



NOVA TECHNOLOGY CORP.

2018 Annual Report

Notice to readers

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

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I. Letter to Shareholders

1. Introduction

Dear Shareholders,

We would like to express our thanks to all shareholders for the support and encouragement to Nova Tech. 2018 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 in return to the support of all shareholders. The company hereby describes the prospectus of last year's business performance and this year's operational outlook in the follows:

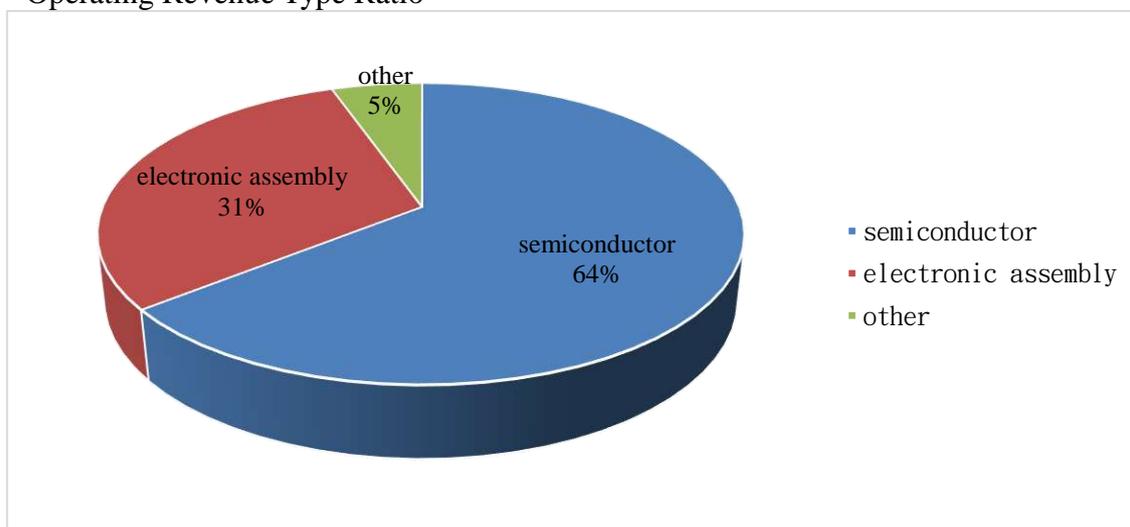
2. Business Reports

2018 Business results

A. Business plan implementation results

Nova Technology Corp. has been working for many years and has a good reputation and stable customer base in the high-tech industry. This year benefited from China active development of the semiconductor and panel industry, which led to an increase in capital expenditures for major customers to build new plants, and increased overall revenue growth. The consolidated operating revenue for the year 2018 reached NTD 4,867 million, which represents a growth of 45.6% compared to last year. In terms of profit, the combined net profit after tax of 2018 was 560 million, which was a 25.1% compared to last year.

Operating Revenue Type Ratio



Unit: NT\$ thousands, %

Item	2018	2017	Diff.
Operating revenue	4,866,703	3,342,542	45.6
Operating Cost	3,765,651	2,345,098	60.6
Gross profit	1,101,052	997,444	10.4
Operating expenses	395,483	321,542	23.0
Operating income	705,569	675,902	4.4
Non-Operating income and expenses	99,428	(79,191)	225.6
Income before income taxes	804,997	596,711	34.9

B. State of budget implementation :

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

C. Financial structure and profitability

Item		2018	2017	
Financial Structure	Debt to asset ratio (%)	47.50	62.96	
	Long-term capital to property, plant and equipment (%)	1,743.69	2,292.2	
Solvency	Current ratio (%)	225.15	160.67	
	Quick ratio (%)	192.71	93.09	
Profitability	Return on assets (%)	11.44	10.13	
	Return on stockholders' equity (%)	26.02	29.22	
	Ratio to issued capital(%)	Operating income	207.96	199.22
		Pre-tax income	237.27	175.88
	Profit ratio (%)	11.50	13.39	
Basic after-tax EPS (NTD)	16.50	15.07		

D. Technology and R&D Overview:

The R&D department continuously develops various innovative engineering methods and equipment improvements for different industries and projects, and takes value engineering as the guide to strengthen our competitive advantage. Described as follows:

- a. 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 domestic top institutes to focus on the high-concentration waste TMAH solution recovery system that can be handled by the customers in their plants. It has the following advantages:

- (a) Reduce the cost of sludge and waste liquid for electro-optical customers.
- (b) Reduce the cost of wastewater treatment plant operation fee for electro-optical customers.
- (c) Recycling chemicals with economic value (such as H₃PO₄, aluminum, etc.) in waste liquids to achieve the goal of circular economy.
- (d) Produce other chemicals of 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 ultimate goal of circular economy.

- b. Chemical liquid concentration control system: The integrated application of online dilution equipment and high-precision meter. Eliminate temperature and measurement errors based on temperature characteristics curves or moving average data processing to ensure accuracy.
- c. Slurry mixing supply equipment: Different design methods not only realize the non-volatile crystallization of the slurry, but also ensure the quality, and the degree of automation is higher. The mechanical stirring method can fully mix the slurry, and can control and change the height.
- d. Module design and planning for large-scale desalination plants: Water shortages are widespread throughout the world due to changes in the climate. The World Meteorological Organization (WMO) predicts that 1 billion people in the global coastal areas will face a drinking water crisis in 2050. Cooperate with foreign large-scale desalination companies to develop seawater desalination technology with the lowest investment cost and unit water price.

- e. Development of developer recycling system: The development process is an important part of the semiconductor and electro-optical industries. After the process reaction, the developer flows to the wastewater treatment system will cause the ammonia nitrogen treatment problem because it contains a large amount of amine.

Business Plan for 2018

A. Business objectives

- a. Implement corporate governance and deepen corporate culture.
- b. Continuing existing customers in mainland China and Southeast Asia, and developing new customers to improve operational efficiency.
- c. Strengthen cooperation with international partners and deepen the professional and technical capabilities of green energy and water resources engineering.
- d. Recruiting more diverse talents and actively training management teams

B. Sales forecast and sales policy

In recent years, the China government has promoted the policy of localization of the supply chain. More and more international semiconductor manufacturers have set up plants in China to grasp the potential business opportunities in the China market. According to statistics from IC Insights, the market share of semiconductors manufactured locally in China in 2016 was 11.6%. It is estimated that the compound annual growth rate of China's semiconductor manufacturing industry is 18% from 2016 to 2021. It is estimated that the global market share of China's IC will reach 17% by 2020, and the market share will reach 25% in 2025. According to the Semiconductor Equipment and Materials International (SEMI), semiconductor equipment sales performance in 2018 was impressive, growing by 9.7%, a record high. However, the estimated sales amount in 2019 will decrease, and will fall by 4% compared with 2018, but will grow by 20.7% in 2020 and continue to record a new high. SEMI said that the decline in sales in 2019 was mainly due to the slowdown in global economic growth. The US-China trade war led the United States to limit the export of semiconductor equipment and components to some enterprises, and the impact of memory prices go down and other variables. In addition, China has vigorously supported semiconductors and the growth rate of semiconductor equipment procurement was 55.7% in 2018, became the one of largest market and second only to South Korea in the world. Our company has been deeply involved in the China market for many years, and its regional sales accounted for more than half. It is expected that under the China government's promotion of high-tech industry development policies, although the semiconductor equipment sales are expected to be poor in the year of 2019, we will continue to work hard in 2019 to create the best shareholders' interests.

Future development strategy

High-tech process supply systems are mainly used in semiconductor, optoelectronics, and other high-investment industries, where safety and quality requirements establish a threshold for competition. The technology and demand of high-tech industries are changing with each passing day, which can adapt to the changes in the market and expand the development space 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, sought cooperation between domestic and foreign advanced products and manufacturers, and constantly self-improvement, in response to market demand and future development.

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. This 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 fulfill the responsibilities of global citizens.

The impact of th 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 establishment of corporate physique and the implementation of professional technology are the only ways to expand the space for career development and create vitality. In current industry competition pattern, we can quickly grasp the source of raw materials and provide customers with faster and more advanced products and services, which are important factors in whether we can take the leading position in the industry. In view of this, this company continued to carry out research and development of related products, and sought cooperation between domestic and foreign advanced products and manufacturers, and constantly self-improvement, in response to market demand and future development.

B. Regulatory environment

This company regularly reviews changes in laws and regulations and complies with the requirements of the competent authorities and upholds the philosophy of decent management. As a whole, changes in the regulatory environment will have no major impact on this company.

C. Macroeconomic conditions

As mentioned above, Chinese government is actively 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 region.

Taiwan region is actively developing the use of water resources, according to the plan of the Water Resources Department, the amount of reclaimed water to be used every day should reach 700,000 tons in 2021, and 1,320,000 tons in year 2043.

(Source : <http://file.wra.gov.tw/public/Data/57713564171.pdf>)

This company actively cooperates with internationally renowned 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 area.

Important production and sales policies

For many years, this 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 many years of deep plowing in mainland China, and in line with government's efforts to promote South moving policy and the rise of countries in Southeast Asian region, company has set up a subsidiary in Singapore to help expand overseas markets in the future.

Production and sales policies will continue to deliver aforementioned advantages and grasp current opportunities, we will continue to take care of customers' needs to consolidate existing customers and develop new customers in order to maintain steady growth in company business and profitability. In production side, we continue to strengthen our design capabilities, and on the premise of ensuring production of high-quality equipment, we have now add Suzhou Winmax Technology Co., Ltd. to expand its equipment manufacturing capacity in a timely manner and steadily move forward.

Corporate Social Responsibility

"Happy employees, satisfied customers, and sustainable environment" is the goal and responsibility of Novatech. Adhering to the goal is to start from the surrounding stakeholders, create team benefits, and create a sustainable Novatech. The customer's attempt is our mission, the mission must get result is the spirit of Novatech, satisfying customers and applying core skills to add 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 Novatech 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 give back 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.

Novatech implements the government's promotion of work safety and health management, requesting each project to be based on standard operating standards, ensuring the safety management of the site's work, and promoting precautions. 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 Novatech 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: Liang ,Chin-Li

President: Hsu, Chung-Cheng

Financial and Accounting Manager: Ou, Chun-Yen

II. Company Profile

1. Date of Incorporation: June 13, 1997
2. Company History

Year	Milestones
1997 June	Official establishment of NOVA TECHNOLOGY CORP., initially operating chemical supply system and CMP polishing liquid supply system at the time of foundation. Paid-in capital was NTD5,000,000.
2001 February	Capital increased by cash NTD3,510,000 and capital increased by earning NTD7,490,000, with paid-in capital increased to NTD16,000,000.
2002 December	Capital increased by earning NTD24,000,000 with paid-in capital increased to NTD40,000,000.
2004 August	Capital increased by earning NTD35,020,000 with paid-in capital increased to NTD75,020,000.
2004 November	Set up wholly-owned subsidiary in Shanghai, Winmax Technology (Shanghai) 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 December	Capital increased by earning NTD28,180,000 with paid-in capital increased to NTD103,200,000.
2006 December	Capital increased by earning NTD7,410,000 with paid-in capital increased to NTD110,610,000.
2007 July	Capital increased by earning NTD21,380,000 with paid-in capital increased to NTD131,990,000.
2008 August	Capital increased by earning NTD21,000,000 with paid-in capital increased to NTD152,990,000.
2008 February	Cooperated with Nippon Refine Co., Ltd. to develop solvent recycling and renewal system.
2009 March	Nova Tech jointed strategic alliance with Acter Co., Ltd.. (ticker number: 5536) and became the 100% invested subsidiary of Acter Co., Ltd.
2014 August	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 itmes. The paid-in capital is NTD15,000,000.
2014 August	Capital increased by cash NTD19,010,000 with paid-in capital increased to NTD172,000,000.
2015 October	Capital increased by earning NTD51,600,000 with paid-in capital increased to NTD223,600,000.
2015 December	Capital increased by cash NTD30,000,000 with paid-in capital increased to NTD253,600,000.
2016 February	Set up 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 USD1,000,000.
2016 July	Set up 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 SGD1,000,000.
2016 August	Capital increased by earning NTD12,680,000 with paid-in capital increased to NTD266,280,000.

Year	Milestones
2016 October	The application for initial public offering(IPO)was approved by GTSM.(Code: 6613).
2016 November	Capital increased by cash NTD30,000,000 with paid-in capital increased to NTD296,280,000.
2016 December	The application for the GTSM registration and trading was approved by Gre Tai Securities Market.
2017 December	Capital increased by cash NTD43,000,000 with paid-in capital increased to NTD339,280,000. The application for the GTSM registration and trading was approved by Gre Tai Securities Market. Listed on Gre Tai Securities Market (Code-6613).

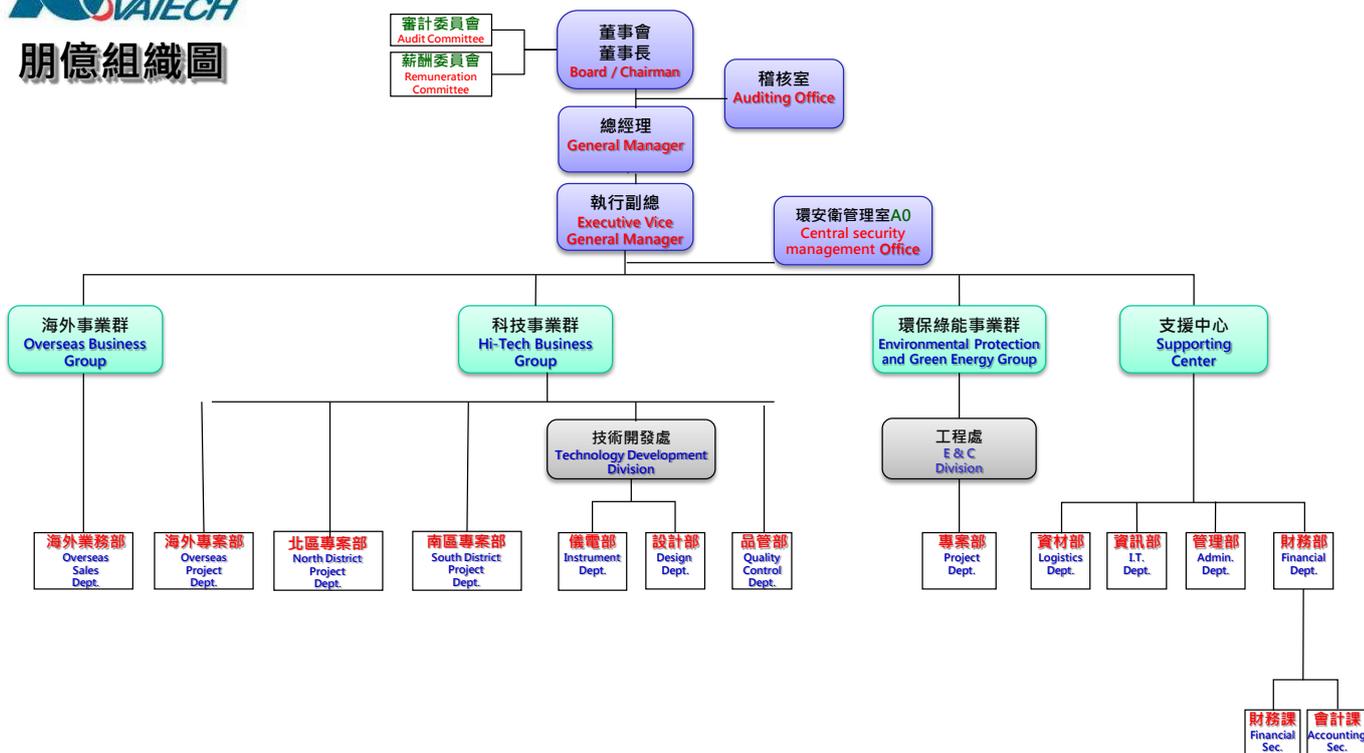
III. Corporate Governance Report

1. Organization

A. Organization Chart



朋億組織圖



B. Major Corporate Functions

Department	Functions
Board/ Chairman	<ol style="list-style-type: none"> 1. Call for shareholders' meeting and board of director 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.
General Manager Office	<ol style="list-style-type: none"> 1. Drafting corporate overall strategy, sorting comprehensive business, supervising business divisions with achievement of annual operation objectives; leading the company to optimize human resources through the financial orientation of profit based system. 2. Responsible for the business promotion of special project pilot-stage. 3. Responsible for the company's integrity management policy and Prevention program formulation and supervision and implementation.
Auditing Office	Evaluate the completeness of internal control system and various standards, inspect internal control for continuously effective operation, measure department execution outcome, and properly provide improvement suggestions to advocate for effective operation.
Overseas Business Group	Responsible for overseas sales supervision and coordination, and promotion and introduction of new technology and new equipment.
Overseas Sales Dept.	Responsible for promoting overseas business and project engineering plan and supervision of execution.
Hi-Tech Business Group	Design, construction, installation, maintenance, processing improvement, and system transport of the automatic supply system for water, chemical, gas, and polishing liquid of semiconductor and photovoltaic industries, new customer and new market establishment, and sales promotion outsourcing, customer quotation negotiation and tender bids.
Technology Development Division	Providing the instrument of 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, photovoltaic, and display industries.
Instrument Dept.	<ol style="list-style-type: none"> 1. Instrument and electric equipment system/engineering design and change management. 2. Equipment instrument and electric system hardware and software design and supervision management. 3. Initial planning and design for tender projects. 4. Pre-tender and execution budget preparation, project cost and budget management, project schedule progress management. 5. Project equipment materials purchase requisition and outsourcing. 6. Self-prepared control panel testing, shipment and quality control. 7. Drawing management. 8. Pilot operation.

Department	Functions
Design Dept.	<ol style="list-style-type: none"> 1. Equipment system engineering design and change management. 2. Pre-tender and execution budge preparation, project cost and budge 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.	<ol style="list-style-type: none"> 1. Overseas engineering projects execution and assistance (major area in China and Southeast Asia). 2. Project progress control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design before tender project preparation. 5. Pre-tender and execution budge preparation integration, project execution, project cost and budget management, project schedule and payment requisition acceptance progress management. 6. Project construction, installation, supervision and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation and after-sales service. 8. Construction site labor safety plan, management and validation of various operations in conformity with standards. 9. Contractor labor safety patrol and evaluation.
North District Project Dept.	<ol style="list-style-type: none"> 1. Northern District Project execution and assistance (major area of customers north of Taichung (including)). 2. Project progress control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design before tender project preparation. 5. Pre-tender and execution budge preparation integration, project execution, project cost and budget management, project schedule and payment requisition acceptance progress 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-sales service. 8. Construction site labor safety plan, management and validation of various operations in conformity with standards. 9. Contractor labor safety patrol and evaluation.
South District Project Dept.	<ol style="list-style-type: none"> 1. Southern District Project execution and assistance (major area of customers south of Taichung (including)). 2. Project progress control and quality control. 3. Sales information and customer services and promotion. 4. On-site initial planning and design before tender project preparation. 5. Pre-tender and execution budge preparation integration, project execution, project cost and budget management, project schedule and payment requisition acceptance progress management. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation and after-sales service. 8. Construction site labor safety plan, management and validation of various operations in conformity with standards. 9. Contractor labor safety patrol and evaluation.

