Stock Code: 6613

NOVA TECHNOLOGY CORP.

2019 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.

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
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Headquarters, Branches and Plant

Headquarters

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Overseas Securities Exchange: None**.**

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I. Letter to Shareholders

Dear Shareholders,

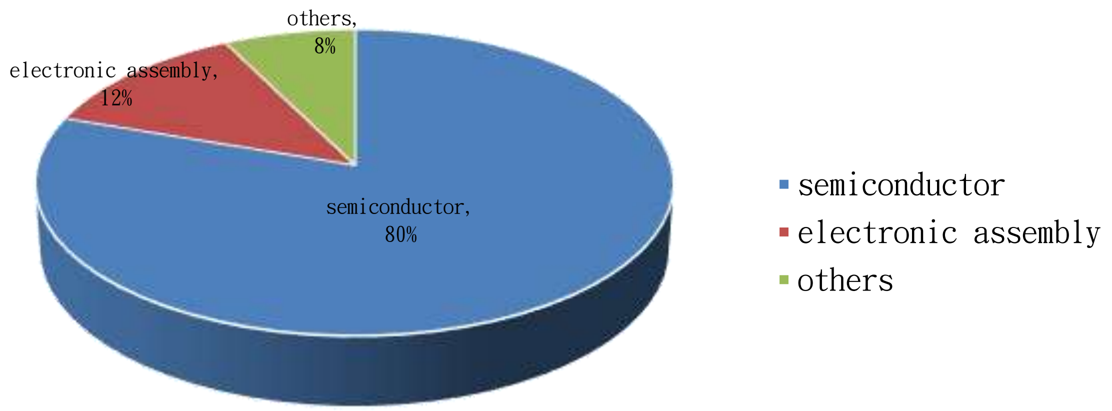
We would like to express our thanks to all shareholders for the support and encouragement to Nova Tech. 2019 was a year of fruitful achievement for Nova Tech. Looking into this year, the external economic environment is still filled with variation but Nova Tech upholds to excellent quality and customer 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:

2019 Business Review

A. Implementation results of business plan

In 2019, the trade war between China and the United States led to a slight decline in overall revenue. The consolidated operating revenue in 2019 reached NTD 4,406 million, which was decline 9.5% compared to last year. In terms of profit, the consolidated net profit after tax of 2019 was NTD 497 million, was drop 12.2% compared to last year.

Operating Revenue Type Ratio



Unit: NTD thousands, %

Item	2019	2018	Diff.
Operating revenue	4,406,270	4,866,703	(9.5)
Operating Cost	3,339,223	3,765,651	(11.3)
Gross profit	1,067,047	1,101,052	(3.1)
Operating expenses	400,911	395,483	1.4
Operating income	666,136	705,569	(5.6)
Non-Operating income and expenses	40,396	99,428	(59.4)
Income before income taxes	706,532	804,997	(12.2)

(1) State of 2019 budget implementation :

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

(2) Financial structure and profitability

<table>
<tr><th colspan="3">Item</th><th>2019</th><th>2018</th></tr>
<tr><td rowspan="2">Financial Structure</td><td colspan="2">Debt to asset ratio (%)</td><td>48.13</td><td>47.50</td></tr>
<tr><td colspan="2">Long-term capital to property, plant and equipment (%)</td><td>1,801.48</td><td>1,743.69</td></tr>
<tr><td rowspan="2">Solvency</td><td colspan="2">Current ratio (%)</td><td>227.59</td><td>225.15</td></tr>
<tr><td colspan="2">Quick ratio (%)</td><td>178.86</td><td>192.71</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on assets (%)</td><td>11.42</td><td>11.44</td></tr>
<tr><td colspan="2">Return on stockholders' equity (%)</td><td>21.83</td><td>26.02</td></tr>
<tr><td rowspan="2">Ratio to issued capital (%)</td><td>Operating income</td><td>196.34</td><td>207.96</td></tr>
<tr><td>Pre-tax income</td><td>208.24</td><td>237.27</td></tr>
<tr><td colspan="2">Profit ratio (%)</td><td>11.28</td><td>11.50</td></tr>
<tr><td colspan="2">Basic after-tax EPS (NTD)</td><td>14.65</td><td>16.50</td></tr>
</table>

B. Technology and R&D Overview:

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 H3PO4, 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 separation residual liquid and distillate then via low temperature crystallization technique to formation ferric phosphate. Has preliminary results in TMAH recycling and application for a patent.

(2) In recent years, global climate anomalies and environmental changes have increasingly attracted worldwide attention. The Company set up Environmental Protection and Green Energy Group cooperate with Israel seawater desalting plant to introduce technology of zero waste water discharge system, reclaimed water recycling system and seawater desalination system. Besides, cooperate with domestic institutes and companies using recycling technology to recycle used chemical. This business is in preliminary stage and has not application for a patent.

(3) HPC High pressure single wafer cleaner

Purpose: For Wet and Related process of higher performance and cleanliness. Basically, to 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 universally used in wafer cleaning process for Size of 4" to 12".

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

Purpose: By optimization of robot arm, the mechanical performance will be improved meanwhile assembly can be simplified which can lower the cost of robot implementation and improved 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 cassttless type bench application, etc. This development can be also used in wet bench and high precision transferring.

Business Plan for 2020

A. Business objectives

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

B. Sales forecast and sales policy

SEMI expects that Korea, China and Taiwan will be the top 3 of Global semiconductor manufacturing equipment sales market in 2019 to 2020. China will be the largest equipment market in 2020. According to SEMI forcast, the market share of China will be increase to 22% and 25% in 2019 and 2020. So far, Semiconductor Manufacturing International Corporation, Yangtze Memory Technology Corp and ChangXin Memory Technologies, Inc. as representative of the local semiconductor manufacturing enterprises are laying out advanced manufacturing capacity in the areas of logic circuit chip, 3DNAND memory chip and DRAM memory chip respectively. They are leading the way in China's semiconductor manufacturing technology. China electronic production equipment industry association shows, domestic equipment in the integrated circuit production equipment market reach to 10% market share in the first half of 2019. With the further development of technology in SMIC, YMTC, CXMT will bring more improvement for domestic equipment and a broader import substitution market, the share of domestic equipment has a greater potential to increase. From the second half of 2019 to the first half of 2020, local companies in China are expected to start to show a pick-up. Global semiconductor manufacturing equipment sales will drop 10.5 percent to $57.6 billion in 2019 from last year's historic peak of $64.4 billion but stage a 2020 recovery and set a new high in 2021, SEMI reported in its Year-End Total Equipment Forecast. The forecast shows equipment sales registering a 5.5 percent increase to $60.8 billion in 2020 and continued expansion into 2021, with record revenues of $66.8 billion.

Our company has been deeply involved in the China market area for many years, and the regional sales accounted for more than a half. With China government's promotion of high-tech industry development policies, although the semiconductor equipment sales are expected to be stable growth in 2020. Despite the impact of COVID-19, semiconductor equipment sales were poor in the first quarter of 2020 and we will keep working hard to create the best shareholders' profits.

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. In China, has grown rapidly over the past five years due to government policies which has been the world's largest importer of semiconductor chips. The overall strategy of China is to reduce its dependence on semiconductor wafer form foreign imports and the goals of the made-in-china 2025 plan is to achieve a self-manufacturing rate reach to 40% in 2020 and 70% in 2025.

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

As mentioned above, China government is proactively promoting the development of local semiconductor industry, it is expected that the company will benefit from related capital expenditure requirements and further increase the market share in China area. In 2019, both domestic and foreign semiconductor market sales are all fall impact from the trade war and decrease in demand of consumer electronics.

Throughout the history of the semiconductor and equipment industry, every market downturn ended with the advent of technology innovation and open up new growth. Although the global economic uncertainty due to the brief adjustment period of global semiconductor and equipment market in 2019 and the impact of COVID-19 in 2020, the semiconductor is for 5G, Internet of things (IoT), artificial intelligence (AI) in areas such as technology wave is expected to encourage the growth of the industry a new round of growth.

Taiwanese region is proactively developing the usage of water resources, according to the plan of the Water Resources Department, the demand of reclaimed water per day will reach 700,000 tons in 2021, and 1,320,000 tons in the year of 2043.
(Source：http://file.wra.gov.tw/public/Data/57713564171.pdf)

Our company proactively cooperates with internationally well-known companies in the development of water resource utilization plans and cultivates relevant professionals. It is expected that it will be able to lay a solid foundation for the company's next phase of development in this field.

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: Chung-Cheng Hsu

Financial and Accounting Manager: Chun-Yen Ou

II. Company Profile

1. Date of Incorporation: June 13, 1997

2. Company History

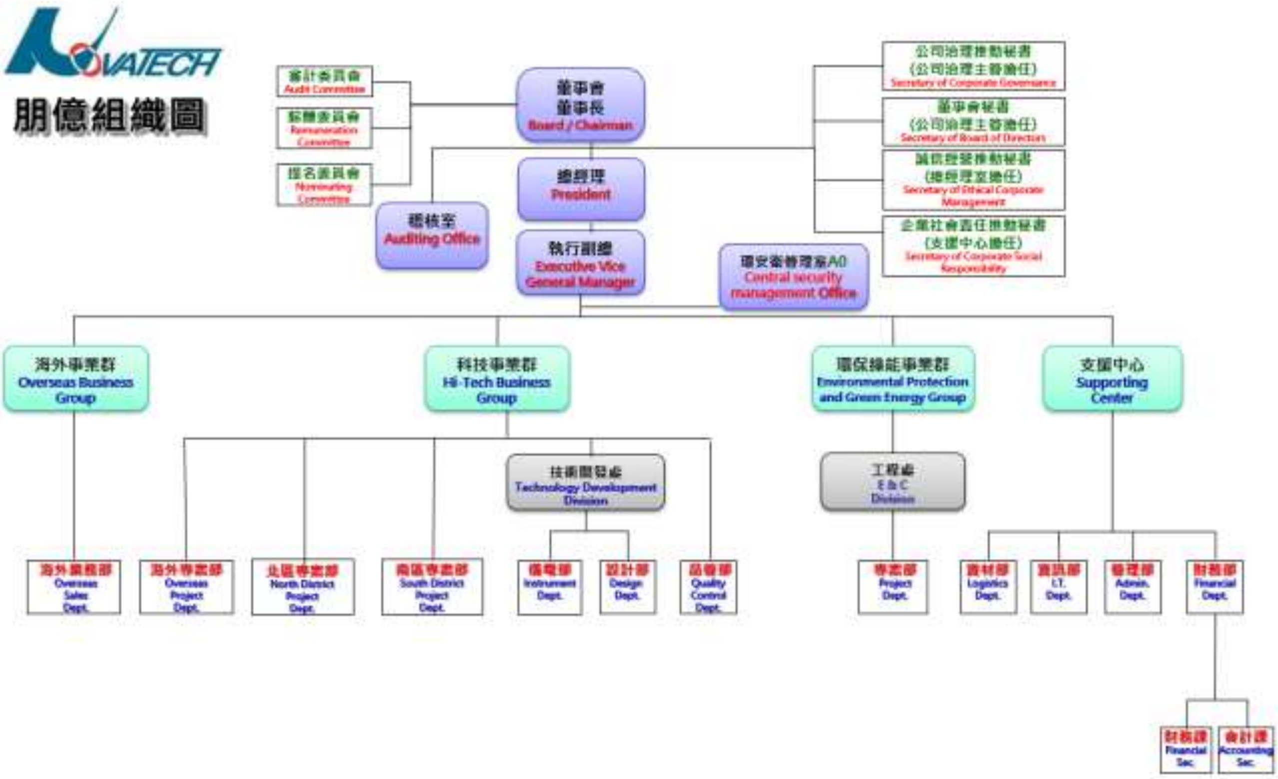
Year	Milestones
1997.06	The official establishment of NOVA TECHNOLOGY CORP., initially operating a chemical dispense system and CMP slurry dispense system at the time of foundation. Paid-in capital was NTD 5,000,000.
2001.02	Capital increased by cash NTD 3,510,000 and capital increased by earning NTD 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.

Year	Milestones
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 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.

III. Corporate Governance Report

1. Organization

A. Organization Chart



B. Major Departments Functions

Department	Functions
Board/ Chairman	1. Call up shareholders' meeting and board of directors meeting. 2. Drafting intermediate and long-term development strategies of the company to assure the sustainable management of the company. 3. Responsible for the development and introduction of new business and new products, strategic alliance and investment evaluation.
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.
General Manager Office	1. 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. 2. Responsible for the business promotion of project pilot-stage. 3. Responsible for the company's integrity management policy and prevention program formulation and supervision and implementation.
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 water, 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, on-site construction, equipment installation, pilot operation, manufacturing operation, processing improvement, warranty, and maintenance services for semiconductor, photoelectric, and display industries.
Instrument Dept.	1. Instrument and electric equipment system/engineering design and changing management. 2. Supervising hardware and software design of electric system of equipment. 3. Initial planning and design for tender projects. 4. Pre-tender and execution budgeting, project cost and budget management, project schedule progress management. 5. Project equipment materials purchase requisition and outsourcing. 6. Self made control panel testing, shipment and quality control. 7. Drawing management. 8. Pilot operation.

Department	Functions
Design Dept.	1. Equipment system engineering design and change management. 2. Pre-tender and execution budgeting, project cost and budget management, project schedule progress management. 3. Initial planning and design for tender projects. 4. Self-made machinery shipment management and testing, quality management. 5. Drawing management.
Overseas Project Dept.	1. Overseas engineering project execution and assistance (major area in China and Southeast Asia). 2. Project schedule control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design of tender project preparation. 5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service. 8. Construction site safety plan, management, and confirm that various operations correspond to standards. 9. Contractor safety inspection and assessment.
North District Project Dept.	1. Northern District Project execution and assistance (the main area of customer is north of Taichung). 2. Project schedule control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design of tender project preparation. 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. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service. 8. Construction site safety plan, management, and confirm that various operations correspond to standards. 9. Contractor safety inspection and assessment.
South District Project Dept.	1. Southern District Project execution and assistance (the main area of customer is south of Taichung, including Taichung). 2. Project schedule control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design of tender project preparation. 5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation and after service. 8. Construction site labor safety plan, management and confirm thatvarious operations correspond to standards. 9. Contractor safety inspection and assessment.

Department	Functions
Central security management Office	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.
Quality Control Dept.	1. Supervising the quality inspection and control of the engineering department. 2. Supervising the inspection of construction engineering quality, implementation of regular quality inspection, and key point inspection. 3. Quality inspection and construction quality audit for materials or equipment provided by suppliers. 4. Quality management problems prevention and treatment through customer feedback. 5. Implementing quality control course education training. 6. Other relevant engineering quality management matters.
Environmental Protection and Green Energy Group	1. Promotion and introduction of equipment, method, and chemical engineering technology. 2. Environmental protection/chemical engineering project operations and supervision. 3. New technology, new equipment search, and development
E & C Division	1. Promotion and execution of seawater desalination operation. 2. Promotion and execution of reclaimed water operation. 3. Energy saving project sales promotion and execution. 4. The monitoring and supervision and independent technician training of the abovementioned project outsourcing. 5. Environmental protection, green energy-related project tender preparation, bidding, and execution integration. 6. Other environmental protection, green energy, and water reduction related matters.
Project Dept.	1. Execution and assistance in green energy engineering projects. 2. Project schedule control and quality control. 3. Sales information and customer service and promotion. 4. On-site initial planning and design for tender project preparation. 5. Pre-tender and execution budgeting integration, project execution, project cost and budget management, project schedule and payment requisition acceptance schedule management. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation, and after service. 8. Construction site safety plan, management, and confirm that various operations correspond to standards. 9. Contractor safety inspection and assessment.
Supporting Center	1. Integrating, supervising and coordinating relevant supporting department units with the execution of relevant affairs. 2. Promoting corporate management and corporate social responsibility related matters. 3. Planning and promoting short-term projects.

Department	Functions
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, budgting, Board of Directors and shareholders' meeting convening matters, the announcement of tax filing.
Admin. Dept.	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. 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. 3. Project information document management Sales quotation control table, project cost control table, project revenue and expenditure statement, and information report and archival management.
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 23, 2020; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Sex	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			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Acter Co., Ltd.	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	None
	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	• Department of Electrical Engineering – Refrigerating and Air-conditioning, Taipei Tech • EMBA, National Chiao Tung University • Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd.	• Chairman/ President, Acter Co., Ltd. • Chairman, Nova Technology Corp. • Chairman, Her Suo Engineering Co., Ltd. • Chairman, Acter Technology Integration Group Co., Ltd • Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. • Director, Sheng Huei (Shenzhen) Engineering Co., Ltd. • Director, Shenzhen Dingmao Trade Co., Ltd. • Legal Representative, Sheng Huei International Co., Ltd. Corporate • Legal Representative, Acter International Limited Corporate • Legal Representative, New Point Group Limited Corporate • Director, Nova Technology Singapore Pte., Ltd • Director, Nova Technology Malaysia Sdn. Bhd. • Supervisor, Winmax Technology Corporation	None	None	None	None

March 23, 2020; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Sex	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			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																• Director/ President, Fengze Engineering Co., Ltd. • Chairman, Winmega Technology Corp. • Supervisor, Suzhou 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.				
Director	Acter Co., Ltd.	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	None
	Representative Chung-Cheng Hsu	Taiwan	Male	2005.12.01	2019.05.24	3	252,158	0.74	252,158	0.74	0	0	0	0	• National Taiwan University EMBA-International Business Master • National Taiwan University Department of Chemical Engineering • President, Acter Co., Ltd. • Supervisor, Sheng Huei Engineering (Suzhou) Co., Ltd. • Director, Sheng Huei Engineering (Shenzhen) Co., Ltd. • Supervisor, Shenzhen Shiding Trading Co., Ltd. • Director, Pt. Novamex Indonesia • Director, Acter Egineering Co., Ltd.	• Director, Nova Technology Corp. • Chairman, Winmax Technology Corp. • Chairman, Suzhou Winmax Technology Corp. • Director, Winmega Technology Corp. • Director, Fengze Engineering Co., Ltd • Director/ President, Novatech Engineering & Construction Pte Ltd.	None	None	None	None

March 23, 2020; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Sex	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			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															• Director, Nova Technology Malaysia Sdn. Bhd. • Vice president, Osense Technology Corp. • President, Nova Technology Corp.					
Director	Acter Co., Ltd.	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	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	• National Chung Hsing University College of Management Master Program • Feng Chia University Department of International Business • President, Long King Leather Products Co., Ltd. • President, Linglu Composite Building Material (shanghai) Co., Ltd.	None	None	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	• Ph.D., Harvard University Economics Department • National Taiwan University Master in Economics • Associate Professor, National Chung Hsing University College of Finance and Taxation • Director, National Chung Hsing University Accounting Department • Associate Professor, National Chung Cheng University Department of Economics • Supervisor, Siward Crystal Technology	• Professor, National Chung Hsing University College of Department of Finance and Taxation • Independent Director/ Audit Committee Member/ Remuneration Committee Member, Sinon Co., Ltd. • Independent Director/ Audit Committee Member/ Remuneration Committee Member, Gourmet Master Co., Ltd.	None	None	None	None

March 23, 2020; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Sex	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			Note
							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	• Ph.D., Drexel University Finance Department • Dean and distinguished professor, College of Management, Asia University • Head, National Chung Hsing University of Department of Finance and Taxation Department of Finance • CEO, National Chung Hsing University EMBA • Dean and vice president of international affairs, International College, Providence University • Remuneration Committee Member, Sinon Co., Ltd.	• Distinguished Professor, National Chung Hsing University Department of Finance and Taxation • Director/ Audit Committee Member/ Remuneration Committee Member, JMicron Technology Corp. • Director/ Audit Committee Member/ Remuneration Committee Member/ Risk Management Committee Member, CTBC Financial Holding Co., LTD. • Director/ Audit Committee Member/ Remuneration Committee Member/ Risk Management Committee Member, CTBC Bank Co., Ltd.	None	None	None	None
Independent Director	Cheng Li	Taiwan	Male	2017.07.14	2019.05.24	3	0	0	0	0	0	0	0	0	• Ph.D., Tulane University • Attorney, U.S. Federal and New York State • Attorney, Lee & Tsai. Attorney at Law • Chair of Tunghai University Department of Law and Director of Graduate Institute of Law • Associate Professor, Tunghai University Department of Law • Advisor, Trade Investigation Commission of the Ministry of Economic Affairs • Consultant, International Patent Trademark & Law	• Associaite Professor, Tunghai University EMBA • Associate Professor, Feng Chia University EMBA • Independent Director/ Remuneration Committee member, Ginko International Co., Ltd. • Director, Top Food Industry Corporation • Remuneration Committee member, Rexon Industrial Corporation, Ltd.,	None	None	None	None

March 23, 2020; Unit: Shares, %

Title	Name	Nationality/ Country of Origin	Sex	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			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Office					
Independent Director	Hui Yin Chiu	Taiwan	Female	2019.05.24	2019.05.24	3	0	0	0	0	0	0	0	0	• National Taiwan University Master in Accounting. • National Chengchi University Bachelor of Accounting. • Partner CPA, Deloitte & Touche. • Assurance department manager, Deloitte & Touche.	• Partner CPA, Everwell & Co., CPAs. • Representative, Li Jung Investment Co., Ltd • Independent Director/ Audit Committee Member, CastleNet Technology Inc.	None	None	None	None

B. Major Shareholders of the institutional shareholders:

March 29, 2020

Name of Institutional Shareholders	Major Shareholders
Acter Co., (Note)	Xiang-Hui Development Co., Ltd. (4.78%), Chiu-Chang Investment Co., Ltd. (3.97%), Chin-Li Liang (3.92%), Sumitomo Chemical Engineering Co., Ltd. (2.55%), Tai-Tsen Hu (2.31%), Hsin-Ming Kao.(1.97%), Jung-Tang Yang (1.86%),Wei-Yu Chen (1.13%), Shu-Hui Chang (1.13%), Yuanta bank in custody for Jauntico Investments Limited (1.10%)

(Note) Source: Acter Co., Ltd. 2019 Annual Report

Major Shareholders of the Company’s major institutional shareholders:

Name of Institutional Shareholders	Major Shareholders
Xiang-Hui Development Co., Ltd. (Note 1)	Jung-Tang Yang (32.91%), Sin-Hao Yang (18.10%), Wei-Han-Jhih Yang (32.91%)
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:

Criteria / Name	Having over 5 years work experience and following professional qualifications			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 depertments	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 Co., Ltd. Representative: Chin-Li Liang	-	✓	✓	-	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	-
Acter Co., Ltd. Representative: Chung-Cheng Hsu	-	-	✓	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Acter Co., Ltd. Representative: Bi-Hui Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chih-Yi Chi	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Sheng-Yung Yang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Cheng Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
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 affiliated enterprise (excluding independent director set up by the company, parent company and subsidiary in accordance with the Securities Exchange Act or local laws and regulations).

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

(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.

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

(6) Directors, supervisors or employees of other companies controlled by the same person for more than half of the company's director seat or voting shares

(7) Directors, supervisors or employees of other companies or institutions who are not the same person or spouse as the company's chairman, general manager or equivalent

(8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.

