Unit: NT\$ thousands

Cash Balance, Beginning of Year (As of December 31, 2020 (1))	Net Cash Flow from Operating Activities in 2021 (2)	Cash Inflow from Investing and Financing Activities in 2021 (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,681,401	500,000	(500,000)	1,681,401	None	None

1. Analysis of changes in the cash flow in 2021:  
 (1) The increase in cash inflow from operating activities is mainly due to the increase in business growth and accounts receivable.  
 (2) The cash inflow from investing activities is mainly due to disposal financial assets.  
 (3) The cash inflow from financing activities is mainly due to the distribution of cash dividends from invested companies and with the investment subsidiary cash capital increase.  
 2. Remedial actions for cash deficit and liquidity analysis: None.

#### 4. Major Capital Expenditure Items

The Company has no major capital expenditure or plan for major capital expenditures.

#### 5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company's current investment policy is based on business-related investments. The Company does not make investments in other industries. Related departments make investments in accordance with the Regulations of Investment Cycle, the Procedures for Trading with Affiliated Companies, Specific Companies, and Related Parties, and the Procedures for Acquisition or Disposal of Assets. The above-mentioned regulations or procedures are reviewed and approved by the Board of Directors and the Shareholders' Meeting.

The Company has established subsidiaries in China and Singapore To strengthen global market position, Nova technology would keep assessing overseas markets and future growth, and expand its global footprints timely to enhance the international competitiveness.

## 6. Analysis of Risk Management

### A. Impact of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

#### (1) Interest Rates

The interest income and interest expense to net operating revenues in 2020 and 2019 was 0.40%, 0.44% and 0.05%, 0.03%. The effect of interest rate movements on net income was limited.

Unit : NT\$ Thousands

Item	Year	2020	2019
Interest Income(A)		15,425	19,423
Interest Expense(B)		2,065	1,260
Net Operating Revenue(C)		3,877,444	4,406,270
Ratio of Interest Income to Net Operating Revenue (A/C)		0.40%	0.44%
Ratio of Interest Expense to Net Operating Revenue (B/C)		0.05%	0.03%

#### (2) Foreign Exchange Rates:

Unit : NT\$ Thousands

Item	Year	2020	2019
Net Foreign Exchange Gain/Loss (A)		(56,642)	7,354
Net Operating Revenue (B)		3,877,444	4,406,270
Net Operating Income (C)		594,496	666,136
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Revenue(%)		(1.46%)	0.17%
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Income (B/C)		(9.90%)	1.10%

The company mainly operates in Taiwan and China. For cash-in side, domestic projects are usually signed in New Taiwan dollar, and sometimes in other foreign currencies; overseas projects are usually signed in US dollar and local currency. For cashout side, the currencies of payment are usually decided by service location or procurement region. Therefore, the Company must keep appropriate foreign assets and liabilities to operate general activities. Thus the appreciation or depreciation of major currencies, like US dollar, Japanese Yen, and Chinese Yuan, will influence foreign exchange profit/loss of the Company.

To lower the influence on changes in foreign exchange rates, the Company adopts natural hedge strategy, asking same-currency contracts to cover major payment and revenue receive. According to above table, the ratios of foreign exchange profit/loss to operating revenue and operating income are slight. That means the changes in foreign exchange rates have limited influence on the operating revenue and operating income. The concrete methods to hedge Foreign Exchange risks are as below,

- To know well update trends of major currencies, and adjust Foreign Exchange position timely.
- To create internal hedge effect by netting foreign receivables and payables.
- For payment in foreign currencies, to forecast the direction of payment currencies and analyze the potential profit and loss of foreign exchange, and then choose leads or lags strategy to hedge Foreign Exchange risks and achieve the goal of saving costs.
- In order to allocate optimal capital position, to open foreign currency deposit accounts to collect foreign income and convert it into New Taiwan dollar or other strong currencies based on actual cash flow demand or Foreign Exchange tendency.

(3) Inflation:

In 2019 and as of the printing date of this annual report, there is no significant impact of inflation on the company. In the future, the company will maintain a good relationship with customers and suppliers, while adjusting procurement policies and sales strategies in line with fluctuations in market prices, so as to reduce the impact of fluctuation on the company's profits or losses.

B. Policies, Main Causes for Profits or Losses and Future Response Measures with Regard to High-risk and High-leverage Investments, Lending of Funds, Endorsements / Guarantees, and Derivatives Trading:

The Company is devoted to develop own business and does not engage in high-risk and highleveraged investment. As for lending to others, guarantees and derivatives transactions all are executed according to the Company's "Procedures for Loaning of Company Funds", "Procedures for Endorsements and Guarantees" and "Procedure for Acquisition or Disposal of Assets".

C. Future Research & Development Projects and Corresponding Budgets

The high-tech industry features the following:

- (1) Significant changes in prosperity, which requires competitive operating costs;
- (2) High risk due to a large amount of special raw materials (gas/chemicals);
- (3) Large consumption of water, making water recycling and effective use of water relatively important; and
- (4) Environmental pollution control.

In terms of research and development of manufacturing process systems and equipment, the following shall be taken into account:

- (1) Safety
- (2) Stable and reliable supply
- (3) User-friendly operational interfaces
- (4) Compact and adaptive on-site
- (5) Modular design that ensures scalability
- (6) Elasticity under uninterrupted supply

To pursue excellent innovation, the Company actively sets up the procedures for fundamental research and design management of high-tech manufacturing equipment; in addition, the Company also works with international manufacturers to develop localized recycling, waste reduction, and regeneration equipment.

The Company's future research and development plans are as follows:

- (1) Safety:  
Research and develop new materials and equipment and strengthen manufacturing techniques to improve safety and performance of equipment.
- (2) Stability:  
Research and develop equipment control procedures and adjust and update control software to improve stability and performance of equipment.
- (3) Compactness:  
Research and develop new components and performance to improve the compactness and scalability of equipment.
- (4) Accuracy:  
Research more accurate processing procedures and components for chemicals of high concentrations to increase competitiveness.
- (5) Energy saving:  
Research energy saving and efficiency using MVR (mechanical vapor recompression) developed with the partner.
- (6) Water system:  
Research the use of water resources using zero discharge wastewater, reclaimed water recycling, and desalination systems developed with the international partner.
- (7) Resource technology for waste material  
Cooperate with internationally renowned brands to develop and recycle high-tech processes, in addition to reducing the cost of wastewater treatment, and converting waste into raw materials to achieve the goal of circular economy.

## (8) Corresponding Budget:

Unit : NT\$ thousand

Research projects	Research projects	Research projects	Research projects	Research projects	Research projects
Useful new patents	We are continually applying for related patents	150,473	June. 2022	Equipment improvement and optimization	<ul style="list-style-type: none"> <li>● Personnel participate in research</li> <li>● Encouragement and support from management</li> </ul>

D. Impact of Changes in Major Policies and Laws on Corporate Finance and Business, and Response Measures:

The Company paid close attention to changes in major policies and laws at home and abroad and adjusted business strategies based on market conditions to effectively control the impact on the corporate finance and business. In 2018 and as of the printing date of this annual report, there is no significant impact of major policies and laws on corporate finance and business.

E. Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures:

The technology industry has actively made its presence in China and Southeast Asia. In response to the market conditions and overall operational strategies, the Company has established subsidiaries in Suzhou, Shanghai, and Singapore to expand business and services to customers and further improve the Company's overall competitiveness. Environmental protection and water resources have been of great concern in recent years. The Company has strived to work with world-renowned manufacturers to develop energy and resource equipment. In 2020 and as of the printing date of this annual report, there is no significant impact of changes in technology and industry on the corporate finance and business.

F. Impact of Changes in Corporate Image on Corporate Risk Management, and Response Measures:

Since its foundation, the Company has offered quality equipment, system integration, and installation management according to the market trends. Upholding the business philosophy of leading technology, quality first, and comprehensive services, the Company has offered manufacturing process systems and equipment and system integration to TSMC, UMC, ASE Group, SPIL, AUO, Innolux, Corning, SMIC, CEC, and Micron and had a fine reputation in the industry. In 2020 and as of the printing date of this annual report, there is no significant impact of changes in corporate image on the corporate risk management.

G. Expected Benefits from, Risks Relating to and Responses to Merger and Acquisition Plans:

Currently, the Company has no merger and acquisition plan.

H. Expected Benefits from, Risks Relating to and Responses to Factory Expansion Plans: Currently, the Company has no factory expansion plan.

I. Risks Relating to and Responses to Excessive Concentration of Purchasing Sources and Customers:

The Company offers the high-tech industry manufacturing process supply systems and equipment and installation through projects, and focuses on projects with higher total prices. To control credit risks, the Company performs credit investigations when receiving orders. During manufacturing, the Company also pays close attention to customers' operation and market conditions to ensure the Company's rights and interests.

The Company purchases sources based on the needs of projects. In 2020 and as of the printing date of this annual report, there is no excessive concentration of purchasing except for projects with special functions or the purchase of large equipment requested by customers.

J. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10%:

In the most recent year up to the publication date of this Annual Report, the Company is not aware of any risk of substantial transfer or replacement of shares of directors or large shareholders holding more than 10% of shares, except those who have already declared according to law.

K. Effects of, Risks Relating to and Response to Changes in Control over the Company:

In 2020 and up to the publication date of this annual report, the Company has no change in ownership.

- L. If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company, any of its director, president, substantial representative, major shareholder (having holding of more than 10%) or subsidiary is a party and has a material impact on the shareholders' interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report:
- a. Litigious or non-litigious proceedings or administrative disputes involving the Company and its subsidiaries with respect to which a judgment is still pending in the most recent two fiscal years and as of the printing date of this annual report:
    - i. Litigation against Jing He Science Co., Ltd. (Jing He) regarding the performance of a contract:
 

Cause: The Company undertook the expansion of Jing He's JHS N2O&CO2 Gas Plant on October 29, 2012. Jing He terminated the contract unilaterally before completion. Both parties disputed over the percentage of completion, and Jing He refused to make payments. The said dispute required the judicial investigations, so the Company filed an action to request for payments of the construction.

Contract sum: NTD 122,090,708

Start date: The Company filed a civil action against Jing He on October 29, 2013.

Progress: In trial of first instance (Case No: Taiwan Taoyuan District Court 2013 Jien-Zi No.71).

Accounting: As of the printing date of this annual report, the Company is still unable to predict the result of the judgment and damages; however, the Company has recognized the valuation allowance for the cost of construction performed according to the related accounting standards.
    - ii. Litigation against Leal & League Technology Co., Ltd. (Former name: AX-CELLENT Green Energy & Repro. Corp.) (L & L) regarding the performance of a contract:
 

Cause: Nova Technology and L & L have entered an engineering contract. This engineering project has been terminated by L & L without completing the engineering project.

Contract sum: NTD 3,379,227

Start date: The Company filed a civil action against L & L on October 12, 2016.

Progress: Taiwan High Court Tainan Branch Court 2018 Jien-Zi No.14 upheld by civil judgment no. 1630 of the Supreme Court, ordered L & L to pay the company NTD 1,013,768 plus interest calculated at 5% per annum from March 20, 2016.

The " Civil petition of motion for fixing the amount of litigation expenses " was filed with the court on February 5,2021 to commence the enforcement proceedings and is currently awaiting notice from the court.

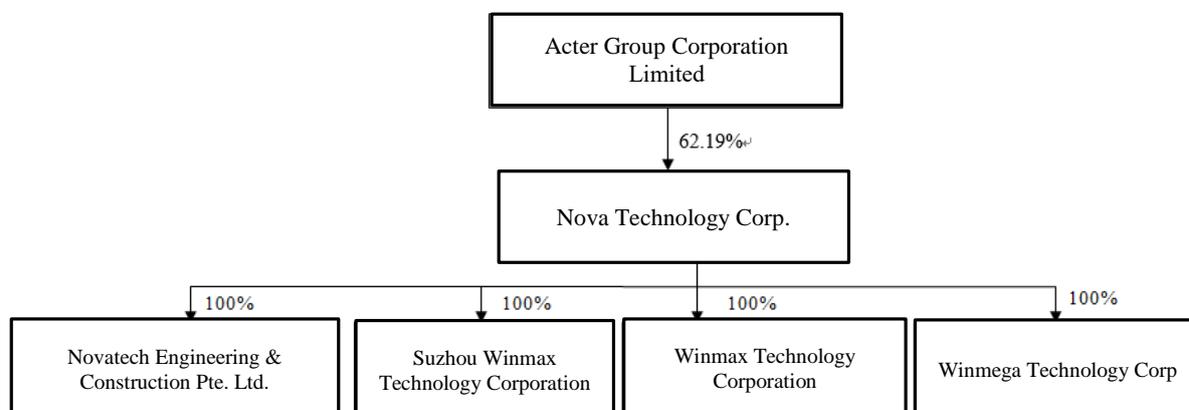
Accounting: The Company has recognized the valuation allowance for the cost of construction performed according to the related accounting standards.
- M. Impact of information system damage on the company's financial business and response measures  
The company has developed an information security management approach the information unit is responsible for the information security policy and reports to the board regularly and implemented the following measures:
- (1) Strengthening employees' awareness of security: The risky security threat information and response methods are irregularly announced with the company's employees, preventing employees from inadvertently falling into the trap of the security threat, and strengthening employees' awareness of security
  - (2) Network attacks and virus threats: The network firewall establishes multiple levels of defense and detection, and the terminal computer installs anti-virus software, and uniformly monitors and protects, reduces network threat intrusion and fully grasps the security status.
  - (3) Ensure that information services are not interrupted: for important operational services and information, there are local and off-site backup and restoration exercises. If it is unavoidable that the main operating system or database is damaged or the operation is interrupted, ensure that the expected information system recovery time is met.
  - (4) Protection of confidential business documents: For business core research and development documents, file encryption management methods are adopted to ensure that the company's competitive advantage is not easily obtained.
- N. Other Major Risks

7. Other Important Matters: None.

VIII.Special Disclosure

1. Summary of Affiliated Companies

A. Organizational Chart of Affiliated Companies



B. General information of the affiliates:

As of December 31, 2020; Unit:NT\$ thousand

Company	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Acter Group Corporation Limited	1979.02.19	Taichung City	NT\$471,529	Design and manufacturing of cleanrooms and manufacturing facilities in electronic, biotech, and pharmaceutical industries; integration of energy-saving MEP and HVAC systems
Winmega Technology Corporation	2014.08.05	Hsinchu County, Taiwan	NT\$30,000	Wholesale of electronic devices and equipment
Winmax Technology Corporation	2002.06.13	Shanghai, China	NT\$151,426 (USD4,890)	Design and production of cylinder cabinets, valve boxes and liquid conveying cabinets
Suzhou Winmax Technology Corporation	2016.04.29	Jiangsu, China	NT\$32,478 (USD1,000)	Design and production of cylinder cabinets, valve boxes and liquid conveying cabinets
Novatech Engineering & Construction Pte. Ltd.	2016.06.28	Singapore	NT\$24,179 (SGD1,000)	Undertaking of chemical supply systems

C. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control: Not Applicable.

D. Industries covered by the business operated by all affiliates:

Company	Affiliated Company	Relationship	Business Activities
Acter Group Corporation Limited	Nova Technology Corp.	Subsidiary	Design and manufacturing of cleanrooms and manufacturing facilities in electronic, biotech, and pharmaceutical industries; integration of energy-saving MEP and HVAC systems.
Winmega Technology Corp.	Nova Technology Corp.	Controlling company	Wholesale of electronic devices and equipment.
Winmax Technology Corp.	Nova Technology Corp.	Controlling company	Design and production of cylinder cabinets, valve boxes and liquid conveying cabinets.
Suzhou Winmax Technology Corp.	Nova Technology Corp.	Controlling company	Design and production of cylinder cabinets, valve boxes and liquid conveying cabinets.
Novatech Engineering & Construction Pte. Ltd.	Nova Technology Corp.	Controlling company	Undertaking of chemical supply systems.