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.	<ol style="list-style-type: none"> 1. Supervising the quality inspection and control of engineering department. 2. Supervising the inspection of construction engineering quality and implementation of regular quality inspection, 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Promotion and execution of sea water 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 for 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.	<ol style="list-style-type: none"> 1. Execution and assistance in green energy engineering projects. 2. Project progress 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 budge preparation integration, project execution, project cost and budget management, project schedule and payment requisition acceptance progress management. 6. Project construction, installation, supervision, and maintenance. 7. Project site purchase requisition and outsourcing, project monitoring, equipment installation, pilot operation and after-sales service. 8. Construction site labor safety plan, management and validation of various operations in conformity with standards. 9. Contractor labor safety patrol and evaluation.
Supporting Center	<ol style="list-style-type: none"> 1. Integrating, supervising and coordinating relevant supporting department units with execution of relevant affairs. 2. Promoting corporate governance and corporate social responsibility related matters. 3. Planning and promoting short-term special 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, budget preparation, Board of Directors and shareholders' meeting convening matters, announcement of tax filing.
Admin. Dept.	<ol style="list-style-type: none"> 1. Human resource, administrative general affairs, 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 use 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 26, 2019; 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		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
	Acter Co., Ltd.	Taiwan	-	2009.03.02	2016.12.05	3	22,247,179	75.09	21,098,179	62.19	0	0	0	0	None	None	None	None	None
Chairman	Representative Liang ,Chin-Li	Taiwan	Male	2007.03.02	2016.12.05	3	273,661	0.92	287,977	0.85	2,472	0.01	0	0	<ul style="list-style-type: none"> • EMBA, National Chiao Tung University • Department of Electrical Engineering – Refrigerating and Air-conditioning, Taipei Tech • Manager, Engineering Department, Gongshan Air-conditioning and Refrigerating Co., Ltd. 	<ul style="list-style-type: none"> • Chairman/President, Acter Co., Ltd. • Chairman, Nova Technology Corp. • Chairman, Her Suo Eng.,Co., Ltd. • Chairman, Sheng Hwei (Suzhou) Engineering., Co.,Ltd. • Chairman, Zhangjiagang Free Trade Zone Fuyu International Trade Co., Ltd. • Director, Sheng Hwei (Shenzhen) Engineering.,Co., Ltd. • Director, Shenzhen Dingmao Trade Co., Ltd. • Legal Representative, Sheng Hwei 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 • Director, Fengze Engineering Co., Ltd. • Chairman, Winmega Technology Corp. • Supervisor, Suzhou 	None	None	None

March 26, 2019; 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		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
	Acter Co., Ltd.	Taiwan	-	2009.03.02	2016.12.05	3	22,247,179	75.09	21,098,179	62.19	0	0	0	0	None	None	None	None	None
Director	Representative Hsu, Chung- Cheng	Taiwan	Male	2005.12.01	2016.12.05	3	204,942	0.69	252,158	0.74	0	0	0	0	<ul style="list-style-type: none"> • 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 Egeineering Co., Ltd. • Director, Nova Technology Singapore Pte. Ltd. • Director, Nova Technology Malaysia Sdn. Bhd. • Vice president, Osense Technology Corp. • Chairman and President, Winmax Technology Corp. • Chairman and president, Suzhou Winmax Technology 	<ul style="list-style-type: none"> • Director /President, Nova Technology. • Director, Winmax Technology Corporation • Director, Suzhou Winmax Technology Corporation • Director, Winnega Technology Corp. • Director, Fengze Engineering Co., Ltd • Director/ President, Novatech Engineering & Construction Pte Ltd. 	None	None	None

March 26, 2019; 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		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
								Acter Co., Ltd.	Taiwan	-	2009.03.02	2016.12.05	3	22,247,179			75.09	21,098,179	62.19
Director	Representative Wu, Bi-Hui	Taiwan	Female	2016.05.30	2016.12.05	3	45,537	0.15	45,537	0.13	0	0	0	0	<ul style="list-style-type: none"> • 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
Independent Director	Chi, Chih-Yi	Taiwan	Male	2016.12.05	2016.12.05	3	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> • Harvard University PhD in Economics • National Taiwan University Master in Economics • National Chengchi University Bachelor of Public Finance • Associate Professor, National Chung Hsing University College of Finance and Taxation • National Chung Hsing University Accounting Department Director • Associate Professor, National Chung Cheng University Department of Economics • Supervisor ,Siward Crystal Technology 	<ul style="list-style-type: none"> • Professor, National Chung Hsing University College of Department of Finance and Taxation • Independent Director/ Audit Committee Member/ Remuneration Committee Member, Sinon Co., Ltd. 	None	None	None

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		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
							Independent Director	Yang, Sheng- Yung	Taiwan	Male	2016.12.05	2016.12.05	3	0			0	0	0
Independent Director	Li, Cheng	Taiwan	Male	2017.07.14	2017.07.14	3	0	0	0	0	0	0	0	<ul style="list-style-type: none"> • Tulane University PhD • Tunghai University Bachelor Degree in Law • 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 • Advisor, Trade Investigation Commission of the Ministry of Economic Affairs 	<ul style="list-style-type: none"> • Associate Professor, Tunghai University College of Law • Independent Director / Remuneration Committee member, Ginko International Co., Ltd. • Director, International Patent Trademark & Law Office • Director, Top Food Industry Corporation • Remuneration Committee member, Rexon Technology Corp. 	None	None	None	

Major Shareholders of the institutional shareholders:

Unit: Thousand Shares

Name of Institutional Shareholders	Major Shareholders	No. of Shares held	Shareholding ratio
Acter Co., (Note)	Xiang-Hui Development Co., Ltd.	2,590	4.78%
	Chiu-Chang Investment Co., Ltd	2,151	3.97%
	Liang, Chin-Li	2,083	3.84%
	Sumitomo Chemical Engineering Co., Ltd.	1,380	2.55%
	Kao, Hsin-Ming	1,286	2.37%
	Hu, Tai-Tsen	1,252	2.31%
	Yang, Jung-Tang	1,005	1.85%
	Chen, Wei-Yu	644	1.19%
	Chang, Shu-Hui	615	1.13%
	Citibank in custody for DFA	601	1.11%

(Note)Source: Acter Co., Ltd. 2018 Annual Report °

B. Major Shareholders of the Company's major institutional shareholders:

Name of Institutional Shareholders	Major Shareholders
Xiang-Hui Development Co., Ltd.	Yang, Jung-Tang (33.34%)
Chiu-Chang Investment Co., Ltd	Wang, Yi-Hua (5%), Liang, Chiao-Yin (30%)
Sumitomo Chemical Engineering Co., Ltd.	Sumitomo Chemical Co., Ltd. (100%)

Source: Get Information About Companies of Businesses in Taiwan, Ministry of Economic Affairs

C. Professional qualifications and independence analysis of directors:

Name	Criteria	Having over 5 years work experience and following professional qualifications			Independence Attribute (See Notes 1)										Concurrent independent director position in other publicly traded companies.
		Business, Legal Affairs, Finance, Accounting, Lecturer or Above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
Acter Co., Ltd. Representative: Liang, Chin-Li	None	✓	✓				✓			✓	✓	✓	✓	-	
Acter Co., Ltd. Representative: Hsu, Chung-Cheng	None	None	✓				✓	✓	✓	✓	✓	✓	✓	-	
Acter Co., Ltd. Representative: Wu, Bi-Hui	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Chi, Chih-Yi Chi	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Yang, Sheng-Yung	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Li, Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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) 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.
- (7) 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.
- (8) Not a spouse or a second-degree relative of any other Director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Law.

D. Management Team:

March 26, 2019; 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
					Number	%	Number	%	Number	%			Title	Name	Relation	
President	Hsu, Chung-Cheng	Taiwan	Male	2006.03.01	252,158	0.74	-	-	-	-	<ul style="list-style-type: none"> • 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 Engineering Co., Ltd. • Director, Nova Technology Singapore Pte. Ltd. • Director, Nova Technology Malaysia Sdn. Bhd. • Vice president, Osense Technology Corp. • Chairman and President, Winmax Technology Corp. • Chairman and President, Suzhou Winmax Technology 	<ul style="list-style-type: none"> • Director/ President, Nova Technology. • Director, Winmax Technology Corporation • Director, Suzhou Winmax Technology Corporation • Director, Winmega Technology Corp. • Director, Fengze Engineering Co., Ltd • Director/ President, Novatech Engineering & Construction Pte Ltd. 	None	None	None	None
Executive Vice President and R&D Head	Ma, Wei	Taiwan	Male	2016.02.01	254,120	0.75	-	-	-	-	<ul style="list-style-type: none"> • Lunghwa Vocational Institute- Department of Mechanical Engineering • President, Winmax Technology Corporation 	<ul style="list-style-type: none"> • Chairman, Winmax Technology Corporation • Chairman, Suzhou Winmax Technology Corporation • Supervisor, Winmega Technology Corp. 	None	None	None	None
Vice President	Su, Min-Lang	Taiwan	Male	2012.02.01	160,861	0.47	-	-	-	-	<ul style="list-style-type: none"> • National Chiao Tung University Department of Engineering and Management Science Master Program • Director, Nove technology corp. 	None	None	None	None	

March 26, 2019; 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
					Number	%	Number	%	Number	%			Title	Name	Relation	
Vice President	Yang, Wei-chao	Taiwan	Male	2017.05.22	145,825	0.43	1,952	0.01	-	-	<ul style="list-style-type: none"> • 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
Assistant Vice President	Huang, Yi-yun	Taiwan	Male	2013.05.01	105,911	0.31	11,000	0.03	-	-	<ul style="list-style-type: none"> • Ta Hwa Vocational College Department of Electronic Engineering • Deputy Director, Nove technology corp. 	None	None	None	None	None
Assistant Vice President	Chang, Tze-da	Taiwan	Male	2017.07.10	6,000	0.02	-	-	-	-	<ul style="list-style-type: none"> • 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
Assistant Vice President	Chen, Jin-Liang	Taiwan	Male	2017.06.02	17,000	0.05	3,000	0.01	-	-	<ul style="list-style-type: none"> • 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
Financial and Accounting Manager	Ou, Chun-Yen	Taiwan	Male	2009.06.16	56,090	0.17	-	-	-	-	<ul style="list-style-type: none"> • Providence University Accounting Department • Director, PwC Taiwan 	None	None	None	None	None

3. Remuneration of Directors, President and Vice President

A. Remuneration of Directors (Independent Directors included) of Most Recent Year (2018)

a. Remuneration of Directors (Independent Directors included)

Unit: NT\$ Thousand, %

Title	Name	Remuneration to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Remunerations (A) (Note 1)		Retirement allowance (B)		Bonus to Directors (C) (Note 2)		Business execution expenses (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Retirement allowance (F)		Profit Sharing- Employee Bonus (G) (Note 5)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		All companies listed on the financial statement		The company	All companies in the consolidated financial statements	
Chairman	Acter Co., Ltd. (Representative: Liang ,Chin-Li) (Note 6)																					
Director	Acter Co., Ltd. (Representative: Hsu ,Chung-Cheng) (Note 6)	0	0	0	0	22,950 (Note 10)	22,950 (Note 10)	536	536	4.19	4.19	5,948	8,337	0	0	2,053	0	2,053	0	5.62	6.05	None
Director	Acter Co., Ltd. (Representative: Wu, Bi-Hui) (Note 6)																					
Independent Director	Yeh, Shu (Note 9)	450	450	0	0	0	0	42	42	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	None
Independent Director	Chi, Chih-Yi (Note 7)	600	600	0	0	0	0	66	66	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	None
Independent Director	Yang, Sheng-Yung (Note 7)	600	600	0	0	0	0	66	66	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	None
Independent Director	Li, Cheng (Note 8)	600	600	0	0	0	0	66	66	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	None

In addition to the disclosure of the table above, there are 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: Referring to the collection including salary, differential pay, severance pay, various bonuses, rewards, honorarium, special disbursement, various allowances, dormitory, company car and supply of other physical items) by directors and adjunct employees of most recent years (including adjunct president, vice president, other managerial officers, and employees).

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. In case the amount could not be estimated, apply the ratio of actual amount distributed last year for the calculation of the amount of distribution this year.

Note 6: Liang ,Chin-Li (Director), Hsu ,Chung-Cheng (Director), Wu, Bi-Hui (Director) representative of Acter Co., Ltd. resigned on December 5, 2016.

Note 7: Elected at the Extraordinary Shareholders' Meeting on December 5, 2016.

Note 8: Elected at the Extraordinary Shareholders' Meeting held on July 14, 2017.

Note 9: Elected at the Extraordinary Shareholders' Meeting on December 5, 2016 and resigned on October .4, 2018

Note10: Director remuneration was paid to Acter Co., Ltd.

b. 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	All companies involved in financial statement
Under NT\$2,000,000	Yeh, Shu, Chi, Chih-Yi, Yang, Sheng-Yung, Li, Cheng	Yeh, Shu, Chi, Chih-Yi, Yang, Sheng-Yung, Li, Cheng	Yeh, Shu, Chi, Chih-Yi, Yang, Sheng-Yung, Li, Cheng	Yeh, Shu, Chi, Chih-Yi, Yang, Sheng-Yung, Li, Cheng
NT\$2,000,000~ 4,999,999				
NT\$5,000,000~ 9,999,999	Acter Co., Ltd. (Representative: Liang ,Chin-Li, Hsu, Chung-Cheng, Wu, Bi-Hui)	Acter Co., Ltd. (Representative: Liang ,Chin-Li, Hsu, Chung-Cheng, Wu, Bi-Hui)	Acter Co., Ltd. (Representative: Liang ,Chin-Li, Wu, Bi-Hui)	Acter Co., Ltd. (Representative: Liang ,Chin-Li, Wu, Bi-Hui)
NT\$10,999,999~14,999,999				
NT\$15,000,000~29,999,999			Acter Co., Ltd. (Representative: Hsu, Chung-Cheng)	Acter Co., Ltd. (Representative: Hsu, Chung-Cheng)
NT\$30,000,000~49,999,999				
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

a. 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		Compensation paid to the President and Vice President from an Invested Company other than the Company's Subsidiary
		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	
								Cash	Stock	Cash	Stock			
President	Hsu, Chung-Cheng	9,719	12,416	420	420	10,485	11,153	6,553	0	6,553	0	4.85	5.46	None
Executive Vice President	Ma, Wei													
Vice President	Su, Min-Lang													
Vice President	Yang, Wei-Chao													

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. Additionally fill out the form in Appendix 6. 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.

b. Range of Remunerations

Range of Remunerations Paid to President and Vice Presidents	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$2,000,000	-	-
NT\$2,000,000~4,999,999	Yang, Wei-Chao	Yang, Wei-Chao
NT\$5,000,000~9,999,999	Hsu, Chung-Cheng, Ma, Wei Su, Min-Lang	Hsu, Chung-Cheng, Ma, Wei Su, Min-Lang
NT\$10,999,999~14,999,999	-	-
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	Hsu, Chung-Cheng	-	10,348	10,348	1.85
	Executive Vice President	Ma, Wei				
	Vice President	Su, Min-Lang				
	Vice President	Yang, Wei-Chao				
	Assistant Vice President	Huang, Yi-Yun				
	Assistant Vice President	Chang, Tze-Da				
	Assistant Vice President	Chen, Jin-Liang				
	Financial and Accounting Manager	Ou, Chun-Yen				

E. The amount of remuneration of most 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.

a. The analysis of the amount of remuneration of most recent two years on the Nova Technology and consolidated statements paid to the company directors, president, and vice president:

Unit: NT\$ thousands, %

Title	2017				2018			
	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	26,449	28,610	5.91	6.39	33,977	36,366	6.07	6.50
President & Vice President	20,349	22,900	4.55	5.12	27,177	30,542	4.85	5.46

b. The policy, standards and portfolio, and the association between 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." Remuneration for directors includes base compensation, remuneration to directors, and business implementation expense. And 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 profit before tax excluding the amount of employees' and directors' remuneration as remuneration to directors.

Remuneration for Independent directors shall be determined according to the company's "Regulations governing remuneration paid to directors." Remuneration for Independent directors includes fixed fee, transportation and attendance fee per meeting.

(b) President and Vice President :

The remuneration of President and Vice President includes salary, bonuses and employee remuneration, which takes consideration of the position taken, responsibility taken 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.

4. Implementation of Corporate Governance

A. Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2018. The attendance of director and independent director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Representative of Acter Co., Ltd : Liang ,Chin-Li	6	0	100%	Was re-elected on Dec.5, 2016.
Director	Representative of Acter Co., Ltd : Hsu, Chung-Cheng	5	1	83.33%	Was re-elected on Dec.5, 2016.
Director	Representative of Acter Co., Ltd : Wu, Bi-Hui	6	0	100%	Was re-elected on Dec.5, 2016.
Independent Director	Yeh, Shu	4	1	80%	Was newly elected on Dec.5, 2016. And resigned on Oct.4, 2018
Independent Director	Chi, Chih-Yi	6	0	100%	Was newly elected on Dec.5, 2016
Independent Director	Yang, Sheng-Yung	6	0	100%	Was newly elected on Dec.5, 2016
Independent Director	Li, Cheng	6	0	100%	Was newly elected on July 14, 2017 at extraordinary shareholders' meeting.

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.

B. Resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing.

Board of Director	Agenda Content and Subsequent Handling	Matters prescribed under Article 14-3 of Securities Exchange Act	Independent Directors holding opposition or conservative opinion
Feb. 22, 2018	1. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation.	✓	None
	2. Resolved to adopt endorsement guarantee for Sheng Huei (Shenzhen) Engineering Co., Ltd.	✓	None
	3. Resolved to approve the company's 2017 Statement of Internal Control.	✓	None
	4. Approved to appointment of chief internal auditor.	✓	None
	5. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets."	✓	None

	Independent Directors' opinion: None.		
	Company handling on Independent Directors' opinion: None.		
	Resolution Results: All attending directors and independent directors reach consent to adopt the proposition as proposed.		
May 4, 2018	1. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Tech-nology.	✓	None
	2. Resolved to approve the remuneration of the Certified Public Accountants.	✓	None
	Independent Directors' opinion: None.		
	Company handling on Independent Directors' opinion: None.		
	Resolution Results: All attending directors and independent directors reach consent to adopt the proposition as proposed.		
July 26, 2018	1. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Tech-nology.	✓	None
	Independent Directors' opinion: None.		
	Company handling on Independent Directors' opinion: None.		
	Resolution results: All attending directors and independent directors reach consent to adopt the proposition as proposed.		
Nov 2, 2018	1. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology Corporation.	✓	None
	2. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets".	✓	None
	3. Approved to amend the company's "Internal control system".	✓	None
	Independent Directors' opinion: None.		
	Company handling on Independent Directors' opinion: None.		
	Resolution Results: All attending directors and independent directors reach consent to adopt the proposition as proposed.		

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	Contents of motions	Causes for avoidance	Resolved
Hsu, Chung-Cheng	The company's 2017 year-end Performance and 2018 Performance bonus for executives officers, the bonus distribution for managerial officers and 2017 second stage remuneration distribution for executive and managerial officers. Also 2018 Performance evaluation for executives officers.	Mr. Hsu, Chung-Cheng, withdrew from the discussion and voting process.	Approved by all attending directors and independent directors without objection.

3. The objectives of the strengthening the function of Board of Directors for current and the most recent years (e.g. set up 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 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 for 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 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 positions, 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 director, 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 Securities and Exchange Act. To protect the rights of investors, it is stipulated in the Articles of Incorporation of Nova Technology that independent director nominated and relevant procedures shall hold 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 audit committee and the role they play in the company's operations. 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. 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.

4. In 2019, only three board meeting was held up to April 1 and no one was absent.

B. Audit Committee

A total of 4 (A) Audit Committee meetings were held in 2018.

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	Yeh, Shu	3	0	100%	Was newly elected on Dec.5, 2016. And resigned on Oct.4, 2018
Independent Director	Chi, Chih-Yi	4	0	100%	Was newly elected on Dec.5, 2016
Independent Director	Yang, Sheng-Yung	4	0	100%	Was newly elected on Dec.5, 2016
Independent Director	Li, Cheng	4	0	100%	Was newly elected on July 14, 2017 at extraordinary shareholders' meeting.