(9) Owners, partners, directors, supervisors, managerial officers, and their spouse of professionals, wholly owned, joint venture, company or institutes that do not provide business, legal affairs, financial affairs, accounting services or consultation to the company or affiliated enterprises. Nonetheless members of salary remuneration committee set up for companies with public listing or traded at exchange broker's offices and members of salary remuneration committee exercising duties in accordance with Article 7 of Duties Exercise Guidelines are excluded.

(10) Not a spouse or a second-degree relative of 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, judicial person or its representative as defined by Article 27 of the Company Law.

D. Management Team:

March 23, 2020; Unit: Shares, %

Title	Name	Nationality	Sex	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager			Status of Managerial officers Acquiring Employee Stock Option Certificate	Note
					Number	%	Number	%	Number	%			Title	Name	Relation		
President	Chung-Cheng Hsu (Note 1)	Taiwan	Male	2006.03.01	252,158	0.74	-	-	-	-	• National Taiwan University EMBA-International Business Master • National Taiwan University Department of Chemical Engineering • President, Acter Co., Ltd. • Supervisor, Sheng Huei Engineering (Suzhou) Co., Ltd. • Director, Sheng Huei Engineering (Shenzhen) Co., Ltd. • Supervisor, Shenzhen Shiding Trading Co., Ltd. • Director, Pt. Novamex Indonesia • Director, Acter Egineering Co., Ltd. • Director, Nova Technology Singapore Pte. Ltd. • Director, Nova Technology Malaysia Sdn. Bhd. • Vice president, Osense Technology Corp. • President, Nova Technology Corp.	• Director, Nova Technology. • Chairman, Winmax Technology Corp. • Chairman, Suzhou Winmax Technology Corp. • Director, Winmega Technology Corp. • Director, Fengze Engineering Co., Ltd • Director/ President, Novatech Engineering & Construction Pte Ltd.	None	None	None	None	None
Executive Vice President and R&D Head	Wei Ma (Note 2)	Taiwan	Male	2016.02.01	189,120	0.56	-	-	-	-	• Lunghwa Vocational Institute-Department of Mechanical Engineering • Chairman, Winmax Technology Corp. • Chairman, Suzhou Winmax Technology Corp.	• Director, Winmax Technology Corp. • Director, Suzhou Winmax Technology Corp. • Supervisor, Winmega Technology Corp. • President, Nova Technology Corp.	None	None	None	None	None
Vice President	Min-Lang Su	Taiwan	Male	2012.02.01	100,861	0.3	-	-	-	-	• National Chiao Tung University Department of Engineering and Management Science Master Program • Assistant Vice President, Nove technology corp.	None	None	None	None	None	None

March 23, 2020; Unit: Shares, %

Title	Name	Nationality	Sex	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager			Status of Managerial officers Acquiring Employee Stock Option Certificate	Note
					Number	%	Number	%	Number	%			Title	Name	Relation		
Vice President	Wei-chao Yang	Taiwan	Male	2017.05.22	145,825	0.43	1,952	0.01	-	-	• National Chiao Tung University EMBA • Special assistant to the Chairman / Assistant manager, Acter Co., Ltd. • Financial Manager, eMemory Technology Inc. • Assistant Manager, Power Flash General Administration Office • Supervisor, Winmega Technology Corp.	None	None	None	None	None	None
Assistant Vice President	Yi-yun Huang	Taiwan	Male	2013.05.01	105,911	0.31	11,000	0.03	-	-	• Ta Hwa Vocational College Department of Electronic Engineering • Deputy Director, Nove technology Corp.	None	None	None	None	None	None
Assistant Vice President	Tze-da Chang	Taiwan	Male	2017.07.10	6,000	0.02	-	-	-	-	• National Cheng Kung University Department of Chemistry Master Program • Manager, Neo Solar Power Senior • Assistant Manager, Formosa Epitaxy Incorporation Senior	None	None	None	None	None	None
Assistant Vice President	Jin-Liang Chen	Taiwan	Male	2017.06.02	14,000	0.04	2,000	0.01	-	-	• National Cheng Kung University Institute Master in International Management • National Chung Hsing University Department of Environmental Engineering Master • Senior Engineer, Winbond Electronics Corp. • Principal Engineer, Motech Industries Inc.	None	None	None	None	None	None
Financial and Accounting Manager	Chun-Yen Ou	Taiwan	Male	2009.06.16	56,090	0.17	-	-	-	-	• Providence University Accounting Department • Supervisor, PwC Taiwan	None	None	None	None	None	None

Note 1: Chung-Cheng Hsu, President of the company transferred to Chairman of Winmax Technology Corp. and Suzhou Winmax Technology Corp. on March 1st, 2020.
Note 2: Wei Ma, Executive vice president of the company was promoted to be the President on March 1st, 2020.

3. Remuneration of Directors, President and Vice President

A. Remuneration of Directors (Independent Directors included) of Most Recent Year (2019)

(1) Remuneration of Directors (Independent Directors included)

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		Remuneration received from invested companies other than subsidiaries or the parent company
		Remunerations (A) (Note 1)		Retirement allowance (B)		Bonus to Directors (C) (Note 2)		Business execution expenses (D) (Note 3)		(A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances (E) (Note 4)		Retirement allowance (F)		Profit Sharing- Employee Bonus (G) (Note 5)				(A+B+C+D+E+F+G) to Net Income (%)		
		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	
																Cash	Stock	Cash	Stock			
Chairman	Acter Co., Ltd. (Representative: Chin-Li Liang)																					
Director	Acter Co., Ltd. (Representative: Chung-Cheng Hsu)	0	0	0	0	11,906 (Note 6)	11,906 (Note 6)	840	840	2.56	2.56	5,265	7,655	0	0	1,558	0	1,558	0	3.94	4.42	34,267
Director	Acter Co., Ltd. (Representative: Bi-Hui Wu)																					
Independent Director	Chih-Yi Chi	672	672	0	0	0	0	84	84	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	None
Independent Director	Sheng-Yung Yang	672	672	0	0	0	0	84	84	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	None
Independent Director	Cheng Li	702	702	0	0	0	0	84	84	0.16	0.16	0	0	0	0	0	0	0	0	0.16	0.16	None
Independent Director	Hui-Yin Chiu	434	434	0	0	0	0	36	36	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	None

1.Disclose the policies, systems, standards, and structure of remuneration to independent directors and the connection between their responsibilities, future risk exposure, the time spent by the individual.ect: 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 disclosure of the table above, the remunerations to the directors provided service (e.g. serve as independent consultant rather than employee) in the most recent year for all companies: None

Note 1: Referring to the remuneration to director in the most recent month (including director salary, differential pay, severance pay, various bonuses and rewards…etc.)
Note 2: Referring to the director bonus amount distributed by the adoption of Board of Directors meeting.
Note 3: 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 4: Relevant remuneration received by Directors who are also employees (including salary, differential pay, severance pay, various bonuses and rewards…etc.).
Note 5: 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, which should disclose the amount of employee remuneration distributed by the adoption of Board of Directors meeting in most recent year.

Note 6: Director Remuneration was approved by Board of Director meeting on Feb.24, 2020 and will pay to Acter Co., Ltd.

(2) Range of Remunerations

Range of remunerations paid to Directors	Name of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The company	All companies involved in financial statement	The company	Parent company and all the invested enterprise
Under 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 Co., Ltd. (Representative: Chin-Li Liang , Chung-Cheng Hsu, Bi-Hui Wu)	Acter Co., Ltd. (Representative: Chin-Li Liang , Chung-Cheng Hsu, Bi-Hui Wu)	Acter Co., Ltd. (Representative: Chin-Li Liang, Bi-Hui Wu)	Acter Co., Ltd. (Representative: Bi-Hui Wu)
NT$5,000,000~9,999,999	-	-	-	-
NT$10,000,000~14,999,999	-	-	Acter Co., Ltd. (Representative: Chung-Cheng Hsu)	Acter Co., Ltd. (Representative: Chung-Cheng Hsu)
NT$15,000,000~29,999,999	-	-	-	-
NT$30,000,000~49,999,999	-	-	-	Acter Co., Ltd. (Representative: Chin-Li Liang)
NT$50,000,000~99,999,999	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	7	7	7	7

B. Remuneration of Supervisors: Not applicable

C. Compensation of President and Vice President

(1) Compensation of President and Vice President

Unit: NT$ thousands

Title	Name	Salary (A) (Note 1)		Retirement Pension (B)		Bonus and Special Disbursement (C) (Note 2)		Amount of Remuneration to Employee (D) (Note 3)				Proportion of A, B, C, and D to Net Profit		Remuneration received from invested companies other than subsidiaries or the parent company
		The company	All companies in the consolidated financial statements (Note 4)	The company	All companies in the consolidated financial statements (Note 4)	The company	All companies in the consolidated financial statements (Note 4)	The company		All companies in the consolidated financial statements (Note 4)		The company	All companies in the consolidated financial statements (Note 4)	
								Cash	Stock	Cash	Stock			
President	Chung-Cheng Hsu	10,843	14,234	428	428	6,667	6,667	5,709	0	5,709	0	4.76	5.44	520
Executive Vice President	Wei Ma													
Vice President	Min-Lang Su													
Vice President	Wei-Chao Yang													

Note 1: Fill out the salary, differential pay and severance pay for president and vice president of most recent year.

Note 2: 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.

Note 3: Fill out the employee remuneration amount (including stocks and cash) distributed to the president and vice president as adopted by the Board of Directors in most recent year. In case the amount could not be estimated, apply the ratio of actual amount of distribution last year to calculate the amount of distribution this year. Net profit refers to the net profit of most recent year; for companies already adopting International Financial Reporting Standards (IFRS), net profit refers to the net profit of individuals or individual financial statement of most recent year.

Note 4: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

(2) Range of Remunerations

Range of Remunerations Paid to President and Vice Presidents	Name of President and Vice President	
	The company	Parent company and all the invested enterprise
Under 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	-	-
NT$5,000,000~9,999,999	Chung-Cheng Hsu, Wei Ma, Min-Lang Su, Wei-Chao Yang	Wei Ma, Min-Lang Su, Wei-Chao Yang
NT$10,000,000~14,999,999	-	Chung-Cheng Hsu
NT$15,000,000~29,999,999	-	-
NT$30,000,000~49,999,999	-	-
NT$50,000,000~99,999,999	-	-
Over 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	President	Chung-Cheng Hsu	-	8,345	8,345	1.68
	Executive Vice President	Wei Ma				
	Vice President	Min-Lang Su				
	Vice President	Wei-Chao Yang				
	Assistant Vice President	Yi-Yun Huang				
	Assistant Vice President	Tze-Da Chang				
	Assistant Vice President	Jin-Liang Chen				
	Financial and Accounting Manager	Chun-Yen Ou				

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 president 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 president:

Unit: NT$ thousands, %

Title	2018				2019			
	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
Director	33,977	36,366	6.07	6.50	22,337	24,727	4.49	4.98
President & Vice President	27,177	30,542	4.85	5.46	23,647	27,038	4.76	5.44

(2) The policy, standards and portfolio, and the association between the program for remuneration formulation and management performance for remuneration paid to directors, president, and vice president

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 2019, directors’ and independent directors’ attendance 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	6	1	85.71%	Was re-elected on May 24, 2019.
Director	Representative of Acter Co., Ltd: Chung-Cheng Hsu	7	0	100%	Was re-elected on May 24, 2019.
Director	Representative of Acter Co., Ltd: Bi-Hui Wu	7	0	100%	Was re-elected on May 24, 2019.
Independent Director	Chih-Yi Chi	7	0	100%	Was re-elected on May 24, 2019.
Independent Director	Sheng-Yung Yang	7	0	100%	Was re-elected on May 24, 2019.
Independent Director	Cheng Li	7	0	100%	Was re-elected on May 24, 2019.
Independent Director	Hui-Yin Chiu	3	0	100%	Was newly elected on May 24, 2019 and should present 3 times.

Other mentionable items:

1. 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:
   A. Circumstances 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.
   B. Resolutions of the directors’ meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing: Until the annual report on printed, the resolutions of the directors’ meetings were unanimously approved by all present Board members.

2. If there is 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.16, 2019	The company's 2018 evaluation of the performance of executives, 2017 phase II performance bonus distribution to managerial officer and 2018 performance bonus distribution to managerial 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 and independent directors without objection.
	May 06, 2019	Approval of 2019 Manager Compensation Policy.		
Chih-Yi Chi Sheng-Yung Yang Hui-Yin Chiu Cheng Li	May 24, 2019	The appointment of the Remuneration 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 Remuneration Committee.	Approved by all attending directors without objection.
Chung-Cheng Hsu	Aug.1st, 2019	Approval the 2018 distribution of employees' remuneration for managerial 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 and independent directors without objection.

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 1st 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 March 31, 2020)
◎: Attendance in Person; ☆: By Proxy; ●: Not present

	Chih-Yi Chi	Sheng-Yung Yang	Cheng Li
the 15th Meeting of the 8th Term Board of Directors (2019.01.16)	◎	◎	◎
the16th Meeting of the 8th Term Board of Directors (2019.02.25)	◎	◎	◎
the 17th Meeting of the 8th Term Board of Directors (2019.04.01)	◎	◎	◎
the 18th Meeting of the 8th Term Board of Directors (2019.05.06)	◎	◎	◎

	Chih-Yi Chi	Sheng-Yung Yang	Cheng Li	Hui-Yin Chiu
the 1st Meeting of the 9th Term Board of Directors (2019.05.24)	◎	◎	◎	◎
the 2nd Meeting of the 9th Term Board of Directors (2019.08.01)	◎	◎	◎	◎
the 3rd Meeting of the 9th Term Board of Directors (2019.11.04)	◎	◎	◎	◎
the 4th Meeting of the 9th Term Board of Directors (2020.01.17)	◎	◎	◎	◎
the 5th Meeting of the 9th Term Board of Directors (2020.02.24)	◎	◎	◎	◎

5. Evalution of the board of director

Evaluation cycles	Evaluation periods	Scope	Method of evaluation	Content of evaluation
Once a year	2019/01/01~ 2019/12/31	The evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees.	The units performing evaluations will collect information by the Questionnaire of Self-Evaluation of Performance of the Board, the Questionnaire of Self-Evaluation of Performance of Board Members (for Themselves or Peers), and the Questionnaire of Self-Evaluation of Performance of the Functional Committee to be completed.	The criteria for evaluating the performance of the board of directors, the board members (on themselves or peers) and functional committees please refer to P.41~P.43

B. Audit Committee

A total of 5 (A) Audit Committee meetings were held in 2019. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Actual Attendance Rate (%)(B/A)	Remarks
Independent Director	Hui-Yin Chiu	2	0	100%	Was newly elected on May 24, 2019 and should present 2 times.
Independent Director	Chih-Yi Chi	5	0	100%	Was re-elected on May 24, 2019.
Independent Director	Sheng-Yung Yang	5	0	100%	Was re-elected on May 24, 2019.
Independent Director	Cheng Li	5	0	100%	Was re-elected on May 24, 2019.

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 2019 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 11th meeting of the 1st term Audit Committee and the 17th meeting of the 8th term Board of Directors on April 1st, 2019. 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 prescribed in Article 14-5 of the Securities Exchange Act.
   - B. Apart from the aforementioned matters, other matters not adopted by the audit committee but resolved with the consent from two-thirds 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. 25, 2019	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 amend "Procedures for Acquisition and Disposal of Assets." of the subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology.	✓	None
	4. Resolved to approve the company applied for financing credit line from the financial institution.	－	None
	5. Approved the company's "Statement of Internal Control System for the Year 2018".	✓	None
	6. Approved the company's 2018 Business Report and Financial Statements.	✓	None
	7. Approved the company's proposal for distribution of 2018 profit.	✓	None
	8. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets."	✓	None
	9. Approved to amend the company's "Procedures for Endorsements and Guarantees."	✓	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: None.		
April 1st, 2019	1. Approved the evaluation of qualification and independence, and remuneration of the Certified Public Accountants.	✓	None
	2. Resolved to approve the company's guarantees and endorsements.	✓	None
	3. Approved to amend the company's "Procedures for Endorsements and Guarantees."	✓	None
	4. Approved to amend the company's "Procedures for Loaning of Company Funds."	✓	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: None.		
May 06, 2019	1. Resolved to approve the company applied for financing credit line from the financial institution.	－	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.		

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
Aug. 1st, 2019	1. Resolved to approve the company's guarantees and endorsements.	✓	None
	2. Resolved to approve the company applied for financing credit line from the financial institution.	−	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. 4, 2019	1. Resolved to approve the company's guarantees and endorsements.	✓	None
	2. Resolved to approve the company applied for financing credit line from the financial institution.	−	None
	3. Resolved to approve the company 2020 budget proposal.	−	None
	4. Resolved to approve the company 2020 audit plan proposal.	−	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. 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. 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.
   B. 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.
   C. The results of 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?	✓		(1) The company offers spokesperson and deputy spokesperson to handle shareholders’ suggestions or disputes. (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”	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>(4) Does the company establish internal rules against insiders trading with undisclosed information?</td><td></td><td></td><td>(4) The company has developed “Internal Material Information Handling and Prevention of Insider Trading Management Process Procedures,” prohibiting company directors or employees as well as insiders to trade securities using information not yet disclosed to the market.
In 2019, the company introduced the integrity standards into the E-learning system. Contents of the course include the company's internal rules about prohibiting insiders trading, employee ethical business guidelines and so on. In 2019, 148 employees completed the training and the participation ratio is 100%. Total training 166 hrs.
The Company announced in January 2019 and 2020 to the employee in internal meetings about relative information on insider trading and to directors in Board of Directors meeting on Aug. 1st, 2019.</td><td></td></tr>
<tr><td>3. Composition and responsibilities of the Board of Directors
(1) Does the Board develop and implement a diversified policy for the composition of its members?</td><td>✓</td><td></td><td>(1) The company has developed “Corporate Governance Best Practice Principles” to regulate the structure of the Board of Directors with consideration of diversity. The principle revealed on the company’s official website and MOPS.
The Company also established the Nominating Committee on the 4th Meeting of the 9th term Board of Directors. The major jobs include laying down the standards of independence and a diversified background covering the expertise, skills, experience, sex, etc. of members of the board and finding, reviewing, and nominating candidates for directors based on such standards.</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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. Furthermore, regard for the benefits of diversity of the Board. In consideration of diversity and fairness, the 9th term Board of Directors has 7 directors: 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. Please refer to <Table 2> on page 52 for the diversity of each board member and relative information also revealed on the company's official website. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Ability to lead. 8. Ability to make policy decisions.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			There is 1 Director (14%) of the Company who is also employee. There are 4 Independent Directors (57%) and 2 female directors (29%). 2 Independent Director's seniority is within 3 years and the other 2 Independent Directors' seniority is between 4 to 6 years. 5 Director's age is between 50 to 60; 2 Directors' age is between 60 to 70 years old.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			(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 1st term Nominating Committee is composed of 7 directors including 4 independent directors. The meeting was held once during the most recent fiscal year and current fiscal year up to the date of publication of the annual report. The attendance rate was 100%. 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. The scope of duties of the Committee are as the follows: 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.	

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<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>(3) Does the company establish a standard to measure the performance of the Board, implement it annually, submit the report to the board of directors for improvement, and base on the evaluation results of the performance to determination of an individual director's remuneration and nominating members of the board of directors ?</td><td></td><td></td><td>2. Evaluating the performance of the board and the independence of the independent directors.
3. Establishing and reviewing on a regular basis programs for director continuing education.
4. Reviewing corporate governance guidelines of the Company

(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 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 3 years. The Company expects executive external performance evaluation before the first quarter of 2021.

The items of measurement for the performance evaluation of the company’s Board of Directors comprise at least the following 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 of the directors;

The items of measurement for the performance evaluation of the board members (self or peer) shall at least include the following six dimensions:
1. Corporate Objectives and mission control;
2. Cognition on director responsibilities;</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			3. Level of involvement in company operations; 4. Management and communication of internal relations; 5. Professionalism and continuous continuing education of directors; 6. Internal Control The items of measurement for the performance evaluation of the Remuneration Committee members shall at least include the following four dimensions: 1. Level of involvement in company operations; 2. Improvement of the quality of the Remuneration Committee' decision making; 3. Composition and structure of the Remuneration Committee member; 4. Election of the Remuneration Committee The items of measurement for the performance evaluation of the Audit Committee members shall at least include the following four dimensions: 1. Level of involvement in company operations; 2. Improvement of the quality of the Audit Committee' decision making; 3. Composition and structure of the Audit Committee member; 4. Election of the Audit Committee 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, Remuneration Committee and Audit Committee in 2019 has been completed and reported to Bord of Director meetimg on Feb. 24, 2020 The company should consider the results in determining compensation for individual directors, their nomination and additional office term. The average rating is	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			between 98.29% to 100% respectively and have been revealed on the website of the company.	
(4) Does the company regularly evaluate the independence of CPAs?			(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: (a) if the accountant and spouses, minors or other hold at least 1% of the company's shares. (b) Does the accountant is a spouse or having second degree of kinship with other directors. (c) Does the accountant have relative relation with personnel of material impact and duties such as managerial officers and financial heads? (d) Does the accountant execute professional services through righteous and rigorous attitude? (e) Does the accountant accept major gifts with high value from the directors or managerial officers? (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? 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 11th meeting of the 1st term Audit Committee and the 17th meeting of the 8th term Board of Directors on April 1st, 2019. After assessed, CPAs Hai-Ning Huang and Tzu-Hsin Chang from KPMG were qualified. Both CPAs do not have any direct or	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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.	
4. Dees the TWSE/TPEx Listed Companies have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and to appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs (including but not limited to the provision of information needed for director and supervisors to execute services, matters related to meeting for board of director and shareholder's meeting, application for company registration and registration of change, and preparation of board of directors and shareholders' meeting agenda)?	✓		The Vice President of Supporting Center, Mr. Wei-chao Yang has been appointed as the company secretary on April 1st, 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. 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. The main duties of cooperate governance unit are shown as follows. (1) Furnishing information required for business execution by directors and arranging continuing education for directors. (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. 4th, 2019. (3) Assist the Board of Directors and Shareholders in meeting procedures and resolutions to comply with the law. (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	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			well as provide sufficient meeting materials for directors' understanding about the content of relevant proposal. (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. (6) Ensuring directors' affair and the process of board resolution are in compliance with regulations. (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. (8) Renew the Directors' and Officers' Liability Insurance in January, 2020 and report the insured amount, coverage, premium rate, and other major contents of the liability insurance at the board meeting in January 17, 2020. (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. Continuing Education of Company Secretary: Company Secretary of the company shall take continuing education according to the "Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEx Listed Companies." The information of continuing education refer to P.81 of the annual report "X. Continuing Education for Director and Company Secretary".	