## E. Directors, Supervisors, and President of the affiliates:

As of December 31, 2020; Unit: Shares, %

Affiliated Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Acter Group Corporation Limited	Chairperson	Chin-Li Liang	2,299,867	4.02
	Director	Tai-Chen Hu	1,303,589	2.28
	Director	Chiung-Tang Yang	1,047,074	1.83
	Independent Director	Hui-Hsin Yeh	3,593	0.01
	Independent Director	Mao-Jung Wang	5,676	0.01
	Independent Director	Chien Yang	0	0
	President	Chun-Sheng Wang	91,212	0.16
	President	Ming-Kun Lai	230,991	0.40
Winmega Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Chin-Li Liang)	3,000,000	100
	Director	Nova Technology Corp. (Representative: Chung-Cheng Hsu)		
	Director	Nova Technology Corp. (Representative: Chien-Nan Wu)		
	Supervisor	Nova Technology Corp. (Representative: Wei Ma)		
	President	Chien-Nan Wu	0	0
Winmax Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Chung-Cheng Hsu)	Note 1	100
	Director	Nova Technology Corp. (Representative: Wei Ma)		
	Director	Nova Technology Corp. (Representative: Chien-Chih Chien)		
	Supervisor	Nova Technology Corp. (Representative: Chin-Li Liang)		
	President	Chien-Chih Chien	0	
Suzhou Winmax Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Chung-Cheng Hsu)	Note 1	100
	Director	Nova Technology Corp. (Representative: Wei Ma)		
	Director	Nova Technology Corp. (Representative: Chien-Chih Chien)		
	Supervisor	Nova Technology Corp. (Representative: Chin-Li Liang)		
	President	Chien-Chih Chien	0	
Novatech Engineering & Construction Pte. Ltd.	Director	Nova Technology Corp. (Representative: Chin-Li Liang)	1,000,000	100
	Director	Nova Technology Corp. (Representative: Chung-Cheng Hsu)		
	President	Chung-Cheng Hsu		

Note 1: The Company is a limited company and does not issue any shares.

F. Operational overview of the affiliates

As of December 31, 2020; Unit: NT\$ thousands

Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net Operating Income	Net Income	Earnings per Share
Acter Group Corporation Limited	541,868	8,491,879	3,345,733	5,146,146	4,568,762	387,682	970,082	17.90
Winmega Technology Corp.	30,000	103,532	13,985	109,869	114,810	54,147	43,323	14.44
Winmax Technology Corporation	151,426	2,405,706	1,187,463	1,218,243	2,251,719	178,813	336,314	Note 1
Suzhou Winmax Technology Corporation	32,478	395,935	186,773	209,162	313,852	51,656	57,971	Note 1
Novatech Engineering & Construction Pte. Ltd.	24,179	65,635	10,584	55,051	28,750	(7,850)	(3,523)	Note 1

Note 1: The company is a limited company and doesn't issue shares.

G. Consolidated Financial Statements of Affiliated Enterprises of the Company: Please refer to P.142 ~ P.196

H. Report of Affiliated Enterprises of the Company: Please refer to Chinese annual report.

2. **Private Placements Securities in the Most Recent Years: None.**
3. **The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.**
4. **Other Supplementary Information:**

Implementation of commitments after Taipei Exchange listing:

OTC Commitments	Implementation of Commitments
<p>The Company has committed to adding the following provision to the Procedures for Acquisition or Disposal of Assets: “If Winmax Company and Suzhou Winmax Company hold shares, the company will lose its substantive control over Winmax Company and Suzhou Winmax Company, and it must first pass a special resolution of the board of directors of the company, and independent directors should attend and express their opinions. The contents of the resolution and the amendments to this article should be opened and public information should be entered into the major observing station information to be disclosed and a letter to the counter buying center for future reference.”</p>	<p>The Company has added Article 15 of the Procedures for Acquisition or Disposal of Assets. The amended Procedures have been approved by the Board of Directors on February 22, 2018 and have been approved by shareholders’ meeting on May 28, 2018. As of March 31, 2021, the Company did not directly or indirectly dispose of the shares held by Winmax Company and Suzhou Winmax Company.</p>

- IX. **Any Events in 2020 and as of the Printing Date of This Annual Report that had Significant Impacts on Shareholders’ Equity or Security Prices as Stated in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.**

## **Independent Auditors' Report**

To the Board of Directors of Nova Corporation:

### **Opinion**

We have audited the consolidated financial statements of Nova Corporation (the "Company") and its subsidiaries ( "the Group" ), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 consolidated financial statements for the year ended December 31, 2020. 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. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Recognition of construction contract revenue (including estimated total budget cost)

Please refer to Note 4(9) "Revenue (Revenue from contract with customers)" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty" , and Note 6(16) "Revenue from contracts with customers" to the consolidated financial statements.

#### Description of key audit matter:

The Group recognized its revenue by using the percentage of completion method. The completion level is based on the cost for each contract at year-end. The management will re-evaluate the cost if the total budget had significantly increased or decreased, and will recalculate the percentage of completion in accordance with the adjusted cost. The accuracy of the construction contract revenue may be affected by the completion level and appropriateness of the estimation of total budget cost. Thus, we considered the recognition of revenue as one of the key matters of our audit.

#### How the matter was addressed in our audit:

Our principal audit procedures included: reviewing significant contracts to understand the specific terms and risks of each contract; testing the key internal controls of the revenue cycle to confirm the significant risk of the abnormality. Also, enquiring with the management and updating the preparation and approval process of the estimated cost of the contracts; understanding the process of accounting estimates made by the management and considering other evidences to evaluate the management's assumptions on the completeness of construction revenue; checking the differences between the estimated total budget cost and the actual cost of the construction contract. Furthermore, considering whether the management has estimated the cost that had not been invested before the completion date, and the possibility of reversal on the expected price are appropriate and reasonable; as well as assessing whether the revenue is in accordance with the relevant regulations, and the cost is appropriately disclosed.

### 2. Valuation of receivables

Please refer to Note 4(7) "Financial instruments" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty" , and Note 6(3) "Notes receivable, Accounts receivable and overdue receivable, net" to the consolidated financial statements.

#### Description of key audit matter:

The recoverability of the Group's accounts receivable is related to the economic cycle and customer operations. The management measures the financial position of the customers and assesses the expected credit losses arising from all possible defaults during the expected life of the accounts receivable. The assessment of the impairment loss of receivables is determined by management judgment. Therefore, the valuation of accounts receivable is one of the key matters for our audit.

#### How the matter was addressed in our audit:

Our principal audit procedures included: checking the completeness and accuracy of the aging analysis; understanding and evaluating the assessment performed by management relating to receivables that are overdue; vouching to the receipt after the year end, and understanding the collectability of remaining amount ; assessing the adequacy of loss allowance provided by the Group; and evaluating the adequacy of the Group's disclosures in the accounts.

### 3. Accrual of construction contract losses

Please refer to Note 4(9) "Revenue (Cost from contracts with customers)" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty" , and Note 9(4) "Significant Commitments and Contingencies" to the consolidated financial statements.

Description of key audit matter:

If the Group assesses that the contract cost that has been incurred is “unlikely to be recovered” then will make an accrual for the loss and recognize it as an expense immediately. The accrual of the losses involves management judgment so that the estimation of construction contract losses is one of the key matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Comparing the actual amount of construction contract losses and loss provisions accrued in the past; assessing and understanding how the management estimates the losses, including the method of assessment, whether the source of the information is appropriate, and the possibility to correct the accounting estimates; evaluating the appropriateness of accounting principles and related disclosures. In addition, if the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37.

### **Other Matter**

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit committee) are responsible for overseeing the Group’s financial reporting process.

### **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 the 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 Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Tzu-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)  
February 22, 2021

#### Notes to Readers

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

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



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Nova Corporation and subsidiaries

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2020 and 2019

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

		<u>For the years ended December 31,</u>			
		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net Operating revenue</b> (notes 6(16) and 7)	\$ 3,877,444	100	4,406,270	100
5000	<b>Operating costs</b> (notes 6(4), (10), (12) and 7)	<u>2,921,911</u>	<u>75</u>	<u>3,339,223</u>	<u>76</u>
	<b>Gross profit</b>	<u>955,533</u>	<u>25</u>	<u>1,067,047</u>	<u>24</u>
	<b>Operating expenses</b> (notes 6(3), (10), (12), (18) and 7):				
6100	Selling expenses	68,042	2	77,513	2
6200	Administrative expenses	186,089	5	192,040	4
6300	Research and development expenses	118,335	3	108,326	2
6450	Expected credit impairment loss (gain)	<u>(11,429)</u>	<u>-</u>	<u>23,032</u>	<u>1</u>
		<u>361,037</u>	<u>10</u>	<u>400,911</u>	<u>9</u>
	<b>Net operating income</b>	<u>594,496</u>	<u>15</u>	<u>666,136</u>	<u>15</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income(note 6(17))	15,425	1	19,423	-
7020	Other gains and losses, net (note 6(17))	(35,284)	(1)	22,233	1
7050	Finance costs (notes 6(10) and (17))	<u>(2,065)</u>	<u>-</u>	<u>(1,260)</u>	<u>-</u>
		<u>(21,924)</u>	<u>-</u>	<u>40,396</u>	<u>1</u>
7900	<b>Income before income tax</b>	572,572	15	706,532	16
7950	Less: income tax expenses (note 6(13))	<u>165,180</u>	<u>4</u>	<u>209,591</u>	<u>5</u>
	<b>Net Income</b>	<u>407,392</u>	<u>11</u>	<u>496,941</u>	<u>11</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans (note 6(12))	3,445	-	(9,478)	-
8349	Income tax related to items that will not be reclassified subsequently	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>3,445</u>	<u>-</u>	<u>(9,478)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	12,359	-	(46,990)	(1)
8399	Income tax related to items that may be reclassified subsequently (note 6(13))	<u>(2,472)</u>	<u>-</u>	<u>9,398</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>9,887</u>	<u>-</u>	<u>(37,592)</u>	<u>(1)</u>
8300	<b>Other comprehensive income</b>	<u>13,332</u>	<u>-</u>	<u>(47,070)</u>	<u>(1)</u>
	<b>Total comprehensive income</b>	<u>\$ 420,724</u>	<u>11</u>	<u>449,871</u>	<u>10</u>
	<b>Earnings per share</b> (New Taiwan Dollars) (note 6(15))				
9750	Basic earnings per share	<u>\$ 12.01</u>		<u>14.65</u>	
9850	Diluted earnings per share	<u>\$ 11.93</u>		<u>14.57</u>	

See accompanying notes to consolidated financial statements.

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

Nova Corporation and subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share capital	Capital surplus	Retained earnings			Total	Exchange differences on translation of foreign financial statements	Total equity
			Legal reserve	Special reserve	Unappropriat ed retained earnings			
<b>Balance as of January 1, 2019</b>	\$ 339,280	866,545	170,449	26,176	943,803	1,140,428	(40,442)	2,305,811
Net income for the period	-	-	-	-	496,941	496,941	-	496,941
Other comprehensive income for the period	-	-	-	-	(9,478)	(9,478)	(37,592)	(47,070)
Total comprehensive income for the period	-	-	-	-	487,463	487,463	(37,592)	449,871
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	55,985	-	(55,985)	-	-	-
Appropriation Special reserve	-	-	-	14,266	(14,266)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(508,920)	(508,920)	-	(508,920)
<b>Balance as of December 31, 2019</b>	<u>339,280</u>	<u>866,545</u>	<u>226,434</u>	<u>40,442</u>	<u>852,095</u>	<u>1,118,971</u>	<u>(78,034)</u>	<u>2,246,762</u>
Net income for the period	-	-	-	-	407,392	407,392	-	407,392
Other comprehensive income for the period	-	-	-	-	3,445	3,445	9,887	13,332
Total comprehensive income for the period	-	-	-	-	410,837	410,837	9,887	420,724
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	49,695	-	(49,695)	-	-	-
Appropriation for special reserve	-	-	-	37,592	(37,592)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(339,280)	(339,280)	-	(339,280)
<b>Balance as of December 31, 2020</b>	<u>\$ 339,280</u>	<u>866,545</u>	<u>276,129</u>	<u>78,034</u>	<u>836,365</u>	<u>1,190,528</u>	<u>(68,147)</u>	<u>2,328,206</u>

See accompanying notes to consolidated financial statements.

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

Nova Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 572,572	706,532
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	35,487	31,185
Expected credit Impairment loss (gain)	(11,429)	23,032
Net gain on reclassification of financial assets	(1,038)	(31)
Interest expense	2,065	1,260
Provision for inventory devaluation loss (reversal)	3,246	(196)
Interest income	(15,425)	(19,423)
Others	2,926	2,861
<b>Total adjustments to reconcile profit (loss)</b>	<b>15,832</b>	<b>38,688</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes and accounts receivable	(264,422)	235,382
Contract assets	(361,622)	(265,322)
Inventories	310,594	(167,219)
Other current assets	(22,149)	252,402
<b>Total changes in operating assets</b>	<b>(337,599)</b>	<b>55,243</b>
Changes in operating liabilities:		
Contract liabilities	487,555	(232,704)
Notes and accounts payable	(370,600)	152,867
Accounts payable-related parties	-	(2,961)
Accrued expenses and other current liabilities	20,525	(12,924)
<b>Total changes in operating liabilities</b>	<b>137,480</b>	<b>(95,722)</b>
<b>Total adjustments</b>	<b>(184,287)</b>	<b>(1,791)</b>
Cash flows generated from operations	388,285	704,741
Interest received	15,425	19,423
Interest paid	(2,065)	(1,260)
Income taxes paid	(179,285)	(151,736)
<b>Net cash flows from operating activities</b>	<b>222,360</b>	<b>571,168</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(32,132)	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss	16,706	-
Acquisition of investments accounted for using equity method	(112,500)	-
Acquisition of property, plant and equipment	(7,087)	(9,261)
Proceeds from disposal of property, plant and equipment	13	-
Decrease (increase) in other financial assets-current	21,682	(50,000)
Increase in other non-current assets	(730)	(1,431)
<b>Net cash flows used in investing activities</b>	<b>(114,048)</b>	<b>(90,692)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	301,000	-
Payment of lease liabilities	(21,897)	(18,967)
Cash dividends paid	(339,280)	(508,920)
<b>Net cash flows used in financing activities</b>	<b>(60,177)</b>	<b>(527,887)</b>
<b>Effect of exchange rate changes</b>	<b>13,565</b>	<b>(50,613)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>61,700</b>	<b>(98,024)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,619,701</b>	<b>1,717,725</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,681,401</b>	<b>1,619,701</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)**  
**Nova Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

Nova Corporation (the “Company”) was founded in Hsinchu, Republic of China (R.O.C.), on June 13, 1997. The registered address of the Company’s office is 10F, No.76, Sec.2, Jiafeng S. Rd., Zhubei City, Hsinchu County 30272, Taiwan, R.O.C. The consolidated financial statements comprise the Company and its subsidiaries(together referred to as the “Group”). The Group is engaged mainly in the import and export business, pipeline assembly and maintenance engineering of various electronic, computer parts and accessories, equipment, chemical material, and gas components.

The Company’s common shares have been listed on the Taipei Exchange on December 28, 2017, and the trading of the emerging stock was terminated on the same date.

**2. Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2021.

**3. New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4. Summary of significant accounting policies:

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

##### (1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

##### (2) Basis of preparation

###### A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (i) Financial assets at fair value through profit or loss;
- (ii) The defined benefit liabilities (assets) are measured at the fair value of the plan assets less the present value of the defined benefit obligation.

###### B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (TWD), which is the Company’s functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

##### (3) Basis of consolidation

###### A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

B. List of subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
The Company	Winmax Technology Corp.	Designing automated supply system 、 production of gas cabinets 、 valve box and liquid delivery cabinet	100%	100%
The Company	Winmega Technology Corp.	Wholesale of electronic equipment and machinery	100%	100%
The Company	Novatech Engineering & Construction Pte. Ltd	Designing chemical supply system	100%	100%
The Company	Suzhou Winmax Technology Corp.	Contract design for automated supply system business 、 production of gas cabinets 、 valve box and liquid delivery cabinet	100%	100%

C. Subsidiaries excluded from the consolidated financial statements: None

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (a) an investment in equity securities designated as at fair value through other comprehensive income;
- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (c) qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations are translated into New Taiwan Dollars (the present currency used in this consolidated report) using the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (5) Classification of current and non-current assets and liabilities

The assets and liabilities relating to the engineering contract are based on a business cycle (usually one to two years) as the standard for dividing flows or non-currents. The remaining assets and liabilities are classified by the following classification criteria:

- A. An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.
  - (a) It is expected to be realized, or intended to be sold or consumed, in the Group's normal operating cycle;
  - (b) It is held the asset primarily for the purpose of trading;
  - (c) It is expected to be realized realize the asset within twelve months after the reporting period; or
  - (d) The asset is cash or a 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.
- B. A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:
  - (a) It is expected to be settled in the Group's normal operating cycle;
  - (b) It is held the liability primarily for the purpose of trading;
  - (c) It is due to be settled the liability within twelve months after the reporting period; or
  - (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 issuing equity instruments, do not affect its classification.