Other mentionable items:

1. 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 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.22 , 2018	1. Approve the company's 2017 Business Report and Financial Statements.	✓	None
	2. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets."	✓	None
	3. Approved to appointment of chief internal auditor.	✓	None
	4. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation.	✓	None
	5. Resolved to adopt endorsement guarantee for Sheng Huei (Shenzhen) Engineering Co., Ltd.	✓	None
	Results of the Audit Committee : All attending committee members reach consent to adopt the proposition as proposed.		
	Company handling on audit committee's opinion: None.		
May 04 , 2018	1. Approve the company's 2018 Q1 Consolidated Financial Statements.	✓	None
	2. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology.	✓	None
	3. Resolved to approve the remuneration of the Certified Public Accountants.	✓	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.		
July 26 , 2018	1. Approve the company's 2018 semi-annual Consolidated Financial Statements.	✓	None
	2. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology.	✓	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.		
Nov. 02 , 2018	1. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology.	✓	None
	2. Resolved to adopt endorsement guarantee for subsidiary company - Winmax Technology Corporation and Suzhou Winmax Technology.	✓	None
	3. Approved to amend the company's "Procedures for Acquisition and Disposal of Assets." and "Internal control system".	✓	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.		

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. 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 seminar meeting from time to time, where attesting CPA and internal auditors report on the audit and plan of company financial statements the operation of internal control system. 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? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(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” (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.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p>	✓		<p>(1) The company has developed “Corporate Governance Best Practice Principles” to regulate the structure of Board of Directors with consideration of diversity. The principle revealed on the company’s official website and MOPS. The composition of the Board of Directors members actually features different professional background, sex, and work field, which diversity conforms to the need for company development. Directors and independent director have complete education and experience, impelling the Board of Directors to bring the management decision-making and leadership into full play. Please refer to <Table 1> on page 40 for the diversity of each board member and page 12~15 for their experience and education. The company focuses on gender equality in the composition of board members and is expected to add a female director to the ninth session of the Board.</p> <p>(2) The company has established the Remuneration Committee and an Audit Committee without establishing other functional committees.</p> <p>(3) The company has developed “Regulations Governing Board of Director Assessment Process “adopted by the Board of Directors on May 22, 2017. By the end of each year, members of Board of Directors adopts questionnaire survey for self-evaluation and the overall Board of Directors operation performance; It is stipulated in Article 3 at least one execution of external performance evaluation in every 3 years. The items of measurement for the performance evaluation of the company’s Board of Directors comprise at least the following five dimensions:</p> <ol style="list-style-type: none"> 1. Level of involvement in company operations; 2. Improvement of the quality of the board of directors' decision making;; 	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>3. Composition and structure of the board of directors; 4. Election and constantly continuing education. 5. Internal Control of the directors;</p> <p>The items of measurement for the performance evaluation of the board members (self or peer) shall at least include the following six dimensions:</p> <ol style="list-style-type: none"> 1. Corporate Objectives and mission control; 2. Cognition on director responsibilities; 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 <p>The items of measurement for the performance evaluation of the Remuneration Committee members shall at least include the following four dimensions:</p> <ol style="list-style-type: none"> 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 <p>The items of measurement for the performance evaluation of the Audit Committee members shall at least include the following four dimensions:</p> <ol style="list-style-type: none"> 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 <p>After all questionnaires are completed, the Corporate Governance</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			<p>Division will then collect it and calculate the score. The internal evaluation of the Board in 2018 has been conducted by the Corporate Governance Division. The average score of the entire Board and individual member of Board is 100 and 100 respectively. (Total score is 100) It shows good performances for the entire Board and individual member of Board. Results of evaluations have been reported to the Board meeting on Feb. 25, 2019 and have been revealed on the website of the company.</p> <p>(4) The company takes the statement presented by certified CPA firm while the Board of Directors develops the items of evaluation for the independence of review accountant according to “No.10 of “The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of Chin - Integrity, Objectivity and Independence.” The items of evaluation include: (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 Board of Directors of the company validates that there is no other financial interests and business relations apart from the attestation fees and financial case. Members of accountant’s family do not violate the requirement for independence and conforms to the independence evaluation standards of the company, who are</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			qualified for serving as the attesting accountant of the company. The results of the last two annual assessments were completed on February 22, 2018 and April 1, 2019, respectively.	
4. Does the TWSE/TPEX Listed Companies set up corporate governance dedicated (part-time) unit or personnel in charge of corporate governance related 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)?	✓		<p>The company has set up cooperate governance unit in charging of corporate governance affairs concurrently under the President Office according to the resolution of Board on April. 1, 2019. And the Vice President of Supporting Center has at least three years' management experience gained at a public company. The main duties of cooperate governance unit are shown as follows.</p> <ol style="list-style-type: none"> (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. (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 well as provide sufficient meeting materials for directors’ understanding about the content of relevant proposal. (5) Registers date of shareholders’ meeting every year according to the deadline of law, produces and declares meeting notice, handbook for agenda and proceeding by deadline, and handles amendment registration after revision of Article of Incorporation or re-election of directors. (6) The company makes not only performance evaluation toward personal directors every year but also internal performance evaluation on its overall operation. <p>Besides, we will implement an external performance evaluation once at least every three years by delegating an</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			external professional independent institution, expert or scholarship. (7) Improves relevant information of corporate governance in compliance with the indicator of corporate governance evaluation system in order to meet with the norm of cooperate governance.	
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?	✓		(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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			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. 2. The company discloses information on investor conference on the company website. 3. The company has set up English website to provide foreign investors with relevant company finance and services related information.	
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 OHSAS18001 certified. Moreover, special responsible environmental department will regularly promote and supervise the implementation to provide safety and quality work environment. The company sets up employee opinion mailbox at the human resource zone of company website, which the employees can communicate with the company directly. 2. Investor relation, supplier relation and rights of stakeholders: The company appeals in corporate information transparency and	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>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 company website corporate governance 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.</p> <p>The company and suppliers sign agreement or purchase order in writing based on equality principle to validate the rights and obligation relations between the two, protecting the legitimate rights of each other.</p> <p>3. Director continuing education: All directors of the company shall take continuing education according to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” “X. Continuing Education for Director” on page 68 of the annual report.</p> <p>4. Execution of risk management policy and risk measurement standards: The company focuses on the management of original business line and cooperates with relevant laws and regulations to promote and implement the execution of various policies. The company also develops risk management process standards and 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</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>audit plan according to the results of risk assessment with actual execution to implement risk control and other monitoring mechanism.</p> <p>5. Customer policy execution: The company sales department and engineering department staff are responsible for conducting communication and coordination from time to time to respond to the requirement of customization, providing excellent services and problem solution. The management department also conducts customer satisfaction survey from time to time to provide customers with various channels of two-way communication.</p> <p>6. Company purchasing liability insurance for directors: The company has purchased liability insurance for the directors. Information about the insured amount, coverage and premium rate has been reported in the Board meeting on Feb.25, 2019.</p>	
9. Has the company adopted succession planning for board members and key executives, and disclosed the operational status of such planning on its website and in its annual report?			<p>In planning the succession plan, the successor must not only have excellent work ability, but also have a value concept that is consistent with the company. Personality traits must include integrity, commitment, innovation and customer trust.</p> <p>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 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 executives managers and board members should be trained within 5-8 years.</p> <p>The middle level of the management, according to the company's human resources planning, in addition to the continuous training of</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>the company has both future development potential of colleagues, but also continue to recruit outstanding talent to the competitiveness of the company.</p> <p>In addition to professional competence, excellent management talents must also understand the implementation of the company's overall operations. Through the education and training of the company's system including professional skills, human resources, financial management, business marketing, etc., it also encourages potential colleagues. Continue to study in the EMBA and management classes of various colleges and universities, and strengthen the exchanges with outstanding people from different industries to enrich the experience and contacts of all aspects.</p>	
<p>10. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. The Corporate Governance Center has released results of 5th Corporate Governance Evaluation. 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 2></p>				

<Table 1>

Name	Item	Gender	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
Liang ,Chin-Li		Male	✓	✓	✓	✓	✓	✓	✓	✓
Hsu, Chung-Cheng		Male	✓	✓	✓	✓	✓	✓	✓	✓
Wu, Bi-Hui		Female	✓	✓	✓	✓	✓	✓	✓	✓
Chi, Chih-Yi		Male	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Sheng-Yung		Male	✓	✓	✓	✓	✓	✓	✓	✓
Li, Cheng		Male	✓	None	✓	✓	✓	✓	✓	✓

<Table 2>

Item No.	Evaluation Indicator	Specific improvement measures
2.22	Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, and has it furthermore carried out self-assessment at least once a year, and disclosed the assessment results on its website or in its annual report?	The company has developed “Regulations Governing Board of Director Assessment Process “adopted by the Board of Directors on May 22, 2017. Results of evaluations have been reported to the Board meeting on Feb.25, 2019 and have been revealed on the website of the company.
2.23	Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?	The company has revised the “Regulations Governing Board of Director Assessment Process “ on April 1, 2019, and the evaluation should be carried out at least once every three years by a team of external independent professional unit or external experts and scholars. The relevant regulations have been disclosed on the company's website.
3.17	Did the company website disclose information related to the company's finances, business and corporate governance?	The company has not disclosed the financial statement of 2016Q1 and 2016Q3, due to the company was not public entity in 2016.
3.18	Did the company provide an English website for investors to read, and did the website include information related to the company's finances, business, and corporate governance?	The company has not disclosed the financial statement of 2016Q1 and 2016Q3, due to the company was not public entity in 2016. The following quarter financial statement and monthly revenue have been disclosed on the company's website.

D. Composition, Responsibilities and Operations of the Remuneration Committee

a. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity (Note 1)	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		
Independent Director	Chi, Chih-Yi	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Yang, Sheng-Yung	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Li, Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	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 employees of Nova Technology or affiliated enterprises.
- (2) Not the director or supervisor of Nova Technology or affiliated enterprises, including but not limited to the independent director of the Nova Technology, parent company or subsidiary company in accordance with the Securities Exchange Act or laws of the local country.
- (3) Holding shares issued by Nova Technology with at least 1% of total outstanding issues other than the person, spouses, minor, or others’ names, or the natural person shareholder with top ten shareholding.
- (4) Not the spouse, second degree relative or third degree kinship by direct blood for personnel listed above.
- (5) Corporate shareholders such as directors, supervisors or employees indirectly holding at least 5% of total shares issued by the company, or corporate shareholders of directors, supervisors or employees with the top 5 shareholding shares.
- (6) Not the directors, supervisors, managerial officers of specific company or institute or shareholders with at least 5% of shareholding having financial or transactions with the company.
- (7) No the professional, joint venture, partnership, owner of company or institute, partner, directors, supervisors, managerial officers, and their spouses who provide business, legal affairs, accounting affairs, and accounting services to the company or the affiliated companies.
- (8) Not a person of any conditions defined in Article 30 of the Company Law.

b. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) The tenure of the remuneration committee is from December 5, 2016 to December 4, 2019. The remuneration committee has held 2 meetings (A) in 2018. 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	Chi, Chih-Yi	2	0	100%	Elected on December 5, 2016
Member	Yang, Sheng-Yung	2	0	100%	Elected on December 5, 2016
Member	Yeh, Shu	2	0	100%	Elected on December 5, 2016 Resigned on October 4, 2018
Member	Li, Cheng	2	0	100%	Elected at extraordinary shareholders' meeting on July 14, 2016.

Other matters to be disclosed :

1. 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, 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.
2. 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, content of the motion, all members' opinions and the response to members' opinion should be specified:

Remuneration committee	Agenda Content and Subsequent Handling
Feb 9 , 2018	1. Resolved to amend the company's "Remuneration Committee Charter".
	2. Resolved to adopt the company's 2017 year-end Performance bonus for executives.
	3. Resolved to adopt the company's employee pay settlement.
	4. Resolved to approve the company's remuneration policy to directors and employees.
	5. Approved to amend the company's " Regulations governing remuneration paid to directors"
	Results of the Remuneration Committee : All attending committee members reach consent to adopt the proposition as proposed. Company handling on Remuneration committee's opinion: None.
July 26 , 2018	1. Resolved to approve Guo, Jia-Hong deputy director transferred to Overseas Sales Department manager to remove manager status.
	2. Resolved to adopt the company's 2017 remuneration for executives.
	3. Resolved to approve the "Evaluation of the performance of 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: None.
	Company handling on Remuneration committee's opinion: None.

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	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examines the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>	✓		<p>(1) The company develope “Corporate Social Responsibility Best Practice Principles” , develops employee ethical conduct and behavior standards, and environmental safety, health and management policies. The company is also committed to integrating corporate social responsibility with the operations at all levels, including engineering management, procurement, environment, and employee training policies, where the supporting center regularly reviews the implementation effect and discloses such information on the annual report and corporate social responsibility report.</p> <p>(2) The company arranges for external training courses for directors from time to time. The company also holds employee education training activities, which not only promotes company policy and system to employees but also dedicates to the strengthening of employee in terms of professional competency, designing the relevant course activities that will provoke employees’ self-growth and company cognition. The company expects to implement corporate social responsibility into daily management through relevant promotion, educational training and incentive measures.</p> <p>(3) The supporting center of Nova Technology is the responsible unit for promoting corporate social responsibility, the proposal and execution of corporate social responsibility policy or system. 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 reports to Board of</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			<p>Directors about implementation situation for social responsibility and discloses the result and performance on the website of the company simultaneously. It has reported the effect of performance for 2018 in the Board meeting on the Feb.25,2019.</p> <p>(4) 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.</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
<p>2. Sustainable Environment Development</p> <p>(1) Do the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?</p> <p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?</p>	✓		<p>(1) 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.</p> <p>(2) 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 OHSAS18001 occupational safety and management system.</p> <p>(3) 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.</p> <p>1. 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.</p> <p>2. With regards to power use, the company advocates</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
			<p>for switching off light and air-conditioner at all time while the headquarter company adopts energy-saving equipment to save power.</p> <p>3. Regularly announce and request to employees, personal travel should take more public transport to reduce the emissions of CO2 and N2O. Other information please refer to Chinese annual report.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have</p>	✓		<p>(1) Nova Technology develops “Work Rules” according to Labor Standard Act and relevant laws and decrees to protect the legitimate rights of employees. The company does not impose restriction in the appointment and position promotion in terms of face and gender. All employees with the capacity and meeting eligibility may have equal rights. Furthermore, to prevent incidents of sexual harassment, the company develops “Sexual Harassment Prevention Regulations” to accept relevant grievance cases.</p> <p>(2) The Company has set up employee mailbox on the company’s website (under the HR section), encouraging employees to provide suggestions and there was no relevant suggestion or grievance cases reported in 2018.</p> <p>(3) Nova Technology offers employees with operation instruction and education training for safety and health, in addition to regularly organizing total employee health examination to assure the employees to control their own health state.</p> <p>(4) Nova Technology regularly holds meetings to encourage two-way communication, which meetings not only review the operation performance but also include the promotion of government policy and two-</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
<p>an impact on them?</p> <p>(5) Does the company provide its employees with career development and training sessions?</p> <p>(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?</p> <p>(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p>			<p>way communication. The meetings also carry out instruction or propaganda for material information through the adoption of announcement and meeting. Additionally, Nova Technology holds labor-management meetings regularly according to “Labor-Management Meeting Implementation Procedures.” to build a good interactive model between the employers and the employees so the organizational harmony and labors’ right and benefits would be secured.</p> <p>(5) The company has set up personnel promotion related system and provide proper training based on personal potential and professional skills. Employee education training courses are instructed based on different talent of employees and classified instruction to help employees bring their talent into full play and attain sense of achievement from work.</p> <p>(6) 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.</p> <p>(7) The company is based on engineering technology service to provide customers with customized design planning and construction as well as other integrated</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
<p>(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?</p> <p>(9) Does the contract between the company and major suppliers contain clauses for terminating or cancelling contract at all time in case the suppliers involve in violation of corporate social responsibility and have significant impact on the environment and society?</p>			<p>services, in addition to complying with relevant laws and regulations and international standards for execution of service marketing and labeling.</p> <p>(8) The company’s internal control develops “Supplier Management Process” and requests suppliers and project contractors of proper material supply to fill out the “Supplier Basic Information.” The internal control also follows procurement and raw material management procedures to conduct evaluation on suppliers. Suppliers having been certified by ISO9001 quality management system, ISO14001 international environmental management system, OHSAS18001 occupational safety and health management system and other relevant certificates, or other qualified sign bestowed by the government or quality qualification mark bestowed by foreign government shall be listed under additional point section and therefore quality supplier list.</p> <p>(9) Nova Technology strengthens the corporate social responsibility policy complied by the company through various means in the transaction with suppliers: 1. It is indicated in the clause of simple agreement of Nova Technology: “12. Suppliers should comply with the corporate social responsibly policy of Nova Technology and in case of involving violation of policy and with significant impact on the environment and society, Nova Technology may terminate or cancel the contract clauses at all time.”</p>	
<p>4. Enhancing Information Disclosure</p> <p>(1) Does the company disclose relevance and reliability of corporate social responsibility</p>	✓		<p>(1) Matters related to corporate social responsibility have been disclosed in Nova Technology’s annual report with the corporate social responsibility report prepared.</p>	None

Evaluation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
related information on the website and Market Observation Post System (MOPS)?			Moreover the annual report and corporate social responsibly report has been displayed on the company website and Market Observation Post System (MOPS).	
<p>5. 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.”</p>				

6. Other important information helping to understand the operation of corporate social responsibility: Refer to the following table for more information.

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>1. Human Rights</p> <p>(1) Conforming to Labor Standard Act and relevant laws and decrees.</p> <p>(2) Others (such as maintaining the employees and job applicants to assure the employees without harassment and discrimination).</p>		✓		<p>(1) Nova Technology has developed “Work Rules” according to the Labor Standard Act and relevant law and decrees: To reconcile labor/management relations, Nova Technology holds labor/management meetings from time to time.</p> <p>(2) Nova Tech has developed “Sexual Harassment Prevention Regulations” and “Personal Information Protection Policy” to maintain peer rights and privacy.</p>
<p>2. Employee Rights, safety and health</p> <p>(1) Provide employees with full education and training.</p> <p>(2) Provide employees with full response opinions and rights.</p> <p>(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.)</p>		✓		<p>(1) Nova Technology stimulates employees with self-development and active cultivation of professionals in order to promote the use of human resources. Education training methods and planning for management units to take charge of education training plan.</p> <p>(2) The company has set up employee mailbox on the company's website (under the HR section) for employees to respond personal rights, benefits, management, and work environment from the employees.</p> <p>(3) Nova Technology has acquired ISO9001 quality assurance, ISO14001 environmental management system, and OHSAS18001 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.</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>3. Care for Employees</p> <p>(1) Assure the safety of work environment</p> <p>(2) Develop labor health and safety related policy in writing.</p> <p>(3) Others (such as paying attention the physical and mental development of workers and family life)</p>		✓		<p>(1) Nova Technology establishes an environmental safety department, which responsibility aims to implement the procedures and execution management of the safety health management process in the company and all construction sites. The department regularly cooperates with the implementation of operation environment testing to thoroughly comply with provisions governing safety and health regulations, thereby protecting the safety and health of all employees.</p> <p>(2) Nova Technology has developed labor safety and health related requirement with cooperation accordingly.</p> <p>(3) The Company has established “Employee welfare committee” for years and organizes the processing of employee travel activities and clubs, gathering and reunions activities. In particular, the holding of family day enhances interaction between employees and family through activities. The company expects employees to balance between family life and physical and mental development after work. The human resource personnel will care about the recent status of employees on a regular basis.</p>
<p>4. Environmental Protection</p> <p>(1) Develop environmental protection policy in writing.</p> <p>(2) Comply with environmental protection related laws and decrees.</p> <p>(3) Others (such as developing energy conservation, pollution reduction and pollution prevention technology, equipment and activities; Resource reuse, waste recycling and reduction, hazardous substance prohibition)</p>		✓		<p>Nova Technology is certified by environmental protection policy (ISO14001) for conformity and actively devotes in the R&D of energy conservation technology project and the development of water recycling, sea water desalination and waste water zero discharge, waste gas treatment, sludge and waste liquid incineration system, in addition to promote the cooperation with energy conservation, carbon reduction and environmental protection awareness over the long run, implement waste paper reduction and resource recycling. The company actively assists with patrolled inspection and supervision of execution.</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>5. Investor Relation</p> <p>(1) Increase operation transparency</p> <p>(2) Value corporate governance</p> <p>(3) Others</p>		✓		<p>(1) The company announces financial and operation information on “Market Observation Post System (MOPS)” according to the company law and regulations to assure the basic rights of investors.</p> <p>(2) To improve the company system, the company complies with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to strengthen the function of directors and audit committee in order to upgrade the operational transparency of the company and protect shareholder’s rights.</p> <p>(3) The company sets up website and spokesperson, proxy spokesperson system with emphasis on providing investors with more transparent financial information.</p>
<p>6. Supplier Relation</p> <p>(1) Value the reasonableness of procurement price</p> <p>(2) Others</p>		✓		<p>The company follows ISO9001 standards to develop the “Procurement and Raw Material Management Procedures.” The signing of basic procurement agreement will explicitly define the company’s standards and specification required for conformance when procuring the materials, in order to assure the relevant rights and interests of the company, providing unobstructed communication management with suppliers and maintaining due rights and interests between the parties under mutual trust and benefit.</p>
<p>7. Rights and interests with stakeholders</p> <p>(1) Respect for intellectual property right</p> <p>(2) Comply with laws and regulations</p> <p>(3) Others (such as disclosing the execution of corporate social responsibility on company website)</p>		✓		<p>(1) Nova Technology respects intellectual property right without incident of infringement.</p> <p>(2) The relevant regulations and system of company management all comply with provisions prescribed in relevant laws.</p> <p>(3) Nova Technology has disclosed the execution of corporate social responsibility on Official website and the annual report for shareholders’ meeting.</p>