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 communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholder zone on the company website to properly respond to the important social responsibility issue concerned by stakeholders?	✓		(1) The company set up stakeholder zones official sites including employee zone, client alone, supplier zone, investor's zone, service zone and environmental safety and health zone with respective specific contact windows respectively by category of stakeholder. (2) The company sets up spokesperson, deputy spokesperson, and contact information mailbox as the communication channel with the investors. (3) The company sets up different communication meetings to encourage employees and management to conduct opinion exchange. An employee mailbox is also set up at the human resource zone of the company website for employees to immediately reflect opinions and provide suggestions via email, thereby keeping close interaction with employees. (4) The company website sets up audit committee mailbox, where all shareholders may communication with the audit committee members of the company via mailbox.	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? (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	✓		(1) The company has set up official website (http://www.novatech.com.tw) and regularly discloses and updates the financial services of the company and relevant information on corporate governance. (2) The company set up specialist in charge of the collection work and adequately disclosing relevant information by requirement. 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	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
conferences)? (3) Did the company file its annual financial reports within 2 months from the end of the fiscal year and file the financial for each quarter, business operation before filing deadlines?			according to practical needs. 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. 3. The company has set up English website to provide foreign investors with relevant company finance and services related information. (3) The Company has disclosed finance and business information on the Company website and the Market Observation Post System.	
8. Does the company have other important information that will help understand the business operations (including but not limited to employees' rights, employee care, investor relations, supplier relations, rights of stakeholders, status of director and supervisor continuing education, execution of risk management and risk measurement standard, execution of customer policy, and the company purchasing liability insurance for the directors and supervisors)?	✓		The company's management actively promotes corporate governance and relevant systems and measures adopted and travelling situations are summarized below: 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, 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	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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. 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. 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 information of continuing education refer to P.81 of the annual report "X. Continuing Education for Director and Company Secretary". 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 develops risk management process standards and	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			relevant management policies to lower and avoid any possible risk that jeopardizes the company and values the maintenance of personnel safety. 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. 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. 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 Jan. 17, 2020.	
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?	✓		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. The company includes a subsidiary currently has three presidents, three vice presidents, in the future, 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	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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. 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. 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.	
10. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. The Corporate Governance Center has released results of 6th Corporate Governance Evaluation in 2019. 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 <Table 1>				

<Table 1>

Item No.	Evaluation Indicator	Specific improvement measures
1.7	Did the company disclose the shareholders meeting agenda handbook and supplemental meeting materials on the designated Internet information reporting website 30 days prior to the day of the AGM?	The company has disclosed the shareholders meeting agenda handbook and supplemental meeting materials on MOPS before the specified deadline.
1.14	Did the company disclose the implementation status of the AGM resolutions of the preceding fiscal year in the annual report?	The Company has revealed implementation status of the AGM resolutions in the annual report.
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority, the key tasks carried out by the company secretary that fiscal year, and the status of the company secretary's continuing education?	The Vice President of Supporting Center, Mr. Wei-chao Yang has been appointed as the company secretary who is the most senior executive for corporate governance matters. The secretary's authority and other relative information have revealed on the company's website and in the annual report.
3.20	Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences in the year held at least 3 months apart?	The Company has attended two times investor conferences in 2019. The relative information of investor conference has been disclose on the Company website and MOPS.

<Table 2>

Item / Name	Nationality	Sex	Employee position	Age: Below 60 years old	Age: 61 ~ 70 years old	Age: 71 ~ 75 years old	The term of independent director: Below 3 years	The term of independent director: 3 ~ 9 years	The term of independent director: Over 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	-	✓	-	-	✓	-	-

Item / Name	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
Chin-Li Liang	✓	✓	✓	✓	✓	✓	✓	✓
Chung-Cheng Hsu	✓	✓	✓	✓	✓	✓	✓	✓
Bi-Hui Wu	✓	✓	✓	✓	✓	✓	✓	✓
Chih-Yi Chi	✓	✓	✓	✓	✓	✓	✓	✓
Sheng-Yung Yang	✓	✓	✓	✓	✓	✓	✓	✓
Cheng Li	✓	-	✓	✓	✓	✓	✓	✓
Hui-Yin Chiu	✓	✓	✓	✓	✓	✓	✓	✓

D. Composition, Responsibilities and Operations of the Remuneration Committee

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

Identity (Note1)	Criteria / Name	Having at least 5 years of work experience and the following professional qualification			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 disciplines needed for the company operation.	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chih-Yi Chi	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Sheng-Yung Yang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	None
Independent Director	Cheng Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Hui-Yin Chiu	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	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 affiliated enterprise (excluding independent director set up by the company, parent company and subsidiary in accordance with the Securities Exchange Act or local laws and regulations).
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
(6) Directors, supervisors or employees of other companies controlled by the same person for more than half of the company's director seat or voting shares
(7) Directors, supervisors or employees of other companies or institutions who are not the same person or spouse as the company's chairman, general manager or equivalent
(8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
(9) Owners, partners, directors, supervisors, managerial officers, and their spouse of professionals, wholly owned, joint venture, company or institutes that do not provide business, legal affairs, financial affairs, accounting services or consultation to the company or affiliated enterprises. Nonetheless members of salary remuneration committee set up for companies with public listing or traded at exchange broker's offices and members of salary remuneration committee exercising duties in accordance with Article 7 of Duties Exercise Guidelines are excluded.
(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.
The remuneration committee has held 3 meetings (A) in 2019. 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	3	0	100%	Was re-elected on May 24, 2019.
Member	Sheng-Yung Yang	3	0	100%	Was re-elected on May 24, 2019.
Member	Cheng Li	3	0	100%	Was re-elected on May 24, 2019.
Member	Hui-Yin Chiu	1	0	100%	Was newly elected on May 24, 2019 and should present 1 times.

Other matters to be disclosed:

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, the date of the Board of Directors meeting, term, the content of motions, board resolution results and Company handling of remuneration committee opinions shall be specified. (If the compensation approved by the Board of Directors exceeds that proposed by the remuneration committee, the circumstances and cause of the difference shall be specified): None.
3. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, the 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. 16, 2019	1. Resolved to approve 2018 evaluation of the performance of executives.
	2. Resolved to approve 2017 phase II performance bonus distribution to managerial officer.
	3. Resolved to approve 2018 performance bonus distribution to managerial officer.
	4. Resolved to approve the employee's 2019 compensation policy. .
	5. Resolved to approve 2018 remuneration distribution to directors and employees.
	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 6, 2019	1. Resolved to approve 2019 Manager Compensation Policy.
	2. Resolved to approve the proportion to the appropriation of employees' and directors' bonus in 2019.
	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.
Aug. 1st 2019	1. Resolved to approve the 2018 distribution of employees' remuneration for managerial 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. Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "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?	✓		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 principle of materiality. The risk assessment is summarized below: In environment, we assess the issue of "climate change", formulate strategies for strengthening green project management capabilities. In social community, we assess the "Health and safety risk management" issue, and 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. In corporate governance, the company evaluate the issue of corporate governance and compliance with laws and regulations, 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. (Please refer to the second chapter of the CSR report for detailed procedures and instructions)	None
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?	✓		The supporting center of Nova Technology is the responsible unit for promoting and execution 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. The company secretary reported the execution of CSR in the Board meeting on the Nov. 4, 2019. Excerpts are as follows: a. Caring for the environment of the company and fulfilling its corporate social responsibility.	,

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract Explanation	
			➢ 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. ➢ Implemenetation results: a.) Called on colleagues to donate second-hand items and donate the proceeds to the organizer. A total of 22 employees (total 120 hrs) participated in the charity sale. b.) Sponsor Thanksgiving Day held by Harmony Home Association Taiwan. c.) Participate in the project of sending love to the tribe in the Mid-Autumn Festival 2019, purchased 50 moon cake gift box, total cost NT$20,000 to disadvantaged schoolchildren and children in rural areas to share and create a driving force for life held by Children Are Us Foundation. d.) The Company provided summer internship participation opportunities to four college students, and signed industry-academia cooperation plans with National Taipei University of Technology and China Medical University to enhance youth employability. Total cost NT$207,118 for this plan. b. Advance workplace health and establish a safe work environment ➢ 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. ➢ Implemenetation results: In 2019, 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 1,622,978 hours from 2014 to 2019 (total labors involved was 150).	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract Explanation	
3. Environmental issue				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(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.	None
(2) Do the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?			(2) Nova Technology has been certified ISO9001 and ISO14001 quality management system and environmental management system, in addition to devoting in the R&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.	
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to respond to climate-related issues?			(3) The company established the "Environmental Protection and Green Energy Group" to focus on the development of SRS waste solvent recycling system to reduce environmental impact and develop new business opportunities. In view of the global issues of global warming and extreme climate, local governments have become more stringent in the management of greenhouse gases. In addition to continuously proclaiming the concept of "energy conservation" to all colleagues in the management of greenhouse gases, the company voluntarily disclosed Existing carbon emissions status, reviewing their own carbon management capabilities, and jointly facing the issue of mitigation and adaptation.	

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract Explanation	
(4) Did the company disclose the annual emissions of greenhouse gases (GHG), water consumption, and total weight of waste for the past 2 years and set management policies for energy conservation, reduction of carbon/greenhouse gas (GHG) emissions, water use, or other waste/pollutants?			(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. With regards to power use, the company advocates for switching off light and air-conditioner at all time while the headquarter company adopts energy-saving equipment to save power. c. Regularly announce and request to employees, personal travel should take more public transport to reduce the emissions of CO_2 and N_2O. In 2018, due to the expansion of the scope of developing new customers and the scope of work expanded, the company's energy consumption was 4,034.77GJ, 6.38% higher than that in the previous year; the energy consumption intensity was 6.21GJ of each square meters, decline 3.3%. And the direct greenhouse gas emission was 237.28 tons of CO_2e' and the indirect greenhouse gas emission was 111.88 tons of CO_2e', pursant to the GRI code 305-1 and code 305-2. The company continued to promote "Conserve energy to reduce carbon emission", and urged employees to save energy and take public transportation to reduce carbon dioxide emissions. The Corporate Sustainability Report of the company has revealed on the company's website.	
4. Social issue (1) Did the company, following the relative rules and International Bill of Human Rights, adopt policies and concrete management plans to protect human rights?	✓		(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	None

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract Explanation	
			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 to all employees and disclosed on the company's website.	
(2) Has the company adopted a policy and execute (including salary, leave and the implementation thereofto) adequately reflect business performance or results in employee remuneration?			(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.111 of the annual report.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its			(3) Nova Technology offers employees with operation instruction and education training for safety and health, in addition to regularly organizing total employee physical examination to assure the employees to control their own health state.	

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract Explanation	
employees on a regular basis?			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.112~P.113 of the annual report.	
(4) Does the company provide its employees with career development and training sessions?			(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.	
(5) Whether the company complies with relevant regulations and international standards on the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulates relevant consumer protection policies and complaint procedures			(5) The company is based on engineering technology service to provide customers with customized deign 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. The company 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.	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract Explanation	
(6) Did the company establish the supplier management policies, and require suppliers to comply with the relevant provisions regarding issues such as environmental protection, occupational safety and health, or labor rights, and specify the status of implementation?			(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 supplier assessment. Implement and execute the qualified 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.	
5. Did the company, following internationally recognized guidelines, prepare its corporate social responsibility and obtain a third-party verification or assurance for its corporate social responsibility report?	✓		The company has prepared a 2018 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. 2019 corporate social responsibility report is still in progress.	None
6. If the company develops its own corporate social responsibility principles according to " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" please describe the operations and discretion of principles developed: 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"				

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	
1. Human Rights (1) Conforming to Labor Standard Act and relevant laws and decrees. (2) Others (such as maintaining the employees and job applicants to assure the employees without harassment and discrimination).		✓		(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. (2) Nova Tech has developed "Sexual Harassment Prevention Regulations" and "Personal Information Protection Policy" to maintain peer rights and privacy.
2. Employee Rights, safety and health (1) Provide employees with full education and training. (2) Provide employees with full response opinions and rights.		✓		(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. (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.

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. 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.
3. Care for Employees (1) Assure the safety of work environment (2) Develop labor health and safety related policy in writing. (3) Others (such as paying attention the physical and mental development of workers and family life)		✓		(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. (2) Nova Technology has developed labor safety and health related requirement with cooperation accordingly. (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.

Items of Corporate Social Responsibility	Execution: Unexecuted	Execution: Executed	Execution: Under Planning	Specific Description of Execution
4. Environmental Protection (1) Develop environmental protection policy in writing. (2) Comply with environmental protection related laws and decrees. (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)		✓		Nova Technology is certified by environmental protection policy (ISO14001) for conformity and actively devotes in the R&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.
5. Investor Relation (1) Increase operation transparency (2) Value corporate governance (3) Others		✓		(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. (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 audit committee in order to upgrade the operational transparency of the company and protect shareholder's rights. (3) The company sets up website and spokesperson, proxy spokesperson system with emphasis on providing investors with more transparent financial information.
6. Supplier Relation (1) Value the reasonableness of procurement price (2) Others		✓		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

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
				unobstructed communication management with suppliers and 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.

F. 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) Ethical Corporate Management

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. Develop Ethical Corporate Management Policy and Solution (1) Does the company indicate policy and practice of ethical management in the articles of incorporation and outbound documents as well as through the commitment of BOD and management in implementing management 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" 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	
(2) Does the company take preventive actions against the operational activities with higher risk of unethical conducts as defined in subparagraphs of paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or within the scope of other operations? (3) Does the company develop solutions preventing unethical conducts and disciplines the operation procedures, conduct guidelines, disciplines of violation and grievance system with implementation of execution?			(2) The regulation of "Ethical Conduct Principles" 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. (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.	
2. Implement Ethical Corporate Management (1) Does the company evaluate ethical records of transaction party and indicate clauses for ethical conducts on the contract signed with transacting party? (2) Does the company set up a dedicated (part-time) unit promoting corporate ethical management under BOD and regularly report to the BOD for executions?	✓		(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. (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 effect. The President belongs to the Board	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	
			of Directors and serves and 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. President report Implementation of Ethical Management to Board of Directors meeting on Aug. 1st, 2019 and Nov. 4, 2019 and has revealed on the company website. Implemenetation results: a. Education: please refer to 2.(5). b. Regulations announce: President announced relevent regulation to all employee in meeting on January, 2019 and to the Board of Directors meeting on Aug. 1st, 2019. 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.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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 2019.	
(3) Does the company formulate policy related to the prevention of conflict of interest and provide proper defense channel with implementation of execution?			(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.	
(4) Does the company establish valid accounting system and internal control system to implement ethical management while the internal audit unit regularly audit or commission accountant for execution of audit?	✓		(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.	
(5) Does the company regularly hold internal and external education training for ethical management?			(5) Through educational training and internal meetings, the Company promotes the Company's business philosophy and requirements so that employees can	

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 148 employees completed the training and the participation ratio is 100% in 2019. Total training 166 hrs. The Company also sends staff to participate in Ethical Corporate Management Best Practice Principles as well as other related seminar training courses.	
3. Operation of Corporate Reporting System (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?	✓		(1) The company develops "Ethical Conduct Principles" 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. 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 and enclose relevant information to the supporting	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	
			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." The company reporting channel not only includes the employee opinion and grievance mailbox but also set ups audit committee mailbox to improve the supervision function.	
(2) Does the company develop the investigation standard operation and relevant confidentiality mechanism for accepting the matters reported? (3) Does the company adopt actions to protect the informers in case the informer encounters improper handling due to the report?			(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. (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.	
4. Strengthen information disclosure (1) Does the company disclose the content and promotional effect of Ethical Corporate Management Best Practice Principle on the website and Market Observation Post System (MOPS)?	✓		(1) 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.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="5">5. In case the company develops its own Ethical Corporate Management Best Practice Principles according to “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the operations and discretion of principles developed:
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.</td></tr>
<tr><td colspan="5">6. Other important information that helps understanding the company with the operations of corporate ethical management: (such as the company review on the revision of Ethical Corporate Management Best Practice Principles developed).
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.</td></tr>
</table>

G. Query method for corporate governance principles and relevant 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.

H. Other important information adequately enhancing the understanding of business operations

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.

I. Internal Control System

(1) Statement of Internal Control

NOVA TECHNOLOGY CORPORATION

Statement of Internal Control System

Date: Feb. 24, 2020

Nova Technology Corp. (the company) has conducted a self-assessment of internal controls for the period of January 1, 2019, to December 31, 2019. 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, 2019.
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. 24, 2020. 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 : Chung-Cheng Hsu

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

J. 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.

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

(1) Major resolution t of Shareholders' Meeting.

Time	Key Agenda	Execution
May 24, 2019	1. Adoption of the 2018 Business Report and Financial Statements.	Resolved by Shareholders' Meeting.
	2. Adoption of the Proposal for Distribution of 2018 Profits.	Resolved by Shareholders' Meeting and the ex-dividend record date was on June 30, 2019 and cash dividend was paid on July 12, 2019. (NT$15 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 10, 2019. It was implemented and has been revealed on the company's website.
	4. Discussion on the proposal to amend "Procedure for Acquisition or Disposal of Assets."	Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.
	5. Discussion on the proposal to amend "Procedures for Endorsements and Guarantees."	Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.
	6. Discussion on the proposal to amend "Procedures for Loaning of Company Funds."	Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.
	7. Discussion on the proposal to amend "Regulations Governing Remuneration Paid to Directors."	Resolved by Shareholders' Meeting and was implemented.
	8. To elect 7 members of the 9th Board of Directors. (Including 4 independent directors)	Elected by Shareholders' Meeting and approved by Central Region Office, MOEA on June 10, 2019. It has been revealed on the company's website and MOPS.
	9. To release the directors from non-competition restrictions	Resolved by Shareholders' Meeting. It was implemented and has been revealed on MOPS.

(2)Major resolution content of Board of Directors meeting

Time	Key agenda
Jan. 16, 2019	1. Resolved to approve 2018 evaluation of the performance of executives. 2. Resolved to approve 2017 phase II performance bonus distribution to managerial officer. 3. Resolved to approve 2018 performance bonus distribution to managerial officer. 4. Resolved to approve the employee's 2019 compensation policy. 5. Resolved to approve 2018 remuneration distribution to directors and employees.

Time	Key agenda
Feb. 25, 2019	1. Resolved to approve the company’s and subsidiaries guarantees and endorsements. 2. Approved to provide a guarantee for credit limits applied for by subsidiaries. 3. Resolved to amend the “Procedure for Acquisition or Disposal of Assets.” of subsidiaries. 4. Resolved to approve the company applied for financing credit line from the financial institution. 5. Resolved to approve the company's Statement of Internal Control System for the Year 2018. 6. Resolved to approve the company's 2018 Business Report and Financial Statements. 7. Resolved to approve the company's proposal for distribution of 2018 profit. 8. Resolved to amend the “Procedure for Acquisition or Disposal of Assets.” 9. Resolved to amend the “Procedures for Endorsements and Guarantees.” 10. Resolved to amend the “Articles of Incorporation.” 11. Resolved to amend the “Rules of Procedure for Board of Directors Meeting.” 12. Resolved to amend the “Regulations Governing the board Performance Evaluation.” 13. Resolved to amend the “Corporate Governance Best Practice Principles.” 14. Approved to elect 7 members of the 9th Board of Directors. (Including 4 independent directors). 15. Approved to release the directors from non-competition restrictions. 16. Approved to convene the company's 2019 annual shareholders’ meeting.
April 1st, 2019	1. Resolved to approve the evaluation of qualification and independence, and remuneration of the Certified Public Accountants. 2. Resolved to approve the company’s guarantees and endorsements. 3. Resolved to amend the “Procedures for Endorsements and Guarantees.” 4. Resolved to amend the “Procedures for Loaning of Company Funds.” 5. Resolved to amend the “Regulations governing remuneration paid to directors.” 6. Resolved to amend the “Regulations Governing the board Performance Evaluation.” 7. Approved to appointment of company secretary. 8. Approved to set up the “Standard operating procedures for handling requests from directors.” 9. Approved to accept the list of candidates nominated by more than 1% shareholders. 10. Approved to resolution by reviewing the nomination of independent director candidates by more than 1% of shareholders. 11. Approved to release the directors from non-competition restrictions. 12. Approved to convene the company's 2019 annual shareholders’ meeting (renew issue).
May 06, 2019	1. Resolved to approve 2019 Manager Compensation Policy. 2. Resolved to approve the proportion to the appropriation of employees’ and directors' bonus in 2019. 3. Resolved to approve the company applied for financing credit line from the financial institution.
May 24, 2019	1. Approved by all attended directors to elect CHIN-LI LIANG as the chairman of the 9th Board of Directors. 2. Resolved to approve the appointment of the 2nd Remuneration Committee members. 3. Resolved to approve the ex-dividend record date for cash dividends distribution.
Aug. 1st, 2019	1. Resolved to approve the 2018 distribution of employees’ remuneration for managerial officers. 2. Resolved to approve the company’s guarantees and endorsements. 3. Resolved to approve the company applied for financing credit line from the financial institution. 4. Resolved to amend the “Ethical Corporate Management Best Practice Principles.”

Time	Key agenda
Nov. 04, 2019	1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the company applied for financing credit line from the financial institution. 3. Resolved to approve the company 2020 budget proposal. 4. Resolved to approve the company 2020 audit plan proposal. 5. Resolved to set up "Nominating Committee Charter" 6. Resolved to amend the "Personal Data Protection Management Guidelines."
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 managerial officer and internal chief auditor. 4. Resolved to approve the appointment of the Nominating Committee members.
Feb. 24, 2020	1. Resolved to approve the change in President. 2. Resolved to approve the qualifications of new President. 3. Resolved to approve the 2020 director's education plan. 4. Resolved to approve 2019 remuneration distribution to directors and employees. 5. Resolved to approve the company's new President compensation policy. 6. Resolved to approve the employee's 2020 compensation policy. 7. Resolved to approve the proportion to the appropriation of employees' and directors' bonus in 2020. 8. Resolved to approve the company's guarantees and endorsements. 9. Approved to provide a guarantee for credit limits applied for by subsidiaries. 10. Resolved to approve the company applied for financing credit line from the financial institution. 11. Resolved to approve the company's Statement of Internal Control System for the Year 2019. 12. Resolved to approve the company's 2019 Business Report and Financial Statements. 13. Resolved to approve the company's proposal for distribution of 2019 profit. 14. Resolved to approve the evaluation of qualification and independence of the Certified Public Accountants. 15. Resolved to amend the "Articles of Incorporation." 16. Resolved to amend the "Internal control systems - Other operation activities." 17. Resolved to amend the "Procedures for preparation of financial statements." 18. Resolved to amend the "Rules of Procedure for Shareholders Meetings." 19. Resolved to amend the "Internal Material Information Handling and Prevention of Insider Trading Management Process Procedures." 20. Resolved to set up "Risk Management Policy." 21. Approved to convene the company's 2020 annual shareholders' meeting.

L. 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.

M. 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.

5. Information on CPA's Fees

A. Information of CPA

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Hai-Ning Huang	Tzu-Hsin Chang	2019.01.01~2019.12.31	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.