#### (6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

#### (7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### (a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

##### (b) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

##### (c) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, and other financial assets), debt investments measured at FVOCI and contract assets.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor' s, Baa3 or higher per Moody' s or twA or higher per Taiwan Ratings' .

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 540 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average method and includes expenditure and other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(9) Revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(a) Equipment contracts and construction contracts

The Group enters into contracts to build equipment and construction of semiconductor equipment and optoelectronics industries. Because the asset is gradually controlled by its customer during the construction process, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract is fixed amounts. The customer pays the fixed amount based on a payment schedule. The Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

## NOVA CORPORATION AND SUBSIDIARIES

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If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract that exceeds the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

For equipment and construction contracts, the Group offers a standard warranty to provide assurance that they comply with the agreed-upon specifications and has recognized warranty provisions for this obligation.

(b) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any if the transaction prices for the time value of money.

B. Cost from contracts with customers

(a) Incremental costs of obtaining a contract

The Group recognizes, as an asset, the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the Group recognizes an asset from the costs incurred to fulfil a contract only if the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

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Contract costs are not very likely recovered should immediately recognize as expenses; the contract costs incurred that have not been very likely to be recovered, wherein the contract cost will be recognized as an expense immediately include the following scenario:

- A. the contract cannot be fully executed, that is, its legitimacy is extremely problematic;
- B. the completion of the contract depends on the outcome of pending litigation or legislation;
- C. the contract is related to property that may be levied or confiscated;
- D. contract in which the customer is unable to perform his obligations;
- E. contractor who is unable to complete the contract or is unable to perform its contractual obligations.

#### (10) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest 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.

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

##### A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

## NOVA CORPORATION AND SUBSIDIARIES

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#### B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (a) Buildings: 40 years
- (b) Building improvement: 5 to 10 years
- (c) Other equipment: 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (12) Leases

##### A. Identifying a lease

At inception of a contract, the Group assesses whether a 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, the Group assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

## NOVA CORPORATION AND SUBSIDIARIES

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

#### B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (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 under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (e) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases or leases of low-value assets, including staff dormitory. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- (13) Intangible assets

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

- (14) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (15) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties of the Group is recognized when the underlying products or services are sold. The provision is based on historical warranty data.

#### (16) Employee benefits

##### A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

## NOVA CORPORATION AND SUBSIDIARIES

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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (17) Share based payment

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### (18) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

#### (19) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee remuneration through issuance of shares. The weighted average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to ordinary shares.

#### (20) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

#### **5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

The management continues to monitor the accounting estimations and assumptions. It recognizes any changes in the accounting estimations during the period in which the estimates are revised, and in any future periods affected.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(1) Recognition of construction contract revenue (including estimated total budget cost)

The Group recognizes contract profit or loss based on the completion level of contract revenue and cost, evaluate percentage of completion, and completion level that is measured by proportion of contract costs incurred to the estimated contract costs. The Group estimates the total contract cost by considering the nature of each construction, the estimated construction period, the project in the construction, the construction process, the construction method and the estimated amount of the contract. Any changes above may result in a significant adjustment to the estimated amount. For relevant information, please refers to note 6(16).

(2) Valuation of receivables

The Group has estimated its loss allowance of receivables that is based on the historical payment receiving records, the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments. The relevant information, please refers to note 6(3).

(3) Accrual of construction contract losses

If the Group assesses that the contract cost that has been incurred is “unlikely to be recovered” then will make an accrual for the loss and recognize it as an expense immediately. If the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37. The construction loss and provision are estimated for pending litigations that are likely to have adverse consequences for the Group and the loss could be estimated reasonably. However, due to the high uncertainty of the lawsuit itself, the final result or actual compensation amount may have a significant variance and the changes for accounting estimates will be made. For relevant information, please refers to note 9(4).

The Group’s accounting policies include measuring its financial and non-financial assets and liabilities at fair value through profit or loss. The Group’s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of the fair value. The financial instrument valuation group also report issues of significant assessment to the Group’s audit committee.

The Group evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

When there is a transfer between levels of the fair value hierarchy, the Group recognizes the transfer at the reporting date. For the assumption used in fair value measurement, please refer to note 6(19) of the financial instruments.

**6. Explanation of significant accounts:**

(1) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash	\$ 41	11
Commercial paper on repurchase agreements	142,575	-
Checking deposits and cash in bank	819,588	811,677
Time deposits	719,197	808,013
	<b>\$ 1,681,401</b>	<b>1,619,701</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Open-end funds	\$ 26,575	30,031
Chailease PREF A	19,920	-
	<b>\$ 46,495</b>	<b>30,031</b>

The Group purchased 200 thousand Class A preferred shares of Chailease Holding Company Limited from Taiwan Stock Exchange for \$20,000 thousand on September 10, 2020.

(3) Notes receivable, Accounts receivable, and overdue receivable, net

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current:		
Notes receivable	\$ 74,506	89,070
Accounts receivable	1,566,625	1,287,731
Less: loss allowance	(17,748)	(28,579)
	<b>\$ 1,623,383</b>	<b>1,348,222</b>
Non-Current:		
Overdue receivable (reclassified as other non-current assets)	\$ 1,143	1,051
Less: loss allowance	(1,143)	(1,051)
	<b>\$ -</b>	<b>-</b>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

The Group has provided impairment on receivables amounting to \$1,143 thousand and \$1,051 thousand for the year ended December 31, 2020 and 2019 due to difficulty in collection.

The Group applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables as of December 31, 2020. To measure the ECL, receivables have been grouped based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance as of December 31, 2020 was determined as follows:

Aging days	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 1,562,713	-	-
121 to 180 days	23,992	0.5%	120
181 to 360 days	30,782	1.0%	308
361 to 540 days	10,539	40.0%	4,215
More than 541 days	13,105	100.0%	13,105
Total	<u>\$ 1,641,131</u>		<u>17,748</u>

Aging days	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 1,123,754	-	-
121 to 180 days	126,686	0.5%	633
181 to 360 days	87,902	1.0%	879
361 to 540 days	18,986	40.0%	7,594
More than 541 days	19,473	100.0%	19,473
Total	<u>\$ 1,376,801</u>		<u>28,579</u>

The movement in the loss allowance for notes and trade receivable was as follows:

	2020	2019
Balance on January 1, 2020 and 2019	\$ 29,630	7,640
Impairment losses recognized	15,698	28,579
Impairment losses reversed	(27,127)	(5,547)
Foreign exchange losses	690	(1,042)
Balance on December 31, 2020 and 2019	<u>\$ 18,891</u>	<u>29,630</u>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(4) Inventories, net

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	\$ 4,104	478
Work in progress	-	230,893
Raw materials	170,833	254,160
	\$ 174,937	485,531
Less: losses allowance	(14,381)	(10,958)
	<b>\$ 160,556</b>	<b>474,573</b>

The net of loss allowance that was charged to cost of sale for inventories written down to net realization value amounted to \$3,246 thousand for the year ended December 31, 2020. The write-down loss is included in cost of operation.

During the year 2019, the initial recognition of write down amounting to \$(196) thousand by the Group has been reversed due to utilization of the inventories. The reversal gain mentioned above is included in cost of operation.

(5) Other financial assets- current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deposit account (more than three months period)	\$ 128,318	150,000
Restricted deposit	19,081	9,867
Guarantee deposits paid for construction	33,278	41,440
Other	17,365	17,013
	<b>\$ 198,042</b>	<b>218,320</b>

(6) Investment accounted for using equity method

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Joint ventures	<b>\$ 112,500</b>	-

On December 29, 2020, the Company purchased 3,125 thousand shares of Rayzher Industrial Co., Ltd. (Rayzher) from the former shareholders for \$112,500 thousand, which accounted for 25% of its outstanding shares. During 2020, the Group did not recognize any gains and losses from investing in Rayzher.

The cost of the Company's investment in Rayzher amounting to \$34,000,000 exceeded the portion of its equity. The relevant follow up procedures are still in progress.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On December 10, 2020, the Company signed an investment agreement with Rayzher, wherein the Company promised would first acquire the shares from the former shareholders of Rayzher before December 31, 2020. Rayzher would then issue 8,500 thousand ordinary shares by cash, in which the Company promised to subscribe to 7,650 thousand shares, tentatively to be issued at a premium price of TWD 33 per share, before March 31, 2021.

According to the investment agreement, if one party fails to fulfill the contractual commitment, the party will have to pay a penalty equals to 30% of the acquisition amount.

(7) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2020	\$ 67,083	45,302	86,855	199,240
Additions	-	-	7,087	7,087
Disposals	-	-	(1,465)	(1,465)
Effect of exchange rate changes	-	-	760	760
Balance as of December 31, 2020	<u>\$ 67,083</u>	<u>45,302</u>	<u>93,237</u>	<u>205,622</u>
Balance as of January 1, 2019	\$ 67,083	45,302	82,273	194,658
Additions	-	-	9,261	9,261
Disposals	-	-	(1,811)	(1,811)
Effect of exchange rate changes	-	-	(2,868)	(2,868)
Balance as of December 31, 2019	<u>\$ 67,083</u>	<u>45,302</u>	<u>86,855</u>	<u>199,240</u>
Depreciation:				
Balance as of January 1, 2020	\$ -	8,123	51,049	59,172
Depreciation for the period	-	1,169	11,808	12,977
Disposals	-	-	(1,330)	(1,330)
Effect of exchange rate changes	-	-	535	535
Balance as of December 31, 2020	<u>\$ -</u>	<u>9,292</u>	<u>62,062</u>	<u>71,354</u>
Balance as of January 1, 2019	\$ -	6,954	43,056	50,010
Depreciation for the period	-	1,169	11,336	12,505
Disposals	-	-	(1,667)	(1,667)
Effect of exchange rate changes	-	-	(1,676)	(1,676)
Balance as of December 31, 2019	<u>\$ -</u>	<u>8,123</u>	<u>51,049</u>	<u>59,172</u>
Book value:				
Balance as of December 31, 2020	<u>\$ 67,083</u>	<u>36,010</u>	<u>31,175</u>	<u>134,268</u>
Balance as of January 1, 2019	<u>\$ 67,083</u>	<u>38,348</u>	<u>39,217</u>	<u>144,648</u>
Balance as of December 31, 2019	<u>\$ 67,083</u>	<u>37,179</u>	<u>35,806</u>	<u>140,068</u>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(8) Right-of-use assets

The Group leases many assets including buildings and vehicles. Information about leases for which the Group as a lessee was presented below:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 28,651	19,658	48,309
Additions	17,638	10,882	28,520
Disposal	(3,630)	(4,964)	(8,594)
Effect of exchange rate changes	374	189	563
Balance at December 31, 2020	<u>\$ 43,033</u>	<u>25,765</u>	<u>68,798</u>
Balance at January 1, 2019	\$ 16,724	13,477	30,201
Additions	23,869	6,554	30,423
Disposal	(11,227)	-	(11,227)
Effect of exchange rate changes	(715)	(373)	(1,088)
Balance at December 31, 2019	<u>\$ 28,651</u>	<u>19,658</u>	<u>48,309</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ 8,840	6,107	14,947
Depreciation for the year	14,896	7,614	22,510
Disposal	(3,630)	(4,187)	(7,817)
Effect of exchange rate changes	171	101	272
Balance at December 31, 2020	<u>\$ 20,277</u>	<u>9,635</u>	<u>29,912</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	12,455	6,225	18,680
Disposal	(3,421)	-	(3,421)
Effect of exchange rate changes	(194)	(118)	(312)
Balance at December 31, 2019	<u>\$ 8,840</u>	<u>6,107</u>	<u>14,947</u>
Carrying amounts:			
Balance at December 31, 2020	<u>\$ 22,756</u>	<u>16,130</u>	<u>38,886</u>
Balance at January 1, 2019	<u>\$ 16,724</u>	<u>13,477</u>	<u>30,201</u>
Balance at December 31, 2019	<u>\$ 19,811</u>	<u>13,551</u>	<u>33,362</u>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(9) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	<u>\$ 301,000</u>	<u>-</u>
Unused short-term credit lines	<u>\$ 690,992</u>	<u>930,533</u>
Range of interest rates	0.63%~ <u>0.78%</u>	<u>-</u>

(10) Lease liabilities

The Group's lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	<u>\$ 22,996</u>	<u>17,001</u>
Non-current	<u>\$ 16,611</u>	<u>16,765</u>

For the maturity analysis, please refer to net 6(19) "Financial instruments".

The amounts recognized in profit or loss was as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 1,285</u>	<u>1,260</u>
Expenses relating to short-term leases	<u>\$ 27,005</u>	<u>17,208</u>

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 50,187</u>	<u>37,435</u>

A. Building leases

As of December 31, 2020 and 2019, the Group leases buildings for its office space. The lease periods of office space are 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

B. Other leases

The Group leases vehicles, with lease terms of 2 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases staff dormitory and vehicles with contract terms of one year. These leases are short-term items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(11) Provisions—current

The Group’s warranty preparation changes were as follows:

	<b>2020</b>	<b>2019</b>
Balance as of January 1	\$ 123,711	152,970
Provisions made for the period	3,593	28,374
Provisions utilized during the period	(24,349)	(53,331)
Effect of change in exchange rate	882	(4,302)
Balance as of December 31	<b>\$ 103,837</b>	<b>123,711</b>

The Group’s provisions for warranties had been estimated by using the historical data of construction contract, which is expected to occur within the period of the contract (no longer than the business cycle).

(12) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Company were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of the defined benefit obligation	\$ 40,626	43,306
Fair value of plan assets	(10,605)	(9,678)
Net defined benefit liabilities	<b>\$ 30,021</b>	<b>33,628</b>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. Plans entitle a retired employee to receive an annual payment based on its years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates the pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (here in after referred to as the Bureau of Labor Funds). With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company’s labor pension reserve account balance amounted to \$10,605 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(b) Movements in the present value of the defined benefit obligation

	<b>2020</b>	<b>2019</b>
Defined benefit obligation as of January 1	\$ 43,306	33,061
Interest costs	495	450
Actuarial losses (gains)	(3,175)	9,795
Defined benefit obligation as of December 31	<b>\$ 40,626</b>	<b>43,306</b>

(c) Movements in the fair value of the defined benefit plan assets

	<b>2020</b>	<b>2019</b>
Fair value of plan assets as of January 1	\$ 9,678	8,658
Contributions made	545	580
Expected return on plan assets	112	123
Actuarial gains (losses)	270	317
Fair value of plan assets as of December 31	<b>\$ 10,605</b>	<b>9,678</b>

(d) Expenses recognized in profit or loss

	<b>2020</b>	<b>2019</b>
Interest costs	\$ 487	454
Actual return on plan assets	(382)	(440)
Plan assets loss (gain)	270	317
	<b>\$ 375</b>	<b>331</b>

(e) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

	<b>2020</b>	<b>2019</b>
Actuarial losses (gains) on defined benefit obligation	\$ (3,175)	9,795
Actuarial losses (gains) on plan assets	(270)	(317)
	<b>\$ (3,445)</b>	<b>9,478</b>

(f) Actuarial assumptions

(i) For actuarial in the present value of the defined benefit obligation:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.750%	1.125%
Future salary increase rate	3.17%	4.25%

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) For actuarial in defined benefit plans cost:

	<u>2020</u>	<u>2019</u>
Discount rate	1.125%	1.375%
Future salary increase rate	4.25%	3.00%

The Company expects to make a contribution of \$504 thousand to its defined benefit plans in the following year, beginning December 31, 2020.

The weighted-average duration of the defined benefit obligation is 15.39 years.

(g) Sensitivity analysis

When calculating the present value of the benefit obligation, the Company must use judgments and estimate to determine the relevant actuarial assumptions on the balance sheet date, including the discount rate and future salary changes. Any changes in the actuarial assumptions may have materially affects the amount of the defined benefit obligation of the Group.