Items of Corporate Social Responsibility	Execution			Specific Description of Execution
	Unexecuted	Executed	Under Planning	
<p>8. Rights of Consumers</p> <p>(1) 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.)</p>		✓		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.
<p>7. In case the corporate social responsibility report of Nova Technology passes the certification standards of relevant certifying bodies, add the following description: 2017 Corporate Social Responsibility Report has disclosed on Nove Technology Official website and 2018 Corporate Social Responsibility Report Currently in Preparation.</p>				

F. Fulfillment of Ethical Corporate Management and Actions Taken

- a. 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.
- b. 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 conducts.
 - (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 secret and may not disclose known company business secret to third party and may not inquire or collect non-duty related business secret.
 - (e) Company matters related to major decision 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 department 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 competent authority by required laws and announce the matters and information to be disclosed.
 - (g) The Company audit department will audit operations on regular basis or randomly to audit all departments in order to assure the sound and effective execution of 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.

c. 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	
<p>1. Develop Ethical Corporate Management Policy and Solution</p> <p>(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?</p> <p>(2) 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?</p> <p>(3) 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?</p>	✓		<p>(1) The company has long 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 BOD and management to proactive fulfillment.</p> <p>(2) Nova Technology has announced relevant regulations on the company internal website for peers to query at all time. Moreover, education training and internal meetings promote company management philosophy and requirements that employees will fully understand and truly comply.</p> <p>(3) It is stimulated in the “Ethical Conduct Principles” of Nova Technology 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 Nova Technology evaluates the legitimacy and ethical records of the transaction party before establishing commercial relation other others to assure fair and transparent business management without requesting, providing or collecting bribery.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. Implement Ethical Corporate Management</p> <p>(1) Does the company evaluate ethical records of transaction party and indicate clauses for ethical conducts on the contract signed with transacting party?</p> <p>(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?</p>	✓		<p>(1) Although the company does not signed agreement with transacting suppliers and customers for the clauses regarding ethical conducts from the agreement, Nova Technology upholds to certain procedures to prudently conduct credit investigation or evaluation process, upholding to integrity and fair principles in the selection of transacting parties.</p> <p>(2) Nova Technology 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 supporting center belongs to the Board 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. 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 conducts already happened, the responsible department will review relevant internal control</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			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.	
(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 Nova Technology that employees shall voluntarily advert incidents involving stakeholder relation when executing duties and violators will be disposed by company rules.	None
(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.	None
(5) Does the company regularly hold internal and external education training for ethical management?			(5) Nova Technology sends staff to participate in Ethical Corporate Management Best Practice Principles as well as other related seminar training courses.	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Operation of Corporate Reporting System</p> <p>(1) Does the company develop specific reporting and incentive system in addition to establishing convenient reporting channel and assigning suitable dedicated personnel for handling to the reported party?</p>	✓		<p>(1) The company develops “Ethical Conduct Principles” and set up on the corporate governance zone of company website. The company employees are all responsible for complying with the standards and relevant regulations while department heads shall fully implement and assure that all their employees understand, accept, and abide by the relevant regulations.</p> <p>The employees shall stay alert to conducts violating work ethical principles and in case of any doubt or discovering any violation of laws or conducts under the principles, employees may report via opinion and grievance mailbox. The competent department will investigate and clarify the report case. Except for serious situation that must be reported to the Board of Directors, the company shall punish the employees according to “Employee Rewards / Discipline Regulations.” 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 center of the reviewing unit in case the party perceives violation of law and improper damage of rights for personal disciplinary measures. Violators who are managerial officers (including) or higher shall follow the company’s grievance regulations specified under “ethical conduct principles.”</p>	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	
			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.	None
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
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.				

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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:</p> <p>(1) 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.</p> <p>(2) The company will assign personnel to participate in Ethical Corporate Management Best Practice Principles and related seminar training courses from time to time.</p>				

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 announcement. Please refer to the “Corporate Governance” for investor zone on the company website: <http://www.novatech.com.tw> ◦

I. Internal Control System
a. Statement of Internal Control

NOVA TECHNOLOGY CORPORATION

Statement of Internal Control System

Date : Feb. 25, 2019

Nova Technology Corp. (the company) has conducted a self-assessment of internal controls for the period of January 1, 2018 to December 31, 2018. 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 preexisting internal control system. The purpose of the internal control system is to provide a 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 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 effectiveness of the design and execution of its internal control system in 2018/12/31 the above mentioned assessment period provides reasonable assurance of achieving the goals of operation efficiency and effectiveness, reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws and regulations.
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 Board of Directors at the Feb. 25, 2019. Three directors and three independent directors attended the meeting and agreed with the content of the statement.

NOVA TECHNOLOGY CORPORATION

Chairman : Liang, Chin-Li

President : Hsu, Chung-Cheng

b. 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, 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 at shareholders' meeting and board of directors' meeting of most recent year:

a. Major resolution t of Shareholders' Meeting.

Time	Key Agenda	Execution
May 28, 2018	<ol style="list-style-type: none"> 1. Approval of the 2017 Business Report and Financial Report. 2. Approval of the distribution of 2017 retained earnings. 3. Discussed and Revised the "Procedure for Acquisition or Disposal of Assets." 4. Discussed and Revised the "Regulations governing remuneration paid to directors." 	<p>Resolved by Shareholders' Meeting.</p> <p>Resolved by Shareholders' Meeting and the record date was set at July 2, 2018. The company distributed cash dividends on July 13, 2018. (NT\$10 per share)</p> <p>Resolved by Shareholders' Meeting. It was implemented and has been revealed on both the company's website and MOPS.</p> <p>Resolved by Shareholders' Meeting. It was implemented by the company.</p>

b. Major resolution content of Board of Directors meeting

Time	Key agenda
Feb. 09, 2018	<ol style="list-style-type: none"> 1. Resolved to amend the company's "Remuneration Committee Charter." 2. Resolved to adopt the company's 2017 year-end Performance bonus for executives. 3. Resolved to adopt the company's employee pay settlement. 4. Resolved to approve the company's remuneration policy to directors and employees. 5. Resolved to amend the "Regulations governing remuneration paid to directors."
Feb. 22 2018	<ol style="list-style-type: none"> 1. Resolved to approve the company's guarantees and endorsements. 2. Approved to provide a guarantee for credit limits applied for by subsidiaries. 3. Resolved to approve the company's purchasing liability insurance for directors and management. 4. Resolved to approve the company's 2017 Statement of Internal Control. 5. Resolved to approve the impact that may arise when the company has applied IFRS16."Leasing." 6. Resolved to approve the company's 2017 business report and financial statements. 7. Resolved to approve the distribution of 2017 profit. 8. Approved to appointment of chief internal auditor. 9. Resolved to approve the evaluation of qualification and independence of the Certified Public Accountants. 10. Resolved to amend the "Procedure for Acquisition or Disposal of Assets." 11. Resolved to amend the "Rules of Procedure for Board of Directors Meeting." "Rules Governing the Scope of Powers of Independent Directors." and "Audit Committee Charter." 12. Resolved to approve the application for general credit limit at the company's banking institutions. 13. Approved to convene the company's 2018 annual shareholders' meeting.

Time	Key agenda
May 04 , 2018	<ol style="list-style-type: none"> 1. Resolved to approve the company's guarantees and endorsements. 2. Resolved to approve the company applied for financing credit line with endorsement guarantee from the financial institution. 3. Resolved to approve the remuneration of the Certified Public Accountants.
May 28 , 2018	<ol style="list-style-type: none"> 1. Resolved to approve the distribution of independent directors compensation. 2. Resolved to approve the remuneration of the representative of juristic person director. 3. Resolved to approve the ex-dividend date for cash dividends distribution.
July 26 , 2018	<ol style="list-style-type: none"> 1. Resolved to approve Guo, Jia-Hong deputy director transferred to Overseas Sales Department manager to remove manager status. 2. Resolved to approve the 2017 bonus distribution for managerial officers. 3. Approve set up the "Evaluation of the performance of managerial officers." 4. Resolved to approve the company's guarantees and endorsements. 5. Resolved to approve the company applied for financing credit line. 6. Resolved to amend the "accounting systems." 7. Resolved to approve to bid on the project of wastewater reclamation with Kaohsiung City Government.
Nov. 02 , 2018	<ol style="list-style-type: none"> 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 2019 budget proposal. 4. Resolved to approve the company 2019 audit plan proposal. 5. Resolved to amend the "Procedure for Acquisition or Disposal of Assets." 6. Resolved to amend the "Internal control system", "Approved authority level polices."
Jan. 16 2019	<ol style="list-style-type: none"> 1. Resolved to approve the 2018 Performance evaluation for executives officers . 2. Resolved to approve the 2017 second stage remuneration distribution for executive and managerial officers. 3. Resolved to approve the 2018 Performance bonus for managerial officers. 4. Resolved to adopt the company's 2019 employee pay settlement. 5. Resolved to approve the company's 2018 remuneration policy to directors and employees.
Feb. 25 2019	<ol style="list-style-type: none"> 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 subsidiaries "Procedure for Acquisition or Disposal of Assets." 4. Resolved to approve the company applied for financing credit line from the financial institution. 5. Resolved to approve the company's 2018 Statement of Internal Control. 6. Resolved to approve the company's 2018 business report and financial statements. 7. Resolved to approve the 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 "Self-Evaluation or Peer Evaluation of the Board of Directors." 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 2018 annual shareholders' meeting.
April 01 2019	<ol style="list-style-type: none"> 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."

Time	Key agenda
	5. Resolved to amend the “Regulations governing remuneration paid to directors.” 6. Resolved to amend the “Self-Evaluation or Peer Evaluation of the Board of Directors.” 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 2018 annual shareholders’ meeting (renew issue).

L. The director or independent directors discrete opinion for the adoption of important resolution by the Board of Directors with records or statement in writing for the most recent year and as of the printing date of the annual report, which main content : Not applicable to the company.

M. The summary of resignation and dismissal of company chairman, president, accounting head, financial head, internal audit head, and R&D head in most recent year and as of the printing date of the annual report : Not applicable.

5. Information on CPA's Fees

A. Information of CPA

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Huang, Hai-Ning	Chang, Tzu-Hsin	2018.01.01~2018.12.31	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	Huang, Hai-Ning	1,950				250	250	2018.01.01~2018.12.31	Note 1
	Chang, Tzu-Hsin								
KPMG	Huang, Hai-Ning					650	650	2018.01.01~2018.12.31	Note 2
PWC	Yang, Min-Chu					150	150	2018.01.01~2018.12.31	Note 3
PWC	Hsu, Yung-Chien					320	320	2018.01.01~2018.12.31	Note 4
PWC	Li, Yi-Hua					400	400	2017.05.01~2018.12.31	Note 5

Note 1: Non-Audit fees include Tax report NTD 220 thousand.

Note 2: Counseling and consultation service NTD 550 thousand and Report of Affiliated Enterprises of the Company etc. NTD 100 thousand, ect...

Note 3: Transfer Pricing Report NTD 150 thousand.

Note 4: CSR Report service NTD 320 thousand.

Note 5: CSR training and consulting service NTD 400 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 amounts 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 15 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. Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most 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	2018		As of March 26, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Liang ,Chin-Li	-	-	-	-
Director/ President	Hsu, Chung-Cheng	-	-	-	-
Director /Major Shareholders	Acter Co., Ltd.	-	-	-	-
Director	Acter Co., Ltd. Representative: Liang ,Chin-Li	-	-	-	-
Director	Acter Co., Ltd. Representative: Hsu, Chung-Cheng	-	-	-	-
Director	Acter Co., Ltd. Representative: Wu, Bi-Hui	-	-	-	-
Independent director	Chi, Chih-Yi	-	-	-	-
Independent director	Yang, Sheng-Yung	-	-	-	-
Independent director	Li, Cheng	-	-	-	-
Executive Vice President	Ma, Wei	-	-	-	-
Vice President	Su, Min-Lang	(8,000)	-	-	-
Vice President t	Yang, Wei-chao	-	-	-	-
Assistant Vice President	Huang, Yi-yun	-	-	-	-
Assistant Vice President	Chang, Tze-da	-	-	-	-
Assistant Vice President	Chen, Jin-Liang	(36,000)	-	-	-
Financial and Accounting Manager	Ou, Chun-Yen	-	-	-	-

- 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 26, 2019, 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. Representative: Liang, Chin-Li	21,098,179	62.19%	-	-	-	-	-	-	-
	287,977	0.85%	2,472	0.01%	-	-	-	-	-
Zheng, Mao-Zhen	617,000	1.82%	-	-	-	-	-	-	-
Liang, Chin-Li	287,977	0.85%	2,472	0.01%	-	-	Acter Co., Ltd.	Acter Co., Ltd. Chairman	-
Ma, Wei	254,120	0.75%	-	-	-	-	-	-	-
Hsu, Chung-Cheng	252,158	0.74%	-	-	-	-	-	-	-
Tsai Yau Hua	211,000	0.62%	-	-	-	-	-	-	-
Su, Min-Lang	160,861	0.47%	-	-	-	-	-	-	-
Yang, Wei-chao	145,825	0.43%	1,952	0.01%	-	-	-	-	-
Chien, Chien-Chih	136,482	0.40%	-	-	-	-	-	-	-
Luo, Dong Ying	109,000	0.32%	-	-	-	-	-	-	-

10. 2018 Continuing Education for Directors

Title of Managerial Officer	Name of Managerial Officers	Course Organizer	Course Title	Training Hours	Training Date
Director	Liang, Chin-Li	Taiwan Corporate Governance Association	Equity Planning of Listed Cabinet Companies and Re-election of Directors	3	2018.10.23
		Taiwan Institute of Director	Taiwan Institute of Director 2018 Annual Meeting	3	2018.07.03
Director	Hsu, Chung-Cheng	Taiwan Mergers & Acquisitions and Private Equity Council	M&A Professional Training Course	3	2018.06.24
Director	Wu, Bi-Hui	Securities & Futures Institute	Corporate Strategy and Key Performance Indicators	3	2018.08.09
		Council for Industrial and Commercial Development	Corporate Governance and Corporate Management	3	2018.07.24
		Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Heritage	3	2018.04.13
Independent Director	Chi, Chih-Yi	The Business Council for Sustainable Development of Taiwan	Corporate Social Responsibility and Trade Linkage - Sustainable Supply Chain Management	3	2018.09.06
		Taipei Exchange (TPEX)	Insider's Equity Announcement	3	2018.07.18
Independent Director	Yang, Sheng-Yung	Securities & Futures Institute	Corporate tax management practice analysis	3	2018.11.08
		Securities & Futures Institute	Corporate M&A Case Study - From the Perspective of Corporate Governance	6	2018.11.08
Independent Director	Li, Cheng	Taiwan Corporate Governance Association	Latest revision trend and analysis of company law	3	2018.11.07
		Taiwan Corporate Governance Association	The company's laws and regulations follow the supervisory obligations of the directors	3	2018.08.08

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 Corp.	3,000	100%	0	0%	3,000	100%
Suzhou Winmax Technology Corporation	(Note 2)	100%	(Note 2)	0%	(Note 2)	100%
NOVATECH ENGINEERING & CONSTRUCTION PTE. LTD.	(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: 2001.02.12 Approved by (90)Zhong-Zi No. 09031694440.
 Note 3: 2002.12.18 Approved by Zhong-Zi No. 091331142380.
 Note 4: 2004.08.17 Approved by Zhong-Zi No. 09332571370.
 Note 5: 2005.12.13 Approved by Zhong-Zi No. 09433326480.
 Note 6: 2006.12.28 Approved by Zhong-Zi No. 09533352950.
 Note 7: 2007.07.02 Approved by Zhong-Zi No. 09632353400.
 Note 8: 2008.08.14 Approved by Zhong-Zi No. 09732842860.
 Note 9: 2014.08.07 Approved by Zhong-Zi No. 10333564140.
 Note 10: 2015.10.01 Approved by Zhong-Zi No. 10433774350.
 Note 11: 2015.12.01 Approved by Zhong-Zi No. 10433962690.
 Note 12: 2016.08.17 Approved by Zhong-Zi No. 10534264260.
 Note 13: 2016.11.29 Approved by Zhong-Zi No. 10534473440.
 Note 14: 2018.01.02 Approved by Zhong-Zi No. 10733001820.

Type of shares	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 26, 2019

Shareholders Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Quantity						
Number of Shareholders	—	—	37	4,237	15	4,289
Shareholding (shares)	—	—	21,452,307	12,258,466	217,227	33,928,000
Percentage	—	—	63.23%	36.13%	0.64%	100.00%

3. Shareholding Distribution Status

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

As of March 26, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	1,850	305,867	0.90
1,000 ~ 5,000	2,044	3,599,886	10.61
5,001 ~ 10,000	185	1,418,534	4.18
10,001 ~ 15,000	79	994,161	2.93
15,001 ~ 20,000	29	520,031	1.53
20,001 ~ 30,000	36	903,153	2.66
30,001 ~ 40,000	19	671,340	1.98
40,001 ~ 50,000	13	590,643	1.74
50,001 ~ 100,000	23	1,545,872	4.56
100,001 ~ 200,000	5	658,079	1.94
200,001 ~ 400,000	4	1,005,255	2.96
400,001 ~ 600,000	-	-	-
600,001 ~ 800,000	1	617,000	1.82
800,001 ~ 1,000,000	-	-	-
1,000,001 or over	1	21,098,179	62.19
Total	4,289	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 26, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Acter Co., Ltd.	21,098,179	62.19
Zheng, Mao-Zhen	617,000	1.82
Liang, Chin-Li	287,977	0.85
Ma, Wei	254,120	0.75
Hsu, Chung-Cheng	252,158	0.74
Tsai Yau Hua	211,000	0.62
Su, Min-Lang	160,861	0.47
Yang, Wei-chao	145,825	0.43
Chien, Chien-Chih	136,482	0.40
Luo Dong Ying	109,000	0.32

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

Unit: NT\$; Thousand Shares

Item	Year		2017	2018	Current Year as of March 31, 2019 (Note 9)
Market Price per Share (Note 1 and 2)	Highest (NTD)		187	219	176
	Lowest (NTD)		173	138	132
	Average (NTD)		179.55	184.54	161.96
Net Worth per share (Note 3)	Before Distribution (NTD)		58.88	67.96	Not Applicable
	After Distribution (NTD)		48.88	Not Applicable	Not Applicable
EPS	Weighted Average Shares (Thousand shares)		29,699	33,928	33,928
	EPS (Note 4)	Diluted	15.07	16.50	Not Applicable
		Adjusted Diluted	15.07	16.50	Not Applicable
Dividend Per Share	Cash Dividend (NTD)		10	15(Note 10)	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 5)		0	0	Not Applicable
ROI Analysis (Note 1)	Price / Earnings Ratio (Note 6)		11.91	11.18	Not Applicable
	Price / Dividend Ratio (Note 7)		17.96	12.30	Not Applicable
	Cash Dividend Yield Rate (Note 8)		5.57%	8.13%	Not Applicable

Note 1: The company became listed company since December 28, 2017.