B. 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$2,000,000 (including) ~3,999,999	✓		✓
3	NT$4,000,000 (including) ~5,999,999			
4	NT$6,000,000 (including) ~7,999,999			
5	NT$8,000,000 (including) ~9,999,999			
6	NT$10,000,000 (including) ~			

C. Information on Audit Fee and Non-Audit Fee

Unit: NT$ thousand

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 Tzu-Hsin Chang	2,010				210	210	2019.01.01~ 2019.12.31	Note 1
KPMG	Hai-Ning Huang					100	100	2019.01.01~ 2019.12.31	Note 2

Note 1: Non-Audit fees include Tax report NTD 210 thousand.
Note 2: Report of Affiliated Enterprises of the Company NTD 100 thousand

D. 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.

E. 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 managerial 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, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

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

Unit: Shares

Title	Name	2019		As of March 23, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chin-Li Liang	-	-	-	-
Director/ President	Chung-Cheng Hsu	-	-	-	-
Director /Major Shareholders	Acter Co., Ltd.	-	-	-	-
Director	Acter Co., Ltd.Representative: Chin-Li Liang	-	-	-	-
Director	Acter Co., Ltd. Representative: Chung-Cheng Hsu	-	-	-	-
Director	Acter Co., Ltd. Representative: Bi-Hui Wu	-	-	-	-
Independent director	Chih-Yi Chi	-	-	-	-
Independent director	Sheng-Yung Yang	-	-	-	-
Independent director	Cheng Li	-	-	-	-
Independent director	Hui-Yin Chiu	-	-	-	-
Executive Vice President	Wei Ma	(65,000)	-	-	-
Vice President	Min-Lang Su	(57,000)	-	(3,000)	-
Vice President	Wei-chao Yang	-	-	-	-
Assistant Vice President	Yi-yun Huang	-	-	-	-
Assistant Vice President	Tze-da Chang	-	-	-	-
Assistant Vice President	Jin-Liang Chen	(3,000)	-	-	-
Financial and Accounting Manager	Chun-Yen Ou	-	-	-	-

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

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

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

March 23, 2020, 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 Co., Ltd.	21,098,179	62.19%	-	-	-	-	-	-	-
Representative: Chin-Li Liang	287,977	0.85%	2,472	0.01%	-	-	-	-	-
Mao-Zhen Zheng	295,000	0.87%	-	-	-	-	-	-	-
Chin-Li Liang	287,977	0.85%	2,472	0.01%	-	-	Acter Co., Ltd.	Acter Co., Ltd. Chairman	-
Chung-Cheng Hsu	252,158	0.74%	-	-	-	-	-	-	-
Yau-Hua Tsai	207,000	0.61%	-	-	-	-	-	-	-
Wei Ma	189,120	0.56%	-	-	-	-	-	-	-
Yi shui tang investment co., Ltd.	161,000	0.47%	-	-	-	-	-	-	-
Merrill Lynch International Investment Account under the custody of HSBC	156,000	0.46%	-	-	-	-	-	-	-
Wei-chao Yang	145,825	0.43%	1,952	0.01%	-	-	-	-	-
Tai-Ping Ye	130,000	0.38%	-	-	-	-	-	-	-

10. 2019 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	2019 Annual Meeting of Directors' Association - A+ Enterprise x Shareholder Value	3	2019.06.26
		Taiwan Corporate Governance Association	Governance of the Group and Subsidiaries' board of director	3	2019.01.29
		Taiwan Institute of Director	2019 Foreign Investment Forum: Attracting foreign capital x investing in Taiwan Enterprise	3	2019.01.23
		Taiwan Listed Corporate Association	Outlook for domestic and foreign economic situation in 2020	3	2019.12.23
Director	Chung-Cheng Hsu	Taiwan Corporate Governance Association	Responsibility of the Director and supervisor-In firm of mergers and acquisitions	3	2019.10.22
		Taipei Exchange	Advocacy Activities for Insider Trading and Insider Share Ownership of GTSM Listed Companies	3	2019.07.31
		Taiwan Academy of Banking and Finance	Corporate governance and Sustainable Operation	3	2019.08.28
		Taiwan Institute of Director	Director Lecturer Series 2: Leadership Strategies	3	2019.12.03
Director	Bi-Hui Wu	Taiwan Corporate Governance Association	Analysis of the world's top ten risks in 2019	3	2019.08.23
		Taiwan Academy of Banking and Finance	Corporate governance and Sustainable Operation	3	2019.06.26
Independent Director	Chih-Yi Chi	Securities and Futures Institute	2019 Advocacy Activities for Insider Trading	3	2019.11.08
		Securities and Futures Institute	2019 Advocacy Activities for legal compliance of Insider Trading	3	2019.08.16
Independent Director	Sheng-Yung Yang	Taiwan Academy of Banking and Finance	Corporate governance No.50	3	2019.11.12
		Taiwan Academy of Banking and Finance	Corporate governance forum No.16	3	2019.08.29
		Governance Professionals institute of taiwan	Board Effectiveness and Remuneration Committee	3	2019.07.26
Independent Director	Cheng Li	Taiwan Corporate Governance Association	Non-arm’s Length trading with director and supervisor	3	2019.11.07
		Taiwan Corporate Governance Association	Regulatory Compliance and the director’s duty to monitor	3	2019.08.07

Title of Managerial Officer	Name of Managerial Officers	Course Organizer	Course Title	Training Hours	Training Date
Independent Director	Hui-Yin Chiu	CPA Associations R.O.C. (TAIWAN)	Business tax and Income tax for Cross-Border electronic services	6	2019.07.24
		Accounting research and development fundation	Material information is the crux of economic crime: Legal liability and case study	3	2019.06.28
		CPA Associations R.O.C. (TAIWAN)	Family business inheritance and planning articles of Closely Held Corporation	3	2019.06.27
Company Secretary	Wei-Chao Yang	Taiwan Corporate Governance Association	Taiwan Corporate Governance Implementation	3	2019.11.19
		Taiwan Corporate Governance Association	Nomination Committee Succession Planning	3	2019.10.18
		Taiwan Corporate Governance Association	New issues faced by directors and supervisors and executives	3	2019.10.04
		Taiwan Academy of Banking and Finance	Corporate governance and Sustainable Operation	3	2019.08.28
		Taipei Exchange	Advocacy Activities for Insider Trading and Insider Share Ownership of GTSM Listed Companies	3	2019.08.21
		Taiwan Corporate Governance Association	The role and responsibility of company Secretary	3	2019.08.02

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.

Unit: Thousand Shares, %

Reinvestment Business (Note 1)	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 Corpration	3,000	100%	0	0%	3,000	100%
Suzhou Winmax Technology Corporation	(Note 2)	100%	(Note 2)	0%	(Note 2)	100%
Novatech Engineering & ConstructionPte. Ltd.	(Note 2)	100%	(Note 2)	0%	(Note 2)	100%

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: 2001.02.12Approved 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	Capital Stock			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 23, 2020

Shareholders Structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	-	36	4,581	18	4,635
Shareholding (shares)	-	-	21,645,706	11,819,867	462,427	33,928,000
Percentage	-	-	63.80%	34.84%	1.36%	100.00%

3. Shareholding Distribution Status

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

As of March 23, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,779	290,267	0.86
1,000 ~ 5,000	2,445	4,284,450	12.63
5,001 ~ 10,000	226	1,705,601	5.03
10,001 ~ 15,000	78	988,631	2.91
15,001 ~ 20,000	16	286,228	0.84
20,001 ~ 30,000	33	835,489	2.46
30,001 ~ 40,000	23	834,909	2.46
40,001 ~ 50,000	7	312,580	0.92
50,001 ~ 100,000	12	819,332	2.41
100,001 ~ 200,000	11	1,430,199	4.22
200,001 ~ 400,000	4	1,042,135	3.07
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	4,635	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 23, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Acter Co., Ltd.	21,098,179	62.19
Mao-Zhen Zheng	295,000	0.87
Chin-Li Liang	287,977	0.85
Chung-Cheng Hsu	252,158	0.74
Yau-Hua Tsai	207,000	0.61
Wei Ma	189,120	0.56
Yi shui tang investment co., Ltd.	161,000	0.47
Merrill Lynch International Investment Account under the custody of HSBC	156,000	0.46
Wei-chao Yang	145,825	0.43
Tai-Ping Ye	130,000	0.38

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

Unit: NT$; Thousand Shares

Item / Year			2018	2019	Current Year as of March 31, 2020 (Note 8)
Market Price per Share (Note 1)	Highest (NTD)		219	178	170
	Lowest (NTD)		138	132	124.5
	Average (NTD)		184.54	163.76	150.86
Net Worth per share (Note 2)	Before Distribution (NTD)		67.96	66.22	Not Applicable
	After Distribution (NTD)		52.96	Not Applicable	Not Applicable
EPS	Weighted Average Shares (Thousand shares)		33,928	33,928	33,928
	EPS (Note 3)	Diluted	16.50	14.65	Not Applicable
		Adjusted Diluted	16.50	14.65	Not Applicable
Dividend Per Share	Cash Dividend (NTD)		15	10 (Note 9)	Not Applicable
	Stock Dividend (NTD)	Stock Dividend from Retained Earnings	0	0	Not Applicable
		Stock Dividend from Capital Surplus	0	0	Not Applicable
	Accumulated Undistributed Dividends (Note 4)		0	0	Not Applicable
ROI Analysis (Note 1)	Price / Earnings Ratio (Note 5)		11.18	11.18	Not Applicable
	Price / Dividend Ratio (Note 6)		12.30	16.38	Not Applicable
	Cash Dividend Yield Rate (Note 7)		8.13%	6.11%	Not Applicable

Note 1: Listing the highest and lowest market price of common stocks each year and the annual average market price calculated by the annual trading value and trading volume.

Note 2: Subject to the number of shares issued by the end of the year and fill out according to the distribution reached by the resolution of shareholder's meeting for the following year.

Note 3: In case retroactive adjustment is needed due to stock dividend, list the EPS before and after adjustment.

Note 4: The criteria for issuing equity securities, if required to accumulate the undistributed dividend from the current year to the distribution of year with surplus, shall be disclosed separately as of the cumulative unpaid dividend of the current year.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: 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.

Note 9: The 2019 profit distribution has resolved by the Board of Directors and still requires the approval by the Shareholders Meeting.

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. Appropriation for tax;

b. Covering deficit;

c. Appropriate 10% as legal eared surplus however excluding the condition when the legal eared surplus has reached the total amount of capital;

d. Appropriate or reverse special reserve by law or regulations of the competent authority;

e. Depending on the environment, growth stage and long-term financial planning of the company, the balance will be retained partially as retained earnings while the balance will be consolidated with the accumulated retained earnings from previous years and the Board of Director will determine the distribution of dividend depending on the capital status and economic development of that year. The Board of Director will submit to the Shareholders' meeting for resolution before implementation.

(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.

B. Proposed Distribution of Dividend:
The proposal for distribution of 2019 profits has approved by the Board of Directors on Feb. 24, 2020. This proposal, a cash dividend of NT$339,280,000 (NT$10 per share), will be approved by the annual shareholders' meeting on May 21, 2020.

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 2018 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 26,458,279 and the director remuneration in the amount of NTD 11,906,226 on February 24, 2020.

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 (2018):
Employees' Remuneration: NTD 30,600,489.
Directors' Remuneration: NTD 22,950,366.

(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 2019	(%)
High-Tech Industry Processing Supply System Equipment Sales	2,931,693	66.53%
High-Tech Industry Processing Supply System Integrated Project	1,217,766	27.64%
High-Tech Equipment Material Agency Sales	132,796	3.01%
Environmental Protection Equipment Sales and Integration Project	124,015	2.82%
Total	4,406,270	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. Wastewater zero discharge 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 semiconductor manufacturing equipment sales will drop 10.5 percent to $57.6 billion in 2019 from last year's historic peak of $64.4 billion but stage a 2020 recovery and set a new high in 2021, SEMI, reported in its 2019 Year-End Total Equipment Forecast.

The report shows equipment sales registering a 5.5 percent increase to $60.8 billion in 2020 and continued expansion into 2021, with record revenues of $66.8 billion as leading device manufactures invest in sub-10nm equipment, especially for foundry and logic.

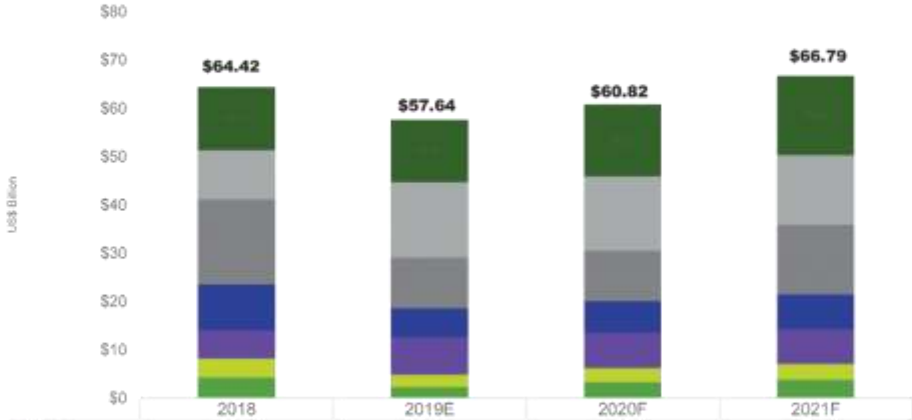
The SEMI year-end forecast shows sales of wafer fab equipment – consisting of wafer processing, fab facility and mask/reticle equipment – falling 9 percent in 2019 to $49.9 billion. The assembly and packaging equipment segment is on track to decline 26.1 percent to $2.9 billion in 2019, while semiconductor test equipment is forecast to drop 14.0 percent to $4.8 billion this year.

Taiwan will dethrone Korea as the largest equipment market and lead the world with 53.3 percent growth this year, followed by North America with a 33.6 percent uptick. China will maintain the second spot for the second consecutive year, and Korea will fall to third after throttling back capital expenditures. All regions tracked except Taiwan and North America will contract this year.

SEMI expects the 2020 equipment market recovery to be fueled by advanced logic and foundry, new projects in China, and, to a lesser extent, memory. In Europe, equipment sales will surge 45.9 percent to $3.3 billion. Taiwan is forecast to remain the top equipment market next year on the strength of $15.4 billion in sales, with China second at $14.9 billion and Korea third at $10.3 billion. More upside is likely if the macroeconomy improves and trade tensions subside in 2020.

In 2021, all sectors tracked are expected to grow and the memory spending recovery will hit full stride. China is expected to ascend to the top position with equipment sales of more than $16 billion, followed by Korea, and Taiwan.

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



	2018	2019E	2020F	2021F
China	13.10	12.91	14.92	16.44
Taiwan	10.16	15.58	15.43	14.43
Korea	17.67	10.52	10.34	14.45
Japan	9.42	6.00	6.60	7.22
North America	5.82	7.78	7.28	7.15
Rest of World	4.03	2.61	2.99	3.31
Europe	4.22	2.23	3.26	3.79

New equipment, includes wafer fab, test, and A&P. Totals may not add due to rounding
Source: SEMI December 2019, Equipment Market Data Subscription

Global semiconductor fab equipment spending is expected to rebound from its 2019 downturn and see a growing 3 percent from a year earlier to US$57.8 billion, SEMI said in March 2020. The COVID-19 outbreak has eroded fab equipment spending in China in 2020. Despite continuing headwinds from the virus, Chinese equipment spending should grow about 5 percent to more than US$12 billion this year and would surge 22 percent annually to US$15 billion in next year. Investments by Samsung, SK Hynix, SMIC and YMTC will drive the growth.

Taiwan is expected to be the biggest spender in 2020, estimated at US$14 billion, mainly due to investments by TSMC and Micron Technology Inc. However, Taiwan would see its ranking slide to third place next year, with fab equipment spending forecast to drop 5 percent to US$13 billion.

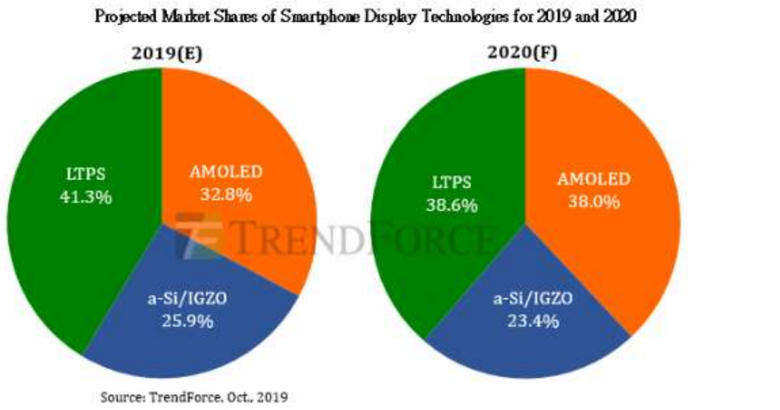
b. Panel Industry

According to the latest analysis from the WitsView research division of TrendForce, the share of devices featuring AMOLED panels is expected to grow from 32.8% in 2019 to 38.0% in 2020 in the global smartphone marketplace, in response to an ever-increasing production capacity and smartphone makers' willingness to adopt the technology. In contrast, the market share of LTPS-equipped devices is expected to drop from 41.3% down to 38.6%.

The report shows that AMOLED panels are able to establish dominance in the high-end smartphone market because of increased adoption by smartphone makers, owing to Samsung Display's successful pricing strategies; furthermore, AMOLED is the only panel technology that enables integration of under-display fingerprint sensors. Aside from Samsung and Apple, the largest smartphone makers in China are aggressively incorporating AMOLED panels into their product lines, in turn accelerating the expansion of Chinese panel manufacturers' AMOLED production capabilities.

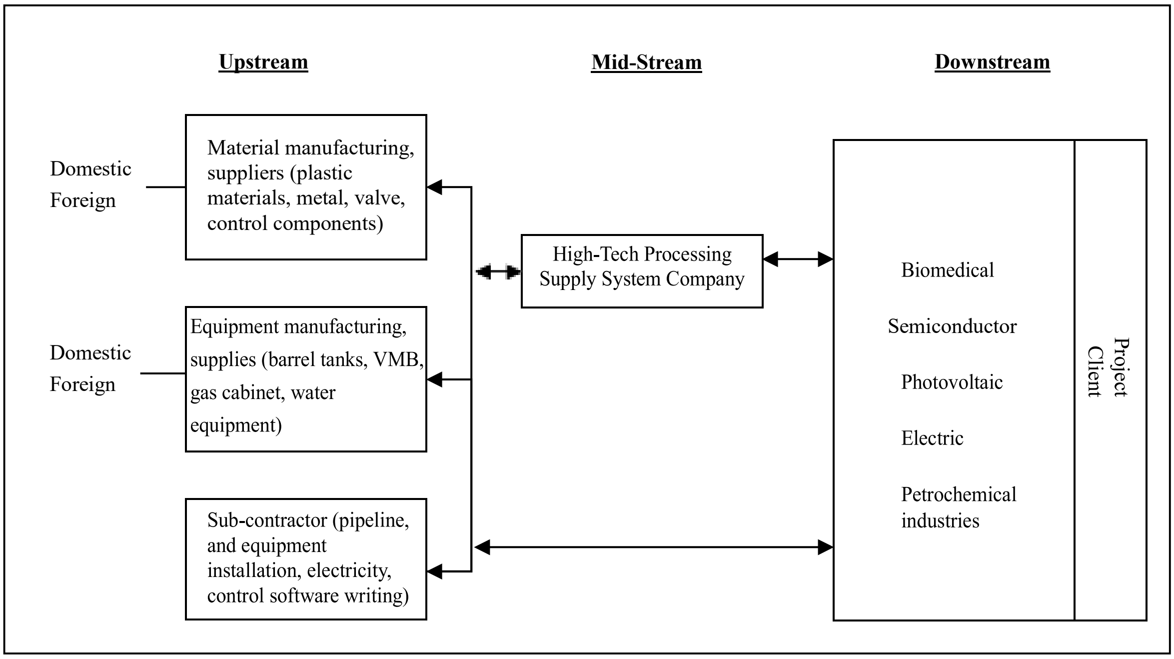
On the other hand, LTPS panels, which once occupied the mid-range and high-end smartphone segments, are now facing an adverse market economy stemming from hypercompetitive prices. As such, profit margins are significantly reduced for panel manufacturers. However, with bezel-less phones becoming the norm in 2019, production speed for Dual Gate TDDI-equipped a-Si HD In-Cell panels is failing to match projected figures. This creates a point of market entry for LTPS panels and an incentive to transform production capacity towards the development of LTPS HD devices, in turn making up for lost high-end market shares in the low-end and mid-range markets. As well, LTPS manufacturers without a reliable customer base are starting to adapt by closing down non-essential production lines and moving towards non-smartphone applications of LTPS panels to alleviate pressure from reduced LTPS demand caused by competition from AMOLED makers.

TrendForce projects a growth in the demand for flexible AMOLED panels, which will effect a further increase in the global market shares of AMOLED-equipped smartphones. In contrast, rigid AMOLED panels have limited growth potential due to supply limitations.



(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.

ii. 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.
iii. 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 the 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. Additionall, 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 President Chung-Cheng Hsu, Executive Vice 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. Executive Vice 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 leaded 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		2018	2019	As of March 31, 2020
Education Distribution	Master's Degree	0	1	1
	Bachelor's Degree	22	26	19
	Vocational College	50	65	41
	Senior High School (including) and lower	8	0	1
Total		80	92	62
Average Seniority (Year)		5.67	4.74	4.41

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

Unit: NT$ Thousand

Item	2019	As of March 31, 2020
R&D Expense	108,326	25,766

(3) Technology and Products with Successful Development:

The owner of all relevant patients 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	One use for basket of purity wet bench system and wafer automatic transfer system
	Multi-use and heavy duty tirators
	Multi-use and safe leaching tank
	One improved titration vessel
	Electronic chemical container cleaning
	Bubble detection system for tirators
	Fool-proof design for chemical connector
	Liquid filling equipment for electronic chemical tank car
Software	Application software for bar code management of wet bench system

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 developement 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 develope relevant equipment.

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	2018		2019	
	Sales Amount	%	Sales Amount	%
Taiwan	756,681	16%	839,051	19%
China	3,755,299	77%	3,321,052	75%
Others	354,723	7%	246,167	6%
Total	4,866,703	100%	4,406,270	100%

(2) Market Share

The group mainly provides the system design for semiconductor and panel high-teach 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 2020 global semiconductor capital expenditure will be USD 97.6 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 statics 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 2016~2019 Chinese projects exceeding USD 3 million while the group undertook 6, 2, and 9 cases of project quantity, weighing 75%, 25% and 64%, 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

Year / Project	2017	2018	2019
Quantity of total project exceeding USD 3 million	8	8	14
Quantity of project undertaken by the group	6	2	9
Market share	75%	25%	64%

(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 USD 56.6 billion in 2019 and USD 58 billion in 2020.

To implement "China Manufacturing 2025", enhance production capacity in IC design, IC foundry, packaging testing and equipment. The aim is to nationalise a strong and self-sufficient semiconductor supply chain revealed in "the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China". After the rapid development of China in recent years, it has become one of the top three semiconductor equipment markets in the world.

However, China semiconductor manufacturing growth faces strong adversity. Chief among them is the tight supply of silicon wafers over the past two years due to the large part of the sector oligopoly control of global production, with the top five wafer manufacturers accounting for over 90 percent of market revenue. In response, China’s central and local governments have made the development of its domestic silicon wafer supply chain a key initiative, funding multiple silicon wafer manufacturing projects.