If there is a change in the actuarial assumptions as of the December 31, 2020, the impact on the defined benefit obligation would be as follows:

	<b>Impact on the defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
Discount rate	<u>\$ (1,373)</u>	<u>1,423</u>
Future salary increase rate	<u>\$ 1,368</u>	<u>(1,326)</u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding all other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

**B. Defined contribution plans**

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group pension costs under the defined contribution plan were \$9,089 thousand and \$9,494 thousand for the years ended December 31, 2020 and 2019, respectively.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(13) Income tax

A. Income tax expenses

The amount of income tax expenses of the Group was as follows:

	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 155,059	173,556
Adjustment for prior period	(7,881)	(801)
Unappropriated retained earnings	3,534	370
	150,712	173,125
Deferred income tax expense		
Origination and reversal of temporary differences	14,468	36,466
Income tax expenses	<b>\$ 165,180</b>	<b>209,591</b>

The amount of income tax benefit (expense), recognized in other comprehensive income, was as follows:

	<b>2020</b>	<b>2019</b>
Exchange differences on translation of foreign financial statements	<b>(2,472)</b>	<b>9,398</b>

The reconciliation of income tax expenses and income before income tax was as follows:

	<b>2020</b>	<b>2019</b>
Income before income tax	<b>\$ 572,572</b>	<b>706,532</b>
Income tax at the Company's domestic tax rate	114,514	141,307
Effect of different tax rates in foreign jurisdictions	64,747	69,347
Permanent difference and others	(9,734)	(632)
Over (under)-provision in prior periods	(7,881)	(801)
Surtax on unappropriated retained earnings	3,534	370
Total	<b>\$ 165,180</b>	<b>209,591</b>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

B. Deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Warranties	\$ 4,904	(1,700)	-	3,204	74	-	3,278
Construction revenue and costs on book-tax differences	9,387	(823)	-	8,564	8,152	-	16,716
Exchange differences on translation of foreign financial statements	10,110	-	9,398	19,508	-	(2,472)	17,036
Unrealized loss on exchange	-	573	-	573	4,077	-	4,650
Unrealized loss and others	4,606	(377)	-	4,229	626	-	4,855
	<u>\$ 29,007</u>	<u>(2,327)</u>	<u>9,398</u>	<u>36,078</u>	<u>12,929</u>	<u>(2,472)</u>	<u>46,535</u>

Deferred tax liabilities:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Unrealized gain on exchange	\$ (334)	334	-	-	-	-	-
Gain on profit of subsidiary accounted for using equity method	(191,671)	(34,473)	-	(226,144)	(27,318)	-	(253,462)
Unrealized gain on investment	-	-	-	-	(79)	-	(79)
	<u>\$ (192,005)</u>	<u>(34,139)</u>	<u>-</u>	<u>(226,144)</u>	<u>(27,397)</u>	<u>-</u>	<u>(253,541)</u>

C. Examination and approval

The Company's tax returns have been examined by the tax authorities through 2018.

(14) Capital and other equity

A. Issuance of ordinary shares

As of December 31, 2020 and 2019, the issued capital of the Company amounted to \$339,280 thousand dollars; the authorized capital each amounted to \$500,000 thousand dollars for both years, with par value of \$10 per share.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

B. Capital surplus

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Capital surplus – premium	\$ 852,207	852,207
Long-term investment	1,052	1,052
Cash capital increase retains the compensation cost of employee subscription	13,286	13,286
	<b>\$ 866,545</b>	<b>866,545</b>

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid in capital.

C. Retained earnings

(a) Legal reserve

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date, due to the first time adoption of the IFRSs endorsed by the FSC, amounted to \$9,241 thousand. A net increase in retained earnings, due to the first time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2019, the carrying amount of \$9,241 thousand was recognized as special reserve based on the above ruling.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special reserve, resulting from the first time adoption of the IFRSs endorsed by the FSC, and the carrying amount of other shareholders' equity, as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first time adoption of the IFRSs endorsed by the FSC. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

According to the Company's articles of incorporation, in years of earnings, are distributed as follow:

- A. Withholding taxes;
- B. Offset any accumulated deficit;
- C. A 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid in capital;
- D. An amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities;
- E. The Company shall retain an appropriate portion of earnings based on the Company's operating environments, future growth and long-term financial planning before distributing dividends to shareholders. Distribution of the remaining earnings after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The Company shall consider the operating environment, future growth, future capital management, financial structure, earnings conditions, and stability of dividends distribution policies and dilutive of each earning per share on earning distribution. The Company will distribute more than 10%, based on the distributable earnings, mentioned above to dividends for shareholders, either stock dividends or cash dividends should not be less than 10% of the total dividend payout of shareholders.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The following are the appropriation of earnings in 2019 and 2018 which were approved during the shareholders' meeting held on May 21, 2020 and May 24, 2019, respectively:

	2019		2018	
	Amount per share (TWD)	Total amount	Amount per share (TWD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 10.00	339,280	15.00	508,920

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2020 will be presented for resolution in the Board of Directors' meeting on February 22, 2021 and the distribution to be approved in the annual shareholders' meeting. The related information will be available on the Market Observation Post System website after the resolution meeting.

#### (15) Earnings per share

	2020	2019
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	<u>\$ 407,392</u>	<u>496,941</u>
Weighted average number of ordinary shares (in thousands)	<u>33,928</u>	<u>33,928</u>
Basic earnings per share (TWD)	<u>\$ 12.01</u>	<u>14.65</u>
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	<u>\$ 407,392</u>	<u>496,941</u>
Weighted average number of ordinary shares (in thousands) (basic)	33,928	33,928
Effect of potential diluted ordinary shares:		
Effect of employee remuneration employee stock remuneration	<u>224</u>	<u>189</u>
Weighted average number of ordinary shares (in thousands) (diluted)	<u>34,152</u>	<u>34,117</u>
Diluted earnings per share (TWD)	<u>\$ 11.93</u>	<u>14.57</u>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(16) Revenue from contracts with customers

A. Revenue from major regional markets and products:

	<b>2020</b>			
	<b>Semiconductor</b>	<b>Green energy photoelectric</b>	<b>Other</b>	<b>Total</b>
Taiwan	\$ 391,972	39,896	220,066	651,934
China	2,078,701	862,106	159,518	3,100,325
other	57,609	52,758	14,818	125,185
	<b>\$ 2,528,282</b>	<b>954,760</b>	<b>394,402</b>	<b>3,877,444</b>
	<b>2019</b>			
	<b>Semiconductor</b>	<b>Green energy photoelectric</b>	<b>Other</b>	<b>Total</b>
Taiwan	\$ 604,166	67,974	166,911	839,051
China	2,777,100	423,683	120,269	3,321,052
Other	152,371	52,887	40,909	246,167
	<b>\$ 3,533,637</b>	<b>544,544</b>	<b>328,089</b>	<b>4,406,270</b>

B. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Contract assets — construction and equipment	\$ 759,803	397,489
Less: Loss in contract	(50,923)	(50,231)
	<b>\$ 708,880</b>	<b>347,258</b>
Contract liability — construction and equipment	<b>\$ 797,508</b>	<b>309,953</b>

For details on accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$273,432 thousand and \$439,467 thousand, respectively.

The contract assets primarily relate to the amount of revenue that has been recognized for construction contract but has not yet billed at the reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for construction contract before the construction begins, for which revenue is recognized progressively during the construction period.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There are no significant changes in 2020 and 2019.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

C. Transaction price allocated to the remaining performance obligations

As of 31 December 2020 and 2019, the aggregate amount of the transaction price of allocated to the remaining performance obligation was \$1,356,883 thousand and \$632,989 thousand, respectively. The Group will recognize this revenue over time as the building is completed, which is expected to occur over the next 12 to 36 months. If the contract of construction has an expected duration of less than one year, the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

All consideration from contracts with customers is included in the transaction price presented above.

(17) Non-operating income and expenses

A. Interest income

	<b>2020</b>	<b>2019</b>
Interest income of demand deposits	\$ 789	1,404
Interest income of time deposits	13,994	17,022
Interest income from bonds	642	923
Other interest income	-	74
	<b>\$ 15,425</b>	<b>19,423</b>

B. Other gains and losses, net

	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses), net	\$ (56,642)	7,354
Gain on financial asset at fair value through profit or loss	1,038	31
Others	20,320	14,848
	<b>\$ (35,284)</b>	<b>22,233</b>

C. Finance costs

	<b>2020</b>	<b>2019</b>
Interest expense – lease liability	\$ 1,285	1,260
Interest expense – short term borrowings	780	-
	<b>\$ 2,065</b>	<b>1,260</b>

(18) Remuneration to employees, directors and supervisors

The Company's Articles of Incorporation require that profits shall first be used to offset against any deficit, then remaining 3% and 5% of the remaining profit shall be distributed as remuneration to employees and directors, respectively.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The remunerations to employees amounted to \$27,569 thousand and \$26,458 thousand, and the remunerations to directors amounted to \$11,028 thousand and \$11,906 thousand for the years ended December 31, 2020 and 2019, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. For the unsubscribed shares of the Company's employees, the basis for calculating the stock price of stocks will be based on the closing price of common stock on the day before the resolution of the board of directors.

The remunerations to employees amounted to \$26,458 thousand, as well as the remunerations to directors amounted to \$11,906 thousand for the years ended December 31, 2019. There were no differences between the amounts of employee and directors' remuneration allocated by the aforesaid board resolutions. Related information would be available at the Market Observation Post System website.

#### (19) Financial instruments

##### A. Credit risk

###### (a) Exposures to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

###### (b) Concentration of credit risk

As of December 31, 2020 and 2019, 54% and 42%, respectively, of accounts receivable (including related parties) were from 5 major customers. Thus, credit risk is significantly centralized.

###### (c) Credit risk on receivables

For credit risk exposure of note and trade receivables (including overdue receivables), please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the considered to have low credit risk, please refer to note 4(7); and for the changes in the allowance for the above financial assets in 2019, please refer to Note 6(3).

##### B. Liquidity risk

The following, except for payables (including related parties), accrued payroll, accrued bonus and other accrued expense, are the contractual maturities of other financial liabilities.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
<b>December 31,2020</b>					
Short-term borrowings	\$ 301,000	301,501	301,501	-	-
Lease Liabilities	<u>39,607</u>	<u>40,907</u>	<u>23,969</u>	<u>12,185</u>	<u>4,753</u>
	<b><u>\$ 340,607</u></b>	<b><u>342,408</u></b>	<b><u>325,470</u></b>	<b><u>12,185</u></b>	<b><u>4,753</u></b>
<b>December 31,2019</b>					
Lease Liabilities	<b><u>\$ 33,766</u></b>	<b><u>35,036</u></b>	<b><u>17,844</u></b>	<b><u>14,431</u></b>	<b><u>2,761</u></b>

C. Currency risk

(a) Exposure to foreign currency exchange rate risk

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 35,207	USD/TWD =28.515	1,003,928	17,029	USD/TWD =30.203	514,327
USD	12,609	USD/CNY =6.5306	359,546	19,782	USD/CNY =6.9992	597,476
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	2,315	USD/TWD =28.515	66,012	1,878	USD/TWD =30.203	56,721
USD	883	USD/CNY =6.5306	25,179	3,477	USD/CNY =6.9992	105,016

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables and payables. A strengthening (weakening) of 1 dollar of the TWD against the USD as of December 31, 2020 and 2019, with other factors remaining constant, would have increased (decreased) the comprehensive income by \$35,694 thousand and \$25,165 thousand respectively. The analysis is performed on the same basis.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (c) Foreign exchange gain (loss) on monetary items

	2020		2019	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ (38,967)	-	(8,450)	-
CNY	(17,675)	4.2860	15,804	4.4770

- (d) Fair value of financial instruments

- (i) Fair value hierarchy

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 46,495	46,495	-	-	46,495
	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 30,031	30,031	-	-	30,031

- (ii) Valuation techniques for financial instruments measured at fair value

The financial instruments held by the Group are beneficiary certificates mutual funds and preferred shares issued by a listed company traded in active markets. The fair value of financing assets is determined based on market quotations.

- (20) Financial risk management

A. Overview

The Group is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The following, likewise, discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

#### B. Objectives and policies for managing risk

The Group's financial management department provides services for each business, coordinating and coordinating access to domestic and international financial market operations, monitors and manages the financial risks associated with the operations of the combined company by analyzing the internal risk report on risk based on the degree and extent of the risk. In accordance with a reviewed policy, the Group will not engage in derivative financial instruments for the purpose of speculation.

#### C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

##### (a) Trade receivables

The Group evaluates the credit level of its customers before entering into any transaction with them, wherein it takes into consideration the size of their companies, industry prospects, as well as their reputation within the industry. In addition, the Group also enquires from its own construction department to obtain information concerning its customers, checks the history of its customers' accounts from its finance department, and creates a credit account for its customers, to reduce the risk on transaction. The Group monitor monthly any overdue receivables. For past due accounts, the Group's administrative department and construction department will analyze and understand the reason behind the matter before the Group transacted with any customers.

##### (b) Investment

Exposure to credit risk on bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group expects its counterparties above to meet their obligations, hence, there is no significant credit risk arising from these counterparties.

##### (c) Guarantee

The Group's policy is to provide financial guarantees only to the Company and its wholly owned subsidiaries who entered into agreements for engineering projects.

#### D. Liquidity risk

The Group manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows.

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range, while optimizing the return.

F. Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group. The currencies used in these transactions are the USD.

(21) Capital management

The Group's objective is to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of its other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt, divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus, net debt.

There were no changes in the Group's approach to capital management during the year ended December 31, 2020.

The Group's debt to adjusted capital ratio at the reporting date was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 2,524,826	2,084,406
Less: cash	(1,681,401)	(1,619,701)
Net debt	<b>\$ 843,425</b>	<b>464,705</b>
Total equity	<b>\$ 2,328,206</b>	<b>2,246,762</b>
Debt-to-adjusted-capital ratio	<b>36.23%</b>	<b>20.68%</b>

(22) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

A. Obtaining right-of-use assets by lease, please refer to note 6(10).

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

B. Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Increase/ Decrease and interest expense</u>	<u>December 31, 2020</u>
Short term borrowings	\$ -	301,000	-	301,000
Lease liabilities	33,766	(23,182)	29,023	39,607
	<u>\$ 33,766</u>	<u>277,818</u>	<u>29,023</u>	<u>340,607</u>

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Increase/ Decrease and interest expense</u>	<u>December 31, 2019</u>
Lease liabilities	\$ 30,201	(20,227)	23,792	33,766

**7. Related-party transactions:**

(1) Parent company and ultimate controlling company

Acter Co., Ltd. is the ultimate controlling party of the Group and their subsidiary of the company, and owns 62% percent of all shares outstanding of the Company on December 31, 2020. Acter Co., Ltd. has issued the consolidated financial statements available for public use.

(2) Names and relationship with related parties

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Acter Co., Ltd.	The parent company
Sheng Huei Engineering (Shenzhen) Co., Ltd	Other related company
Nova Technology Singapore Pte.,	Other related company

(3) Significant transactions with related parties

A. Sales and Asset and Liability of operating

	<u>2020</u>	<u>2019</u>
Parent company	<u>\$ 50</u>	<u>-</u>

There were no significant differences in the term and pricing of sale transactions between related enterprises and non-related parties.

B. Accumulated construction costs, notes and accounts payable

Accumulated incurred costs

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Parent company	<u>\$ 4,995</u>	<u>4,995</u>

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

C. Guarantee for related parties

<u>Guaranteed object</u>	<u>Guarantee type</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Construction performance guarantee or warranty:			
Parent company	Credit guarantee	\$ 289,800	289,800
Other related parties	Credit guarantee	189,115	189,115
		<u>\$ 478,915</u>	<u>478,915</u>

D. Rent Expense

The Group rented office buildings and factory building from its related parties. The rental expenses for 2020 and 2019 amounted to \$3,940 thousand and \$3,508 thousand, respectively, which had been paid as of December 31, 2020.

E. As of December 31, 2020 and 2019, the amount of performance of the affiliated companies, with their credit guarantees for the Group's construction performance, was \$41,601 thousand, wherein the payment had been made.

F. The amounts of the receivables in 2020 and 2019 from related parties amounted to \$152 thousand and \$184 thousand, respectively.

(4) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short term employee benefits	\$ 31,421	33,938
Post-employment benefits	304	428
	<u>\$ 31,725</u>	<u>34,366</u>

**8. Pledged assets:**

The carrying values of the Group's pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of Pledged</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits (recorded in other financial assets – current)	Security deposit of guarantee letter	\$ 19,081	9,867

**9. Commitments and contingencies:**

Except for note 6(6) and 7, the significant commitments and contingencies of the Group were as follows:

(1) The performance guarantees or warranty guarantee notes issued by the Group for the contracted projects were \$10,605 thousand and \$586,575 thousand, respectively.