Note 2: 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 3: 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 4: In case retroactive adjustment is needed due to stock dividend, list the EPS before and after adjustment.

- Note 5: 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 6: $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$
- Note 7: $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$
- Note 8: $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$
- Note 9: 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 10: The 2018 profit distribution was under resolved by the Board of Directors and still requires the approval by the Shareholders Meeting.

6. Dividend Policy and Implementation Status

A. Dividend Policy:

- a. 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 competent authority;
 - (e) Depending on the environment, growth stage and long-term financial planning of the company, the balance will be retained partially as reserve while the balance will be consolidated with the cumulative undistributed surplus form previous years and the BOD will determine the distribution of dividend bonus 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.
- b. The company takes consideration of the environment and growth stage of the company to respond to future fund requirement, financial structure, surplus condition and balanced 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 dividend distributed. 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 2018 profits was passed at the Meeting of the Board of Directors on Feb. 25, 2019. This proposal, a cash dividend of NT\$508,920,000 (NT\$15 per share), will be discussed at the annual shareholders' meeting on May 24, 2019.

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 should retain surplus of that year, if any, to cover deficit through cumulative amount, and appropriate no less than 3% of income before tax, excluding the distribution to employee and director remuneration, as the employee remuneration and appropriate less than 5% of the income before tax, excluding distribution of employee and director remuneration

- as the director remuneration.
- B. The employee bonus and director remuneration amounts are calculated as the foundation for this period and the accounting handling of the basis of calculating the number of shares for employee remuneration for shares distribution and the direction with estimation:
 - a. Current period estimation basis: Please refer to the instruction in aforementioned above section.
 - b. The company does not distribute stocks as employee remuneration this period.
 - c. The accounting handling for discretion between the actual amount distributed for this period and the estimation: The discretion will be regarded as estimation variation and recognized as the loss/profit of the year of actual distribution.
 - C. Profit Distribution for Employee Remuneration and Directors' Remuneration for 2018 Approved in Board of Directors Meeting:
 - a. The distribution of employee remuneration and directors' remuneration amount in cash or stock; in case of discretion with the estimated amount of expenses recognized, disclose the discretion, reason and handling status for that year:
 - (a) Distribution of employee remuneration and directors' remuneration amount in cash or stocks: The Board of Directors adopted with resolution to distribute employee remuneration in the amount of NTD 30,600,489 and the director remuneration in the amount of NTD 22,950,366 on February 25, 2019.
 - (b) In case of discretion between the aforementioned amount and the estimated amount of expenses recognized for that year, disclose the discretion, reason and handling status: None.
 - b. 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 (including number of shares distributed, amount and stock price) of employee remuneration, directors' remuneration from previous year shall be described for the number of discretion, reason and handling if there is discretion between the employee, director remuneration recognized:
 - a. Actual distribution of employee, directors' remuneration from previous year (2017):
Employee Remuneration: NTD23,431,090.
Directors' Remuneration: NTD17,573,318.
 - b. In case of discretion between the aforementioned amount and the remuneration recognized for employees and directors describe the discretion, reason and handling: 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:

a. 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 2018	(%)
High-Tech Industry Processing Supply System Equipment Sales	2,916,976	59.94%
High-Tech Industry Processing Supply System Integrated Project	1,649,676	33.90%
High-Tech Equipment Material Agency Sales	74,647	1.53%
Environmental Protection Equipment Sales and Integration Project	225,404	4.63%
Total	4,866,703	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 different lies on the selection of materials and filtering system. Currently the company specializes in chemical supply system mainly, 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, eventually accumulating gas and water supply system construction cases as the foundation for striving for gas and water supply system business in the future.

Special gas supply system undergoes intensive competition in price due to the many number of suppliers in semiconductors and panel industries. Nova Technology appeals in developing clean chemicals supply and dispensing system that in case the special 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 gas cabinet of toxic gas from the gas cabinet of inert gas already developed, in order to provide total solutions to customers. Nova Technology intends to accumulate performance over the long-term planning to provide customers with the total services in gas and chemical supply system.

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

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

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

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

- i. Waste water zero discharge system and relevant equipment
- ii. Reclaimed water system and relevant equipment
- iii. Sea water desalination system and relevant equipment.

B. Industry Overview:

a. 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

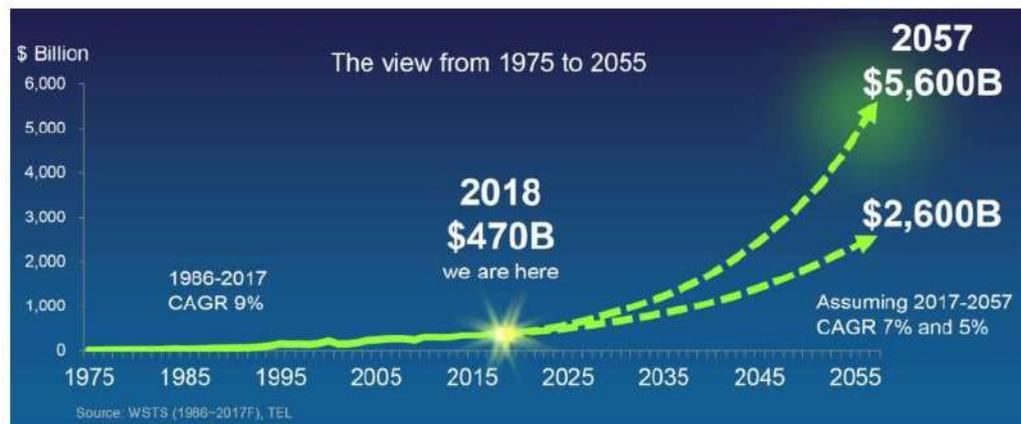
Semiconductor Equipment and Materials International (SEMI) announced the "Global Fab Forecast Report" in 2018 pointed out that in the second half of 2018, due to the instability of the international trade situation and the market development layout, overall growth will tend to slow down. In 2018, the global fab equipment investment expenditure is 60 billion US dollars, and it is predicted that the fab equipment expenditure is expected to fall to 55 billion US dollars in 2019, while the semiconductor industry investment in China and Taiwan still maintains the top three markets, accounting for approximately 41.94% of the overall estimated fab equipment expenditure.

Semiconductor Equipment and Materials International (SEMI) said at its 2018 year-end press conference that global semiconductor sales grew steadily in 2018, but there are more market uncertainties in 2019. Among the uncertainties, global political factors, including trade tensions and technological policies, will gradually increase the risk to the semiconductor industry. Besides, the weak demand for smart phones is a major problem that the semiconductor industry facing in the near future. Orders for iPhone have been slowed significantly since 2018 and are expected to be further lowered in the first quarter of 2019. In addition, starting from 2017, the key applications for semiconductor applications in the past five years are AI, IoT, and 5G, and the overall trend is toward the consumer application market. Therefore, these application areas will directly affect the growth of semiconductor demand in the next three to five years. With the innovation and progress of semiconductor technology, the prospects for industrial development in the long run are positive. Our company will continue to create new advantages to enhance competitiveness, and pay attention to and respond to the development of the industry.

Fab Equipment Spending in US\$ Million				
Region	2018	2019	Change 2018	Change 2019
Americas	\$4,822	\$4,965	-10.5%	3.0%
China	\$12,203	\$11,957	84.3%	-2.0%
Europe & Mideast	\$4,500	\$4,250	11.8%	-5.6%
Japan	\$8,735	\$8,649	36.3%	-1.0%
Korea	\$18,497	\$12,087	-6.5%	-34.7%
Southeast Asia	\$2,552	\$2,434	37.6%	-4.6%
Taiwan	\$9,211	\$11,438	-17.3%	24.2%
Total	\$60,520	\$55,780	9.6%	-7.8%

Source : SEMI-World Fab Forecast Report November 2018 edition.

Semiconductor Market – Long term growth



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(b) Panel Industry

The global production capacity of small- and medium-sized AMOLED panels continues to expand, and will reach 13.6 million m² by 2018, an increase of 51.1% compared with the previous year, says WitsView, a division of TrendForce. As Chinese panel makers continue to release new capacity, the global capacity of small- and medium-sized AMOLED panels may double to 27.3 million m² in 2021.

Chinese panel makers' investment in new AMOLED panel capacity is on the rise, due to the high demand for AMOLED panels from branded Chinese manufacturers coupled with the government's supporting policy. For example, BOE's first Gen 6 fab of flexible AMOLED panel has entered mass production in Chengdu at the end of 2017. Tianma and Visionox also expect the mass production of flexible AMOLED panel in their Gen 6 fabs in 2018. In the next few years, both Everdisplay Optronics (EDO) and China Star Optoelectronics Technology (CSOT) have also put forward plans for AMOLED panel production. It is estimated that the production capacity of small- and medium-sized AMOLED panels in China will contribute to 37% of the global capacity in 2021, up from 16% in 2018. Meanwhile, the proportion of capacity in South Korea will be 53% in 2021, down from 81% in 2018.

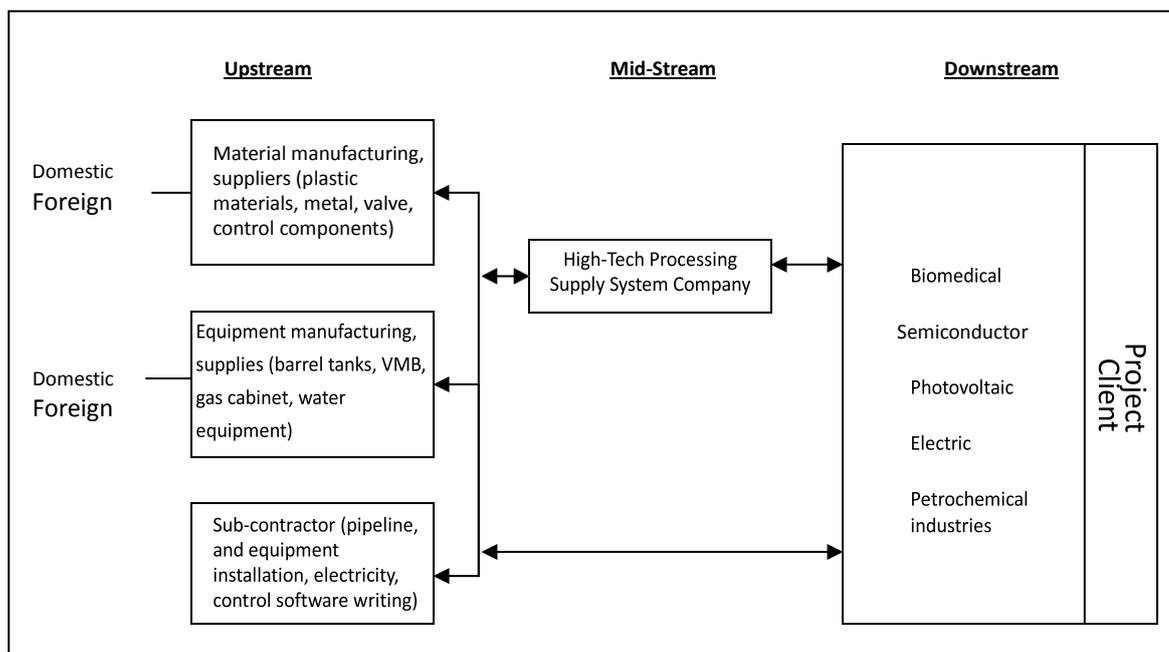
Figure: Global Market Shares of Smartphone Display Technologies



Source: WitsView, Feb. 2019.

b. 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 customer with process supply system equipment and project services, which association between upstream, midstream, and uptown as shown in the following drawing.



c. Product Trends

The demand for 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 to suppliers with turn-key capacity.

Processing supply system technology has reached 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 panel industry production process, the processing supply system malfunction could result in massive loss so customers will have higher demand for quality and stability, therefore quality suppliers will have higher loyalty, forming high threshold for new suppliers.

d. Product Competition

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 high-tech industry have high precision and high quality demand for quality and processing, which requires longer certification from customers and recommendation by customers. For years the company has accumulated high-quality construction performance and taken market share in the high-tech industry processing supply system. 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 high level of competitiveness.

C. Research and Development

a. 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 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 high-tech industry for special gas supply system, waste water treatment system, 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 machinery 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, sea water 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 early stage while high-tech industry have high precision and high quality demand for quality and processing, which requires longer certification from customers and recommendation by customers. For years the company has accumulated high-quality construction performance and taken market share in the high-tech industry processing supply system.

The core technology of the company lies on 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 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 chemical processing supply system and engineering contracting experience, which transforms past engineering management experience into standard process (SOP), using ISO, internal control and relevant form requirement to standardize procedures and control points in writing. For case evaluation, plan, execution and review, the company use autonomous inspection of form through these four stages to reduce 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 execution process (including 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 project and start designing the project details, including:

- i. Select 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 customer required processing supply system with deliberate planning of construction schedule.
- iii. Formulate outsourcing plan and select 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 with clients directly, controlling the demand and ideas of client. Project manager's work mostly includes the validation of project construction in accordance with

project agreement content and project design, coordinating sub-contracting project and controlling project progress, in addition to regularly provide weekly report 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 customer.

ii. Project Cost Control

Before undertaking chemical supply processing system project, Nova Technology must validate that the ERP system will control project procurement amount based on pre-tender costs after undertaking the project. IN case the procurement items, quantity or unit price of project exceeds 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 chairman before further procurement. The rigorous pre-tender cost estimation, implementation of 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 conform to the drawing design and if the construction quality meet the requirement, in addition to fill out a standard inspection form.

(2) Equipment Installation Monitoring

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

(d) Review Stage

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

In 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 price 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 chemical processing supply system.

Subsidiary company -Winmax Technology (Shanghai) Corporation not only is 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 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 practice is an existing technology and hence there is no concern over theft of business secret.

b. Research and Development Personnel Education and Experience Distribution and Seniority

The key company heads have over 10 years of seniority, including President Hsu, Chung-Cheng, Executive Vice President and R&D Head Ma, Wei, Technological Business Division Vice President Su, Min-Lang, Technology Development Division Assistant Vice President Huang, Yi-yun, and Overseas Sales Department manager Guo, Jia-Hong...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 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 (Shanghai) Corporation, Wei Ma and Sumitomo Group joined in 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 steered to become 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 collaborated between the units of engineering business. The statistics of R&D people includes 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		
		2017	2018	2019 March, 31
Education Distribution	Vocational Collage	43	72	86
	Senior High School (including) and lower	13	8	0
Total		56	80	86
Average Seniority (Year)		7.68	5.67	5.45

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

Unit: NT\$ Thousand

Item	2018	As of March 31, 2019
R&D Expense	116,037	24,341

- c. Technology and Products with Successful Development:

The owner of all relevant patents of the group is Nova Technology or 100% shareholding subsidiary. According to patent related law, the establishment of patent must be determined for “easily visible” problems. The lack of real innovation or progress will prevent one from acquiring patent. The processing supply system has developed for long while fundamental method is an existing technology. The company and the competitors could not apply for the patent and hence does 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 manufacturing process in order to maintain the safety and stability in production process, customers of semiconductors and panel mostly require maintaining the existing method of the fundamental design of processing supply system. Moreover to avoid design or construction error or construction delay that prevent the entire production line from operation or manufacturing failure that lead 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 patent. Currently the equipment focuses on existing product to make improvement in order to conform to customer requirement more or make the processing supply system more smooth, 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 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 improvement on chemical supply system equipment when applying for 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 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 type and processing application, including cleaning/etching/development/glue removing and multiple processes. The Wet Processing Equipment which the company develops is applied to the cleaning equipment of semiconductor or LED industries. Currently the company operates chemical processing supply system integrated services and related equipment processing. To expand the business cope and increase business and profit power, existing equipment manufacturing technology is used as 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 rectification system, which is then added with original liquid for mixture before putting into the processing for repeated use.

To improve company revenue and dynamic for profit growth, the company business scope extends from chemical processing supply system to 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 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 recycling period of the equipment costs with the saving benefit sin subsequent polishing liquid procurement cost plus 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 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 global climate and change in environment eventually draws attention from people through environmentally protection issues. Nova Technology actively develops environmental protection and green energy business by cooperating with sea water Desalination Corporation from Israel and introducing waste water zero discharge system, reclaimed water and sea water desalination system, expanding water resource and other green energy and environmental protection system business. The business is at the initial stage of development and hence has not acquired patent.

In 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 invention patent. Additionally to increase company revenue and dynamic for profit growth, the company starts developing Wet Processing Equipment, Stripper Recycling System, Green Energy Environmental Protection System Integration and other businesses. Nonetheless such 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 last 5 years.

Type	Brief Description
New Products	Supply system gas cabinet for special gas
	Wet Bench Equipment High Pressure Cleaner (Wet Bench)
Patent	One Polishing Liquid Supply Device (Taiwan Invention No. M526752)
	Suction Type Automatic Filtering System (Taiwan Invention No. M509418)
	Gravity Off-Line Automatic Filtering System (Taiwan Invention No. M509097)
	One Modularized Flow Control Valve (Taiwan Invention No. M533151)
	Feed Barrel Leaning Device (Taiwan Invention No. M531945)
	One Chemical Flow Supply System (Taiwan Invention No. M535280)
	Temperature rising device for chemical delivery system (Taiwan Invention No. M561163)
	Cooling device for chemical delivery system (Taiwan Invention No. M561189)
	Cooling device for chemical delivery system (China No. 7916591)
	Temperature rising device for chemical delivery system (China No. 7862568)
	Single-Axel Rotating Machinery Arm (China 2012100809106)
	Film Drying Device (China 2012201158589)
	Online Quartz Heater (China 2012201152972)
	Fast-Pouring Cleaning Device on Semiconductor Cleaning Equipment (China2012201153000)
	Chemical Buffer Type Exit Flame Capture Exhaustion Device (China 2012201158305)
	Chemical Barrel Quick Connection Device (China 2012201152953)
	Precision Capacity Discharge Control Chemical Container (China 2012201152968)
	One Chemical Supply System (China 2012204619500)
	One Chemical Supply System Triple Box (China 2012204619661)
	One Chemical Supply System Valve Box (China 2012204619483)
	One Chemical Supply System Sample Box (China 2012204619587)
	Chemical Supply System Pipeline Connector Device (China 2012204619322)
	Acidic Chemical Supply Control System (China 2012204620230)
	One Chemical Supply Monitoring Alarm System (China 2012204620226)
	Chemical Supply System Liquid Nitrogen Separation Device (China 2012207267414)
	Chemical Supply System Filling Machinery Arm (China 2012207267255)
	Chemical Supply System Reinforced Ventilation /Exhaustion Gas Storage Can (China
	Chemical Supply System Inbound Liquid Cleaning Device (China 2012207254170)
	Gas Supply System Segmented Control Heater Carpet (China 2013208228411)
	Fully-Automatic Gas Cabin Steel Cylinder Lead Prevention System (China 201320822845X)
Automatic Switching Dual Steel Cylinder Nitrogen Panel (China 2013208248612)	
Online Fully Automatic HF and HNO ₃ Exchange System (China 2013208248063)	
Semi-Automatic Etching Cleaner (China 2013208248415)	
Online Dilution Equipment (China 201420853188X)	