(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 band 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

Chinse government discloses the industry development strategies by specifically pointing out the key development in high-tech industries with a plan including “Establishing Semiconductor Clusters in Trade Free zone,” “Boost Investment Through Great Funds, Promote Technology Upgrade,” and “the 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China” as well as other policies that promote the development of semiconductor industries. China also proactively fosters panel industries by launching various tariff preferential solutions to attract internationally prestigious corporations and local Chinese companies to build plants in China.

As the plant building or plant expenditure capital expenditure increase in high-tech industries, the demand of the processing supply system also increases accordingly. The group has established excellent cooperation experience with high-tech industries in Taiwan and has cultivated the Chinese market for years. The group owns excellent reputation and performance in Taiwan and China with high competitiveness in the high-tech industry processing system.

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

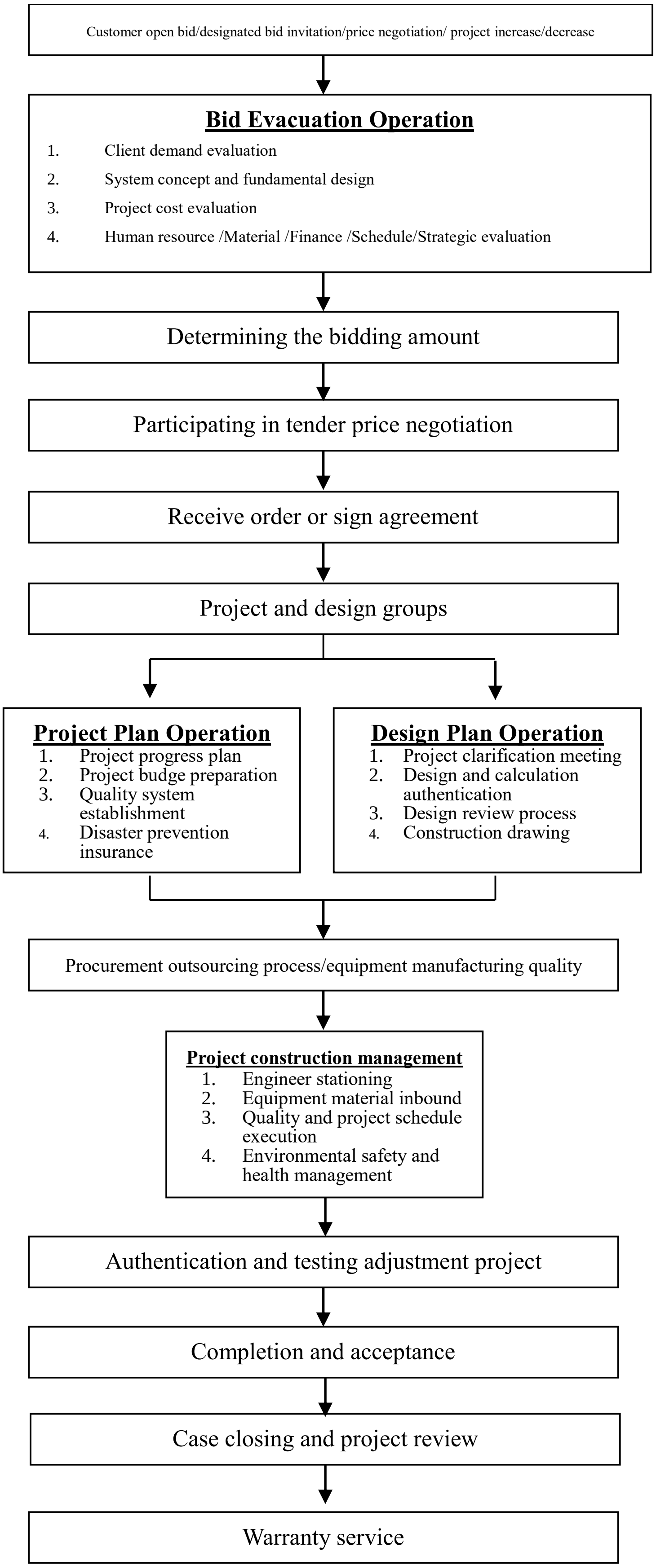
(1) Important purpose of main products

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:

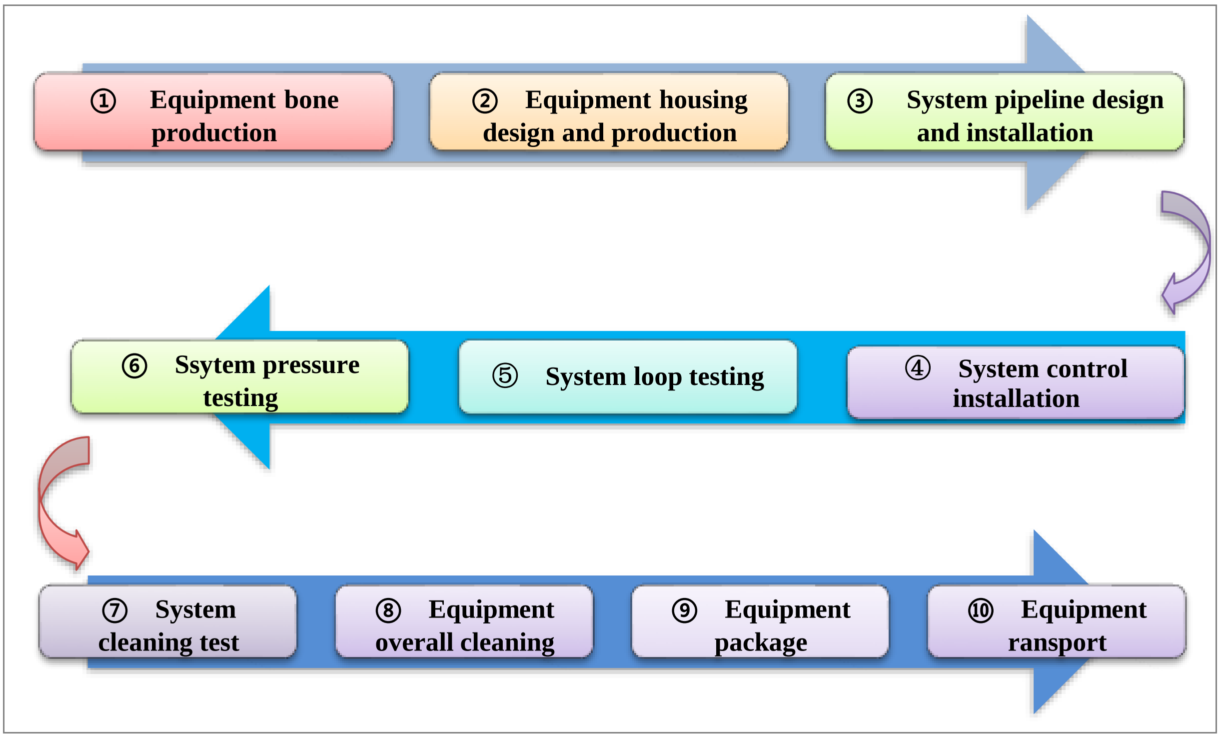
Product Lines	**Main Purpose and Functions**
High-Tech Industry Processing Supply System Equipment Sales	Providing the machinery equipment needed for the water, gas and chemical supply system of high-tech industry customer processing, including equipment design, equipment manufacturing/outsourcing, installation 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

2018(Note 1)					2019(Note 1)					2020 Q1			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
	Other	3,792,028	100	None		Others	2,983,041	100	None	Note 2			
Total	Procurement net amount	3,792,028	100		Total	Procurement net amount	2,983,041	100					

Note 1: Suppliers without total sales amount exceeding 10% in 2018 and 2019.

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

2018					2019					2020 Q1			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
1	H Company	822,974	16.91	None	1	S14 Company	631,163	14.32	None	Note 1			
2	-	-	-	-	2	H Company	445,850	10.12	None				
	Others	4,043,729	83.09	None		Others	3,329,257	75.56	None				
Total	Sales Net Amount	4,866,703	100		Total	Sales Net Amount	4,406,270	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

Major Products / Output / Year	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
High-Tech Industry Processing Supply System Equipment Sales	Note 1	Note 1	2,257,861	Note 1	Note 1	2,284,437
High-Tech Industry Processing Supply System Integrated Project			1,311,756			926,738
High-Tech Equipment Material Agency Sales			18,756			57,577
Environmental Protection Equipment Sales and Integration Project			177,278			70,471
Total			3,765,651			3,339,223

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 / Major Products	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amont	Quantity	Amont	Quantity	Amont	Quantity	Amont
High-Tech Industry Processing Supply System Equipment Sales	Note 1	4,117	Note 1	2,912,858	Note 1	12,188	Note 1	2,919,505
High-Tech Industry Processing Supply System Integrated Project		725,269		924,407		787,375		430,391
High-Tech Equipment Material Agency Sales		11,708		62,940		36,323		96,473
Environmental Protection Equipment Sales and Integration Project		15,587		209,817		3,165		120,850
Total		756,681		4,110,022		839,051		3,567,219

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		2018	2019	As of March 31, 2020
Number of Employees	Direct Employee	389	419	414
	Indirect Employee	52	60	62
	Total	441	479	476
Average Age		35.95	35.83	35.85
Average Service Seniority		5.60	5.72	5.95
Education	Doctor	0	0	0
	Masters	23	19	20
	Bachelor’s Degree	154	165	162
	Vocational College	120	141	141
	Senior High School	65	74	76
	Below Senior High School	79	80	77

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 o 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 heath 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, group insurance and pension funds.
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. Organizing employee trip, group activity and birthday celebration parties.
e. The company appeals in stable growth and protection of employees’ right to work.

(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.

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.

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:

(1) The company has maintained harmonious labor/management relations since its foundation and hence has not suffered from loss due to labor/management disputes.

(2) The company has not suffered loss due to labor/management disputes with harmonious labor / management relations in recent years while the possibility of labor / management dispute is minimal.

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 2019.

(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 2018-2019 are shown below:

OH&S management objectives	Execution	
	2018	2019
To control the penalty for violation of customer code (pieces)	4	4
safety deficiency list (pieces)	57	49
Chemical emergency plan training (person)	37	0
Hazardous Chemicals & Chemical wipes treatment training (person)	82	8
Risk in confined space training (person)	37	8
High risk work training (person)	46	0
Fire Safety training	97	134
Accumulated working hours without injury at work	1,311,135hrs	1,622,978hrs

(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	1	Level A technician for for labor safety & health management	11
Level A technician for for labor health management	2	Level C technician for for labor safety & health management	42
Level B technician for for labor safety & health management	10	Supervisor in charge of specified chemical substance operations	25
Labor safety & health management qualifications	4	Supervisor in charge of organic solvent operations	23
First Aider personnel	20	Supervisor in charge of roofing operations	12
Supervisor in charge of hypoxia operations	11	Fire Administrator	3

Safety management specialist		Site administration specialist	
Supervisor in charge of scaffolds assembly works	7	Supervisors in charge of high-pressure gas operations	1
Operator of Category A pressure vessels	1	Dedicated Wastewater And Sewage Treatment Specialists (Level A/B)	11
Level A specialist of dedicated Air Pollution Control	3	Technician ofToxic Chemicals (Level A/B)	3
Level A technician of Waste Disposal	5		

(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	B Company	2017/06/15~2018/10/17	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
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
Project and Equipment Agreement Project	L Company	2017/10/12 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

Agreement	Counterparty	Period	Major Contents	Restrictions
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
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
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

Agreement	Counterparty	Period	Major Contents	Restrictions
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
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	S14 Company	2018/04/04 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Water gasification supply integration engineering	S2 Company	2017/08/31 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Tenancy Agreement	Shanghai Hangyuan Industrial Co.,Ltd.	2019/05/18 ~ 2020/10/31	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	2019/08/23 ~ 2020/06/25(Nova) 2020/01/25 ~ 2021/01/24 (Winmax, Suzhou Winmax)	General Credit Line	None
General Credit Line Agreement	Mega International Commercial Bank	2019/08/23 ~ 2023/01/30(Nova)	Letter of Guarantee	None
General Credit Line Agreement	Taiwan Shin Kong Commercial Bank	2019/09/24 ~ 2020/09/24(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Taishin International Bank	2019/03/31 ~ 2020/03/31(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Bank of Shanghai	2019/03/15 ~ 2020/10/24(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	DBC Bank	2019/05/08 ~ 2020/05/08(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Taipei Fubon Bank	2019/10/25 ~ 2020/10/25(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	HSBC Bank	2019/12/06 ~ 2020/11/30(Nova) 2019/01/07 ~ 2020/03/04 (Winmax, Suzhou Winmax)	General Credit Line Agreement	None
General Credit Line Agreement	E.SUN Commercial Bank	2019/10/02~2020/08/27(Nova)	General Credit Line Agreement	None
General Credit Line Agreement	Fubon China	2018/06/07~2020/11/30 (Winmax) 2018/05/28~2020/11/30 (Suzhou Winmax)	General Credit Line Agreement	None
General Credit Line Agreement	Bank of China	2019/07/07~2020/03/11 (Winmax)	General Credit Line Agreement	None
General Credit Line Agreement	Bank of Taiwan	2019/07/12-2020/07/12(Nova)	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, 2020
		2015	2016	2017	2018	2019	
Current Assets		3,015,116	3,321,971	5,246,107	4,209,253	4,114,592	(Note 3)
Property, Plant and Equipment		81,279	86,447	92,816	144,648	140,068	
Intangible Assets		0	0	0	0	0	
Other Assets		39,673	54,341	53,647	37,821	76,508	
Total Assets		3,136,068	3,462,759	5,392,570	4,391,722	4,331,168	
Current Liabilities	Before Distribution	2,271,689	2,316,473	3,265,046	1,869,503	1,807,869	
	After Distribution	2,360,449	2,494,241	3,604,326	2,378,423	N/A	
Non-current Liabilities		56,449	80,667	129,888	216,408	276,537	
Total Liabilities	Before Distribution	2,328,138	2,397,140	3,394,934	2,085,911	2,084,406	
	After Distribution	2,416,898	2,574,908	3,734,214	2,594,831	N/A	
Equity Attributable to Shareholders of the Parent		807,930	1,065,619	1,997,636	2,305,811	2,246,762	
Capital stock		253,600	296,280	339,280	339,280	339,280	
Capital Surplus		139,563	239,295	866,545	866,545	866,545	
Retained Earnings	Before Distribution	393,728	553,807	817,987	1,140,428	1,118,971	
	After Distribution	304,968	376,039	478,707	631,508	N/A	
Other Equities		21,039	(23,763)	(26,176)	(40,442)	(78,034)	
Treasury Stocks		0	0	0	0	0	
Non-controlling Interests		0	0	0	0	0	
Total Equity	Before Distribution	807,930	1,065,619	1,997,636	2,305,811	2,246,762	
	After Distribution	719,170	887,851	1,658,356	1,796,891	N/A	

Note 1: Financial information from 2015 to 2019 has been audited and assured by the CPA.
Note 2: The distribution of 2019 earnings is to be determined in the 2020 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)				
		2015	2016	2017	2018	2019
Current Assets		991,167	1,468,736	2,149,828	1,708,640	1,782,632
Property, Plant and Equipment		67,489	66,514	68,278	67,241	66,001
Intangible Assets		0	0	0	0	0
Other Assets		498,461	674,347	953,190	1,317,753	1,470,729
Total Assets		1,557,117	2,209,597	3,171,296	3,093,634	3,319,362
Current Liabilities	Before Distribution	692,842	1,063,311	1,043,772	571,359	807,470
	After Distribution	781,602	1,241,079	1,383,052	1,080,279	N/A
Non-current Liabilities		56,345	80,667	129,888	216,464	265,130
Total Liabilities	Before Distribution	749,187	1,143,978	1,173,660	787,823	1,072,600
	After Distribution	837,947	1,321,746	1,512,940	1,296,743	N/A
Equity Attributable to Shareholders of the Parent		807,930	1,065,619	1,997,636	2,305,811	2,246,762
Capital stock		253,600	296,280	339,280	339,280	339,280
Capital Surplus		139,563	239,295	866,545	866,545	866,545
Retained Earnings	Before Distribution	393,728	553,807	817,987	1,140,428	1,118,971
	After Distribution	304,968	376,039	478,707	631,508	N/A
Other Equities		21,039	(23,763)	(26,176)	(40,442)	(78,034)
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	807,930	1,065,619	1,997,636	2,305,811	2,246,762
	After Distribution	719,170	887,851	1,658,356	1,796,891	N/A

Note 1: Financial information above has been audited and assured by the CPAs.
Note 2: The distribution of 2019 earnings will be adopted by 2020 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 (Notl 1)					As of March 31, 2020
	2015	2016	2017	2018	2019	
Net Operating Revenue	2,623,617	2,651,372	3,342,542	4,866,703	4,406,270	(Note 2)
Gross Profit	399,711	588,055	997,444	1,101,052	1,067,047	
Net Operating Income	167,786	331,252	675,902	705,569	666,136	
Non-operating Income and Expenses	31,480	22,307	(79,191)	99,428	40,396	
Income before Income Tax	199,266	353,559	596,711	804,997	706,532	
Income from Continuing Operations – after tax	150,448	264,391	447,475	559,863	496,941	
Loss from Discontinued Operations	0	0	0	0	0	
Net Income	150,448	264,391	447,475	559,863	496,941	
Other Comprehensive Income – after Tax	2,525	(47,674)	(7,940)	(16,608)	(47,070)	
Total Comprehensive Income	152,973	216,717	439,535	543,255	449,871	
Net income attributable to shareholders of the parent	150,488	264,391	447,475	559,863	496,941	
Net income attributable to non-controlling interest	0	0	0	0	0	
Comprehensive income attributable to Shareholders of the parent	152,973	216,717	439,535	543,255	449,871	
Comprehensive income attributable to non-controlling interest	0	0	0	0	0	
Earnings per Share	6.62	9.83	15.07	16.5	14.65	

Note 1: Financial information from 2015 to 2019 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)				
	2015	2016	2017	2018	2019
Net Operating Revenue	1,407,756	1,284,689	1,466,807	1,847,874	1,912,720
Gross Profit	123,481	177,909	433,771	341,993	340,217
Net Operating Income	26,332	79,918	295,479	194,128	202,018
Non-operating Income and Expenses	150,860	232,865	249,294	517,334	421,074
Income before Income Tax	177,192	312,783	544,773	711,462	623,092
Income from Continuing Operations – after tax	150,448	264,391	447,475	559,863	496,941
Loss from Discontinued Operations	0	0	0	0	0
Net Income	150,448	264,391	447,475	559,863	496,941
Other Comprehensive Income – after Tax	2,525	(47,674)	(7,940)	(16,608)	(47,070)
Total Comprehensive Income	152,973	216,717	439,535	543,255	449,871
Net income attributable to shareholders of the parent	150,448	264,391	447,475	559,863	496,941
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	152,973	216,717	439,535	543,255	449,871
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per Share	6.62	9.83	15.07	16.5	14.65

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

C. Auditors' Opinions from 2015to 2019

Year	Accounting Firm	CPA	Audit Opinion
2015	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified 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

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
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt to asset Ratio	74.24	69.23	62.96	47.50	48.13	(Note 7)
	Long-term Fund to Property, Plant and Equipment	1063.47	1326.00	2292.20	1743.69	1801.48	
Liquidity(%)	Current Ratio	132.73	143.41	160.67	225.15	227.59	
	Quick Ratio	58.20	86.77	93.09	192.71	178.86	
	Interest Coverage ratio	33931	93882	50841	Note 9	56174	
Operating performance	Accounts Receivable Turnover (times)	4.18	3.13	4.64	4.32	2.98	
	Average Collection Period	87	117	79	84	122	
	Inventory Turnover (times)	0.92	0.71	0.78	2.28	5.52	
	Accounts Payable Turnover (times)	2.30	2.49	2.36	3.77	3.40	
	Average Inventory Turnover Period	397	514	474	160	66	
	Property, Plant and Equipment Turnover (times)	31.08	31.62	37.29	40.99	30.95	
	Total Assets Turnover (times)	0.95	0.80	0.75	0.99	1.01	
Profitability	Return on Total Assets Ratio (%)	5.48	8.02	10.13	11.44	11.42	
	Return on Equity (%)	21.39	28.22	29.22	26.02	21.83	
	Pre-tax income to Paid-in Capital (%)	78.57	119.33	175.88	237.27	208.24	
	Net Margin (%)	5.73	9.97	13.39	11.5	11.28	
	Earnings per share (NT$)	6.62	9.83	15.07	16.50	14.65	
Cash flow	Cash Flow ratio (%)	2.68	34.62	20.65	Note 6	31.59	
	Cash Flow Adequacy ratio (%)	Note 8	Note 8	Note 8	75.2	100.43	
	Cash Reinvestment ratio (%)	2.93	60.13	22.86	Note 6	2.37	
Leverage	Operating leverage	2.81	2.03	1.64	1.38	1.43	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

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 Average Collection Period: The increase in revenue in the last two years resulted in a substantial increase in average accounts receivable.
- Increase in Inventory turnover / Decrease in Average days in sales: Due to the higher initial input costs of large project in second half of 2019.
- Decrease in Property, Plant and Equipment Turnover: Due to decrease 9% of operating revenue with last year.
- Increase in Cash Flow Ratio / Cash Flow Adequacy ratio / Cash Flow Reinvestment Ratio: The increase was mainly due to the increase in cash flow from operating activities.

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

Note 2: 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 Periiod = 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 3: 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 ant but it needs not be added to net loss if there is any.

Note 4: 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 5: Issuer should classify operating coat and operating expense according to fixed and variable category. If the classification is estimated and subjective, it should correspond with rationality and consistence.

Note 6: The net cash flow from operating activities is negative and has no significance to analytical.

Note 7: Less than five fiscal years have elapsed since the adoption of the IFRS for financial information.

Note 8: 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 9: 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) 2015	2016	2017	2018	2019
Financial Structure (%)	Debt to asset Ratio	48.11	51.77	37.01	25.47	32.31
	Long-term Fund to Property, Plant and Equipment	1280.62	1723.38	3115.97	3751.10	3805.84
Liquidity (%)	Current Ratio	143.06	138.13	205.97	299.05	220.77
	Quick Ratio	59.42	85.70	137.37	235.52	152.53
	Interest Coverage ratio	30184	83066	46424	Note 8	582429
Operating performance	Accounts Receivable Turnover (times)	6.44	3.20	3.66	6.08	4.98
	Average Collection Period	57	114	100	60	73
	Inventory Turnover (times)	0.94	0.54	0.53	1.83	4.24
	Accounts Payable Turnover (times)	3.18	2.58	2.12	3.79	3.85
	Average Inventory Turnover Period	388	676	689	200	86
	Property, Plant and Equipment Turnover (times)	20.53	19.17	21.76	27.27	28.71
	Total Assets Turnover (times)	1.05	0.68	0.55	0.59	0.60
Profitability	Return on total assets (%)	11.28	14.05	16.67	17.87	15.50
	Return on Equity (%)	21.39	28.22	29.22	26.02	21.83
	Pre-tax income to Paid-in Capital (%)	69.87	105.57	160.57	209.7	183.65
	Net Margin (%)	10.69	20.58	30.51	30.30	25.98
	Earnings per share (NT$)	6.62	9.83	15.07	16.50	14.65
Cash flow	Cash Flow ratio (%)	Note 2	24.31	18.06	17.58	Note 2
	Cash Flow Adequacy ratio (%)	Note 3	Note 3	Note 3	51.82	34.68
	Cash Reinvestment ratio (%)	Note 2	11.26	0.50	Note 2	Note 2
Leverage	Operating leverage	7.23	3.23	1.72	1.59	1.63
	Financial Leverage	1.02	1.00	1.00	1.00	1.00

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

- ●Increase in Debt-asset Ratio / Decrease in Current Ratio / Decrease in Quick Ratio: The main reason is increase in unearned sales revenue this period by large scale project.
- ●Increase in Average collection period: The increase was mainly due to the longer transaction terms by different customers.
- ●Increase in Inventory turnover / Decrease in Average days in sales: Due to the higher initial input costs of large project in second half of 2019.
- ●Decrease in Cash Flow Ratio / Cash Flow Adequacy ratio / Cash Reinvestment ratio: The decrease was mainly due to the decrease in cash flow from operating activities.