**NOVA CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (2) The performance guarantee letters issued by the bank for the Group, due to the contracted projects, were \$780,517 thousand and \$906,577 thousand, respectively.
- (3) For the unfinished significant contracted construction contracts signed by the Group, please refer to note 6(16).
- (4) The Group entered into an agreement with Jing He Science Co., Ltd. (Jing He) for the construction and expansion of a new factory and gas factory, respectively, wherein the Group is responsible for the installation process of the pipelines, as well as for purchasing the related equipment according to the design layout and purchase order provided by Jing He. However, Jing He made certain changes to its layout plan, which in turn, requires extra work; and for this reason, the Group requested Jing He for an additional payment, in which Jing He argued that the contract is a lump-sum contract; therefore, refused to make any additional payment. Furthermore, it unilaterally terminated the agreement prior to the completion of the construction. The Group then filed a lawsuit to the District Court against Jing He, demanding the amount of the contract to be paid in full. The Group has also engaged a lawyer to defend its case. On the other hand, the District Court appointed Taiwan Association of Construction and Development, as well as Taiwan Professional Electrical Engineers Association, to estimate the value of the completed part of the new factory building, with both parties providing supplementary opinions for the preliminary valuation. The District Court has also appointed Taiwan Construction Research Institute (TCRI) to estimate the value of the expansion of the gas factory, wherein the estimated result turned out to be the same as that of which conducted by the Group. As of the issuance date of this financial statements, the Court's decision has yet to be made, wherein it included the compensation amount of the damage resulting in a recognition of allowance for impairment incurred from the construction cost by the Group in accordance with the related accounting standards. The Group has estimated the maximum loss incurred from this lawsuit to be \$70 million. On February 5, 2018, Jing He had paid the amount of \$10,500 thousand (including tax) for partially reimbursing the said construction.

**10. Losses Due to Major Disasters: None**

**11. Subsequent Events: None**

**12. Other:**

The following is the summary statement of current period employee benefits, depreciation, and amortization expenses by function:

By item	By function	For the year ended December 31					
		2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		207,317	194,400	401,717	231,433	207,696	439,129
Labor and health insurance		24,815	14,968	39,783	41,206	26,256	67,462
Pension		6,096	3,368	9,464	6,642	3,183	9,825
Others		5,996	5,728	11,724	7,983	8,824	16,807
Depreciation		13,630	21,857	35,487	12,782	18,403	31,185

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 13. Other disclosures:

(1) Information on significant transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Suzhou Winmax	Subsidiary	4,656,412	9,299	-	-	-	- %	6,984,618	Y	N	Y
0	The Company	Winmax · Suzhou Winmax	Subsidiary	4,656,412	720,942	633,128	121,180	-	27.19%	6,984,618	Y	N	Y
0	The Company	Winmax	Subsidiary	4,656,412	757,249	652,384	519,412	-	28.02%	6,984,618	Y	N	Y
0	The Company	Acter	Parent company	4,656,412	289,800	289,800	289,800	-	12.45%	6,984,618	N	Y	N
0	The Company	Sheng Hwei (Shenzhen)	100% owned subsidiary of the parent company	4,656,412	189,115	189,115	189,115	-	8.12%	6,984,618	N	N	Y
1	Winmax	Nova	Parent company	3,654,729	224,529	165,162	165,162	-	13.65%	6,091,215	N	Y	N
1	Winmax	Suzhou Winmax	100% owned subsidiary of the parent company	3,654,729	87,666	87,328	-	-	7.17%	6,091,215	N	N	Y
2	Suzhou Winmax	Winmax	100% owned subsidiary of the parent company	7,320,670	587,390	-	-	-	- %	7,320,670	N	N	Y

Note 1: The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 200% of the Company’s net worth.

Note 2: The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 300% of the Company’s net worth.

Note 3: The total amount for guarantees and endorsements provided by the Winmax to other entities shall not exceed 500% of the it’s net worth ; and to any individual entity, shall not exceed 300% of it’s net worth. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount that the two parties can reasonably estimate within the past one year or the next one year.

Note 4: The total amount for guarantees and endorsements provided by the Suzhou Winmax to its parent company, or to a subsidiary who the parent company owns, directly and indirectly, 100% of its voting shares, shall not exceed 3500% of it's net worth; as well as to any individual entity, shall not exceed 3500% of it’s net worth. In addition, the total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of it's net worth and to any individual entity, shall not exceed 300% of it’s net worth. The total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of it’s net worth and to any individual entity shall not exceed 300% of it’s net worth.

Note 5: Net value refers to the latest amount in the financial statements that had been certified or audited by an accountant.

**NOVA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

C. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Winmega	Franklin Templeton Sinoam Money Market Fund	-	Financial asset at fair value through profit or loss-current	1,929	20,116	- %	20,116	
Nova	PineBridge Preferred Securities Income Fund USD A		Financial asset at fair value through profit or loss-current	18	6,459	- %	6,459	
Nova	Chailease PREF A		Financial asset at fair value through profit or loss-current	200	19,920	- %	19,920	

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The company	Ordinary Shares	Investments accounted for using equity method	Former shareholder of Rayzher		-	-	3,125	112,500	-	-	-	-	3,125	112,500

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Winmax	The Company's subsidiary	Purchase	342,228	27%	By contract	-	-	-	-%	Note

Note: The related transaction and account balance have been eliminated in the consolidated financial statements.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

I. Trading in derivative instruments: None

J. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Winmax	Parent company to subsidiary	Purchase	342,228	Note	7%

Note: There are no significant differences between the terms and pricing of contracting project, sales and services offered to related parties and those of non-related parties.

**NOVA CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Winmega	Hsinchu	Electronic equipment, equipment wholesale, chemical machinery wholesale, etc	15,000	15,000	3,000	100.00%	109,869	43,323	43,323	Note
The Company	Novatech Engineering & Construction Pte. Ltd.	Singapore	Contract for the chemical supply system business	24,179	24,179	1,000	100.00%	55,051	(3,523)	(3,523)	
The Company	RAYZHER	Taoyuan	Piping engineering, motor installation-automatic control equipment, etc.	112,500	-	3,125	25.00%	112,500	-	-	

Note: Winmega remitted cash dividends of \$23,000 thousand in 2020.

(3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	None
					Outflow	Inflow							
Winmax	Contract design for automated supply system business 、 production of gas cabinets 、 valve box and liquid delivery cabinet	151,426	(1)	9,635	-	-	9,635	336,314	100.00%	336,314	1,218,243	621,053	Note 4
Suzhou Winmax	Contract design for automated supply system business 、 production of gas cabinets 、 valve box and liquid delivery cabinet	32,478	(1)	32,478	-	-	32,478	57,971	100.00%	57,971	209,162	-	

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
42,113(USD1,300 thousand)	183,904(USD5,890 thousand)	1,396,924

Note 1: The amount of capital included the capital increase by retained earning of USD4,590 thousand in 2007 and 2012.

Note 2: Wimmax's and Suzhou Wimmax's and financial statements of the investee company were audited by the Certified Public Accountant.

Note 3: (Note 1) Direct investment in Mainland China.

Note 4: Winmax has distributed cash dividends CNY60,000 thousand, which equals TWD254,170 thousand in 2020.

C. Significant transactions:

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

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 14. Segment information:

(1) General information

The Group has three reportable segments: Taiwan, China, and Others. The segment of Taiwan provides sales, engineering and other services to the customers in Taiwan; The segment of China is in charge of sales to customers in China.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were funded by the Company. The managements are trained by the Group.

(2) Information about reportable segments and their measurement and reconciliations

The Group had allocated tax expense (revenue) and unusual profit to every reportable segment. Furthermore, all the profit of each reportable segment should include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker. The operating segment accounting policies are similar to those described in note 4. The reportable segments had evaluated the net income of the Group.

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

<b>For the year ended December 31, 2020</b>	<b>Taiwan</b>	<b>China</b>	<b>Asia and others</b>	<b>Adjustment and elimination</b>	<b>Total</b>
Revenue					
Revenue from external customers	\$ 1,795,492	2,053,202	28,750	-	3,877,444
Revenue from internal segment	37,528	512,369	-	(549,897)	-
Total revenue	<u>\$ 1,833,020</u>	<u>2,565,571</u>	<u>28,750</u>	<u>(549,897)</u>	<u>3,877,444</u>
Depreciation					(35,487)
Reportable segment profit					407,392
Reportable segment assets					4,853,032
Reportable segment liabilities					2,524,826
<b>For the year ended December 31, 2019</b>	<b>Taiwan</b>	<b>China</b>	<b>Asia and others</b>	<b>Adjustment and elimination</b>	<b>Total</b>
Revenue					
Revenue from external customers	\$ 1,888,413	2,430,102	87,755	-	4,406,270
Revenue from internal segment	105,524	256,226	-	(361,750)	-
Total revenue	<u>\$ 1,993,937</u>	<u>2,686,328</u>	<u>87,755</u>	<u>(361,750)</u>	<u>4,406,270</u>
Depreciation					(31,185)
Reportable segment profit					496,941
Reportable segment assets					4,331,168
Reportable segment liabilities					2,084,406

## NOVA CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(3) Products and services information

For details of the information from January 1 to December 31, 2020 and 2019, please refer to Note 6 (16).

(4) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

A. Revenues from external customers:

Location	2020	2019
Taiwan	\$ 651,934	839,051
China	3,100,325	3,321,052
Others	125,185	246,167
	<b>\$ 3,877,444</b>	<b>4,406,270</b>

B. Non-current assets:

Location	December 31, 2020	December 31, 2019
Taiwan	\$ 118,923	124,182
China	56,087	52,333
Others	2,998	3,983
	<b>\$ 178,008</b>	<b>180,498</b>

(5) Major customer information

Sales to individual customers representing greater than 10% of the revenues were as follows:

	2020		2019	
	Amount	% of net sales	Amount	% of net sales
Customer A	\$ 571,861	15	9,101	-
Customer B	457,054	12	187,365	10
Customer E	283,509	7	631,163	14
Customer D	268,004	7	445,850	10
	<b>\$ 1,580,428</b>	<b>41</b>	<b>1,273,479</b>	<b>34</b>

## **Independent Auditors' Report**

To the Board of Directors of Nova Technology Corporation:

### **Opinion**

We have audited the accompany parent company only financial statements of Nova Technology Corporation (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompany parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements for the year ended December 31, 2020. 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. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Recognition of construction contract revenue (including estimated total budget cost)

Please refer to Note 4(8) "Revenue (Revenue from contract with customers)" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty" , and Note 6(16) "Revenue from contracts with customers" to the parent company only financial statements.

#### Description of key audit matter:

The Company recognized its revenue by using the percentage of completion method. The completion level is based on the cost for each contract at year-end. The management will re-evaluate the cost if the total budget had significantly increased or decreased, and will recalculate the percentage of completion in accordance with the adjusted cost. The accuracy of the construction contract revenue may be affected by the completion level and appropriateness of the estimation of total budget cost. Thus, we considered the recognition of revenue as one of the key matters of our audit.

#### How the matter was addressed in our audit:

Our principal audit procedures included: reviewing significant contracts to understand the specific terms and risks of each contract; testing the key internal controls of the revenue cycle to confirm the significant risk of the abnormality. Also, enquiring with the management and updating the preparation and approval process of the estimated cost of the contracts; understanding the process of accounting estimates made by the management and considering other evidences to evaluate the management's assumptions on the completeness of construction revenue; checking the differences between the estimated total budget cost and the actual cost of the construction contract. Furthermore, considering whether the management has estimated the cost that had not been invested before the completion date, and the possibility of reversal on the expected price are appropriate and reasonable; as well as assessing whether the revenue is in accordance with the relevant regulations, and the cost is appropriately disclosed.

### 2. Valuation of receivables

Please refer to Note 4(6) "Financial instruments", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(3) "Notes receivable, Accounts receivable and overdue receivable, net" to the parent company only financial statements.

#### Description of key audit matter:

The recoverability of the Company's accounts receivable is related to the economic cycle and customer operations. The management measures the financial position of the customers and assesses the expected credit losses arising from all possible defaults during the expected life of the accounts receivable. The assessment of the impairment loss of receivables is determined by management judgment. Therefore, the valuation of accounts receivable is one of the key matters for our audit.

#### How the matter was addressed in our audit:

Our principal audit procedures included: checking the completeness and accuracy of the aging analysis; understanding and evaluating the assessment performed by management relating to receivables that are overdue; vouching to the receipt after the year end, and understanding the collectability of remaining amount; assessing the adequacy of loss allowance provided by the Company; and evaluating the adequacy of the Company's disclosures in the accounts.

### 3. Accrual of construction contract losses

Please refer to Note 4(8) "Revenue (Cost from contracts with customers)", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 9(4) "Significant Commitments and Contingencies" to the parent company only financial statements.

Description of key audit matter:

If the Company assesses that the contract cost that has been incurred is “unlikely to be recovered” then will make an accrual for the loss and recognize it as an expense immediately. The accrual of the losses involves management judgment so that the estimation of construction contract losses is one of the key matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Comparing the actual amount of construction contract losses and loss provisions accrued in the past; assessing and understanding how the management estimates the losses, including the method of assessment, whether the source of the information is appropriate, and the possibility to correct the accounting estimates; evaluating the appropriateness of accounting principles and related disclosures. In addition, if the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 Company’s ability to continue as a going concern, 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 the Audit committee) are responsible for overseeing the Company’s financial reporting process.

### **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 the 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 Company's internal control.
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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 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 the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Tzu-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)  
February 22, 2021

#### Notes to Readers

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

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



(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Nova Technology Corporation

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		<u>For the years ended December 31,</u>			
		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net Operating revenue</b> (notes 6(16) and 7)	\$ 1,718,210	100	1,912,720	100
5000	<b>Operating costs</b> (notes 6(4), (10), (12) and 7)	<u>1,478,268</u>	<u>86</u>	<u>1,572,503</u>	<u>82</u>
	<b>Gross profit</b>	<u>239,942</u>	<u>14</u>	<u>340,217</u>	<u>18</u>
	<b>Operating expenses</b> (notes 6(3), (10), (12) and(18)):				
6100	Selling expenses	5,003	-	5,408	-
6200	Administrative expenses	125,029	7	133,258	7
6450	Expected credit Impairment loss (gain)	<u>(4,298)</u>	<u>-</u>	<u>(467)</u>	<u>-</u>
		<u>125,734</u>	<u>7</u>	<u>138,199</u>	<u>7</u>
	<b>Net operating income</b>	<u>114,208</u>	<u>7</u>	<u>202,018</u>	<u>11</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income(note 6(17))	1,584	-	2,652	-
7020	Other gains and losses, net (note 6(17))	(36,205)	(2)	(7,215)	-
7050	Finance costs (notes 6(10) and (17))	(889)	-	(107)	-
7070	Share of profit of equity-accounted investees (Note 6(6))	<u>434,084</u>	<u>25</u>	<u>425,744</u>	<u>22</u>
		<u>398,574</u>	<u>23</u>	<u>421,074</u>	<u>22</u>
7900	<b>Income before income tax</b>	512,782	30	623,092	33
7950	Less: income tax expenses (note 6(13))	<u>105,390</u>	<u>6</u>	<u>126,151</u>	<u>7</u>
	<b>Net Income</b>	<u>407,392</u>	<u>24</u>	<u>496,941</u>	<u>26</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans (note 6(12))	3,445	-	(9,478)	-
8349	Income tax related to items that will not be reclassified subsequently	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>3,445</u>	<u>-</u>	<u>(9,478)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	12,359	1	(46,990)	(2)
8399	Income tax related to items that may be reclassified subsequently (note 6(13))	<u>(2,472)</u>	<u>-</u>	<u>9,398</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>9,887</u>	<u>1</u>	<u>(37,592)</u>	<u>(2)</u>
8300	<b>Other comprehensive income</b>	<u>13,332</u>	<u>1</u>	<u>(47,070)</u>	<u>(2)</u>
	<b>Total comprehensive income</b>	<u>\$ 420,724</u>	<u>25</u>	<u>449,871</u>	<u>24</u>
	<b>Earnings per share</b> (New Taiwan Dollars) (note 6(15))				
9750	Basic earnings per share	<u>\$ 12.01</u>		<u>14.65</u>	
9850	Diluted earnings per share	<u>\$ 11.93</u>		<u>14.57</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Nova Technology Corporation**

**Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary share capital	Capital surplus	Retained earnings			Total	Exchange differences on translation of foreign financial statements	Total equity
			Legal reserve	Special reserve	Unappropriad retained earnings			
<b>Balance as of January 1, 2019</b>	\$ 339,280	866,545	170,449	26,176	943,803	1,140,428	(40,442)	2,305,811
Net income for the period	-	-	-	-	496,941	496,941	-	496,941
Other comprehensive income for the period	-	-	-	-	(9,478)	(9,478)	(37,592)	(47,070)
Total comprehensive income for the period	-	-	-	-	487,463	487,463	(37,592)	449,871
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	55,985	-	(55,985)	-	-	-
Appropriation Special reserve	-	-	-	14,266	(14,266)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(508,920)	(508,920)	-	(508,920)
<b>Balance as of December 31, 2019</b>	<u>339,280</u>	<u>866,545</u>	<u>226,434</u>	<u>40,442</u>	<u>852,095</u>	<u>1,118,971</u>	<u>(78,034)</u>	<u>2,246,762</u>
Net income for the period	-	-	-	-	407,392	407,392	-	407,392
Other comprehensive income for the period	-	-	-	-	3,445	3,445	9,887	13,332
Total comprehensive income for the period	-	-	-	-	410,837	410,837	9,887	420,724
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	49,695	-	(49,695)	-	-	-
Appropriation for special reserve	-	-	-	37,592	(37,592)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(339,280)	(339,280)	-	(339,280)
<b>Balance as of December 31, 2020</b>	<u>\$ 339,280</u>	<u>866,545</u>	<u>276,129</u>	<u>78,034</u>	<u>836,365</u>	<u>1,190,528</u>	<u>(68,147)</u>	<u>2,328,206</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
Nova Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 512,782	623,092
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	9,140	8,092
Expected credit Impairment loss (gain)	(4,298)	(467)
Net gain on reclassification of financial assets	(917)	-
Interest expense	889	107
Provision for inventory devaluation loss (reversal)	(270)	145
Interest income	(1,584)	(2,652)
Investment income accounted for under the equity method	(434,084)	(425,744)
Others	1,640	1,777
<b>Total adjustments to reconcile profit (loss)</b>	<b>(429,484)</b>	<b>(418,472)</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes and accounts receivable	84,605	(176,644)
Contract assets	120,842	(300,027)
Accounts receivable-related parties	(1,355)	-
Inventories	25,331	(13,624)
Other current assets	16,366	115,821
<b>Total changes in operating assets</b>	<b>245,789</b>	<b>(374,474)</b>
Changes in operating liabilities:		
Notes and accounts payable	(188,619)	181,620
Accounts payable-related parties	(1,651)	1,651
Contract liabilities	( 56,330)	76,306
Accrued expenses and other current liabilities	(10,546)	(24,298)
<b>Total changes in operating liabilities</b>	<b>(257,146)</b>	<b>235,279</b>
<b>Total adjustments</b>	<b>(440,841)</b>	<b>(557,937)</b>
Cash flows generated from operations	71,941	65,155
Interest received	1,584	2,652
Interest paid	(899)	(107)
Income taxes paid	(104,102)	(94,634)
<b>Net cash flows from operating activities</b>	<b>(31,466)</b>	<b>(26,934)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(32,132)	-
Proceeds from disposal of financial assets at fair value through profit or loss	6,670	-
Acquisition of investments accounted for using equity method	(112,500)	-
Acquisition of property, plant and equipment	(349)	(1,403)
Dividends received	277,170	242,499
Decrease (increase) in other financial assets-current	21,682	(50,000)
Increase in other non-current assets	(338)	(640)
<b>Net cash flows used in investing activities</b>	<b>(160,203)</b>	<b>190,456</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	301,000	-
Payment of lease liabilities	(6,455)	(5,406)
Cash dividends paid	(339,280)	(508,920)
<b>Net cash flows used in financing activities</b>	<b>(44,735)</b>	<b>(514,326)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>84,002</b>	<b>(350,804)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>582,036</b>	<b>932,840</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 666,038</b>	<b>582,036</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Nova Technology Corporation**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**1. Company history**

Nova Corporation (the “Company”) was founded in Hsinchu, Republic of China (R.O.C.), on June 13, 1997. The registered address of the Company’s office is 10F, No.76, Sec.2, Jiafeng S. Rd., Zhubei City, Hsinchu County 30272, Taiwan, R.O.C. The parent company only financial statements comprise the Company and its subsidiaries (together referred to as the “Company”). The Company is engaged mainly in the import and export business, pipeline assembly and maintenance engineering of various electronic, computer parts and accessories, equipment, chemical material, and gas components.

The Company’s common shares have been listed on the Taipei Exchange on December 28, 2017, and the trading of the emerging stock was terminated on the same date.

**2. Approval date and procedures of the parent company only financial statements:**

The parent company only financial statements were authorized for issue by the Board of Directors on February 22, 2021.

**3. New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its the parent company only financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its the parent company only financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17“ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

# NOVA TECHNOLOGY CORPORATION

## Notes to the Parent Company Only Financial Statements

### 4. Summary of significant accounting policies:

The accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language parent company only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

#### (1) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

#### (2) Basis of preparation

##### A. Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

- (i) Financial assets at fair value through profit or loss;
- (ii) The defined benefit liabilities (assets) are measured at the fair value of the plan assets less the present value of the defined benefit obligation.

##### B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars (TWD), which is the Company’s functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

#### (3) Foreign currency

##### A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

- (a) an investment in equity securities designated as at fair value through other comprehensive income;
- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (c) qualifying cash flow hedges to the extent that the hedges are effective.

#### B. Foreign operations

The assets and liabilities of foreign operations are translated into New Taiwan Dollars (the present currency used in this parent company only report) using the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

#### (4) Classification of current and non-current assets and liabilities

The assets and liabilities relating to the engineering contract are based on a business cycle (usually one to two years) as the standard for dividing flows or non-currents. The remaining assets and liabilities are classified by the following classification criteria:

- A. An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.
  - (a) It is expected to be realized, or intended to be sold or consumed, in the Company's normal operating cycle;
  - (b) It is held the asset primarily for the purpose of trading;
  - (c) It is expected to be realized realize the asset within twelve months after the reporting period;  
or
  - (d) The asset is cash or a 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.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

- B. A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:
- (a) It is expected to be settled in the Company's normal operating cycle;
  - (b) It is held the liability primarily for the purpose of trading;
  - (c) It is due to be settled the liability within twelve months after the reporting period; or
  - (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 issuing equity instruments, do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 540 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

(d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average method and includes expenditure and other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(8) Revenue

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

(a) Equipment contracts and construction contracts

The Company enters into contracts to build equipment and construction of semiconductor equipment and optoelectronics industries. Because the asset is gradually controlled by its customer during the construction process, the Company recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract is fixed amounts. The customer pays the fixed amount based on a payment schedule. The Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Company expects the unavoidable costs of performing the obligations under a construction contract that exceeds the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

For equipment and construction contracts, the Company offers a standard warranty to provide assurance that they comply with the agreed-upon specifications and has recognized warranty provisions for this obligation.

(b) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any if the transaction prices for the time value of money.

B. Cost from contracts with customers

(a) Incremental costs of obtaining a contract

The Company recognizes, as an asset, the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the Company recognizes an asset from the costs incurred to fulfil a contract only if the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify; the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

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### Notes to the Parent Company Only Financial Statements

Contract costs are not very likely recovered should immediately recognize as expenses; the contract costs incurred that have not been very likely to be recovered, wherein the contract cost will be recognized as an expense immediately include the following scenario:

- A. the contract cannot be fully executed, that is, its legitimacy is extremely problematic;
- B. the completion of the contract depends on the outcome of pending litigation or legislation;
- C. the contract is related to property that may be levied or confiscated;
- D. contract in which the customer is unable to perform his obligations;
- E. contractor who is unable to complete the contract or is unable to perform its contractual obligations.

#### (9) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest 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.

#### (10) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit, other comprehensive income and equity in the parent company only financial statement are equal to the profit, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

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

##### A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (a) Buildings: 40 years
- (b) Building improvement: 5 to 10 years
- (c) Other equipment: 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (12) Leases

##### A. Identifying a lease

At inception of a contract, the Company assesses whether a 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, the Company assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; an

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

#### B. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (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 under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it

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will exercise an option to purchase the underlying asset, or

- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases or leases of low-value assets, including staff dormitory. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (13) Intangible assets

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are Companied together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or Companys of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

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money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (15) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties of the Company is recognized when the underlying products or services are sold. The provision is based on historical warranty data.

#### (16) Employee benefits

##### A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (17) Share based payment

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### (18) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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### Notes to the Parent Company Only Financial Statements

Deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

#### (19) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee remuneration through issuance of shares. The weighted average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to ordinary shares.

#### (20) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

#### 5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

The management continues to monitor the accounting estimations and assumptions. It recognizes any changes in the accounting estimations during the period in which the estimates are revised, and in any future periods affected.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

(1) Recognition of construction contract revenue (including estimated total budget cost)

The Company recognizes contract profit or lost based on the completion level of contract revenue and cost, evaluate percentage of completion, and completion level that is measured by proportion of contract costs incurred to the estimated contract costs. The Company estimates the total contract cost by considering the nature of each construction, the estimated construction period, the project in the construction, the construction process, the construction method and the estimated amount of the contract. Any changes above may result in a significant adjustment to the estimated amount. For relevant information, please refers to note 6(16).

(2) Valuation of receivables

The Company has estimated its loss allowance of receivables that is based on the historical payment receiving records, the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments. The relevant information, please refers to note 6(3).

(3) Accrual of construction contract losses

If the Company assesses that the contract cost that has been incurred is “unlikely to be recovered” then will make an accrual for the loss and recognize it as an expense immediately. If the completion of the contract is subject to the outcome of pending litigation or legislation, the construction contract losses will also be evaluated in accordance with IAS 37. The construction loss and provision are estimated for pending litigations that are likely to have adverse consequences for the Company and the loss could be estimated reasonably. However, due to the high uncertainty of the lawsuit itself, the final result or actual compensation amount may have a significant variance and the changes for accounting estimates will be made. For relevant information, please refers to note 9(4).

The Company’s accounting policies include measuring its financial and non-financial assets and liabilities at fair value through profit or loss. The Company’s financial instrument valuation Company conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation Company also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of the fair value. The financial instrument valuation Company also report issues of significant assessment to the Company’s audit committee.

The Company evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

When there is a transfer between levels of the fair value hierarchy, the Company recognizes the transfer at the reporting date. For the assumption used in fair value measurement, please refer to note 6(19) of the financial instruments.

#### 6. Explanation of significant accounts:

##### (1) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Commercial paper on repurchase agreements	\$ 142,575	-
Checking deposits and cash in bank	523,463	582,036
	<b>\$ 666,038</b>	<b>582,036</b>

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Open-end funds	\$ 6,459	-
Chailease PREFERRED A	19,920	-
	<b>\$ 26,379</b>	<b>-</b>

The Company purchased 200 thousand Class A preferred shares of Chailease Holding Company Limited from Taiwan Stock Exchange for \$20,000 thousand on September 10, 2020.

##### (3) Notes receivable, Accounts receivable (include related parties), and overdue receivable, net

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current:		
Notes receivable	\$ -	567
Accounts receivable	392,589	476,719
Accounts receivable- related parties	1,355	-
Less: loss allowance	(221)	(4,611)
	<b>\$ 393,723</b>	<b>472,675</b>
Non-Current:		
Overdue receivable (reclassified as other non-current assets)	\$ 1,143	1,051
Less: loss allowance	(1,143)	(1,051)
	<b>\$ -</b>	<b>-</b>

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The Company has provided impairment on receivables amounting to \$1,143 thousand and \$1,051 thousand for the year ended December 31, 2020 and 2019 due to difficulty in collection.

The Company applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables as of December 31, 2020. To measure the ECL, receivables have been Companyed based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance as of December 31, 2020 was determined as follows:

Aging days	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 369,559	-	-
121 to 180 days	4,519	0.5%	22
181 to 360 days	19,866	1.0%	199
Total	<b>\$ 393,944</b>		<b>221</b>

Aging days	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	\$ 362,962	-	-
121 to 180 days	102,966	0.5%	515
181 to 360 days	1,286	1.0%	13
361 to 540 days	9,980	40.0%	3,992
More than 541 days	91	100.0%	91
Total	<b>\$ 477,286</b>		<b>4,611</b>

The movement in the loss allowance for notes and trade receivable was as follows:

	2020	2019
Balance on January 1, 2020 and 2019	\$ 5,662	6,129
Impairment losses recognized	6,764	5,080
Impairment losses reversed	(11,062)	(5,547)
Balance on December 31, 2020 and 2019	<b>\$ 1,364</b>	<b>5,662</b>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

(4) Inventories, net

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	\$ 779	-
Raw materials	9,489	35,599
	\$ 10,268	35,599
Less: losses allowance	(1,352)	(1,622)
	<b>\$ 8,916</b>	<b>33,977</b>

The net of loss allowance that was charged to cost of sale for inventories written down to net realization value amounted to \$270 thousand for the year ended December 31, 2020. The write-down loss is included in cost of operation.

During the year 2019, the initial recognition of write down amounting to \$(145) thousand by the Company has been reversed due to utilization of the inventories. The reversal gain mentioned above is included in cost of operation.

(5) Other financial assets- current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deposit account (more than three months period)	\$ 128,318	150,000
Restricted deposit	2,756	2,756
Guarantee deposits paid for construction	16,337	13,920
Other	46	45
	<b>\$ 147,457</b>	<b>166,721</b>

(6) Investment accounted for using equity method

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	\$ 1,592,325	1,423,052
Joint ventures	112,500	-
	<b>\$ 1,704,825</b>	<b>1,423,052</b>

- a. Income from Subsidiaries under the equity method amounted to \$434,084 thousand and \$425,744 thousand for the year ended December 31, 2020 and 2019, respectively.

Information about Subsidiaries refer to consolidated financial statements for the year ended December 31, 2020 for the details.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

- b. On December 29, 2020, the Company purchased 3,125 thousand shares of Rayzher Industrial Co., Ltd. (Rayzher) from the former shareholders for \$112,500 thousand, which accounted for 25% of its outstanding shares. During 2020, the Company did not recognize any gains and losses from investing in Rayzher.

The cost of the Company's investment in Rayzher amounting to \$34,000,000 exceeded the portion of its equity. The relevant follow up procedures are still in progress.

On December 10, 2020, the Company signed an investment agreement with Rayzher, wherein the Company promised would first acquire the shares from the former shareholders of Rayzher before December 31, 2020. Rayzher would then issue 8,500 thousand ordinary shares by cash, in which the Company promised to subscribe to 7,650 thousand shares, tentatively to be issued at a premium price of TWD 33 per share, before March 31, 2021.

According to the investment agreement, if one party fails to fulfill the contractual commitment, the party will have to pay a penalty equals to 30% of the acquisition amount.