Type	Brief Description
	Silicon Wafer Automatic Rotating and Oscillating Structure (China 2014208531856)
	Silicon Wafer Polishing Paste Stirring Device (China 2014208531220)
	Stripper Recycling and Mixed Acid and Measuring System (China 2015209997114)
	One Stripper Waste Liquid Recycling Stripper Device (China 2015210046533)
	One ITO Oxalic Acid Power Dilution System (China 201520999478X)
	Electric chemical barrel cleaning equipment (China 2015210048295)
	Improvement chemical sample device (China 2015209997881)
	Wet Development Supporting Shaking Mechanic (China 2015210048261)
	An improved HF temperature rise and fall system (China 2016210549471)
	Bakelite slurry small nitrogen humidification device (China 2016210533280)
	Improved electronic grade chemical supply barrel placement platform (China 2016210549293)
	Improved cymbal self-rotation and oscillation mechanism (China 2016210533153)
	Electronic grade chemical dispensing equipment (China 201621056641X)
	Slurry mixed acid dilution system (China 201621054965X)
	Ketone acid supply temperature control system (China 2016210533717)
	Slurry mixing supply equipment (China 2017212633517)
	Three-axis automatic mechanical arm mechanism (China 201721263405X)
	NMP exhaust gas recovery system (China 2017213367766)
	High-precision pipeline anti-electromagnetic interference device (China 2017212633733)
	Pumping solution barrel opener (China 2017212634098)
	Organic solvent cleaning tank (China 2017212631526)
	Wet exhaust gas treatment device (China 2017212557513)
	Fully automatic wet process equipment for single batch four flower basket synchronous operation (China 201820558546.2)
	Wastewater purification system (China 201721133325.2)
	Water supply device with purification function (China 201820293752.5)
	Air purification device (China 201721895802.9)
	Chemical waste gas treatment and detection device (China 201721494845.6)
	Coking wastewater treatment equipment(China 201721492231.4)
	Online heater for semiconductor wafer production chemicals (China 201721153683.X)
	Integrated pipeline sewage diverting device (China 201820197691.2)
	Intelligent and efficient integrated sewage treatment device (China ZL201820027301.7)
	Rotary air purifier (China ZL201820025709.5)
	Handling palletizing robot (China ZL201721759446.8)
	High efficiency air purification device (China ZL201820016234.0)
	Collecting device for exhaust gas detection (China ZL201820040352.3)
	Gas flow test device (China ZL201510779630.8)
Type	Brief Description
Software Copyright	Chemical Supply System H2SO4 Equipment Control System (China 2012SR059743)
	Gas cabinet control system (China 2012SR059443)
	Chemical Supply System HCL Equipment Control System (China 2012SR060511)
	Chemical Supply System Oxide Equipment Control System (China 2012SR059917)

Type	Brief Description
	Chemical Supply System W2000 Equipment Control System (China 2012SR059376)
	Cleaning Machine Equipment Control System (China 2012SR059388)

D. Long and Short-Term Business Development Plan:

a. Short-Term Business Development Plan

- (a) Cooperate with China's national policy to continue expanding high-tech processing equipment in the market share of China.
- (b) Cooperate with China's national policies and continue to continue expand waste solvent recycling /reuse equipment in the market share of China.
- (c) Actively participate in domestic water resource large 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 talent recruitment and training, establishing talent database to cooperate with the stable development of the company.

b. Long-Term Business Development Plan

(a) Clean Chemicals Supply and Dispensing System

Continue to participate in the semiconductor and panel industry new factory bidding 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 developing 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 to other regions or other industry groups.

(b) Supply System for Special Gas

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

(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 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 planning 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 sea water desalination, recycling and neutral water recycling business. In the long run, the company will apply cumulative performance to independently design and undertake water resource cases and thereby developing relevant equipment.

2. Market and Sales Overview

A. Market Analysis:

a. Main Product Sales Regions

Nova Tech and its subsidiary company currently offers high-tech industry processing system design, equipment manufacturing and sales, and environmental protection equipment sale and processing system integration service project, and serving Taiwan and China as the main service region.

Unit : NT\$ thousand, %

Region	2017		2018		2019 Q1	
	Sales Amount	%	Sales Amount	%	Sales Amount	%
Taiwan	982,585	29%	756,681	16%	182,811	15%
China	2,237,338	67%	3,755,299	77%	962,636	78%
Others	122,619	4%	354,723	7%	80,979	7%
Total	3,342,542	100%	4,866,703	100%	1,226,426	100%

b. Market Share

The group mainly provides the system design for semiconductor and panel high-tech industry processing supply system, equipment manufacturing and pipeline construction installation and testing services, and currently the group does not have the industry statistics provided by industry research institute. Hence the company could not apply explicit statistics as the calculation base for market share. According to SEMI, the 2018 global semiconductor capital expenditure was USD60 billion. The estimation of revenue yields the group's relatively lower ratio in semiconductor and panel industry 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 is 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 2016~2018 Chinese projects exceeding USD 3 million was 8 cases while the group undertook 5, 6, and 2 cases of project quantity, weighing 62.5%, 75% and 25%, indicating the group's certain market share in the Chinese high-tech industry large chemical processing supply system.

China State-Owned Corporation Massive Cleaning Chemical Supply System project Case Statistics

Project \ Year	2016	2017	2018
Quantity of total project exceeding USD 3 million	8	8	8
Quantity of project undertaken by the group	5	6	2
Market share	62.5%	75%	25%

c. 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 usually chose companies with good reputation and rich experience to undertake the relevant project. New suppliers will have difficulty in accessing and hence the supply quantity does not grow substantially.

With regards to demand, semiconductor and panel suppliers in Taiwan and China will continue to increase capital expenditure in recent years, investing in the building and equipment. The estimation of SMEI shows that driven by massive demand, the intent for Taiwan and China's companies to invest has increased and it is estimated that the 2019 capital expenditure scale will exceed USD 23 billion. Unwavering in its drive to build a strong, self-sufficient semiconductor supply chain, China plans more new fab projects than any other region in the world from 2017 to 2020, and its expansion of fab capacity recently picked up pace on the strength of new foundry and memory projects from both domestic and foreign companies, according to SEMI's 2018 China Semiconductor Silicon Wafer Outlook report. China's installed fab capacity is forecast to grow at a 12 percent CAGR from 2.3 million wafers per month (wpm) in 2015 to 4 million wpm in 2020, faster than all other regions.

Well known for its semiconductor packaging prowess, China in recent years shifted its focus to front-end semiconductor fabs and a few key material markets. In 2018, the region's surge in fab investment thrust it past Taiwan as the second largest capital equipment market in the world, behind only Korea.

However, China's semiconductor manufacturing growth faces strong headwinds. Chief among them is the tight supply of silicon wafers over the past two years due in large part to the sector oligopoly's firm 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 has made the development of its domestic silicon wafer supply chain a key initiative, funding multiple silicon wafer manufacturing projects.

d. Competing Niche

(a) Robust and 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 credit depending on the different project criteria. Moreover the working capital or bank guarantee credit line will increase following the scale of project. The group has focused on its original business since the foundation with excellent operation status and stable and robust financial structure. Apart from assuring the maintenance of stable operation during the macro economic recession but the group can also participates in project cases which scale of scope increases following the adequacy of credit line for operational working capital and bank's guarantee amount.

(b) Rich manufacturing/construction experience and prestigious product/construction quality

The processing supply system transport substance contains acid, alkaline with high safety requirement; hence the equipment cleanness and stability will affect the overall safety, product yield rate and production progress. Hence the industry achievement, work-of-mouth reputation, and products, and construction quality are one of the foremost consideration for 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 became the high-tech industry in China, owning quality 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, cumulating 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 not only offers design and construction based on product type, production method, production scale and processing demand but also company semiconductor and panel industry with production processing upgrade, while water, gas and chemical supply system must also 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 in-depth and providing customer required processing supply system through customization.

(d) Instant service or technical support

Semiconductor and panel industries are high-capital expenditure based group, which 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 experience. 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 year-end maintenance

period, providing customers with instant service and technical support to reduce customer loss in processing interruption boos customer loyalty.

(e) Specialized Technical Personnel

The group owns personnel with rich practical experience and the group 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 a regular and non-regular basis, in order to strengthen the technical level and capacity of the company. Moreover, the group also actively co-develops engineering system design with professional institutions to build and manage techniques, thereby maintaining technical leadership in the market.

e. 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 industries of key development in high-tech industries, which plan includes “Establishing Semiconductor Clusters in Trade Free zone,” “Boost Investment Through Great Funds, Promote Technology Upgrade,” and “The Thirteenth Five-Year Plan-Talent-Technology and Funds in One” as well as other policies that promote the development of semiconductor industries. China also actively fosters panel industries by launching various tariff preferential solutions to attract internationally prestigious corporations and local Chinese companies to build plants in China.

Following the plant building or plant expenditure capital expenditure increase in high-tech industries, the demand for 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 for 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 pay 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 for processing supply system is produced with the progress in technology, which automatically supplies the water, gas and chemicals needed for the production process in fixed-schedule and fixed amount through structural design and automated instrument control, which not only save 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 change in environment eventually draws attention from people through environmental protection issues. The group actively develops environmental protection and green energy business, including the expansion of development in waste solvent recycling and reuse integrate system, which recycles and reuse 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 use, introduce waste water zero discharge system, reclaimed water and sea water desalination system. The group copes with global environmental protection trend and develops environmental protection and green energy business, which not only make contribution to the protection of 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 macro economy declines and 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 waste water zero discharge system, reclaimed water system and sea water desalination system, actively 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

Following the opening of 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 while 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 Taiwan companies and plants built by international corporations, which will facilitate the e future expansion of overseas market.

iii. Price Competition

Due to the recent economic 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 in China, 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 base 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 professional with experience to cope with the customer's design requirement. Nonetheless the cultivation of such 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. Consequently distinguished talents can be retained.

B. Important purpose and production manufacturing process of main products

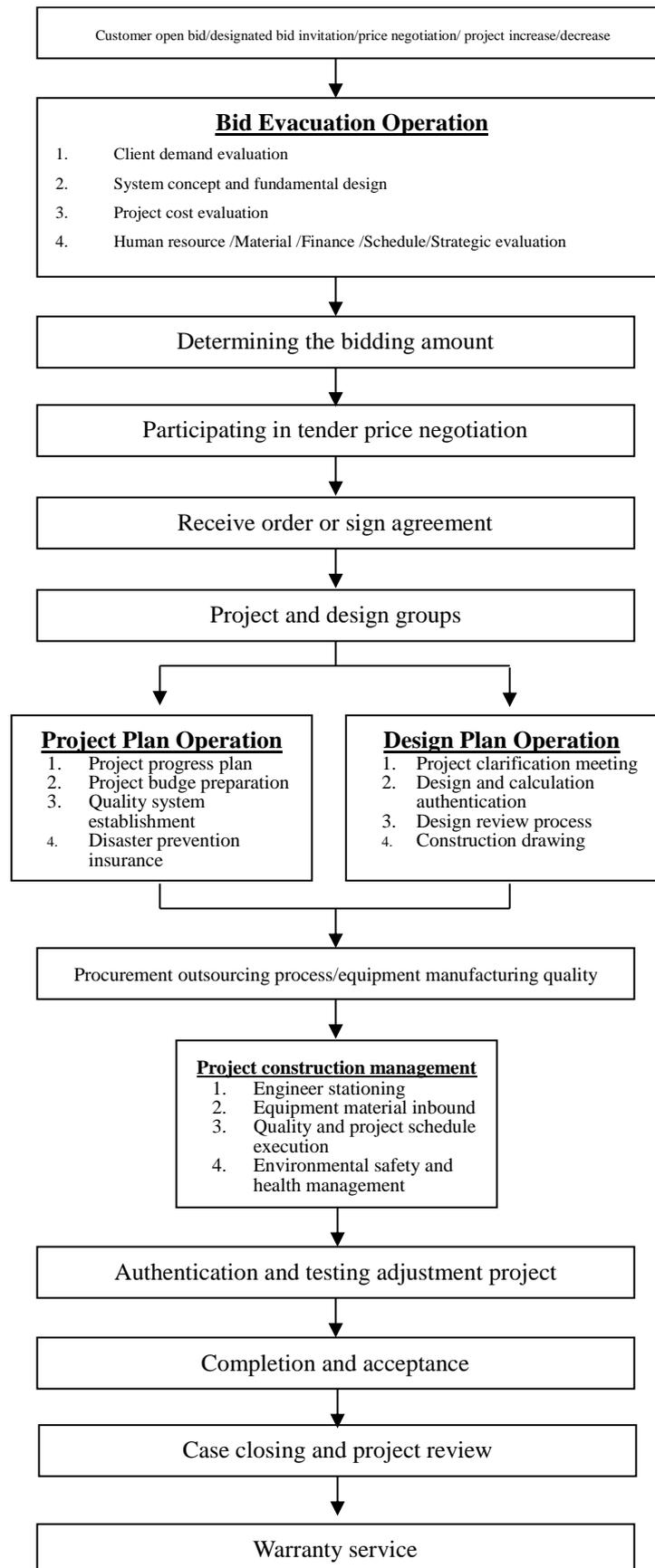
a. Important purpose of main products

The company is a professional manufacturer in high-tech industry processing equipment, which important function aims to supply high-safety, high cleanness and high-stability manufacturing applied raw material 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 material from the production process of products, the company offers equipment that assists with recycling and reuse before the client could reapply, thereby removing load on the earth and effectively lowering the production cost for suppliers. The products are described in the following table:

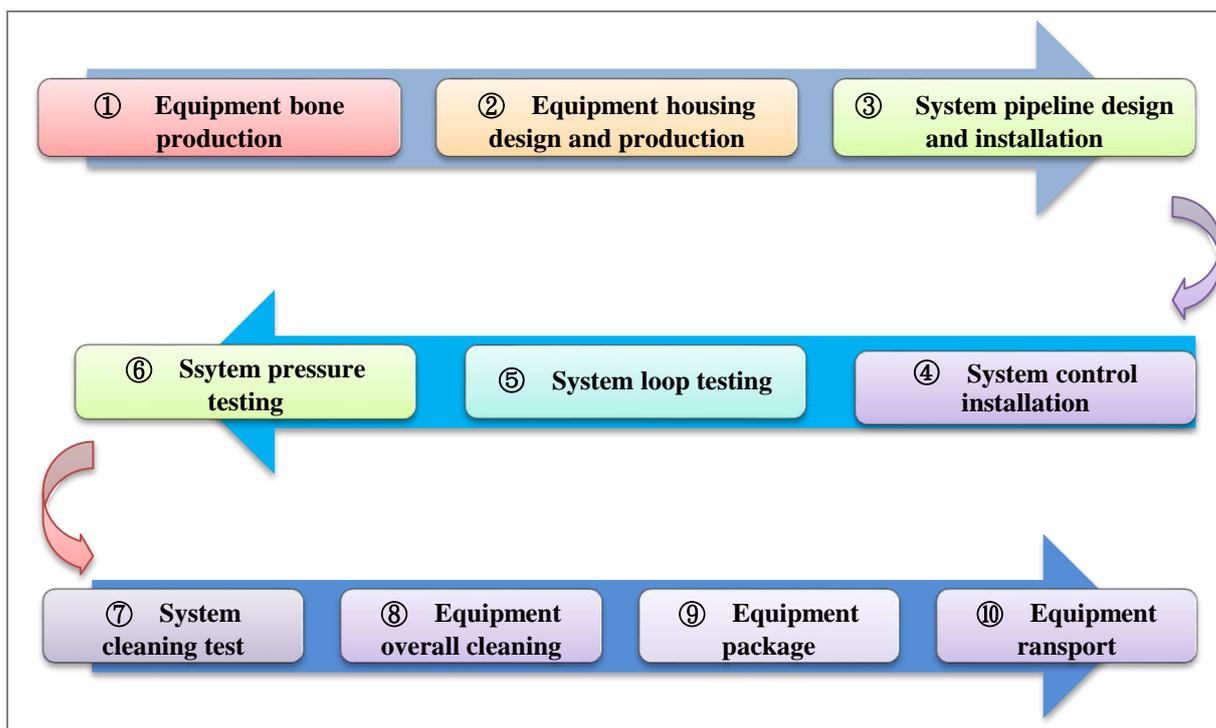
Product Lines	Main Purpose and Functions
High-Tech Industry Processing Supply System Equipment Sales	Providing the machinery equipment needed for the water, gas and chemical supply system of high-tech industry customer processing, including equipment design, equipment manufacturing/outsourcing, installation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

b. Production and Manufacturing Process (Figure)

(a) System Design and Construction



(b) Equipment manufacturing



- C. Main raw material supply status: the company procurement material and equipment with variation according to agreement regulations. The main operation model is divided into two sections:
- The contractors contracting through material and labor.
 - 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 good 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.
- Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

2017(Note 1)					2018(Note 1)					2019 as of previous quarter			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
1	Other	2,663,432	100	None	1	Others	3,792,028	100	None	Note 2			
Total	Procurement net amount	2,663,432	100		Total	Procurement net amount	3,792,028	100					

Note 1: Suppliers without total sales amount exceeding 10% in 2017 and 2018.

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

b. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

2017(Note 1)					2018					2019 as of previous quarter			
Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)	Relation with Issuer	Item	Company Name	Amount	(%)
1	Others	3,342,542	100	None	1	H Company	822,974	16.91	None	Note 2			
2	-	-	-	-	2	Others	4,043,729	83.09	None				
Total	Sales Net Amount	2,651,372	100		Total	Sales Net Amount	4,866,703	100					

Note 1: Clients without total sales amount exceeding 10% in 2017.

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

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

E. Production in the Last Two Years

Unit: NT\$ thousands

Output Major Products (or by department)	Year		2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount		
High-Tech Industry Processing Supply System Equipment Sales	Note 1	Note 1	1,255,165	Note 1	Note 1	2,257,861		
High-Tech Industry Processing Supply System Integrated Project			660,977			1,311,756		
High-Tech Equipment Material Agency Sales			16,601			18,756		
Environmental Protection Equipment Sales and Integration Project			412,355			177,278		
Total			2,345,098			3,765,651		

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 Major Products (or by department)	Year	2017			2018		
		By region			By region		
		Taiwan	China	Others	Taiwan	China	Others
High-Tech Industry Processing Supply System Equipment Sales		182,889	1,497,810	21,616	4,117	2,691,311	221,547
High-Tech Industry Processing Supply System Integrated Project		733,485	219,604	38,981	725,269	835,308	89,099
High-Tech Equipment Material Agency Sales		11,007	16,539	62,022	11,708	20,486	42,454
Environmental Protection Equipment Sales and Integration Project		55,204	503,385	0	15,587	208,194	1,623
Total		982,585	2,237,338	122,619	756,681	3,755,299	354,723

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.

Note 2: The aforementioned figures are disclosed according to the 2017 and 2018 consolidated financial statements audited and attested by the CPA.

3. Human Resources

Year		2017	2018	As of March 31, 2019
Number of Employees	Direct Employees	340	389	373
	Indirect Employees	60	52	61
	Total	400	441	434
Average Age		35.12	35.95	36
Average Years of Service		5.59	5.60	5.93
Education	Ph.D	0	0	0
	Masters	15	23	22
	Bachelor's Degree	136	154	154
	Vocational College	114	120	116
	Senior High School	53	65	67
	Below Senior High School	82	79	75

4. Environmental Protection Expenditure

- A. According to the law, the installation permit, operation permit, fixed pollutant emission permit, payable pollution prevention fees or dedicated personnel in environmental protection to be set up for the required pollution facility application, which application for acquisition, payment or set up status are described below: the company business mainly aims to contract the equipment manufacturing of chemical supply system and the project design and pipeline construction of air pollution prevention equipment. The operational activities do not produce pollutants and the factory is not regulated by law. According to the "Stationary Pollution Source Installation and Operating Permit Management Regulations" and "Water Pollution Control Act," the factory does not set up pollutant emission outlet, preventive equipment operation or emission license requirement.

- B. The company investment to major equipment for environmental pollution prevention, the purpose and possible benefits : None.
- C. In most 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.

- a. Employee welfare measures:

To promote labor/management harmony, employee cohesion and care for employee's welfare, the company sets up employee welfare committee apart from labor and national health insurance to advocate for various employee welfare measures, including employee health examination, employee trip, outdoor activities and year-end welfare measures in addition to assisting with the communication of opinions between labor and management.

The main employee welfare measures of the company are described below

- (a) Employees are entitled to labor, health insurance, 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.