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 Periiod = 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 ant 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 coat 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 2019 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 Chiu Hui Yin

February 24, 2020

4. **Annual Consolidated Financial Report in the Most Recent Year: Refer to P.137~P.192.**

5. **Annual Parent Company only Financial Report in the Most Recent Year: Refer to P.193~ P.241.**

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, %

Year / Item	2018	2019	Difference	
			Amount	%
Current Assets	4,209,253	4,114,592	(94,661)	(2.25)
Property, Plant and Equipment	144,648	140,068	(4,580)	(3.17)
Other Assets	37,821	76,508	38,687	102.29
Total Assets	4,391,722	4,331,168	(60,554)	(1.38)
Current Liabilities	1,869,503	1,807,869	(61,634)	(3.30)
Non-current Liabilities	216,408	276,537	60,129	27.79
Total Liabilities	2,085,911	2,084,406	(1,505)	(0.07)
Capital Stock	339,280	339,280	0	0
Capital Surplus	866,545	866,545	0	0
Retained Earnings	1,140,428	1,118,971	(21,457)	(1.88)
Other Equity	(40,442)	(78,034)	(37,592)	(92.95)
Total Equity	2,305,811	2,246,762	(59,049)	(2.56)

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

(1) The increase in Other Assets was mainly due to increase in Right-of-use assets by adopting IFRS16.
(2) The increase in Non - current Liabilities was mainly due to the increase in Non - current lease liabilities by adopting IFRS16.
(3) The decrease in Other Equity was mainly due to the decrease in cumulative translation adjustment.

2. Financial Performance

Unit: NT$ thousands, %

Year / Item	2018	2019	Increase/Decrease	Difference (%)
Net Operating Revenue	4,866,703	4,406,270	(460,433)	(9.46)
Operating Costs	3,765,651	3,339,223	(426,428)	(11.32)
Gross Profit	1,101,052	1,067,047	(34,005)	(3.09)
Operating Expenses	395,483	400,911	5,428	1.37
Net Operating Income	705,569	666,136	(39,433)	(5.59)
Non-Operating Income and Expenses	99,428	40,396	(59,032)	(59.37)
Income before Income Tax	804,997	706,532	(98,465)	(12.23)
Income Tax Expense	245,134	209,591	(35,543)	(14.50)
Net Income	559,863	496,941	(62,922)	(11.24)

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. 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 (2019):

Unit: NT$ thousands, %

Item	2018	2019	Variance %
Cash Flow Ratio (%)	(0.42)	31.59	7621
Cash Flow Adequacy Ratio (%)	75.2	100.43	33.55
Cash Re-investment Ratio (%)	(13.49)	2.37	117.57

Main causes for changes in the cash flow:
1. The increase in Cash Flow Ratio / Cash Flow Adequacy Ratio / Cash Re-investment Ratio: The increase 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, 2019 (1)	Net Cash Flow from Operating Activities in 2020 (2)	Cash Inflow from Investing and Financing Activities in 2020 (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,619,701	450,000	(400,000)	1,669,701	None	None

1. Analysis of changes in the cash flow in 2018:
   (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 get financial assets.
   (3) The cash inflow from financing activities is mainly due to the distribution of cash dividends from invested companies.
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 2019 and 2018 was 0.44%, 0.5% and 0.03%, 0%. The effect of interest rate movements on net income was limited.

Unit：NT$ Thousands

Item \ Year	2019	2018
Interest Income(A)	19,423	24,390
Interest Expense(B)	1,260	0
Net Operating Revenue(C)	4,406,270	4,866,703
Ratio of Interest Income to Net Operating Revenue (A/C)	0.44%	0.50%
Ratio of Interest Expense to Net Operating Revenue (B/C)	0.03%	NA

(2) Foreign Exchange Rates:

Unit：NT$ Thousands

Item \ Year	2019	2018
Net Foreign Exchange Gain/Loss (A)	7,354	59,577
Net Operating Revenue (B)	4,406,270	4,866,703
Net Operating Income (C)	666,136	705,569
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Revenue(%)	0.17%	1.22%
Ratio of Income/Loss from Foreign Exchange Transactions to Net Operating Income (B/C)	1.10%	8.44%

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,

a. To know well update trends of major currencies, and adjust Foreign Exchange position timely.
b. To create internal hedge effect by netting foreign receivables and payables.
c. 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.

d. 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 reowned 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	179,132	Dec. 2020	Equipment improvement and optimization	● Personnel participate in research ● Encouragement and support from management

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 2018 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 2018 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 2018 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 2019 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 adminstative 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 N_2O&CO_2 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 Octorber 12, 2016.
Progress: According to binding judgment of Taiwan High Court Tainan Branch Court. L & L needs to pay the company NTD 1,013,768 plus interest. The company has doubts about the second instance judgment of the High Court Tainan Branch Court, which is currently on appeal. (Case No: Taiwan High Court Tainan Branch Court 2018 Jien-Zi No.14).
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 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.

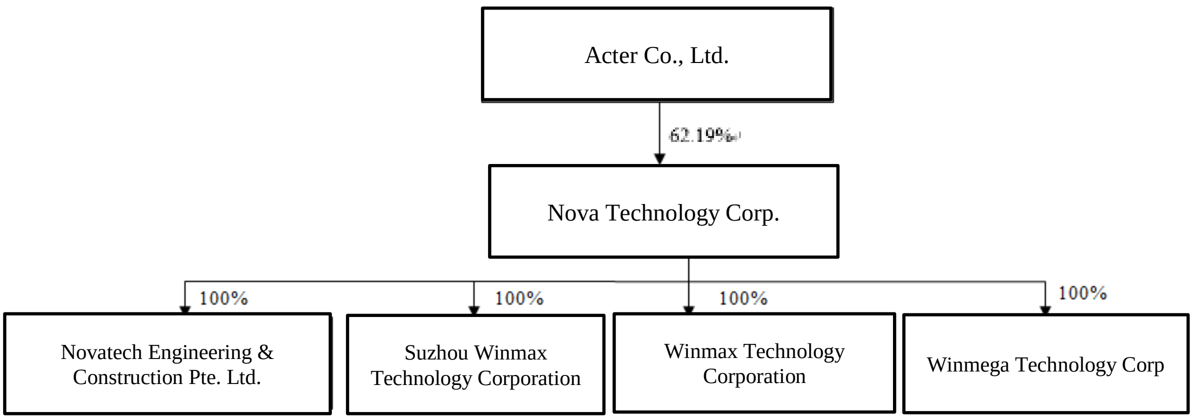
N. Other Major Risks

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, 2019; Unit:NT$ thousand

Company	Date of Incorporation	Place of Registration	Paid-in Capital (in thousands)	Business Activities
Acter Co., Ltd.	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 of Deemed Control: Not Applicable.

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

Company	Affiliated Company	Relationship	Business Activities
Acter Co., Ltd.	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, 2019; Unit: Shares, %

<table>
<tr><th rowspan="2">Affiliated Company</th><th rowspan="2">Title</th><th rowspan="2">Name or Representative</th><th colspan="2">Shareholding</th></tr>
<tr><th>Shares</th><th>Ratio (%)</th></tr>
<tr><td rowspan="8">Acter Co., Ltd.</td><td>Chairperson</td><td>Chin-Li Liang</td><td>2,126,566</td><td>3.92</td></tr>
<tr><td>Director</td><td>Tai-Chen Hu</td><td>1,251,618</td><td>2.31</td></tr>
<tr><td>Director</td><td>Chiung-Tang Yang</td><td>1,005,330</td><td>1.85</td></tr>
<tr><td>Independent Director</td><td>Hui-Hsin Yeh</td><td>3,450</td><td>0.01</td></tr>
<tr><td>Independent Director</td><td>Mao-Jung Wang</td><td>3,450</td><td>0.01</td></tr>
<tr><td>Independent Director</td><td>Chien Yang</td><td>0</td><td>0</td></tr>
<tr><td>President</td><td>Chun-Sheng Wang</td><td>64,772</td><td>0.12</td></tr>
<tr><td>President</td><td>Ming-Kun Lai</td><td>192,978</td><td>0.36</td></tr>
<tr><td rowspan="5">Winmega Technology Corp.</td><td>Chairperson</td><td>Nova Technology Corp. (Representative: Chin-Li Liang)</td><td rowspan="4">3,000,000</td><td rowspan="4">100</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chung-Cheng Hsu)</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chien-Nan Wu)</td></tr>
<tr><td>Supervisor</td><td>Nova Technology Corp. (Representative: Wei Ma)</td></tr>
<tr><td>President</td><td>Chien-Nan Wu</td><td>0</td><td>0</td></tr>
<tr><td rowspan="5">Winmax Technology Corp.</td><td>Chairperson</td><td>Nova Technology Corp. (Representative: Wei Ma)</td><td rowspan="5">Note 1</td><td rowspan="4">100</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chung-Cheng Hsu)</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chien-Chih Chien)</td></tr>
<tr><td>Supervisor</td><td>Nova Technology Corp. (Representative: Chin-Li Liang)</td></tr>
<tr><td>President</td><td>Chien-Chih Chien</td><td>0</td></tr>
<tr><td rowspan="5">Suzhou Winmax Technology Corp.</td><td>Chairperson</td><td>Nova Technology Corp. (Representative: Wei Ma)</td><td rowspan="5">Note 1</td><td rowspan="4">100</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chung-Cheng Hsu)</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chien-Chih Chien)</td></tr>
<tr><td>Supervisor</td><td>Nova Technology Corp. (Representative: Chin-Li Liang)</td></tr>
<tr><td>President</td><td>Chien-Chih Chien</td><td>0</td></tr>
<tr><td rowspan="3">Novatech Engineering & Construction Pte. Ltd.</td><td>Director</td><td>Nova Technology Corp. (Representative: Chin-Li Liang)</td><td rowspan="3">1,000,000</td><td rowspan="3">100</td></tr>
<tr><td>Director</td><td>Nova Technology Corp. (Representative: Chung-Cheng Hsu)</td></tr>
<tr><td>President</td><td>Chung-Cheng Hsu</td></tr>
</table>

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

F. Operational overview of the affiliates

As of December 31, 2019; Unit: NT$ thousands

Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net Operating Income	Net Income	Earnings per Share
Acter Co., Ltd.	541,868	6,518,032	2,014,449	4,503,583	3,003,657	308,810	1,036,094	19.16
Winmega Technology Corp.	30,000	103,532	13,985	89,547	81,217	33,228	25,883	8.63
Winmax Technology Corporation	151,426	2,318,933	1,194,668	1,124,265	2,195,610	333,830	326,074	Note 1
Suzhou Winmax Technology Corporation	32,478	330,994	182,650	148,344	490,718	73,673	53,408	Note 1
Novatech Engineering & Construction Pte. Ltd.	24,179	82,510	21,615	60,895	87,755	23,496	20,379	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.137 ~ P.192

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
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."	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, 2020, the Company did not directly or indirectly dispose of the shares held by Winmax Company and Suzhou Winmax Company.

IX. Any Events in 2019 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.

KPMG

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Internet 網址 kpmg.com/tw

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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(14) "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, 2019 and 2018, 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, 2019 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 24, 2020

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 Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 1,619,701	38	1,717,725	39
1110	Current financial assets at fair value through profit or loss (note 6(2))	30,031	1	-	-
1150	Notes receivable, net (note 6(3))	89,070	2	227,870	5
1170	Accounts receivable, net (note 6(3))	1,259,152	29	1,377,726	31
1140	Current contract assets (notes 6(14) and 7)	347,258	8	81,936	2
1210	Other receivables due from related parties (note 7)	184	-	225	-
1310	Inventories, net (note 6(4))	474,573	11	306,787	7
1421	Prepayments to suppliers	59,267	1	217,743	5
1476	Other current financial assets (notes 6(5) and 8)	218,320	5	249,731	6
1479	Other current assets	17,036	-	29,510	1
		4,114,592	95	4,209,253	96
	Non-current assets:				
1600	Property, plant and equipment (note 6(6))	140,068	3	144,648	3
1755	Right-of-use assets (note 6(7))	33,362	1	-	-
1840	Deferred tax assets (note 6(11))	36,078	1	29,007	1
1990	Other non-current assets (note 6(3))	7,068	-	8,814	-
		216,576	5	182,469	4
	Total assets	**$ 4,331,168**	**100**	**4,391,722**	**100**

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2150	Notes payable	$ 21,418	-	43,126	1
2170	Accounts payable	1,035,735	24	861,160	20
2180	Accounts payable to related parties (note 7)	-	-	2,961	-
2130	Current contract liabilities (notes 6(14) and 7)	309,953	7	542,657	12
2201	Salaries and bonus payable	138,955	4	164,773	4
2250	Provisions - current (note 6(9))	123,711	3	152,970	3
2280	Current lease liabilities (note 6(8))	17,001	-	-	-
2399	Other current liabilities	161,096	4	101,856	2
		1,807,869	42	1,869,503	42
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(11))	226,144	5	192,005	4
2580	Non-current lease liabilities (note 6(8))	16,765	-	-	-
2640	Net defined benefit liability, non-current (note 6(10))	33,628	1	24,403	1
		276,537	6	216,408	5
	Total liabilities	2,084,406	48	2,085,911	47
	Equity (note 6(12)):				
3100	Ordinary share capital	339,280	8	339,280	8
3200	Capital surplus	866,545	20	866,545	20
3300	Retained earnings	1,118,971	26	1,140,428	26
3400	Other equity	(78,034)	(2)	(40,442)	(1)
	Total equity	2,246,762	52	2,305,811	53
	Total liabilities and equity	**$ 4,331,168**	**100**	**4,391,722**	**100**

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 Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the years ended December 31,			
		2019		2018	
		Amount	%	Amount	%
4110	**Net operating revenue** (note 6(14))	$ 4,406,270	100	4,866,703	100
5110	**Operating cost** (notes 6(4), (8), (10) and 7)	3,339,223	76	3,765,651	78
5900	**Gross profit**	1,067,047	24	1,101,052	22
	Operating expenses (notes 6(3), (8), (10) and (16)):				
6100	Selling expenses	77,513	2	74,940	2
6200	Administrative expenses	192,040	4	208,805	4
6300	Research and development expenses	108,326	2	116,037	2
6450	Expected credit Impairment loss (gain)	23,032	1	(4,299)	-
		400,911	9	395,483	8
	Net operating income	666,136	15	705,569	14
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(15))	41,656	1	99,428	2
7050	Finance costs (note 6(8))	(1,260)	-	-	-
		40,396	1	99,428	2
7900	**Income before income tax**	706,532	16	804,997	16
7950	Less: income tax expenses (note 6(11))	209,591	5	245,134	5
	Net Income	496,941	11	559,863	11
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans (note 6(10))	(9,478)	-	(2,342)	-
8349	Income tax related to items that will not be reclassified subsequently	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(9,478)	-	(2,342)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(46,990)	(1)	(19,015)	-
8399	Income tax related to items that may be reclassified subsequently (note 6(11))	9,398	-	4,749	-
	Total items that may be reclassified subsequently to profit or loss	(37,592)	(1)	(14,266)	-
8300	**Other comprehensive income**	(47,070)	(1)	(16,608)	-
8500	**Total comprehensive income**	**$ 449,871**	**10**	**543,255**	**11**
	Earnings per share (New Taiwan Dollars) (note 6(13))				
9750	Basic earnings per share	**$**	**14.65**		**16.50**
9850	Diluted earnings per share	**$**	**14.57**		**16.39**

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings					
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance as of January 1, 2018 after adjustments	$ 339,280	866,545	125,701	33,004	763,482	922,187	(26,176)	2,101,836
Net income for the period	-	-	-	-	559,863	559,863	-	559,863
Other comprehensive income for the period	-	-	-	-	(2,342)	(2,342)	(14,266)	(16,608)
Total comprehensive income for the period	-	-	-	-	557,521	557,521	(14,266)	543,255
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	44,748	-	(44,748)	-	-	-
Reversal Special reserve	-	-	-	(6,828)	6,828	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(339,280)	(339,280)	-	(339,280)
Balance as of December 31, 2018	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 for special reserve	-	-	-	14,266	(14,266)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(508,920)	(508,920)	-	(508,920)
Balance as of December 31, 2019	**$ 339,280**	**866,545**	**226,434**	**40,442**	**852,095**	**1,118,971**	**(78,034)**	**2,246,762**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 706,532	804,997
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	31,185	10,064
Expected credit Impairment loss (gain)	23,032	(4,299)
Provision for inventory devaluation loss (reversal)	(196)	5,309
Interest expense	1,260	-
Interest income	(19,423)	(24,390)
Net profit on financial assets at fair value through profit or loss	(31)	-
Others	2,861	30
Total adjustments to reconcile profit (loss)	38,688	(13,286)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	235,382	(953,088)
Contract assets	(265,322)	424,348
Inventories	(167,219)	(73,423)
Other current assets	252,402	(80,714)
Total changes in operating assets	55,243	(682,877)
Changes in operating liabilities:		
Contract liabilities	(232,704)	211,423
Notes and accounts payable	152,867	(182,738)
Accounts payable–related parties	(2,961)	898
Unearned sales revenue	-	(10,023)
Accrued expenses and other current assets	(12,924)	(7,840)
Total changes in operating assets	(95,722)	11,720
Total adjustments	(1,791)	(684,443)
Cash flows generated from operations	704,741	120,554
Interest received	19,423	24,390
Interest paid	(1,260)	-
Income taxes paid	(151,736)	(152,729)
Net cash flows from (used in) operating activities	571,168	(7,785)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(30,000)	-
Acquisition of property, plant and equipment	(9,261)	(63,114)
Proceeds from disposal of property, plant and equipment	-	277
Increase in other financial assets–current	(50,000)	(100,000)
Decrease (increase) in other non–current assets	(1,431)	308
Net cash flows used in investing activities	(90,692)	(162,529)
Cash flows from financing activities:		
Payment of lease liabilities	(18,967)	-
Cash dividends paid	(508,920)	(339,280)
Net cash flows used in financing activities	(527,887)	(339,280)
Effect of exchange rate changes	(50,613)	(19,029)
Net increase (decrease) in cash and cash equivalents	(98,024)	(528,623)
Cash and cash equivalents at beginning of period	1,717,725	2,246,348
Cash and cash equivalents at end of period	$ 1,619,701	1,717,725

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, 2019 and 2018

(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 24, 2020.

3. New standards, amendments and interpretations adopted:

(1) 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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, the details of the changes in accounting policies are disclosed below,

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4(11)).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of staff dormitory.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

a) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

a) Applied a single discount rate to a portfolio of leases with similar characteristics.

b) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $30,201 thousands of right-of-use assets and lease liabilities, recognizing the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.13%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 49,192
Recognition exemption for:	
short-term leases	(18,001)
	31,191
Discounted using the incremental borrowing rate at January 1, 2019	30,201
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 30,201**

B. IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, there was no material impact on the new interpretation for the year ended December 31, 2019.

(2) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the above mentioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	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.

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 are measured at fair value;

(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, limited as explained in note 4(15).

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. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018
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.

(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.

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.

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.

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.

(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.

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.

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) 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 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.

(11) Leases

Applicable from January 1, 2019

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
- 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 leasee

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 an 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 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.

Applicable before January 1, 2019

Payment made under operating lease are recognized in profit or loss on a straight-line basis over the lease term of the lease.

(12) 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.

(13) 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.

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.

(14) 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.

(15) 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.

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.

(16) 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.

(17) 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 reserve, using tax rates enacted or substantively enacted at the reporting dat.

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

(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.

(18) 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.

(19) 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. Major Sources of Accounting Judgments, Estimation and Assumptions of 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.

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 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 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(14).

(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).

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(17) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash	$	11	-
Checking deposits and cash in bank		811,677	1,224,162
Time deposits		808,013	493,563
	$	1,619,701	1,717,725

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

		December 31, 2019	December 31, 2018
Open-end funds	$	30,031	-

The net gain of financial assets designated at fair value through profit or loss of the Group amounted to $31 thousand and $0 thousand for the years ended December 31, 2019 and 2018, respectively.

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

		December 31, 2019	December 31, 2018	January 1, 2018
Current:				
Notes receivable	$	89,070	227,870	81,741
Accounts receivable		1,287,731	1,384,315	577,356
Less: loss allowance		(28,579)	(6,589)	(11,360)
	$	1,348,222	1,605,596	647,737

		December 31, 2019	December 31, 2018	January 1, 2018
Non-Current:				
Overdue receivable	$	1,051	1,051	1,099
Less: loss allowance		(1,051)	(1,051)	(1,099)
	$	-	-	-

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, 2019. 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, 2019 was determined as follows:

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	$ 1,376,801		28,579

Aging days	December 31, 2018 Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$ 1,464,637	-	-
121 to 180 days	47,948	0.5%	240
181 to 360 days	94,094	1.0%	941
361 to 540 days	164	40.0%	66
More than 541 days	5,342	100.0%	5,342
Total	$ 1,612,185		6,589

Note: The amounts of $1,051 thousand from Nerca technology company had been fully recognized as loss allowance and recorded in other non-current assets.

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

	2019	2018
Balance on January 1, 2019 and 2018	$ 7,640	12,459
Impairment losses recognized	28,579	5,277
Impairment losses reversed	(5,547)	(9,576)
Amounts written off	-	(48)
Foreign exchange losses	(1,042)	(472)
Balance on December 31, 2019 and 2018	$ 29,630	7,640

(4) Inventories, net

	December 31, 2019	December 31, 2018
Finished goods	$ 478	3,579
Work in progress	230,893	20,305
Raw materials	254,160	294,428
	485,531	318,312
Less: losses allowance	(10,958)	(11,525)
	$ 474,573	306,787

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.

The net of loss allowance that was charged to cost of sale for inventories written down to net realization value amounted to $5,309 thousand for the year ended December 31, 2018. The write-down loss is included in cost of operation.