(7) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2020	\$ 44,518	26,526	12,854	83,898
Additions	-	-	349	349
Disposals	-	-	(110)	(110)
Balance as of December 31, 2020	<u>\$ 44,518</u>	<u>26,526</u>	<u>13,093</u>	<u>84,137</u>
Balance as of January 1, 2019	\$ 44,518	26,526	11,498	82,542
Additions	-	-	1,403	1,403
Disposals	-	-	(47)	(47)
Balance as of December 31, 2019	<u>\$ 44,518</u>	<u>26,526</u>	<u>12,854</u>	<u>83,898</u>
Depreciation:				
Balance as of January 1, 2020	\$ -	7,686	10,211	17,897
Depreciation for the period	-	794	1,870	2,664
Disposals	-	-	(110)	(110)
Balance as of December 31, 2020	<u>\$ -</u>	<u>8,480</u>	<u>11,971</u>	<u>20,451</u>
Balance as of January 1, 2019	\$ -	6,892	8,409	15,301
Depreciation for the period	-	794	1,849	2,643
Disposals	-	-	(47)	(47)
Balance as of December 31, 2019	<u>\$ -</u>	<u>7,686</u>	<u>10,211</u>	<u>17,897</u>
Book value:				
Balance as of December 31, 2020	<u>\$ 44,518</u>	<u>18,046</u>	<u>1,122</u>	<u>63,686</u>
Balance as of January 1, 2019	<u>\$ 44,518</u>	<u>19,634</u>	<u>3,089</u>	<u>67,241</u>
Balance as of December 31, 2019	<u>\$ 44,518</u>	<u>18,840</u>	<u>2,643</u>	<u>66,001</u>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

(8) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 7,742	8,335	16,077
Additions	1,208	6,274	7,482
Disposal	<u>(1,556)</u>	<u>(4,369)</u>	<u>(5,925)</u>
Balance at December 31, 2020	<u><b>\$ 7,394</b></u>	<u><b>10,240</b></u>	<u><b>17,634</b></u>
Balance at January 1, 2019	\$ 2,785	4,764	7,549
Additions	5,659	3,571	9,230
Disposal	<u>(702)</u>	<u>-</u>	<u>(702)</u>
Balance at December 31, 2019	<u><b>\$ 7,742</b></u>	<u><b>8,335</b></u>	<u><b>16,077</b></u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ 2,802	2,378	5,186
Depreciation for the year	3,436	3,040	6,476
Disposal	<u>(1,556)</u>	<u>(3,592)</u>	<u>(5,148)</u>
Balance at December 31, 2020	<u><b>\$ 4,688</b></u>	<u><b>1,826</b></u>	<u><b>6,514</b></u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	3,071	2,378	5,449
Disposal	<u>(263)</u>	<u>-</u>	<u>(263)</u>
Balance at December 31, 2019	<u><b>\$ 2,808</b></u>	<u><b>2,378</b></u>	<u><b>5,186</b></u>
Carrying amounts:			
Balance at December 31, 2020	<u><b>\$ 2,706</b></u>	<u><b>8,414</b></u>	<u><b>11,120</b></u>
Balance at January 1, 2019	<u><b>\$ 2,785</b></u>	<u><b>4,764</b></u>	<u><b>7,549</b></u>
Balance at December 31, 2019	<u><b>\$ 4,934</b></u>	<u><b>5,957</b></u>	<u><b>10,891</b></u>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

(9) Short-term borrowings

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured bank loans	<b>\$ 301,000</b>	-
Unused short-term credit lines	<b>\$ 560,000</b>	<b>701,827</b>
Range of interest rates	<b>0.63%~ 0.78%</b>	-

(10) Lease liabilities

The Company's lease liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b>\$ 4,686</b>	<b>5,575</b>
Non-current	<b>\$ 6,492</b>	<b>5,358</b>

For the maturity analysis, please refer to net 6(19) "Financial instruments".

The amounts recognized in profit or loss was as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<b>\$ 110</b>	<b>107</b>
Expenses relating to short-term leases	<b>\$ 5,064</b>	<b>4,688</b>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 11,629</b>	<b>10,201</b>

A. Building leases

As of December 31, 2020 and 2019, the Company leases buildings for its office space. The lease periods of office space are 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

B. Other leases

The Company leases vehicles, with lease terms of 2 to 5 years. In some cases, the Company has options to purchase the assets at the end of the contract term.

The Company also leases staff dormitory and vehicles with contract terms of one year. These leases are short-term items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

**NOVA TECHNOLOGY CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(11) Provisions—current

The Company's warranty preparation changes were as follows:

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 16,017	24,518
Provisions made for the period	2,568	3,804
Provisions utilized during the period	<u>(2,194)</u>	<u>(12,305)</u>
Balance as of December 31	<u><b>\$ 16,391</b></u>	<u><b>16,017</b></u>

The Company's provisions for warranties had been estimated by using the historical data of construction contract, which is expected to occur within the period of the contract (no longer than the business cycle).

(12) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Company were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of the defined benefit obligation	\$ 40,626	43,306
Fair value of plan assets	<u>(10,605)</u>	<u>(9,678)</u>
Net defined benefit liabilities	<u><b>\$ 30,021</b></u>	<u><b>33,628</b></u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. Plans entitle a retired employee to receive an annual payment based on its years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates the pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (here in after referred to as the Bureau of Labor Funds). With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance amounted to \$10,605 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds.

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

(b) Movements in the present value of the defined benefit obligation

	<b>2020</b>	<b>2019</b>
Defined benefit obligation as of January 1	\$ 43,306	33,061
Interest costs	495	450
Actuarial losses (gains)	(3,175)	9,795
Defined benefit obligation as of December 31	<b>\$ 40,626</b>	<b>43,306</b>

(c) Movements in the fair value of the defined benefit plan assets

	<b>2020</b>	<b>2019</b>
Fair value of plan assets as of January 1	\$ 9,678	8,658
Contributions made	545	580
Expected return on plan assets	112	123
Actuarial gains (losses)	270	317
Fair value of plan assets as of December 31	<b>\$ 10,605</b>	<b>9,678</b>

(d) Expenses recognized in profit or loss

	<b>2020</b>	<b>2019</b>
Interest costs	\$ 487	454
Actual return on plan assets	(382)	(440)
Plan assets loss (gain)	270	317
	<b>\$ 375</b>	<b>331</b>

(e) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

	<b>2020</b>	<b>2019</b>
Actuarial losses (gains) on defined benefit obligation	\$ (3,175)	9,795
Actuarial losses (gains) on plan assets	(270)	(317)
	<b>\$ (3,445)</b>	<b>9,478</b>

(f) Actuarial assumptions

(i) For actuarial in the present value of the defined benefit obligation:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	0.750%	1.125%
Future salary increase rate	3.17%	4.25%

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

(ii) For actuarial in defined benefit plans cost:

	<b>2020</b>	<b>2019</b>
Discount rate	1.125%	1.375%
Future salary increase rate	4.25%	3.00%

The Company expects to make a contribution of \$504 thousand to its defined benefit plans in the following year, beginning December 31, 2020.

The weighted-average duration of the defined benefit obligation is 15.39 years.

(g) Sensitivity analysis

When calculating the present value of the benefit obligation, the Company must use judgments and estimate to determine the relevant actuarial assumptions on the balance sheet date, including the discount rate and future salary changes. Any changes in the actuarial assumptions may have materially affects the amount of the defined benefit obligation of the Company.

If there is a change in the actuarial assumptions as of the December 31, 2020, the impact on the defined benefit obligation would be as follows:

	<b>Impact on the defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
Discount rate	<b>\$ (1,373)</b>	<b>1,423</b>
Future salary increase rate	<b>\$ 1,368</b>	<b>(1,326)</b>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding all other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

#### B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company pension costs under the defined contribution plan were \$6,984 thousand and \$6,882 thousand for the years ended December 31, 2020 and 2019, respectively.

**NOVA TECHNOLOGY CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(13) Income tax

A. Income tax expenses

The amount of income tax expenses of the Company was as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Current period	\$ 70,725	83,181
Adjustment for prior period	7,935	6,710
Unappropriated retained earnings	<u>3,519</u>	<u>-</u>
	<u>82,179</u>	<u>89,891</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>23,211</u>	<u>36,260</u>
Income tax expenses	<u><b>\$ 105,390</b></u>	<u><b>126,151</b></u>

The amount of income tax benefit (expense), recognized in other comprehensive income, was as follows:

	<u>2020</u>	<u>2019</u>
Exchange differences on translation of foreign financial statements	<u><b>(2,472)</b></u>	<u><b>9,398</b></u>

The reconciliation of income tax expenses and income before income tax was as follows:

	<u>2020</u>	<u>2019</u>
Income before income tax	<u><b>\$ 512,782</b></u>	<u><b>623,092</b></u>
Income tax at the Company's domestic tax rate	102,556	124,618
Permanent difference and others	(5,101)	(5,177)
Over (under) provision in prior periods	<u>7,935</u>	<u>6,710</u>
Total	<u><b>\$ 105,390</b></u>	<u><b>126,151</b></u>

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

#### B. Deferred tax assets and liabilities

##### Deferred tax assets:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Warranties	\$ 4,904	(1,700)	-	3,204	75	-	3,279
Construction revenue and costs on book-tax differences	9,095	(698)	-	8,397	138	-	8,535
Exchange differences on translation of foreign financial statements	10,110	-	9,398	19,508	-	(2,472)	17,036
Unrealized loss on exchange	-	511	-	511	4,041	-	4,552
Unrealized loss and others	1,992	(290)	-	1,702	(68)	-	1,634
	<u>\$ 26,101</u>	<u>(2,177)</u>	<u>9,398</u>	<u>33,322</u>	<u>4,186</u>	<u>(2,472)</u>	<u>35,036</u>

##### Deferred tax liabilities:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Unrealized gain on exchange	\$ (390)	390	-	-	-	-	-
Gain on profit of subsidiary accounted for using equity method	(191,671)	(34,473)	-	(226,144)	(27,318)	-	(253,462)
Unrealized gain on investment	-	-	-	-	(79)	-	(79)
	<u>\$ (192,061)</u>	<u>(34,083)</u>	<u>-</u>	<u>(226,144)</u>	<u>(27,397)</u>	<u>-</u>	<u>(253,541)</u>

#### C. Examination and approval

The Company's tax returns have been examined by the tax authorities through 2018.

#### (14) Capital and other equity

##### A. Issuance of ordinary shares

As of December 31, 2020 and 2019, the issued capital of the Company amounted to \$339,280 thousand dollars; the authorized capital each amounted to \$500,000 thousand dollars for both years, with par value of \$10 per share.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

#### B. Capital surplus

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Capital surplus — premium	\$ 852,207	852,207
Long-term investment	1,052	1,052
Cash capital increase retains the compensation cost of employee subscription	13,286	13,286
	<b>\$ 866,545</b>	<b>866,545</b>

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid in capital.

#### C. Retained earnings

##### (a) Legal reserve

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid in capital.

##### (b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date, due to the first time adoption of the IFRSs endorsed by the FSC, amounted to \$9,241 thousand. A net increase in retained earnings, due to the first time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2019, the carrying amount of \$9,241 thousand was recognized as special reserve based on the above ruling.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special reserve, resulting from the first time adoption of the IFRSs endorsed by the FSC, and the carrying amount of other shareholders' equity, as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first time adoption of the IFRSs endorsed by the FSC. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

According to the Company's articles of incorporation, in years of earnings, are distributed as follow:

- A. Withholding taxes;
- B. Offset any accumulated deficit;
- C. A 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid in capital;
- D. An amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities;
- E. The Company shall retain an appropriate portion of earnings based on the Company's operating environments, future growth and long-term financial planning before distributing dividends to shareholders. Distribution of the remaining earnings after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The Company shall consider the operating environment, future growth, future capital management, financial structure, earnings conditions, and stability of dividends distribution policies and dilutive of each earning per share on earning distribution.

The Company will distribute more than 10%, based on the distributable earnings, mentioned above to dividends for shareholders, either stock dividends or cash dividends should not be less than 10% of the total dividend payout of shareholders.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The following are the appropriation of earnings in 2019 and 2018 which were approved during the shareholders' meeting held on May 21, 2020 and May 24, 2019, respectively:

	2019		2018	
	Amount per share (TWD)	Total amount	Amount per share (TWD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 10.00	339,280	15.00	508,920

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2020 will be presented for resolution in the Board of Directors' meeting on February 22, 2021 and the distribution to be approved in the annual shareholders' meeting. The related information will be available on the Market Observation Post System website after the resolution meeting.

#### (15) Earnings per share

	2020	2019
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	<u>\$ 407,392</u>	<u>496,941</u>
Weighted average number of ordinary shares (in thousands)	<u>33,928</u>	<u>33,928</u>
Basic earnings per share (TWD)	<u>\$ 12.01</u>	<u>14.65</u>
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	<u>\$ 407,392</u>	<u>496,941</u>
Weighted average number of ordinary shares (in thousands) (basic)	33,928	33,928
Effect of potential diluted ordinary shares:		
Effect of employee remuneration employee stock remuneration	<u>224</u>	<u>189</u>
Weighted average number of ordinary shares (in thousands) (diluted)	<u>34,152</u>	<u>34,117</u>
Diluted earnings per share (TWD)	<u>\$ 11.93</u>	<u>14.57</u>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

(16) Revenue from contracts with customers

A. Revenue from major regional markets and products:

		<b>2020</b>			
		<b>Semiconductor</b>	<b>Green energy photoelectric</b>	<b>Other</b>	<b>Total</b>
Taiwan	\$	427,273	21,198	220,066	668,537
China		734,491	315,182	-	1,049,673
		<b>\$ 1,161,764</b>	<b>336,380</b>	<b>220,066</b>	<b>1,718,210</b>
		<b>2019</b>			
		<b>Semiconductor</b>	<b>Green energy photoelectric</b>	<b>Other</b>	<b>Total</b>
Taiwan	\$	709,690	48,533	166,911	925,134
China		986,958	628	-	987,586
		<b>\$ 1,696,648</b>	<b>49,161</b>	<b>166,911</b>	<b>1,912,720</b>

B. Contract balances

		<b>December 31, 2020</b>	<b>December 31, 2019</b>
Contract assets — construction and equipment	\$	423,629	543,779
Less: Loss in contract		(50,923)	(50,231)
		<b>\$ 372,706</b>	<b>493,548</b>
Contract liability — construction and equipment	\$	<b>105,583</b>	<b>161,913</b>

For details on accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$160,049 thousand and \$83,748 thousand, respectively.

The contract assets primarily relate to the amount of revenue that has been recognized for construction contract but has not yet billed at the reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for construction contract before the construction begins, for which revenue is recognized progressively during the construction period.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There are no significant changes in 2020 and 2019.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

C. Transaction price allocated to the remaining performance obligations

As of 31 December 2020 and 2019, the aggregate amount of the transaction price of allocated to the remaining performance obligation was \$513,864 thousand and \$278,854 thousand, respectively. The Company will recognize this revenue over time as the building is completed, which is expected to occur over the next 12 to 36 months. If the contract of construction has an expected duration of less than one year, the Company applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

All consideration from contracts with customers is included in the transaction price presented above.

(17) Non-operating income and expenses

A. Interest income

	<b>2020</b>	<b>2019</b>
Interest income of demand deposits	\$ 164	747
Interest income of time deposits	778	978
Interest income from bonds	642	923
Other interest income	-	74
	<b>\$ 1,584</b>	<b>2,652</b>

B. Other gains and losses, net

	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses), net	\$ (38,056)	(8,402)
Gain on financial asset at fair value through profit or loss	917	-
Others	934	1,187
	<b>\$ (36,205)</b>	<b>(7,125)</b>

C. Finance costs

	<b>2020</b>	<b>2019</b>
Interest expense – lease liability	\$ 110	107
Interest expense – short term borrowings	779	-
	<b>\$ 889</b>	<b>107</b>

(18) Remuneration to employees, directors and supervisors

The Company's Articles of Incorporation require that profits shall first be used to offset against any deficit, then remaining 3% and 5% of the remaining profit shall be distributed as remuneration to employees and directors, respectively.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The remunerations to employees amounted to \$27,569 thousand and \$26,458 thousand, and the remunerations to directors amounted to \$11,028 thousand and \$11,906 thousand for the years ended December 31, 2020 and 2019, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. For the unsubscribed shares of the Company's employees, the basis for calculating the stock price of stocks will be based on the closing price of common stock on the day before the resolution of the board of directors.

The remunerations to employees amounted to \$26,458 thousand, as well as the remunerations to directors amounted to \$11,906 thousand for the years ended December 31, 2019. There were no differences between the amounts of employee and directors' remuneration allocated by the aforesaid board resolutions. Related information would be available at the Market Observation Post System website.

#### (19) Financial instruments

##### A. Credit risk

###### (a) Exposures to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

###### (b) Concentration of credit risk

As of December 31, 2020 and 2019, 62% and 69%, respectively, of accounts receivable (including related parties) were from 5 major customers. Thus, credit risk is significantly centralized.

###### (c) Credit risk on receivables

For credit risk exposure of note and trade receivables (including overdue receivables), please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the considered to have low credit risk, please refer to note 4(6); and for the changes in the allowance for the above financial assets in 2019, please refer to Note 6(3).