- b. 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 point 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 opportunity and fund to participate in external training. The company expects all 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 concurrently growth through work and training.

c. Retirement system and actual condition:

The Company develops labor retirement regulations to stabilize the life of employees after retirement. The company also establishes labor retirement pension fund supervision committee and appropriates retirement pension fund regularly in the ratio of 2% from the salary each month to store in the dedicated account of Central Trust of China in order to protect the rights of workers. Starting from July 1, 2005, the company adopts government new retirement scheme to appropriate 6% of salary to employee's retirement account.

d. Agreements between Labor/Management and the maintenance measures of various employee rights.

Nova Technology values employee opinions and is committed to establish one open environment. Heads and departments also call for labor/management meeting regularly to encourage employees with expression of opinions through open and transparent scheme to communicate with relevant personnel in addition to requesting heads and relevant department with fast reply, 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.

e. 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 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 most recent year 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 such estimation could not be reasonably made, the company shall explain the facts of unreasonable estimation:

- a. The company has maintained harmonious labor/management relations since its foundation and hence has not suffered from loss due to labor/management disputes.
- b. The company has not suffered loss due to labor/management disputes with harmonious labor / management relations in most recent year while the possibility of labor / management dispute is minimal.

C. Employee Conduct or Formulation of Ethical Principles:

- a. 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.
- b. 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:

The company aims to prevent occupational accident and protect the safety and health of labor. The company adopts the environmental safety health management system (ISO14001, OHSAS18001) 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 environment safety and health performance.

The company operation procedures related to work environment and personnel safety includes: general safety operation, elevated safety operation, fire safety operation, electricity safety operation, hoisting safety operation, hole safety operation, crane safety operation, limited space safety operation, organic solvent safety operation, cleanroom safety operation, environmental safety and health patrol, safety equipment management, emergency response management, hazard general management, construction site audit and autonomous inspection operation and other protection and maintenance of employee work environment safety.

6. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	A Company	2016/5/19-2017/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	AU Company	2015/08/04-2017/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	AU Company	2016/04/06-2017/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	AU Company	2015/07/30-2017/07/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	B Company	2017/06/15-2018/10/17 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	C2 Company	2017/12/07-2018/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	C3 Company	2017/11/15-2018/11/15 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	C3 Company	2017/11/15-2018/12/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	CH Company	2017/01/11-2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	D Company	2017/10/06-2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	G Company	2016/05/30~2016/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H Company	2017/08/09~2020/07/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H Company	2018/11/15~2021/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	H1 Company	2018/10/30~2019/05/15 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	L Company	2018/09/28~2019/10/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	L Company	2017/10/12~2018/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	L1 Company	2015/05/29~2016/05/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M1 Company	2017/05/26~2018/09/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M2 Company	2016/08/22~2017/11/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M2 Company	2017/09/01~2018/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M2 Company	2016/09/22~2017/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	M3 Company	2018/04/09~2021/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	N Company	2016/07/20~2018/11/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	P1 Company	2018/02/12~2018/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	P1 Company	2018/11/15~2019/05/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	None
Project and Equipment Agreement Project	S1 Company	2016/06/24~2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S1 Company	2014/07/29~2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S10 Company	2018/09/21~2020/03/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S11 Company	2017/10/24~2020/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S11 Company	2018/06/01~2019/06/15 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S12 Company	2016/04/05~2017/08/19 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S14 Company	2018/07/06~2021/10/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S14 Company	2018/07/23~2020/07/23 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S18 Company	2017/06/15~2018/12/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2014/05/20~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	S2 Company	2015/08/24~2018/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2017/08/31~2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2017/03/27~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2016/04/18~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2014/10/01~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2015/04/30~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2017/03/27~2018/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2018/11/27~2019/10/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	None
Project and Equipment Agreement Project	S2 Company	2018/04/02~2018/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S2 Company	2018/09/26~2019/06/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	None
Project and Equipment Agreement Project	S20 Company	2015/07/08~2017/04/01 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S22 Company	2015/12/01~2017/11/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S4 Company	2016/10/07~2018/09/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S5 Company	2016/02/29~2017/07/07 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S5 Company	2017/10/23~2020/11/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S7 Company	2018/09/27~2020/04/30 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S8 Company	2018/06/12~2019/12/31 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	S9 Company	2015/10/30~2017/03/03 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Project and Equipment Agreement Project	SC Company	2017/12/21~2018/11/08 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment

Agreement	Counterparty	Period	Major Contents	Restrictions
Project and Equipment Agreement Project	XX Company	2017/11/14~2018/09/28 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	None
Water gasification supply integration engineering	S14 Company	2018/04/04~2019/05/30 Complete acceptance by construction progress	Water gasification supply integration engineering	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	C3 Company	2017/07/01~2018/11/15 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	2018/04/26~2020/12/15 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	2017/12/21~2018/11/08 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S11 Company	2017/10/24~2020/12/31 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	S18 Company	2017/06/15~2018/12/30 Complete acceptance by construction progress	Clean Chemicals Supply Equipment Manufacturing and Sales Agreement	Warranty Commitment
Equipment Agreement	HC Company	2017/01/17~2018/05/25 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Equipment Agreement	HC Company	2017/01/17~2018/07/11 Complete acceptance by construction progress	Project & Chemicals Supply Equipment Agreement	Warranty Commitment
Tenancy Agreement	Shanghai Hangyuan Industrial Co.,Ltd.	2016/5/18-2019/5/17	Winmax Technology Corporation Factory Lease Agreement	None
General Credit Line Agreement	Mega International Commercial Bank	2017/06/26-2023/01/30	General Credit Line	None
General Credit Line Agreement	Mega International Commercial Bank	2018/07/04-2019/06/25	General Credit Line	None
General Credit Line Agreement	Mega International Commercial Bank	2018/06/26-2019/06/25	General Credit Line Agreement	None
General Credit Line Agreement	Hua Nan Bank	2018/08/01~2019/07/31	General Credit Line Agreement	None
General Credit Line Agreement	Taiwan Cooperative Bank	2018/03/09-2019/03/09	General Credit Line Agreement	None
General Credit Line Agreement	Taiwan Shin Kong Commercial Bank	2017/07/14-2019/07/13	General Credit Line Agreement	None
General Credit Line Agreement	Taishin International Bank	2018/03/31-2019/03/31	General Credit Line Agreement	None
General Credit Line Agreement	Taipei Fubon Bank	2019/01/16-2019/10/25	General Credit Line Agreement	None
General Credit Line Agreement	Citibank Taiwan	2018/12/25-2019/10/31	General Credit Line Agreement	None
General Credit Line Agreement	DBC Bank	2018/06/22-2019/06/22	General Credit Line	None
General Credit Line Agreement	HSBC Bank	2018/12/07-2019/11/30	General Credit Line Agreement	None
General Credit Line Agreement	E.SUN Commercial Bank	2018/08/14-2019/08/14	General Credit Line Agreement	None

Agreement	Counterparty	Period	Major Contents	Restrictions
General Credit Line Agreement	Bank of Shanghai	2019/03/15-2020/10/24	General Credit Line Agreement	None
General Credit Line Agreement	United Overseas Bank	2018/01/23-2019/01/22	General Credit Line Agreement	None
General Credit Line Agreement	Cathay United Bank	2018/02/24-2019/04/30	General Credit Line Agreement	None
General Credit Line Agreement	Mega International Commercial Bank Suzhou Branch	2019/01/25-2020/01/24	General Credit Line Agreement	None
General Credit Line Agreement	Bank of China	2018/04/10-2019/03/11	General Credit Line Agreement	None
General Credit Line Agreement	Fubon China	2018/06/07-2020/11/30	General Credit Line Agreement	None
General Credit Line Agreement	CTBC Bank Shanghai Branch	2018/06/11-2019/12/31	General Credit Line Agreement	None

VI. Financial Information

1. Five-Year Financial Summary

A. Condensed Balance Sheet

a. 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, 2019
		2014	2015	2016	2017	2018	
Current Assets		2,267,926	3,015,116	3,321,971	5,246,107	4,209,253	(Note 3)
Property, Plant and Equipment		87,558	81,279	86,447	92,816	144,648	
Intangible Assets		0	0	0	0	0	
Other Assets		15,724	39,673	54,341	53,647	37,821	
Total Assets		2,371,208	3,136,068	3,462,759	5,392,570	4,391,722	
Current Liabilities	Before Distribution	1,737,750	2,271,689	2,316,473	3,265,046	1,869,503	
	After Distribution	1,772,150	2,360,449	2,494,241	3,604,326	N/A	
Non-current Liabilities		34,671	56,449	80,667	129,888	216,408	
Total Liabilities	Before Distribution	1,772,421	2,328,138	2,397,140	3,394,934	2,085,911	
	After Distribution	1,806,821	2,416,898	2,574,908	3,734,214	N/A	
Equity Attributable to Owners of the Parent		598,787	807,930	1,065,619	1,997,636	2,305,811	
Common stock		172,000	253,600	296,280	339,280	339,280	
Capital Surplus		78,993	139,563	239,295	866,545	866,545	
Retained Earnings	Before Distribution	329,074	393,728	553,807	817,987	1,140,428	
	After Distribution	294,674	304,968	376,039	478,707	N/A	
Other Equity		18,720	21,039	(23,763)	(26,176)	(40,442)	
Treasury Stock		0	0	0	0	0	

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2019
		2014	2015	2016	2017	2018	
Non-controlling Interests		0	0	0	0	0	
Total Equity	Before Distribution	598,787	807,930	1,065,619	1,997,636	2,305,811	
	After Distribution	564,387	719,170	887,851	1,658,356	N/A	

Note 1: Financial information from 2015 to 2018 has been audited and assured by the CPA (assets and liabilities as of December 31, 2014 were disclosed in the 2015 consolidated financial statements).
Note 2: The distribution of 2018 earnings is to be determined in the 2019 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.

b. Condensed Standalone Balance Sheet - Based on IFRS

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current Assets		711,962	991,167	1,468,736	2,149,828	1,708,640
Property, Plant and Equipment		69,628	67,489	66,514	68,278	67,241
Intangible Assets		0	0	0	0	0
Other Assets		337,086	498,461	674,347	953,190	1,317,753
Total Assets		1,118,676	1,557,117	2,209,597	3,171,296	3,093,634
Current Liabilities	Before Distribution	485,218	692,842	1,063,311	1,043,772	571,359
	After Distribution	519,618	781,602	1,241,079	1,383,052	N/A
Non-current Liabilities		34,671	56,345	80,667	129,888	216,464
Total Liabilities	Before Distribution	519,889	749,187	1,143,978	1,173,660	787,823
	After Distribution	554,289	837,947	1,321,746	1,512,940	N/A
Equity Attributable to Owners of the Parent		598,787	807,930	1,065,619	1,997,636	2,305,811
Common stock		172,000	253,600	296,280	339,280	339,280
Capital Surplus		78,993	139,563	239,295	866,545	866,545
Retained Earnings	Before Distribution	329,074	393,728	553,807	817,987	1,140,428
	After Distribution	294,674	304,968	376,039	478,707	N/A
Other Equity		18,720	21,039	(23,763)	(26,176)	(40,442)
Treasury Stock		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	598,787	807,930	1,065,619	1,997,636	2,305,811
	After Distribution	564,387	719,170	887,851	1,658,356	N/A

Note 1: Financial information above has been audited and assured by the CPAs (assets and liabilities as of December 31, 2014 were disclosed in the 2015 consolidated financial statements).

Note 2: The distribution of 2018 earnings is to be determined in the 2019 shareholders' meeting.

c. Consolidated Condensed Balance Sheet - Based on GAAP of the R.O.C.

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current Assets		2,272,773				
Funds & Long-term investments		0				
Fixed Assets		87,558				
Intangible Assets		5,376				
Other Assets		1,573				
Total Assets		2,367,280				
Current Liabilities	Before Distribution	1,732,370				
	After Distribution	1,766,770				
Long-term Liabilities		0				
Other Liabilities		18,911				
Total Liabilities	Before Distribution	1,751,281				
	After Distribution	1,785,681	N/A	N/A	N/A	N/A
Common stock		172,000				
Capital Surplus		78,993				
Retained Earnings	Before Distribution	338,230				
	After Distribution	303,830				
Unrealized Gain or Loss on Financial Instruments		48				
Cumulative Translation Adjustments		28,018				
Net Loss Not Recognized as Pension Cost		(1,290)				
Total Equity	Before Distribution	615,999				
	After Distribution	581,599				

Note: Financial information above has been audited and assured by the CPAs. The balance sheets from 2015 to 2018 were compiled based on IFRS.

d. Condensed Standalone Balance Sheet - Based on GAAP of the R.O.C.

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current Assets		713,961				
Funds & Long-term investments		326,429				
Fixed Assets		69,628				
Intangible Assets		4,513				
Other Assets		912				
Total Assets		1,115,443				
Current	Before Distribution	480,533				
Liabilities	After Distribution	514,933				
Long-term Liabilities		0				
Other Liabilities		18,912				
Total Liabilities	Before Distribution	499,445	N/A	N/A	N/A	N/A
	After Distribution	533,845				
Common stock		172,000				
Capital Surplus		78,993				
Retained	Before Distribution	338,229				
Earnings	After Distribution	303,829				
Unrealized Gain or Loss on Financial Instruments		48				
Cumulative Translation Adjustments		28,018				
Net Loss Not Recognized as Pension Cost		(1,290)				
Total Equity	Before Distribution	615,998				
	After Distribution	581,598				

Note: Financial information above has been audited and assured by the CPAs. The balance sheets from 2015 to 2018 were compiled based on IFRS.

B. Condensed Statement of Comprehensive Income

a. Consolidated Condensed Statement of Comprehensive Income - Based on IFRS

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Operating Revenue		1,629,852	2,623,617	2,651,372	3,342,542	4,866,703	(Note 1)
Gross Profit		262,723	399,711	588,055	997,444	1,101,052	
Income from operation		78,974	167,786	331,252	675,902	705,569	
Non-operating Income(expenses)		7,610	31,480	22,307	(79,191)	99,428	
Income before Tax		86,584	199,266	353,559	596,711	804,997	
Income from Continuing Operations – after tax		57,744	150,448	264,391	447,475	559,863	
Loss from Discontinued Operations		0	0	0	0	0	
Net Income		57,744	150,448	264,391	447,475	559,863	
Other Comprehensive Income – after Tax		8,874	2,525	(47,674)	(7,940)	(16,608)	
Total Comprehensive Income		66,618	152,973	216,717	439,535	543,255	
Net income attributable to shareholders of the parent		57,744	150,488	264,391	447,475	559,863	
Net income attributable to non-controlling interest		0	0	0	0	0	
Comprehensive income attributable to Shareholders of the parent		66,618	152,973	216,717	439,535	543,255	
Comprehensive income attributable to non-controlling interest		0	0	0	0	0	
Earnings per Share		3.57	6.62	9.83	15.07	16.5	

Note 1: Financial information from 2015 to 2018 has been audited and assured by the CPAs (assets and liabilities as of December 31, 2014 were disclosed in the 2015 consolidated financial statements). Financial information as of the quarter immediately preceding the printing date of this annual report has not been audited and assured by the CPAs.

b. Condensed Standalone Statement of Comprehensive Income - Based on IFRS

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Operating Revenue		1,075,490	1,407,756	1,284,689	1,466,807	1,847,874
Gross Profit		132,231	123,481	177,909	433,771	341,993
Income from operation		48,237	26,332	79,918	295,479	194,128
Non-operating Income(expenses)		31,221	150,860	232,865	249,294	517,334
Income before Tax		79,458	177,192	312,783	544,773	711,462
Income from Continuing Operations – after tax		57,744	150,448	264,391	447,475	559,863
Loss from Discontinued Operations		0	0	0	0	0
Net Income		57,744	150,448	264,391	447,475	559,863
Other Comprehensive Income – after Tax		8,874	2,525	(47,674)	(7,940)	(16,608)
Total Comprehensive Income		66,618	152,973	216,717	439,535	543,255
Net income attributable to shareholders of the parent		57,744	150,448	264,391	447,475	559,863
Net income attributable to non-controlling interest		0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent		66,618	152,973	216,717	439,535	543,255
Comprehensive income attributable to non-controlling interest		0	0	0	0	0
Earnings per Share		3.57	6.62	9.83	15.07	16.5

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

c. Consolidated Condensed Statement of Comprehensive Income - Based on GAAP of the R.O.C.

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Operating Revenue		1,799,860				
Gross Profit		281,257				
Income from operations		97,359				
Non-operating Income		17,992				
Non-operating Expenses		10,383				
Income before Tax from Continuing Operations		104,968				
Income from Continuing Operations		72,908	N/A	N/A	N/A	N/A
Income from Discontinued Operations		0				
Extraordinary gain (loss)		0				
Cumulative effect of accounting principle changes		0				
Net Income		72,908				
Earnings per Share		4.51				

Note: Financial information above has been audited and assured by the CPAs. The Statement of comprehensive income from 2015 to 2017 were compiled based on IFRS.

d. Parent Company Only Condensed Statement of Comprehensive Income - Based on GAAP of the R.O.C.

Unit : NT\$ thousand

Item	Year	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2017
Operating Revenue		1,245,498				
Gross Profit		150,765				
Income from operations		66,621				
Non-operating Income		31,258				
Non-operating Expenses		38				
Income before Tax from Continuing Operations		97,841				
Income from Continuing Operations		72,907	N/A	N/A	N/A	N/A
Income from Discontinued Operations		0				
Extraordinary gain (loss)		0				
Cumulative effect of accounting principle changes		0				
Net Income		72,907				
Earnings per Share		4.24				

Note: Financial information above has been audited and assured by the CPAs. The statement of comprehensive income from 2015 to 2017 were compiled based on IFRS.

C. Auditors' Opinions from 2014 to 2018

Year	Accounting Firm	CPA	Audit Opinion
2014 (Parent Company Only)	KPMG	Wu, Hui-Lan	Unqualified opinion
2014 (Consolidated)	KPMG	Huang, Hai-Ning and Chang, Tzu-Hsin	Unqualified 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

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, 2019
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt-asset Ratio	74.75	74.24	69.23	62.96	47.49	(Note 4)
	Ratio of Long-term Capital to Property, Plant and Equipment	723.47	1063.47	1326.00	2292.20	1743.69	
Solvency (%)	Current Ratio	130.51	132.73	143.41	160.67	225.15	
	Quick Ratio	41.66	58.20	86.77	93.09	192.71	
	Interest earned ratio	19601	33931	93882	50841	Note 5	
Operating performance	Accounts receivable turnover (times)	4.33	4.18	3.13	4.64	4.31	
	Average collection period	84	87	117	79	85	
	Inventory turnover (times)	0.68	0.92	0.71	0.78	1.03	
	Accounts payable turnover (times)	1.89	2.30	2.49	2.36	3.77	
	Average days in sales	537	397	514	468	354	
	Property, plant and equipment turnover (times)	18.39	31.08	31.62	37.29	40.98	
	Total assets turnover (times)	0.87	0.95	0.80	0.75	0.99	
Profitability	Return on total assets (%)	3.11	5.48	8.02	10.13	11.44	
	Return on stockholders' equity (%)	11.17	21.39	28.22	29.22	26.01	
	Pre-tax income to paid-in capital (%)	50.34	78.57	119.33	175.88	237.26	
	Profit ratio (%)	3.54	5.73	9.97	13.39	11.5	
	Earnings per share (NT\$)	3.57	6.62	9.83	15.07	16.50	
Cash flow	Cash flow ratio (%)	Note 2	2.68	34.62	20.65	-0.41	
	Cash flow adequacy ratio (%)	Note 3	Note 3	Note 3	Note 3	75.2	
	Cash reinvestment ratio (%)	Note 2	2.93	60.13	22.86	(13.48)	
Leverage	Operating leverage	4.21	2.81	2.03	1.64	1.74	
	Financial leverage	1.01	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 %).							
<ul style="list-style-type: none"> ●Decrease in Debt-asset Ratio: The decrease was mainly due to adjustment of IFRS 15, the manufacturing of equipment using percentage of completion method cause debt decrease. ●Increase in Current Ratio / Quick Ratio: The main reason is adjusted by the IFRS15, resulting in a decrease in liabilities for the current period. ●Increase in Inventory turnover / Accounts payable turnover and decrease in Average days in sales: The manufacturing of equipment using percentage of completion method cause increase cost of goods sold this year. ●Increase in Ratio of Income before Tax to Paid-in Capital: The increase was mainly due to the increase in income before tax arising. ●Decrease in Cash Flow Ratio: The decrease was mainly due to the decrease in liabilities. 							