(5) Other financial assets- current

	December 31, 2019	December 31, 2018
Deposit account (more than three months period)	$ 150,000	100,000
Restricted deposit	9,867	65,169
Guarantee deposits paid for construction	41,440	66,730
Other	17,013	17,832
	$ 218,320	249,731

(6) Property, plant and equipment

	Land	Building	Other equipment	Total
Cost:				
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	$ 67,083	45,302	86,855	199,240
Balance as of January 1, 2018	$ 44,518	26,526	66,241	137,285
Additions	22,565	18,776	21,773	63,114
Disposals	-	-	(4,359)	(4,359)
Effect of exchange rate changes	-	-	(1,382)	(1,382)
Balance as of December 31, 2018	$ 67,083	45,302	82,273	194,658

	Land	Building	Other equipment	Total
Depreciation:				
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	$ -	8,123	51,049	59,172
Balance as of January 1, 2018	$ -	6,099	38,370	44,469
Depreciation for the period	-	855	9,209	10,064
Disposals	-	-	(3,833)	(3,833)
Effect of exchange rate changes	-	-	(690)	(690)
Balance as of December 31, 2018	$ -	6,954	43,056	50,010
Book value:				
Balance as of December 31, 2019	$ 67,083	38,348	35,806	140,068
Balance as of December 31, 2018	$ 67,083	38,348	39,217	144,648
Balance as of January 1, 2018	$ 44,518	20,427	27,871	92,816

(7) 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:

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, 2019	$ -	-	-
Effects of retrospective application	16,724	13,477	30,201
Balance at January 1, 2019 after adjustments	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	$ 28,651	19,658	48,309
Accumulated depreciation and impairment losses:			
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	$ 8,840	6,107	14,947

	Buildings	Vehicles	Total
Carrying amounts:			
Balance at January 1, 2019	$ -	-	-
Balance at December 31, 2019	$ 19,811	13,551	33,362

(8) Lease liabilities

The Group's lease liabilities were as follows:

	December 31, 2019
Current	$ 17,001
Non-current	$ 16,765

For the maturity analysis, please refer to net 6(17) "Financial instruments".

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 1,260
Expenses relating to short-term leases	$ 17,208

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

	2019
Total cash outflow for leases	$ 37,435

A. Building leases

As of December 31, 2019, the Group leases buildings for its office space. The lease periods of office space are 2 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 two to five 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.

(9) Provisions－current

The Group's warranty preparation changes are as follows:

		2019	2018
Balance as of January 1	$	152,970	180,549
Provisions made for the period		28,374	104,947
Provisions utilized during the period		(53,331)	(129,775)
Effect of change in exchange rate		(4,302)	(2,751)
Balance as of December 31	**$**	**123,711**	**152,970**

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).

(10) 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:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligation	$	43,306	33,061
Fair value of plan assets		(9,678)	(8,658)
Net defined benefit liabilities	**$**	**33,628**	**24,403**

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 $9,678 thousand as of December 31, 2019. 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.

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

	2019	2018
Defined benefit obligation as of January 1	$ 33,061	32,798
Interest costs	450	533
Actuarial losses (gains)	9,795	2,577
Pension payment	-	(2,847)
Defined benefit obligation as of December 31	$ 43,306	33,061

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

	2019	2018
Fair value of plan assets as of January 1	$ 8,658	10,518
Contributions made	580	577
Expected return on plan assets	123	175
Actuarial gains (losses)	317	235
Pension payment	-	(2,847)
Fair value of plan assets as of December 31	$ 9,678	8,658

(d) Expenses recognized in profit or loss

	2019	2018
Interest costs	$ 454	533
Actual return on plan assets	(440)	(410)
Plan assets loss (gain)	317	235
	$ 331	358

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

	2019	2018
Actuarial losses (gains) on defined benefit obligation	$ 9,795	2,577
Actuarial losses (gains) on plan assets	(317)	(235)
	$ 9,478	2,342

(f) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.125%	1.375%
Future salary increase rate	4.25%	3.00%

(ii) For actuarial in defined benefit plans cost:

	2019	**2018**
Discount rate	1.375%	1.675%
Future salary increase rate	3.00%	3.00%

The Company expects to make a contribution of $584 thousand to its defined benefit plans in the following year, beginning December 31, 2019.

The weighted-average duration of the defined benefit obligation is 16.19 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, 2019, the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
Discount rate	$ (1,564)	1,631
Future salary increase rate	$ 1,556	(1,499)

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 2019 and 2018.

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 $9,494 thousand and $9,025 thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Income tax

A. Income tax expenses

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

		2019	2018
Current income tax expense			
Current period	$	173,556	145,341
Adjustment for prior period		(801)	(11,393)
Unappropriated retained earnings		370	6,522
		173,125	140,470
Deferred income tax expense			
Origination and reversal of temporary differences		36,466	92,586
Effect of changes in tax rate		-	12,078
		36,466	104,664
Income tax expenses	$	209,591	245,134

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

		2019	2018
Exchange differences on translation of foreign financial statements	$	9,398	3,803
Effect of changes in tax rate		-	946
	$	9,398	4,749

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

		2019	2018
Income before income tax	$	706,532	804,997
Income tax at the Company’s domestic tax rate		141,307	160,999
Effect of different tax rates in foreign jurisdictions		69,347	79,998
Adjustment in tax rate		-	12,078
Permanent difference and others		(632)	(3,070)
Over (under)-provision in prior periods		(801)	(11,393)
Surtax on unappropriated retained earnings		370	6,522
Total	$	209,591	245,134

B. Deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019
Warranties	$ 9,486	(4,582)	-	4,904	(1,700)	-	3,204
Construction revenue and costs on book-tax differences	19,279	(9,892)	-	9,387	(823)	-	8,564
Exchange differences on translation of foreign financial statements	5,361	-	4,749	10,110	-	9,398	19,508
Unrealized loss on exchange	5,909	(5,909)	-	-	573	-	573
Unrealized loss and others	4,490	116	-	4,606	(377)	-	4,229
	$ 44,525	**(20,267)**	**4,749**	**29,007**	**(2,327)**	**9,398**	**36,078**

Deferred tax liabilities:

	January 1, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019
Unrealized gain on exchange	$ -	(334)	-	(334)	334	-	-
Gain on profit of subsidiary accounted for using equity method	(107,608)	(84,063)	-	(191,671)	(34,473)	-	(226,144)
	$ (107,608)	**(84,397)**	**-**	**(192,005)**	**(34,139)**	**-**	**(226,144)**

C. Examination and approval

The Company's tax returns have been examined by the tax authorities through 2017.

(12) Capital and other equity

A. Issuance of ordinary shares

As of December 31, 2019 and 2018, 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.

B. Capital surplus

	December 31, 2019	December 31, 2018
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
	$ 866,545	**866,545**

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.

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.

The following are the appropriation of earnings in 2018 and 2017 which were approved during the shareholders' meeting held on May 24, 2019 and May 28, 2018, respectively:

	2018		2017	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 15.00	508,920	10.00	339,280

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting on February 24, 2020 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.

(13) Earnings per share

	2019	2018
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 496,941	559,863
Weighted average number of ordinary shares (in thousands)	33,928	33,928
Basic earnings per share (TWD)	$ 14.65	16.50
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 496,941	559,863
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	189	237
Weighted average number of ordinary shares (in thousands) (diluted)	34,117	34,165
Diluted earnings per share (TWD)	$ 14.57	16.39

(14) Revenue from contracts with customers

A. Revenue from major regional markets and products:

	2019			
	Semiconductor	**Green energy photoelectric**	**Other**	**Total**
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
	$ 3,533,637	544,544	328,089	4,406,270

	2018			
	Semiconductor	**Green energy photoelectric**	**Other**	**Total**
Taiwan	$ 429,688	224,861	102,132	756,681
China	2,410,812	1,221,293	123,194	3,755,299
Other	285,090	34,609	35,024	354,723
	$ 3,125,590	1,480,763	260,350	4,866,703

B. Contract balances

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Contract assets－construction and equipment	$ 397,489	127,415	549,333
Less: Loss in contract	(50,231)	(45,479)	(43,049)
	$ 347,258	81,936	506,284
Contract liability－construction and equipment	$ 309,953	538,740	331,234
Contract liability－cash received in advance	-	3,917	10,023
Contract liability－construction and equipment	$ 309,953	542,657	341,257

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, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $439,467 thousand and $339,521 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 2019 and 2018.

C. Transaction price allocated to the remaining performance obligations

As of 31 December 2018, the aggregate amount of the transaction price of allocated to the remaining performance obligation was $632,989 thousand and $975,589 thousand. 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.

(15) Non-operating income and expenses

A. Other gains and losses, net

	2019	2018
Interest income	$ 19,423	24,390
Foreign exchange gains (losses), net	7,354	59,577
Gain on financial asset at fair value through profit or loss	31	-
Others	14,848	15,461
	$ 41,656	**99,428**

B. Finance costs

	2019	2018
Interest expense – short term borrowings	**$ 1,260**	**-**

(16) 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.

The remunerations to employees amounted to $26,458 thousand and $30,600 thousand, and the remunerations to directors amounted to $11,906 thousand and $22,950 thousand for the years ended December 31, 2019 and 2018, 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 $30,600 thousand, as well as the remunerations to directors amounted to $22,950 thousand for the years ended December 31, 2018. 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.

(17) 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, 2019 and 2018, 42% and 48%, 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.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31,2019					
Lease Liabilities	$ 33,766	35,036	17,844	14,431	2,761

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:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 17,029	USD/TWD =30.203	514,330	15,948	USD/TWD =30.802	491,230
USD	19,782	USD/CNY =6.9992	597,476	26,694	USD/CNY =6.866	822,229
Financial liabilities						
Monetary items						
USD	1,878	USD/TWD =30.203	56,729	4,124	USD/TWD =30.802	127,027
USD	3,477	USD/CNY =6.9992	105,016	2,618	USD/CNY =6.866	80,640

(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, 2019 and 2018, with other factors remaining constant, would have increased (decreased) the comprehensive income by $25,165 thousand and $28,720 thousand respectively. The analysis is performed on the same basis.

(c) Foreign exchange gain (loss) on monetary items

	2019		2018	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	$ (8,450)	-	21,110	-
CNY	15,804	4.4770	38,467	4.5591

(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, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
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, which are funds traded in active markets. The fair value of financing assets is determined based on market quotations.

(18) 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

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.

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.

(19) 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, 2019.

The Group's debt to adjusted capital ratio at the reporting date was as follows:

	December 31, 2019	**December 31, 2018**
Total liabilities	$ 2,084,406	2,085,911
Less: cash	(1,619,701)	(1,717,725)
Net debt	$ 464,705	368,186
Total equity	$ 2,246,762	2,305,811
Debt-to-adjusted-capital ratio	20.68%	15.97%

(20) 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, 2019 and 2018, were as follows:

A. Obtaining right-of-use assets by lease, please refer to note 6(7).

B. Reconciliation of liabilities arising from financing activities were as follows:

	January 1 ,2019	**Cash flows**	**Acquisition**	**December 31, 2019**
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 owns 62% percent of all shares outstanding of the Company on December 31, 2019. Acter Co., Ltd. has issued the consolidated financial statements available for public use.

(2) Names and relationship with related parties

Name of related parties	Relationship with the Group
Acter Co., Ltd.	The parent company
Sheng Huei Engineering (Shenzhen) Co., Ltd	Other related company
Nova Technology Singapore Pte.,	Other related company
Enrich Tech Co., Ltd.	Other related company

(3) Significant transactions with related parties

A. Accumulated construction costs, notes and accounts payable

(a) Current purchase amount

	2019	2018
Other related parties	$ -	40,239

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

	December 31, 2019	December 31, 2018
Parent company	$ 4,995	4,995
Other related parties	-	39,596
	$ 4,995	44,591

The Group’s payables, due to the above purchase transactions, are as follows:

	December 31, 2019		December 31, 2018	
	Amount	Percentage of all notes and accounts payables	Amount	Percentage of all notes and accounts payables
Other related parties	$ -	-	2,961	-

B. Guarantee for related parties

Guaranteed object	Guarantee type	December 31, 2019	December 31, 2018
Construction performance guarantee or warranty:			
Parent company	Credit guarantee	$ 289,800	289,800
Other related parties	Credit guarantee	189,115	189,115
		$ 478,915	478,915

C. Rent Expense

The Group rented office buildings and factory building from its related parties. The rental expenses for 2019 and 2018 amounted to $3,508 thousand and $2,618 thousand, respectively, which had been paid as of December 31, 2019.

D. As of December 31, 2019 and 2018, 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.

E. The amounts of the receivables in 2019 and 2018 from related parties amounted to $184 thousand and $225 thousand, respectively.

(4) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short term employee benefits	$ 33,938	33,718
Post-employment benefits	428	420
	$ 34,366	34,138

8. Pledged assets:

The carrying values of the Group's pledged assets were as follows:

Pledged assets	Purpose of Pledged	December 31, 2019	December 31, 2018
Time deposits (recorded in other financial assets－current)	Security deposit of guarantee letter	$ 9,867	65,169

9. Significant commitments and contingencies:

Except for note 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 $586,575 thousand and $608,610 thousand, respectively.

(2) The performance guarantee letters issued by the bank for the Group, due to the contracted projects, were $906,577 thousand and $542,036 thousand, respectively.

(3) For the unfinished significant contracted construction contracts signed by the Group, please refer to Note 6(14).

(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:

The outbreak of COVID-19 in 2020 does represent an uncertainty to the Group's business operations in China, which also affected the operation of the Group. The impact included delay in construction progress and delay in receivables' collection. However, because the information remains unclear, the impact to operation and financial status cannot be reasonably expected. The Group is continually monitoring the situation for timely assessment.

12. Other:

The following is the summary statement of current period employee benefits, depreciation, and amortization expenses by function:

	For the year ended December 31					
	2019			2018		
By function / By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	231,433	207,696	439,129	219,484	210,932	430,416
Labor and health insurance	41,206	26,256	67,462	36,473	21,534	58,007
Pension	6,642	3,183	9,825	6,127	3,256	9,383
Others	7,983	8,824	16,807	6,309	8,151	14,460
Depreciation	12,782	18,403	31,185	4,534	5,530	10,064

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:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Winmax	Suzhou Winmax	Other receivables-related parties	Yes	174,100	-	-	0	Short-term financing	-	Operating demand	-		-	449,706	449,706

Note 1: The total amount available for financing purposes shall not exceed 40% of Winmax’s net worth.

Note 2: The net worth was audited by Certified Public Accountant.

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	4,493,524	151,426	9,239	9,239	-	0.41%	6,740,286	Y	N	Y
0	The Company	Winmax、Suzhou Winmax	Subsidiary	4,493,524	805,568	586,857	140,385	-	26.12%	6,740,286	Y	N	Y
0	The Company	Suzhou Winmax	Subsidiary	4,493,524	1,121,390	696,925	502,999	-	31.02%	6,740,286	Y	N	Y
0	The Company	Acter	Parent company	4,493,524	289,800	289,800	289,800	-	12.90%	6,740,286	N	Y	N
0	The Company	Sheng Huei (Shenzhen)	100% owned subsidiary of the parent company	4,493,524	189,115	189,115	189,115	-	8.42%	6,740,286	N	N	Y
1	Winmax	Nova	Parent company	3,372,795	235,629	221,041	221,041	-	19.66%	5,621,325	N	Y	N
1	Winmax	SParker Gas (Suzhou)	Business relationship company	7,317	7,733	-	-	-	- %	5,621,325	N	N	Y
2	Suzhou Winmax	Winmax	100% owned subsidiary of the parent company	5,192,040	616,430	578,265	578,265	-	389.81%	5,192,040	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.

C. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	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	2,893	30,031	- %	30,031	

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

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	341,570	24%	By contract	-	-	(1,651)	-%	Note
The Company	Winmax	The Company's subsidiary	Sale	(105,524)	6%	By contract	-	-	-	-%	

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	341,570	Note	10.00%
0	The Company	Winmax	Parent company to subsidiary	Sale	(105,524)	Note	2.00%

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.

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	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%	89,547	25,883	25,883	Note
The Company	Novatech Engineering & Construction Pte. Ltd.	Singapore	Contract for the chemical supply system business	24,179	24,179	1,000	100.00%	60,895	20,379	20,379	

Note: Winmega remitted cash dividends of $15,000 thousand in 2019.

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	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	326,074	100.00%	326,074	1,124,265	397,325	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	53,408	100.00%	53,408	148,344	-	

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
42,113 (USD1,300 thousand)	183,904 (USD5,890 thousand)	1,348,057

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 CNY50,000 thousand, which equals TWD227,499 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”.

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:

For the year ended December 31, 2019	Taiwan	China	Asia and others	Adjustment and elimination	Total
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	$ 1,993,937	2,686,328	87,755	(361,750)	4,406,270
Depreciation					**(31,851)**
Reportable segment profit					**496,941**
Reportable segment assets					**4,331,168**
Reportable segment liabilities					**2,084,406**

For the year ended December 31, 2018	Taiwan	China	Asia and others	Adjustment and elimination	Total
Revenue					
Revenue from external customers	$ 1,448,943	3,319,193	98,567	-	4,866,703
Revenue from internal segment	460,548	31,005	-	(491,553)	-
Total revenue	$ 1,909,491	3,350,198	98,567	(491,553)	4,866,703
Depreciation					**(10,064)**
Reportable segment profit					**559,863**
Reportable segment assets					**4,391,722**
Reportable segment liabilities					**2,085,911**

(3) Products and services information

For details of the information from January 1 to December 31, 2019 and 2018, please refer to Note 6 (14).

(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	2019	2018
Taiwan	$ 839,051	756,681
China	3,321,052	3,755,299
Others	246,167	354,723
	$ 4,406,270	4,866,703

B. Non-current assets

Location	December 31, 2019	December 31, 2018
Taiwan	$ 124,182	113,491
China	52,333	37,490
Others	3,983	2,481
	$ 180,498	153,462

(5) Major customer information

Sales to individual customers representing greater than 10% of the revenues were as follows:

	2019		2018	
	Amount	% of net sales	Amount	% of net sales
Customer E	$ 631,163	14	225,193	5
Customer D	445,850	10	822,974	17
	$ 1,077,013	24	1,048,167	22

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, 2019 and 2018, 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, 2019 and 2018, 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. 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(8) "Revenue (Revenue from contract with customers)", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(14) "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(2) "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.

Auditors' 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 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 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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. Obtained 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 group audit. We remain solely responsible for our audit opinion

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

We also provided 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, 2019 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 24, 2020

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

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 582,036	18	932,480	30
1150	Notes receivable, net (note 6(2))	567	-	336	-
1170	Accounts receivable, net (note 6(2))	472,108	14	295,228	10
1140	Current contract assets (notes 6(14) and 7)	493,548	15	193,521	6
1310	Inventories, net (note 6(3))	33,977	1	20,498	1
1421	Prepayments to suppliers (note 7)	23,492	1	148,936	5
1476	Other current financial assets (notes 6(4) and 8)	166,721	5	103,128	3
1479	Other current assets	10,183	-	14,153	-
		1,782,632	54	1,708,640	55
	Non-current assets:				
1550	Investments in equity-accounted investees (Notes 6(5))	1,423,052	43	1,286,797	42
1600	Property, plant and equipment (note 6(6))	66,001	2	67,241	2
1755	Right-of-use assets (note 6(7))	10,891	-	-	-
1840	Deferred tax assets (note 6(11))	33,322	1	26,101	1
1990	Other non-current assets (note 6(2))	3,464	-	4,855	-
		1,536,730	46	1,384,994	45
	Total assets	$ 3,319,362	100	3,093,634	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2150	Notes payable	$ 21,418	1	43,126	1
2170	Accounts payable	477,126	14	273,798	9
2180	Accounts payable to related parties (note 7)	1,651	-	-	-
2130	Current contract liabilities (notes 6(14) and 7)	161,913	5	85,607	3
2201	Salaries and bonus payable	79,512	2	95,195	3
2250	Provisions - current (note 6(9))	16,017	1	24,518	1
2280	Current lease liabilities (note 6(8))	5,575	-	-	-
2399	Other current liabilities	44,258	1	49,115	1
		807,470	24	571,359	18
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(11))	226,144	7	192,061	6
2580	Non-current lease liabilities (note 6(8))	5,358	-	-	-
2640	Net defined benefit liability, non-current (note 6(10))	33,628	1	24,403	1
		265,130	8	216,464	7
	Total liabilities	1,072,600	32	787,823	25
	Equity (note 6(12)):				
3100	Ordinary share capital	339,280	10	339,280	11
3200	Capital surplus	866,545	26	866,545	28
3300	Retained earnings	1,118,971	34	1,140,428	37
3400	Other equity	(78,034)	(2)	(40,442)	(1)
	Total equity	2,246,762	68	2,305,811	75
	Total liabilities and equity	$ 3,319,362	100	3,093,634	100

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 Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the years ended December 31,			
		2019		2018	
		Amount	%	Amount	%
4000	**Net operating revenue** (note 6(14) and 7)	$ 1,912,720	100	1,847,874	100
5000	**Operating cost** (notes 6(3), (8), (10) and 7)	1,572,503	82	1,505,881	81
	Gross profit	340,217	18	341,993	19
	Operating expenses (notes 6(2), (8), (10) and (16)):				
6100	Selling expenses	5,408	-	3,466	-
6200	Administrative expenses	133,258	7	144,662	8
6450	Expected credit Impairment loss (gain)	(467)	-	(263)	-
		138,199	7	147,865	8
	Net operating income	202,018	11	194,128	11
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(15))	(4,563)	-	26,159	1
7050	Finance costs (note 6(8))	(107)	-	-	-
7070	Share of profit of equity-accounted investees (Note 6(5))	425,744	22	491,175	27
		421,074	22	517,334	28
7900	**Income before income tax**	623,092	33	711,462	39
7950	Less: income tax expenses (note 6(11))	126,151	7	151,599	8
	Net Income	496,941	26	559,863	31
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans (note 6(10))	(9,478)	-	(2,342)	-
8349	Income tax related to items that will not be reclassified subsequently	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(9,478)	-	(2,342)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(46,990)	(2)	(19,015)	(1)
8399	Income tax related to items that may be reclassified subsequently (note 6(11))	9,398	-	4,749	-
	Total items that may be reclassified subsequently to profit or loss	(37,592)	(2)	(14,266)	(1)
8300	**Other comprehensive income**	(47,070)	(2)	(16,608)	(1)
	Total comprehensive income	**$ 449,871**	**24**	**543,255**	**30**
	Earnings per share (New Taiwan Dollars) (note 6(13))				
9750	Basic earnings per share	**$ 14.65**		**16.50**	
9850	Diluted earnings per share	**$ 14.57**		**16.39**	

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Exchange differences on translation of foreign financial statements	Total equity
Balance as of January 1, 2018 after adjustments	$ 339,280	866,545	125,701	33,004	763,482	922,187	(26,176)	2,101,836
Net income for the period	-	-	-	-	559,863	559,863	-	559,863
Other comprehensive income for the period	-	-	-	-	(2,342)	(2,342)	(14,266)	(16,608)
Total comprehensive income for the period	-	-	-	-	557,521	557,521	(14,266)	543,255
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	44,748	-	(44,748)	-	-	-
Reversal Special reserve	-	-	-	(6,828)	6,828	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(339,280)	(339,280)	-	(339,280)
Balance as of December 31, 2018	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 for special reserve	-	-	-	14,266	(14,266)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(508,920)	(508,920)	-	(508,920)
Balance as of December 31, 2019	$ 339,280	866,545	226,434	40,442	852,095	1,118,971	(78,034)	2,246,762

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 623,092	711,462
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	8,092	2,287
Expected credit Impairment loss (gain)	(467)	(263)
Provision for inventory devaluation loss (reversal)	145	807
Interest expense	107	-
Interest income	(2,652)	(6,126)
Investment income accounted for under the equity method	(425,744)	(491,175)
Others	1,777	(219)
Total adjustments to reconcile profit (loss)	(418,742)	(494,689)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(176,644)	17,179
Contract assets	(300,027)	88,790
Accounts receivable–related parties	-	63
Inventories	(13,624)	89,454
Other current assets	115,821	(101,666)
Total changes in operating assets	(374,474)	93,820
Changes in operating liabilities:		
Notes and accounts payable	181,620	(160,227)
Accounts payable–related parties	1,651	(537)
Contract liabilities	76,306	21,363
Accrued expenses and other current assets	(24,298)	(16,392)
Total changes in operating assets	235,279	(155,793)
Total adjustments	(557,937)	(556,662)
Cash flows generated from operations	65,155	154,800
Interest received	2,652	6,126
Interest paid	(107)	-
Income taxes paid	(94,634)	(60,454)
Net cash flows from (used in) operating activities	(26,934)	100,472
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(1,403)	(1,250)
Dividends received	242,499	170,917
Increase in other financial assets–current	(50,000)	(100,000)
Decrease (increase) in other non–current assets	(640)	1,153
Net cash flows used in investing activities	190,456	70,820
Cash flows from financing activities:		
Payment of lease liabilities	(5,406)	-
Cash dividends paid	(508,920)	(339,280)
Net cash flows used in financing activities	(514,326)	(339,280)
Net increase (decrease) in cash and cash equivalents	(350,804)	(167,988)
Cash and cash equivalents at beginning of period	932,840	1,100,828
Cash and cash equivalents at end of period	$ 582,036	932,840

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

Nova Technology 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 financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). 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.