##### B. Liquidity risk

The following, except for payables (including related parties), accrued payroll, accrued bonus and other accrued expense, are the contractual maturities of other financial liabilities.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years
<b>December 31, 2020</b>					
Short-term borrowings	\$ 301,000	301,501	301,501	-	-
Lease Liabilities	11,178	11,330	4,769	3,616	2,945
	<b><u>\$ 312,178</u></b>	<b><u>312,831</u></b>	<b><u>306,270</u></b>	<b><u>3,616</u></b>	<b><u>2,945</u></b>
<b>December 31, 2019</b>					
Lease Liabilities	<b><u>\$ 11,933</u></b>	<b><u>11,072</u></b>	<b><u>5,658</u></b>	<b><u>2,654</u></b>	<b><u>2,760</u></b>

#### C. Currency risk

##### (a) Exposure to foreign currency exchange rate risk

The Company's significant exposure to foreign currency exchange rate risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 34,114	USD/TWD =28.515	972,761	16,568	USD/TWD =30.203	500,403
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	2,206	USD/TWD =28.515	62,904	3,015	USD/TWD =30.203	91,062

##### (b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables and payables. A strengthening (weakening) of 1 dollar of the TWD against the USD as of December 31, 2020 and 2019, with other factors remaining constant, would have increased (decreased) the comprehensive income by \$25,526 thousand and \$10,842 thousand respectively. The analysis is performed on the same basis.

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

- (c) Foreign exchange gain (loss) on monetary items

	2020		2019	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ (38,056)	-	(8,402)	-

- (d) Fair value of financial instruments

- (i) Fair value hierarchy

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 26,379</u>	<u>26,379</u>	<u>-</u>	<u>-</u>	<u>26,379</u>

- (ii) Valuation techniques for financial instruments measured at fair value

The financial instruments held by the Company are beneficiary certificates mutual funds and preferred shares issued by a listed company traded in active markets. The fair value of financing assets is determined based on market quotations.

- (20) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The following, likewise, discusses the Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

#### B. Objectives and policies for managing risk

The Company's financial management department provides services for each business, coordinating and coordinating access to domestic and international financial market operations, monitors and manages the financial risks associated with the operations of the combined company by analyzing the internal risk report on risk based on the degree and extent of the risk. In accordance with a reviewed policy, the Company will not engage in derivative financial instruments for the purpose of speculation.

#### C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

##### (a) Trade receivables

The Company evaluates the credit level of its customers before entering into any transaction with them, wherein it takes into consideration the size of their companies, industry prospects, as well as their reputation within the industry. In addition, the Company also enquires from its own construction department to obtain information concerning its customers, checks the history of its customers' accounts from its finance department, and creates a credit account for its customers, to reduce the risk on transaction. The Company monitor monthly any overdue receivables. For past due accounts, the Company's administrative department and construction department will analyze and understand the reason behind the matter before the Company transacted with any customers.

##### (b) Investment

Exposure to credit risk on bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company expects its counterparties above to meet their obligations, hence, there is no significant credit risk arising from these counterparties.

##### (c) Guarantee

The Company's policy is to provide financial guarantees only to the Company and its wholly owned subsidiaries who entered into agreements for engineering projects.

#### D. Liquidity risk

The Company manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range, while optimizing the return.

F. Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company. The currencies used in these transactions are the USD.

(21) Capital management

The Company's objective is to manage its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of its other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt, divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus, net debt.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

The Company's debt to adjusted capital ratio at the reporting date was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 1,118,566	1,072,600
Less: cash	(666,038)	(582,036)
Net debt	<b>\$ 452,528</b>	<b>490,564</b>
Total equity	<b>\$ 2,328,206</b>	<b>2,246,762</b>
Debt-to-adjusted-capital ratio	<b>19.44%</b>	<b>21.83%</b>

(22) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

A. Obtaining right-of-use assets by lease, please refer to note 6(8).

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

B. Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Increase/ Decrease and interest expense	December 31, 2020
Short term borrowings	\$ -	301,000	-	301,000
Lease liabilities	10,933	(6,565)	6,810	11,178
	<b>\$ 10,933</b>	<b>294,435</b>	<b>6,810</b>	<b>312,178</b>

	January 1, 2019	Cash flows	Increase/ Decrease and interest expense	December 31, 2019
Lease liabilities	\$ 7,549	(5,513)	8,897	10,933

#### 7. Related-party transactions:

(1) Parent company and ultimate controlling company

Acter Co., Ltd. is the ultimate controlling party of the Company and their subsidiary of the company, and owns 62% percent of all shares outstanding of the Company on December 31, 2020. Acter Co., Ltd. has issued the parent company only financial statements available for public use.

(2) Names and relationship with related parties

Name of related parties	Relationship with the Company
Acter Co., Ltd.	The parent company
Winmega Technology Corp.	Subsidiary of the Company
Winmax Technology Corp.(Winmax)	Subsidiary of the Company
Suzhou Winmax Technology Corp. (Suzhou Winmax)	Subsidiary of the Company
Sheng Huei Engineering (Shenzhen) Co., Ltd	Other related company
Nova Technology Singapore Pte.,	Other related company

(3) Significant transactions with related parties

A. Sales and Asset and Liability of operating

	2020	2019
Parent company	\$ 50	-
Subsidiary	37,528	105,524
	<b>\$ 37,578</b>	<b>105,524</b>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

The Company's unearned sales revenue due to the construction contract, sales and service revenue, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	<u>\$ -</u>	<u>267,289</u>

The Company's accounts receivable due to the construction contract, sales and service revenue, are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	<u>\$ 1,355</u>	<u>-</u>

There were no significant differences in the term and pricing of sale transactions between related enterprises and non-related parties.

B. Accumulated construction costs, notes and accounts payable

(a) Current purchase amount

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	<u>\$ 342,228</u>	<u>341,570</u>

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those of unrelated parties.

(b) Accumulated incurred costs

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	\$ 666,819	341,570
Parent company	<u>4,995</u>	<u>4,995</u>
	<u>\$ 671,814</u>	<u>346,565</u>

The Company's payables, due to the above purchase transactions, are as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Amount</u>	<u>Percentage of all notes and account payables</u>	<u>Amount</u>	<u>Percentage of all notes and account payables</u>
Subsidiary	<u>\$ -</u>	<u>-</u>	<u>1,651</u>	<u>-</u>

**NOVA TECHNOLOGY CORPORATION**

**Notes to the Parent Company Only Financial Statements**

C. Guarantee for related parties

<u>Guaranteed object</u>	<u>Guarantee type</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Construction performance guarantee or warranty:			
Subsidiary	Credit guarantee	\$ 1,285,512	1,293,021
Parent company	Credit guarantee	289,800	289,800
Other related parties	Credit guarantee	<u>189,115</u>	<u>189,115</u>
		<u><b>\$ 1,764,427</b></u>	<u><b>1,771,936</b></u>

D. As of December 31, 2019 and 2018, the amount of performance of the subsidiaries and other related parties, with their credit guarantees for the Company's construction performance, was \$206,763 thousand and \$262,642 thousand, respectively wherein the payment had been made.

(4) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short term employee benefits	\$ 27,362	30,547
Post-employment benefits	<u>304</u>	<u>428</u>
	<u><b>\$ 27,666</b></u>	<u><b>30,975</b></u>

**8. Pledged assets:**

The carrying values of the Company's pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of Pledged</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits (recorded in other financial assets – current)	Security deposit of guarantee letter	<u><b>\$ 2,756</b></u>	<u><b>2,756</b></u>

**9. Commitments and contingencies:**

Except for note 6(6) and 7, the significant commitments and contingencies of the Company were as follows:

(1) The performance guarantees or warranty guarantee notes issued by the Company for the contracted projects were \$10,605 thousand and \$8,310 thousand, respectively.

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

- (2) The performance guarantee letters issued by the bank for the Company, due to the contracted projects, were \$544,104 thousand and \$658,559 thousand, respectively.
- (3) For the unfinished significant contracted construction contracts signed by the Company, please refer to note 6(16).
- (4) The Company entered into an agreement with Jing He Science Co., Ltd. (Jing He) for the construction and expansion of a new factory and gas factory, respectively, wherein the Company is responsible for the installation process of the pipelines, as well as for purchasing the related equipment according to the design layout and purchase order provided by Jing He. However, Jing He made certain changes to its layout plan, which in turn, requires extra work; and for this reason, the Company requested Jing He for an additional payment, in which Jing He argued that the contract is a lump-sum contract; therefore, refused to make any additional payment. Furthermore, it unilaterally terminated the agreement prior to the completion of the construction. The Company then filed a lawsuit to the District Court against Jing He, demanding the amount of the contract to be paid in full. The Company has also engaged a lawyer to defend its case. On the other hand, the District Court appointed Taiwan Association of Construction and Development, as well as Taiwan Professional Electrical Engineers Association, to estimate the value of the completed part of the new factory building, with both parties providing supplementary opinions for the preliminary valuation. The District Court has also appointed Taiwan Construction Research Institute (TCRI) to estimate the value of the expansion of the gas factory, wherein the estimated result turned out to be the same as that of which conducted by the Company. As of the issuance date of this financial statements, the Court's decision has yet to be made, wherein it included the compensation amount of the damage resulting in a recognition of allowance for impairment incurred from the construction cost by the Company in accordance with the related accounting standards. The Company has estimated the maximum loss incurred from this lawsuit to be \$70 million. On February 5, 2018, Jing He had paid the amount of \$10,500 thousand (including tax) for partially reimbursing the said construction.

**10. Losses Due to Major Disasters: None**

**11. Subsequent Events: None**

**12. Other:**

The following is the summary statement of current period employee benefits, depreciation, and amortization expenses by function:

By item	By function	For the year ended December 31					
		2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		105,848	72,778	178,626	110,212	72,641	182,853
Labor and health insurance		9,150	3,732	12,882	8,738	4,338	13,076
Pension		5,634	1,725	7,359	5,278	1,935	7,213
Remuneration of directors		-	14,368	14,368	-	14,386	14,386
Others		3,684	3,367	7,051	3,983	3,696	7,679
Depreciation		2,722	6,418	9,140	3,389	4,703	8,092

## NOVA TECHNOLOGY CORPORATION

### Notes to the Parent Company Only Financial Statements

The additional information about the number of employee benefits for the year ended December 31, 2020 and 2019, were as following:

	2020	2019
Number of employees	162	157
Non-employee directors	6	5
Average employee benefits	\$ 1,320	1,387
Average of employee salary	\$ 1,145	1,203
Adjustment of average employee salary	(4.8)%	7.1%
Supervisor's remuneration	\$ -	-

The Company's remuneration policy (including directors, managers and employees) is as follows:

The remuneration of directors of the company is determined by taking into account the overall operational performance of the company, the future operational risks and trends of the industry, and is reasonably remunerated according to the degree of participation and contribution of directors in the operation of the company. The relevant performance appraisal and compensation rationality are reviewed by the compensation committee and the board of directors, and the remuneration system is timely reviewed in light of the actual business conditions and relevant laws and regulations to strike a balance between the company's sustainable operation and risk management.

The compensation of the company's managers and employees is a comprehensive consideration of the basic salary, bonus and benefits of fixed items, and bonus and employee compensation of variable items. Fixed projects are based on the principle of maintaining the average competitive level of the company in the industry, while variable projects are based on the comprehensive consideration of the performance and contribution of the company and its individuals. The better the performance of the company and individuals, the higher the proportion of the variable projects. Performance assessment in annual operating target yield rate, profitability, growth rate, operational efficiency and future development potential comprehensive considerations, such as in the beginning of development on the basis of internal and external management environment formulate nuclear project, target and weight proportion, and in accordance with performance goals and post to the relevant industry wages, salary by the compensation committee audit and assessment and submitted to the board of directors after the execution.

### 13. Other disclosures:

(1) Information on significant transactions:

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

A. Loans to other parties: None

# NOVA CORPORATION AND SUBSIDIARIES

## Notes to the Parent Company Only Financial Statements

### B. Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Suzhou Winmax	Subsidiary	4,656,412	9,299	-	-	-	- %	6,984,618	Y	N	Y
0	The Company	Winmax · Suzhou Winmax	Subsidiary	4,656,412	720,942	633,128	121,180	-	27.19%	6,984,618	Y	N	Y
0	The Company	Winmax	Subsidiary	4,656,412	757,249	652,384	519,412	-	28.02%	6,984,618	Y	N	Y
0	The Company	Acter	Parent company	4,656,412	289,800	289,800	289,800	-	12.45%	6,984,618	N	Y	N
0	The Company	Sheng Hwei (Shenzhen)	100% owned subsidiary of the parent company	4,656,412	189,115	189,115	189,115	-	8.12%	6,984,618	N	N	Y
1	Winmax	Nova	Parent company	3,654,729	224,529	165,162	165,162	-	13.65%	6,091,215	N	Y	N
1	Winmax	Suzhou Winmax	100% owned subsidiary of the parent company	3,654,729	87,666	87,328	-	-	7.17%	6,091,215	N	N	Y
2	Suzhou Winmax	Winmax	100% owned subsidiary of the parent company	7,320,670	587,390	-	-	-	- %	7,320,670	N	N	Y

Note 1: The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 200% of the Company's net worth.

Note 2: The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 300% of the Company's net worth.

Note 3: The total amount for guarantees and endorsements provided by the Winmax to other entities shall not exceed 500% of the it 's net worth ; and to any individual entity, shall not exceed 300% of it 's net worth. The amount of business transaction amount refers to the highest amount of the latest purchase or sales amount that the two parties can reasonably estimate within the past one year or the next one year.

Note 4: The total amount for guarantees and endorsements provided by the Suzhou Winmax to its parent company, or to a subsidiary who the parent company owns, directly and indirectly, 100% of its voting shares, shall not exceed 3500% of it's net worth; as well as to any individual entity, shall not exceed 3500% of it's net worth. In addition, the total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of it's net worth and to any individual entity, shall not exceed 300% of it's net worth. The total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of it's net worth and to any individual entity shall not exceed 300% of it's net worth.

Note 5: Net value refers to the latest amount in the financial statements that had been certified or audited by an accountant.

# NOVA CORPORATION AND SUBSIDIARIES

## Notes to the Parent Company Only Financial Statements

C. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Nova	PineBridge Preferred Securities Income Fund USD A		Financial asset at fair value through profit or loss-current	18	6,459	-	6,459	
Nova	Chailease PREF A		Financial asset at fair value through profit or loss-current	200	19,920	-	19,920	

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of Counter party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The company	Ordinary Shares	Investments accounted for using equity method	Former shareholder of Rayzher		-	-	3,125	112,500	-	-	-	-	3,125	112,500

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note	
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance		Percentage of total notes/accounts receivable (payable)
The Company	Winmax	The Company's subsidiary	Purchase	342,228	27%	By contract	-	-	-	-%	Note

Note: The related transaction and account balance have been eliminated in the parent company only financial statements.

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

I. Trading in derivative instruments: None

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Winmega	Hsinchu	Electronic equipment, equipment wholesale, chemical machinery wholesale, etc	15,000	15,000	3,000	100.00%	109,869	43,323	43,323	Note
The Company	Novatech Engineering & Construction Pte. Ltd.	Singapore	Contract for the chemical supply system business	24,179	24,179	1,000	100.00%	55,051	(3,523)	(3,523)	
The Company	RAYZHER	Taoyuan	Piping engineering, motor installation-automatic control equipment, etc.	112,500	-	3,125	25.00%	112,500	-	-	

Note: Winmega remitted cash dividends of \$23,000 thousand in 2020.

# NOVA CORPORATION AND SUBSIDIARIES

## Notes to the Parent Company Only Financial Statements

(3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	None
					Outflow	Inflow							
Winmax	Contract design for automated supply system business 、 production of gas cabinets 、 valve box and liquid delivery cabinet	151,426	(1)	9,635	-	-	9,635	336,314	100.00%	336,314	1,218,243	621,053	Note 4
Suzhou Winmax	Contract design for automated supply system business 、 production of gas cabinets 、 valve box and liquid delivery cabinet	32,478	(1)	32,478	-	-	32,478	57,971	100.00%	57,971	209,162	-	

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
42,113(USD1,300 thousand)	183,904(USD5,890 thousand)	1,396,924

Note 1: The amount of capital included the capital increase by retained earning of USD4,590 thousand in 2007 and 2012.

Note 2: Wimmax's and Suzhou Wimmax's and financial statements of the investee company were audited by the Certified Public Accountant.

Note 3: (Note 1) Direct investment in Mainland China.

Note 4: Winmax has distributed cash dividends CNY60,000 thousand, which equals TWD254,170 thousand in 2020.

C. Significant transactions:

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

(4) Major shareholders information:

Name of major shareholders	Name of shares held	Ownership (%)
Acter Co., Ltd.	21,098,179	62.19%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

**14. Segment information:**

Relevant information of 2020, please refer to Consolidated Financial Statement.

# **NOVA TECHNOLOGY CORP.**

Chairman: Chin-Li Liang

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