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

The parent company only financial statements were authorized for issue by the Board of Directors on February 24, 2020.

3. New standards, amendments and interpretations adopted:

(1) 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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, the details of the changes in accounting policies are disclosed below,

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4(11)).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of staff dormitory.

(i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

a) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

a) Applied a single discount rate to a portfolio of leases with similar characteristics.

b) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $7,549 thousands of right-of-use assets and lease liabilities, recognizing the difference in retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.00%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	$ 10,092
Recognition exemption for:	
Short-term leases	(2,430)
	7,662
Discounted using the incremental borrowing rate at January 1, 2019	7,549
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 7,549

B. IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, there was no material impact on the new interpretation for the year ended December 31, 2019.

(2) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the above mentioned standards would not have any material impact on its parent company only financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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").

(2) Basis of preparation

A. Basis of measurement

Except for the defined benefit liability (asset) that is recognized as the fair value of the plan assets less the present value of the defined benefit obligation, the parent company only financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of the Company is presented in New Taiwan Dollars (TWD), 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 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.

(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.

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.

(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) 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.

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 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 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.

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.

(c) 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.

(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.

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 Group 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 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 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.

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 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.

(10) 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.

(11) Leases

<u>Applicable from January 1, 2019</u>

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; 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
- 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 leasee

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 will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise an 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.

<u>Applicable before January 1, 2019</u>

Payment made under operating lease are recognized in profit or loss on a straight-line basis over the lease term of the lease.

(12) 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.

(13) 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 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.

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.

(14) 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.

(15) 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.

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.

(18) 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.

(19) 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 reserve, using tax rates enacted or substantively enacted at the reporting dat.

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

(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.

(20) Earnings per share

The Company discloses the 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.

(21) Operating segments

The Company has provided the operating segments disclosure in the consolidated financial statements. Thus, disclosure of the segment information in the parent company only financial statements is waived.

5. Major Sources of Accounting Judgments, Estimation and Assumptions of 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.

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 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(14).

(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(2).

(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 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 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).

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(17) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash in bank	$ 582,036	932,840
Time deposits	-	-
	$ 582,036	932,840

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

	December 31, 2019	December 31, 2018	January 1, 2018
Current:			
Notes receivable	$ 567	336	4,907
Accounts receivable	476,719	300,306	312,914
Less: loss allowance	(4,611)	(5,078)	(5,341)
	$ 472,675	295,564	312,480

	December 31, 2019	December 31, 2018	January 1, 2018
Non-Current:			
Overdue receivable	$ 1,051	1,051	1,099
Less: loss allowance	(1,051)	(1,051)	(1,099)
	$ -	-	-

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, 2019. 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, 2019 was determined as follows:

	December 31, 2019		
Aging days	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$ 362,963	-	-
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	$ 477,286		4,611

	December 31, 2018		
Aging days	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
1 to 120 days	$ 295,407	-	-
121 to 180 days	17	0.5%	-
181 to 360 days	141	1.0%	1
More than 541 days	5,077	100.0%	5,077
Total	$ 300,642		5,078

Note: The amounts of $1,051 thousand from Nerca technology company had been fully recognized as loss allowance and recorded in other non-current assets.

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

	2019	2018
Balance on January 1, 2019 and 2018	$ 6,129	6,440
Impairment losses recognized	5,080	5,039
Impairment losses reversed	(5,547)	(5,302)
Amounts written off	-	(48)
Balance on December 31, 2019 and 2018	$ 5,662	6,129

(4) Inventories, net

		December 31, 2019	December 31, 2018
Raw materials	$	35,599	21,975
Less: losses allowance		(1,622)	(1,477)
	$	33,977	20,498

The net of loss allowance that was charged to cost of sale for inventories written down to net realization value amounted to $145 thousand and $807 thousand for the year ended December 31, 2019 and 2018. The write-downs loss is included in cost of operation.

(4) Other financial assets- current

		December 31, 2019	December 31, 2018
Deposit account (more than three months period)	$	150,000	100,000
Restricted deposit		2,756	2,756
Guarantee deposits paid for construction		13,920	179
Others		45	193
	$	166,721	103,128

(5) Investments accounted for under the equity method

		December 31, 2019	December 31, 2018
Subsidiaries	$	1,423,052	1,286,797

Income from Subsidiaries under the equity method amounted to $425,744 thousand and $491,175 thousand for the year ended December 31, 2019 and 2018, respectively.

Information about Subsidiaries refer to consolidated financial statements for the year ended December 31, 2019 for the details.

(6) Property, plant and equipment

		Land	Building	Other equipment	Total
Cost:					
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	$	44,518	26,526	12,854	83,898
Balance as of January 1, 2018	$	44,518	26,526	10,838	81,882
Additions		-	-	1,250	1,250
Disposals		-	-	(590)	(590)
Balance as of December 31, 2018	$	67,083	26,526	11,498	82,542

	Land	Building	Other equipment	Total
Depreciation:				
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	$ -	7,686	10,211	17,897
Balance as of January 1, 2018	$ -	6,098	7,506	13,604
Depreciation for the period	-	794	1,493	2,287
Disposals	-	-	(590)	(590)
Balance as of December 31, 2018	$ -	6,892	8,409	15,301
Book value:				
Balance as of December 31, 2019	$ 44,518	18,840	2,643	66,001
Balance as of January 1, 2018	$ 44,518	20,428	3,332	68,278
Balance as of December 31, 2018	$ 44,518	19,634	3,089	67,241

(7) 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:

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, 2019	$ -	-	-
Effects of retrospective application	2,785	4,764	7,549
Balance at January 1, 2019 after adjustments	2,785	4,764	7,549
Additions	5,659	3,571	9,230
Disposal	(702)	-	(702)
Balance at December 31, 2019	$ 7,742	8,335	16,077
Accumulated depreciation and impairment losses:			
Balance at January 1, 2019	$ -	-	-
Depreciation for the year	3,071	2,378	5,449
Disposal	(263)	-	(263)
Balance at December 31, 2019	$ 2,808	2,378	5,186
Carrying amounts:			
Balance at January 1, 2019	$ -	-	-
Balance at December 31, 2019	$ 4,934	5,957	10,891

(8) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2019
Current	$ 5,575
Non-current	$ 5,358

For the maturity analysis, please refer to net 6(17) "Financial instruments".

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 107
Expenses relating to short-term leases	$ 4,688

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

	2019
Total cash outflow for leases	$ 10,201

A. Buildings leases

As of December 31, 2019, the Company leases buildings for its office space. The lease of office space are 2 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 two to five 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.

(9) Provisions－current

The Company’s warranty preparation changes are as follows:

	2019	2018
Balance as of January 1	$ 24,518	55,800
Provisions made for the period	3,804	465
Provisions utilized during the period	(12,305)	(31,747)
Balance as of December 31	$ 16,017	24,518

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).

(10) 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:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligation	$	43,306	33,061
Fair value of plan assets		(9,678)	(8,658)
Net defined benefit liabilities	$	33,628	24,403

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 $9,678 thousand as of December 31, 2019. 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.

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

		2019	2018
Defined benefit obligation as of January 1	$	33,061	32,798
Interest costs		450	533
Actuarial losses (gains)		9,795	2,577
Pension payment		-	(2,847)
Defined benefit obligation as of December 31	$	43,306	33,061

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

		2019	2018
Fair value of plan assets as of January 1	$	8,658	10,518
Contributions made		580	577
Expected return on plan assets		123	175
Actuarial gains (losses)		317	235
Pension payment		-	(2,847)
Fair value of plan assets as of December 31	$	9,678	8,658

(d) Expenses recognized in profit or loss

		2019	2018
Interest costs	$	454	533
Actual return on plan assets		(440)	(410)
Plan assets loss (gain)		317	235
	$	331	358

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

		2019	2018
Actuarial losses (gains) on defined benefit obligation	$	9,795	2,577
Actuarial losses (gains) on plan assets		(317)	(235)
	$	9,478	2,342

(f) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.125%	1.375%
Future salary increase rate	4.25%	3.00%

(ii) For actuarial in defined benefit plans cost:

	2019	2018
Discount rate	1.375%	1.675%
Future salary increase rate	3.00%	3.00%

The Company expects to make a contribution of $584 thousand to its defined benefit plans in the following year, beginning December 31, 2019.

The weighted-average duration of the defined benefit obligation is 16.19 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, 2019, the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
Discount rate	$ (1,564)	1,631
Future salary increase rate	$ 1,556	(1,499)

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 2019 and 2018.

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 $6,882 thousand and $6,584 thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Income tax

A. Income tax expenses

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

	2019	2018
Current income tax expense		
Current period	$ 83,181	60,454
Adjustment for prior period	6,710	(6,942)
Unappropriated retained earnings	-	6,345
	$ 89,891	59,857
Deferred income tax expense		
Origination and reversal of temporary differences	36,260	76,861
Effect of changes in tax rate	-	14,881
	36,260	91,742
Income tax expenses	$ 126,151	151,599

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

	2019	2018
Exchange differences on translation of foreign financial statements	$ 9,398	3,803
Effect of changes in tax rate	-	946
	$ 9,398	4,749

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

	2019	2018
Income before income tax	$ 623,092	711,462
Income tax at the Company's domestic tax rate	124,618	142,292
Adjustment in tax rate	-	14,881
Permanent difference and others	(5,177)	(4,977)
Over (under)-provision in prior periods	6,710	(6,942)
Surtax on unappropriated retained earnings	-	6,345
Total	$ 126,151	151,599

B. Deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019
Warranties	$ 9,486	(4,582)	-	4,904	(1,700)	-	3,204
Construction revenue and costs on book-tax differences	7,318	1,777	-	9,095	(698)	-	8,397
Exchange differences on translation of foreign financial statements	5,361	-	4,749	10,110	-	9,398	19,508
Unrealized loss on exchange	5,065	(5,065)	-	-	511	-	511
Unrealized loss and others	1,411	581	-	1,992	(290)	-	1,702
	$ 28,641	(7,289)	4,749	26,101	(2,177)	9,398	33,322

Deferred tax liabilities:

	January 1, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019
Unrealized gain on exchange	$ -	(390)	-	(390)	390	-	-
Gain on profit of subsidiary accounted for using equity method	(107,608)	(84,063)	-	(191,671)	(34,473)	-	(226,144)
	$ (107,608)	(84,453)	-	(192,061)	(34,083)	-	(226,144)

C. Examination and approval

The Company' tax returns have been examined by the tax authorities through 2017.

(12) Capital and other equity

A. Issuance of ordinary shares

As of December 31, 2019 and 2018, 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.

B. Capital surplus

	December 31, 2019	December 31, 2018
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
	$ 866,545	866,545

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' 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' 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.

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.

The following are the appropriation of earnings in 2018 and 2017 which were approved during the shareholders' meeting held on May 24, 2019 and May 28, 2018, respectively:

	2018		2017	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 15.00	508,920	10.00	339,280

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting on February 24, 2020 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.

(13) Earnings per share

	2019	2018
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 496,941	559,863
Weighted average number of ordinary shares (in thousands)	33,928	33,928
Basic earnings per share (TWD)	$ 14.65	16.50
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 496,941	559,863
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	189	237
Weighted average number of ordinary shares (in thousands) (diluted)	34,117	34,165
Diluted earnings per share (TWD)	$ 14.57	16.39

(14) Revenue from contracts with customers

A. Revenue from major regional markets and products:

	2019			
	Semiconductor	Green energy photoelectric	Other	Total
Taiwan	$ 709,690	48,533	166,911	925,134
China	986,958	628	-	987,586
	$ 1,696,648	49,161	166,911	1,912,720

	2018			
	Semiconductor	Green energy photoelectric	Other	Total
Taiwan	$ 721,032	382,701	102,132	1,205,865
China	624,223	17,786	-	642,009
	$ 1,345,255	400,487	102,132	1,847,874

B. Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Contract assets－construction and equipment	$	543,779	239,000	325,360
Less: Loss in contract		(50,231)	(45,479)	(43,049)
	$	493,548	193,521	282,311
Contract liability－construction and equipment	$	161,913	85,607	64,244
Contract liability－cash received in advance		-	-	3,388
Contract liability－construction and equipment	$	161,913	85,607	67,632

For details on accounts receivable and allowance for impairment, please refer to note 6(2).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $83,743 thousand and $63,121 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 2019 and 2018.

C. Transaction price allocated to the remaining performance obligations

As of 31 December 2019 and 2018, the aggregate amount of the transaction price of allocated to the remaining performance obligation was $278,854 thousand and $200,964 thousand. 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.

(15) Non-operating income and expenses

Other gains and losses, net

		2019	2018
Interest income	$	2,652	6,126
Foreign exchange gains (losses), net		(8,402)	19,946
Others		1,187	87
	$	(4,563)	26,159

(16) 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.

The remunerations to employees amounted to $26,458 thousand and $30,600 thousand, and the remunerations to directors amounted to $11,906 thousand and $22,950 thousand for the years ended December 31, 2019 and 2018, 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 $30,600 thousand, as well as the remunerations to directors amounted to $22,950 thousand for the years ended December 31, 2018. 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.

(17) 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, 2019 and 2018, 69% and 64%, 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(2).

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(2).

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.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31,2019					
Lease Liabilities	$ 10,933	11,072	5,658	2,654	2,760

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, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 16,568	USD/TWD =30.203	500,403	19,997	USD/TWD =30.802	615,948
Financial liabilities						
Monetary items						
USD	3,015	USD/TWD =30.203	91,062	4,077	USD/TWD =30.802	125,580

(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, 2019 and 2018, with other factors remaining constant, would have increased (decreased) the comprehensive income by $10,842 thousand and $12,736 thousand respectively. The analysis is performed on the same basis.

(c) Foreign exchange gain (loss) on monetary items

	2019		2018	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	$ (8,402)	-	19,946	-

(d) Fair value of financial instruments

Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value; 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.

(18) 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

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 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.

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.

(19) 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, 2019.

The Company's debt to adjusted capital ratio at the reporting date was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 1,072,600	787,823
Less: cash	(582,036)	(932,840)
Net debt	$ 490,564	(145,017)
Total equity	$ 2,246,762	2,305,811
Debt-to-adjusted-capital ratio	21.83%	(6.29)%

(20) 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, 2019 and 2018, were as follows:

A. Obtaining right-of-use assets by lease, please refer to note 6(7).

B. Reconciliation of liabilities arising from financing activities were as follows:

	January 1 ,2019	Cash flows	Acquisition	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 subsidiaries. Acter Co., Ltd. owns 62% percent of all shares outstanding of the Company on December 31, 2019 and has issued the consolidated 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
Enrich Tech Co., Ltd.	Other related company

(3) Significant transactions with related parties

A. Accumulated Operating revenues, assets and liabilities

	2019	2018
Subsidiaries	$ 105,524	460,548

The Company's unearned sales revenue due to the construction contract, sales and service revenue, are as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 267,289	210,083

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those of unrelated parties.

B. Accumulated construction costs, notes and accounts payable

(a) Current purchase amount

	2019	2018
Subsidiaries	$ 341,570	-

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

	December 31, 2019	December 31, 2018
Subsidiaries	$ 341,570	-
Parent company	4,995	4,995
	$ 346,565	4,995

The Company's payables, due to the above purchase transactions, are as follows:

	December 31, 2019		December 31, 2018	
	Amount	Percentage of all notes and accounts payables	Amount	Percentage of all notes and accounts payables
Subsidiaries	$ 1,651	-	-	-

As of December 31, 2019 and 2018, prepayments to suppliers due to above purchase transaction from its subsidiaries amount to $0 and $99,983 thousand, respectively.

C. Guarantee for related parties

Guaranteed object	Guarantee type		December 31, 2019	December 31, 2018
Construction performance guarantee or warranty:				
Subsidiaries	Credit guarantee	$	1,879,878	1,684,197
Parent company	Credit guarantee		289,800	289,800
Other related parties	Credit guarantee		189,115	189,115
		$	2,358,793	2,163,112

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 $262,642 thousand and $271,401 thousand, respectively wherein the payment had been made.

E. The amounts of administration revenue of the Company, incurred from its subsidiaries in 2019 and 2018, amounted to $0 and $960 thousand, respectively; and the receivables from related parties amounted to $0 thousand.

(4) Transactions with key management personnel

Key management personnel compensation comprised:

		2019	2018
Short term employee benefits	$	30,547	30,113
Post-employment benefits		428	420
	$	30,975	30,533

8. Pledged assets:

The carrying values of the Company's pledged assets were as follows:

Pledged assets	Purpose of Pledged		December 31, 2019	December 31, 2018
Time deposits (recorded in other financial assets－current)	Security deposit of guarantee letter	$	2,756	2,756

9. Significant commitments and contingencies:

Except for note 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 $8,310 thousand and $7,430 thousand, respectively.

(2) The performance guarantee letters issued by the bank for the Company, due to the contracted projects, were $658,559 thousand and $136,894 thousand, respectively.

(3) For the unfinished significant contracted construction contracts signed by the Company, please refer to Note 6(14).

(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:

The outbreak of COVID-19 in 2020 does represent an uncertainty to the Company's business operations in China, which also affected the operation of the Company. The impact included delay in construction progress and delay in receivables' collection. However, because the information remains unclear, the impact to operation and financial status cannot be reasonably expected. The Company is continually monitoring the situation for timely assessment.

12. Other:

The following is the summary statement of current period employee benefits, depreciation, and amortization expenses by function:

	For the year ended December 31					
	2019			2018		
By function / By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	110,212	72,641	182,853	103,097	70,994	174,091
Labor and health insurance	8,738	4,338	13,076	8,088	3,365	11,453
Pension	5,278	1,935	7,213	5,088	1,854	6,942
Remuneration of directors	-	14,386	14,386	-	25,200	25,200
Others	3,983	3,696	7,679	3,424	3,110	6,534
Depreciation	3,389	4,703	8,092	422	1,865	2,287

The additional information about the number of employee benefits for the year ended December 31, 2019 and 2018, were as following:

	2019	2018
Number of employees	157	160
Non-employee directors	5	5
Average employee benefits	$ 1,387	1,284
Average of employee salary	$ 1,203	1,123
Adjustment of average employee salary	7.1%	-

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:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Winmax	Suzhou Winmax	Other receivables-related parties	Yes	174,100	-	-	0	Short-term financing	-	Operating demand	-		-	449,706	449,706

Note 1: The total amount available for financing purposes shall not exceed 40% of Winmax's net worth.
Note 2: The net worth was audited by Certified Public Accountant.

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	4,493,524	151,426	9,239	9,239	-	0.41%	6,740,286	Y	N	Y
0	The Company	Winmax、Suzhou Winmax	Subsidiary	4,493,524	805,568	586,857	140,385	-	26.12%	6,740,286	Y	N	Y
0	The Company	Winmax	Subsidiary	4,493,524	1,121,390	696,925	502,999	-	31.02%	6,740,286	Y	N	Y
0	The Company	Acter	Parent company	4,493,524	289,800	289,800	289,800	-	12.90%	6,740,286	N	Y	N
0	The Company	Sheng Huei (Shenzhen)	100% owned subsidiary of the parent company	4,493,524	189,115	189,115	189,115	-	8.42%	6,740,286	N	N	Y
1	Winmax	Nova	Parent company	3,372,795	235,629	221,041	221,041	-	19.66%	5,621,325	N	Y	N
1	Winmax	SParker Gas (Suzhou)	Business relationship company	7,317	7,733	-	-	-	- %	5,621,325	N	N	Y
2	Suzhou Winmax	Winmax	100% owned subsidiary of the parent company	5,192,040	616,430	578,265	578,265	-	389.81%	5,192,040	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 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.

C. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

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$100 million or 20% of the capital stock:

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Winmax	subsidiary	Purchase	341,570	24%	By contract	-	-	(1,651)	-%	Note
The Company	Winmax	subsidiary	Sale	(105,524)	6%	By contract	-	-	-	-%	

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

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

				Original investment amount		Balance as of December 31, 2019					
Name of investor	Name of investee	Location	Main businesses and products	December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Winmega	Hsinchu	Electronic equipment, equipment wholesale, chemical machinery wholesale, etc	15,000	15,000	3,000	100.00%	89,547	25,883	25,883	Note
The Company	Novatech Engineering & Construction Pte. Ltd.	Singapore	Contract for the chemical supply system business	24,179	24,179	1,000	100.00%	60,895	20,379	20,379	

Note: Winmega remitted cash dividends of $15,000 thousand in 2019.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information:

					Investment flows								
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	Outflow	Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note2)	Book value	Accumulated remittance of earnings in current period	None
Winmax	Contract design for automated supply system business、production of gas cabinets、valve box and liquid delivery cabinet	151,426 (Note 1)	(1)	9,635	-	-	9,635	326,074	100.00%	326,074	1,124,265	397,325	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	53,408	100.00%	53,408	148,344	-	

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
42,113 (USD1,300 thousand)	183,904 (USD5,890 thousand)	1,348,057

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 CNY50,000 thousand, which equals TWD227,499 thousand in 2019.

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”.

14. Segment information:

Relevant information of 2019, please refer to Consolidated Financial Statement.

NOVA TECHNOLOGY CORP.

Chairman: Chin-Li Liang

Printed on March 31, 2020