●Decrease in Cash Flow 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 calculation formulas are as follows:

1. Financial Structure
 - (1) Debt-asset Ratio = Total Liabilities / Total Assets.
 - (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operation Ability
 - (1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.
 - (2) Average Collection Days = 365 / Receivables Turnover Rate.
 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
 - (4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.
 - (5) Average Days for Sale = 365 / Inventory Turnover Rate.
 - (6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Property, Plant and Equipment.
 - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.
 - (2) Return on Equity = Net Income / Average Total Equity.
 - (3) Net Profit Margin = Net Income / Net Sales.
 - (4) Earnings per Share = (Income Attributable to Owners of the Parent – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
 - (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.
 - (3) Cash Flow 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 Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
 - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

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

Note 4: 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 5: No interest expense in this period so not significance to analysis.

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

Item(Note 4)		Financial Analysis for the Past Five Years					
		Year (Note 1)	2014	2015	2016	2017	2018
Financial Structure (%)	Debt-asset Ratio		46.47	48.11	51.77	37.01	25.47
	Ratio of Long-term Capital to Property, Plant and Equipment		909.77	1280.62	1723.38	3115.97	3751.10
Solvency (%)	Current Ratio		146.73	143.06	138.13	205.97	299.05
	Quick Ratio		47.51	59.42	85.70	137.37	235.52
	Interest earned ratio		209200	30184	83066	46424	Note 5
Operating performance	Accounts receivable turnover (times)		7.54	6.44	3.20	3.66	6.08
	Average collection period		48	57	114	100	60
	Inventory turnover (times)		0.72	0.94	0.54	0.53	1.05
	Accounts payable turnover (times)		3.21	3.18	2.58	2.12	3.68
	Average days in sales		507	388	676	689	347
	Property, plant and equipment turnover (times)		15.20	20.53	19.17	21.76	27.27
	Total assets turnover (times)		1.13	1.05	0.68	0.55	0.59
Profitability	Return on total assets (%)		6.05	11.28	14.05	16.67	17.87
	Return on stockholders' equity (%)		11.17	21.39	28.22	29.22	26.01
	Pre-tax income to paid-in capital (%)		46.20	69.87	105.57	160.57	209.7
	Profit ratio (%)		5.37	10.69	20.58	30.51	30.30
	Earnings per share (NT\$)		3.57	6.62	9.83	15.07	16.50
Cash flow	Cash flow ratio (%)		Note 2	Note 2	24.31	18.06	8.40
	Cash flow adequacy ratio (%)		Note 3	Note 3	Note 3	Note 3	37.65
	Cash reinvestment ratio (%)		Note 2	Note 2	11.26	0.50	(11.48)
Leverage	Operating leverage		4.03	7.23	3.23	1.72	1.57
	Financial Leverage		1.00	1.02	1.00	1.00	1.00
<p>Please explain the reason for changes in financial ratios in the most recent two years (exempt if deviation is within 20 %).</p> <ul style="list-style-type: none"> ●Decrease in Debt-asset Ratio: The main reason is adjusted by the IFRS15, resulting in a decrease in liabilities for the current period. ●Increase in Ratio of Long-term Capital to Property, Plant and Equipment: The increase was mainly due to the 25% increase in net income. ●Increase in Current Ratio / Quick Ratio: The main reason is adjusted by the IFRS15, resulting in a decrease in liabilities for the current period. ●Increase in Accounts receivable turnover / Decrease in Average collection period / Increase in Property, plant and equipment turnover: The increase was mainly due to growth of revenue. ●Increase in Inventory turnover / Decrease in Average days in sales / Increase in Accounts payable turnover: The company has undertaken a large number of large-scale cases in the current period, resulting in higher input costs at the beginning of large-scale construction cases. ●Increase in Ratio of Income before Tax to Paid-in Capital: The increase was mainly due to the increase in income by subsidiary. ●Decrease in Cash Flow Ratio: Due to large number of large-scale cases were undertaken in this period, resulting in higher input costs at the beginning of large-scale construction cases. ●Decrease in Cash Flow 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 is of no analytical significance.

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-asset Ratio = Total Liabilities / Total Assets.
 - (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operation Ability
 - (1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.
 - (2) Average Collection Days = 365 / Receivables Turnover Rate.
 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
 - (4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.
 - (5) Average Days for Sale = 365 / Inventory Turnover Rate.
 - (6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Property, Plant and Equipment.
 - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.
 - (2) Return on Equity = Net Income / Average Total Equity.
 - (3) Net Profit Margin = Net Income / Net Sales.
 - (4) Earnings per Share = (Income Attributable to Owners of the Parent – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
 - (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.
 - (3) Cash Flow 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 Operating Revenue - Variable Operating Costs and Expenses) / Operating Income. (Note 5)
 - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 5: No interest expense in this period so not significance to analysis.

C. Consolidated Financial Analysis - Based on ROC GAAP.

Item(Note 2)		Year (Note 1)	Financial Analysis for the Past Five Years				
			2014	2015	2016	2017	2018
Financial Structure (%)	Debt-asset Ratio		73.98				
	Ratio of Long-term Capital to Fixed Assets		725.13				
Solvency (%)	Current Ratio		131.19				
	Quick Ratio		48.11				
	Interest Coverage Ratio		23741				
Operation Ability	Accounts receivable turnover (times)		N/A				
	Average collection period		N/A				
	Inventory turnover (times)		N/A				
	Accounts payable turnover (times)		N/A				
	Average days in sales		N/A				
	Fixed assets turnover (times)		N/A	N/A	N/A	N/A	N/A
	Total assets turnover (times)		N/A				
Profitability	Return on total assets (%)		N/A				
	Return on stockholders' equity (%)		N/A				
	Operating Income	Ratio to Paid-in Capital (%)	56.60				
	Pre-tax income		61.03				
	Profit ratio (%)		4.05				
	Earnings per share (NT\$)		4.51				
Cash Flow	Cash flow ratio (%)		N/A				
	Cash flow adequacy ratio (%)		N/A				
	Cash reinvestment ratio (%)		N/A				
Leverage	Operating Leverage		3.61				
	Financial Leverage		1.00				
Please explain the reason for changes in financial ratios in the most recent two years (exempt if deviation is within 20 %).							
N/A (no basis for comparison).							

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-asset Ratio = Total Liabilities / Total Assets.
 - (2) Ratio of Long-term Capital to Fixed Assets = (Net Shareholders' Equity + Non-current Liabilities) / Net Fixed Assets.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operation Ability
 - (1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.
 - (2) Average Collection Days = 365 / Receivables Turnover Rate.
 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
 - (4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.
 - (5) Average Days for Sale = 365 / Inventory Turnover Rate.
 - (6) Fixed Asset Turnover Rate = Net Sales / Average Net Fixed Assets.
 - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.
 - (2) Return on Shareholders' Equity = Net Income / Average Net Shareholder's Equity.
 - (3) Net Profit Margin = Net Income / Net Sales.
 - (4) Earnings per Share = (Net Income - Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.

5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
 - (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.
 - (3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividends) / Gross Fixed Assets + Long-Term Investments + Other Assets + Working Capital).
6. Leverage
 - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
 - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

D. Parent Company Only Financial Analysis - Based on GAAP of the R.O.C.

Item(Note 3)		Year (Note 1)	Financial Analysis for the Last Five Years				
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt-asset Ratio	44.78	N/A	N/A	N/A	N/A	
	Ratio of Long-term Capital to Fixed Assets	911.86					
Solvency (%)	Current Ratio	148.58					
	Quick Ratio	49.20					
	Interest Coverage Ratio	254458					
Operation Ability	Accounts receivable turnover (times)	8.73					
	Average collection period	42					
	Inventory turnover (times)	3.40					
	Accounts payable turnover (times)	3.42					
	Average days in sales	107					
	Property, plant and equipment turnover (times)	17.61					
	Total assets turnover (times)	1.31					
Profitability	Return on total assets (%)	7.67					
	Return on stockholders' equity (%)	13.85					
	Operating Income	Ratio to Paid-in Capital (%)					38.73
	Income before Tax						56.88
	Profit ratio (%)	5.85					
	Earnings per Share (NTD)	4.24					
Cash Flow (%)	Cash Flow Ratio	Note 2					
	Cash Flow Adequacy Ratio	37.72					
	Cash Reinvestment Ratio	Note 2					
Leverage	Operating Leverage	3.20					
	Financial Leverage	1.00					
Please explain the reason for changes in financial ratios in the most recent two years (exempt if deviation is within 20%).N/A (no basis for comparison).							

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 is of no analytical significance.

Note 3: The calculation formulas are as follows:

1. Financial Structure
 - (1) Debt-asset Ratio = Total Liabilities / Total Assets.
 - (2) Ratio of Long-term Capital to Fixed Assets = (Net Shareholders' Equity + Non-current Liabilities) / Net Fixed Assets.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operation Ability
 - (1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.
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 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
 - (4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.
 - (5) Average Days for Sale = 365 / Inventory Turnover Rate.
 - (6) Fixed Asset Turnover Rate = Net Sales / Average Net Fixed Assets.
 - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.
 - (2) Return on Shareholders' Equity = Net Income / Average Net Shareholder's Equity.
 - (3) Net Profit Margin = Net Income / Net Sales.
 - (4) Earnings per Share = (Net Income - Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
 - (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.
 - (3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / Gross Fixed Assets + Long-Term Investments + Other Assets + Working Capital).
6. Leverage
 - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
 - (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

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

NOVA TECHNOLOGY CORP.
Audit Committee's Review Report

The Board of Directors has prepared the company's 2018 Financial Statements (both consolidated and individual). 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.

This company's 2018 business report and earnings distribution proposal have been prepared and issued by the board of directors. The foregoing business report and earnings distribution proposal have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

2019 shareholders meeting of NOVA TECHNOLOGY CORP.

NOVA TECHNOLOGY CORP.

Chairman of the Audit Committee: Yang, Sheng-Yung

February 25, 2019

4. Annual Consolidated Financial Report in the Most Recent Year : Refer to Page 133~190.
5. Annual Parent Company only Financial Report in the Most Recent Year : Please refer to Chinese annual report.
6. Impact of Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being published : None.

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

1. Financial Status

Unit: NT\$ thousands, %

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	5,246,107	4,209,253	(1,036,854)	(19.76)
Property, Plant and Equipment	92,816	144,648	51,832	55.84
Other Assets	53,647	37,821	(15,826)	(29.50)
Total Assets	5,392,570	4,391,722	(1,000,848)	(18.56)
Current Liabilities	3,265,046	1,869,503	(1,395,543)	(42.74)
Non-current Liabilities	129,888	216,408	86,520	66.61
Total Liabilities	3,394,934	2,085,911	(1,309,023)	(38.56)
Share Capital	339,280	339,280	0	0
Capital Surplus	866,545	866,545	0	0
Retained Earnings	817,987	1,140,428	322,441	39.42
Other Equity	(26,176)	(40,442)	(14,266)	(54.50)
Total Equity	1,997,636	2,305,811	308,175	15.43

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

- (1) The increase in Property, Plant and Equipment was mainly due to purchase new office and build clean room by subsidiary.
- (2) The decrease in Other Assets was mainly due to the decrease in deferred tax assets.
- (3) The decrease in Current Liabilities and total liability was mainly due to the decrease unearned sales revenue by adjustment of IFRS15.
- (4) The increase in Non-current Liabilities was mainly due to the decrease in deferred tax liability.
- (5) The increase in Retained Earnings and Total Equity was mainly due to the increase in profit.

2. Financial Performance

Unit: NT\$ thousands, %

Item \ Year	2017	2018	Increase/Decrease	Difference (%)
Net Sales	3,342,542	4,866,703	1,524,161	45.60
Cost of Sales	2,345,098	3,765,651	1,420,553	60.58
Gross Profit	997,444	1,101,052	103,608	10.39
Operating Expenses	321,542	395,483	73,941	22.30
Operating Income	675,902	705,569	29,667	4.39
Non-operating Income and Expenses	(79,191)	99,428	178,619	125.55
Income before Tax	596,711	804,997	208,286	34.91
Tax Expense	149,236	245,134	95,898	64.26
Net Income	447,475	559,863	112,388	25.12

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

- (1) The increase in Sales and Cost of Sales was mainly due to the large-scale construction cases were undertaken, and the gross profit of large-scale construction cases was lower.
- (2) The increase in Operating Cost was mainly due to the increase in the remuneration of employees, directors, and supervisors arising from good profitability.
- (3) The increase in Non-operating Income and Expenses was mainly due to the exchange gain arising from the appreciation of NTD.
- (4) The increase in Income Tax Expense was mainly due to the increase in estimated income tax expenses arising from good profitability.
- (5) The increase in Income before Tax and Net Income was mainly due to the increase in Operating Income and non-operating income.

2. Impact of sales volume forecast and the basis on Corporate Finance and Business, and Response Measures: Refer to "2. Sales Volume Forecast and the Basis" on Page 3.

3. Cash Flow

A. Cash Flow Analysis for the Current Year (2018):

Unit: NT\$ thousands, %

Item	2017	2018	Variance %
Cash Flow Ratio (%)	20.65	(0.41)	(101.99)
Cash Flow Adequacy Ratio (%)	(Note1)	75.2	(Note1)
Cash Reinvestment Ratio (%)	22.86	(13.48)	(158.97)

Main causes for changes in the cash flow:

1. The decrease in Cash Flow Ratio due to the decrease in cash flow from operating activities.
2. The decrease in Cash Reinvestment Ratio due to the decrease in cash flow from operating activities.

Note1 : Less than five fiscal years have elapsed since the adoption of the IFRS for financial information.

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 (2019) :

Unit: NT\$ thousands

Cash Balance, Beginning of Year (As of December 31, 2017) (1)	Net Cash Flow from Operating Activities in 2018 (2)	Cash Inflow from Investing and Financing Activities in 2018 (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,717,725	847,212	(700,000)	1,864,937	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 increase in cash inflow from investing activities is mainly due to get plant and equipment.
- (3) The increase in 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

As of today, the Company has no major capital expenditure or plan for major capital expenditures.

5. Investment Analysis in 2018

A. Investment Policy:

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 aforesaid regulations or procedures are reviewed and approved by the Board of Directors and the Shareholders' Meeting.

B. Main Causes for Investment Profits or Losses and Improvement Plans:

Unit: NT\$ thousands

Invested Company	Investment Profits or Losses	Causes for Investment Profits or Losses	Improvement Plan
Winmax Technology Corporation	380,117	Increasing sales of high-tech equipment in China	None
Winmega Technology Corp.	24,887	Stable profit from the agency	None
Suzhou Winmax Technology Corporation	66,670	Business operations are gradually stable and sales increase	None
NTEC	19,501	Business operations are gradually stable and sales increase	None

C. Investment Plan for 2019 : None.

6. Analysis of Risk Management

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

a. Interest Rates

The Group's interest rates came from bank deposits and loans. In 2017 and 2018, interest income was NT\$ 11,555 thousand and NT\$ 24,390 thousand, respectively, accounting for 0.35% and 0.5% of net operating revenue, respectively; the interest expense was NT\$ 1,176 thousand and NT\$ 0 thousand respectively, accounting for 0.035% and 0% of net operating revenue, respectively. Overall, the proportion of interest income and interest expenses to net operating revenue was low in 2017 and 2018, so there was no significant impact of interest rates on the Group's finance and business. In case of large fluctuations in interest rates, the Group shall maintain close contact with banks to seek the most preferential interest rates of loans, while applying other financial tools appropriately based on a sound financial plan.

b. Foreign Exchange Rates:

The Group mainly operates in Taiwan and China. As most payables and receivables for export are USD-denominated, The Group adopts a natural hedging strategy to reduce the impact of foreign exchanges on the Group's profits or losses. In 2017 and 2018, gain (loss) on foreign exchange was NT\$ (88,530) thousand and NT\$ 59,577 thousand, respectively, accounting for (13.10)% and 8.44% of net operating income, respectively. The loss on foreign exchange in 2017 was mainly due to a higher amount of the loss on foreign exchange arising from the appreciation of both NTD and CNY as a result of serious trade deficits in the U.S. The Group's finance department collected information on exchange rates from banks and determined the foreign exchange positions held; in addition, the Group's Procedures for Acquisition or Disposal of Assets also stipulate the procedures for trading derivatives to strengthen the control over risks of forward exchange contracts that hedge the changes in foreign exchange rates.

c. Inflation:

In 2018 and as of the printing date of this annual report, there is no significant impact of inflation on the Group. In the future, the Group 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 Group'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 Group neither invests in other high-risk industries nor makes high-leverage investments in a stable and conservative manner, so the risk is limited.

The Group has established the Procedures for Acquisition or Disposal of Assets, the Procedures for Loaning of Company Funds, and Procedures for Endorsements and Guarantees, which stipulate high-risk and high-leverage investments, lending of funds, endorsements / guarantees, and derivatives trading between the Group and its affiliated companies. The Group and its affiliated companies lend funds to others and make endorsements/guarantees in accordance with the aforesaid procedures. In 2017 and as of the printing date of this annual report, the Group and its affiliated companies have not engaged in high-risk and high-leverage investments or derivatives trading.

C. Future Research & Development Projects and Corresponding Budgets

The high-tech industry features the following:

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

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

- a. Safety
- b. Stable and reliable supply
- c. User-friendly operational interfaces
- d. Compact and adaptive on-site
- e. Modular design that ensures scalability
- f. Elasticity under uninterrupted supply

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

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

- a. Safety:
Research and develop new materials and equipment and strengthen manufacturing techniques to improve safety and performance of equipment.
- b. Stability:
Research and develop equipment control procedures and adjust and update control software to improve stability and performance of equipment.
- c. Compactness:
Research and develop new components and performance to improve the compactness and scalability of equipment.
- d. Accuracy:

Research more accurate processing procedures and components for chemicals of high concentrations to increase competitiveness.

- e. Energy saving:
Research energy saving and efficiency using MVR (mechanical vapor recompression) developed with the partner.
- f. Water system:
Research the use of water resources using zero discharge wastewater, reclaimed water recycling, and desalination systems developed with the international partner.
- g. 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	155,921	Oct. 2020	Construction techniques are optimized and the capabilities of equipments are upgraded.	<ul style="list-style-type: none"> ● 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 Group 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 Group has established subsidiaries in Suzhou, Shanghai, and Singapore to expand business and services to customers and further improve the Group's overall competitiveness. Environmental protection and water resources have been of great concern in recent years. The Group 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 Group 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 Group 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 Group 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 Group performs credit investigations when receiving orders. During manufacturing, the Group also pays close attention to customers' operation and market conditions to ensure the Group's rights and interests.

The Group 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. Impact of, Risks Relating to and Responses to Mass Transfers or Changes in Shareholding of Directors, Supervisors, or Major Shareholders with a shareholding ratio of 10% or More:

When the Company's directors dispose of the Company's shares, they shall comply with stock dispersion prescribed in laws and regulations of OTC listing; therefore, there is no significant impact of and risk relating to transfers or changes in shareholding.

K. Impact of, Risks Relating to and Responses to the Changes in Ownership:

In 2018 and as of the printing date of this annual report, the Company has no change in ownership.

L. Litigation or Non-litigation Cases:

- a. For litigious or non-litigious proceedings or administrative disputes involving the Company with respect to which a judgment has become final and unappealable in the most recent two fiscal years and as of the printing date of this annual report, or for any such matter still pending, if the outcome could materially impact shareholders' equity or the prices of the Company's securities, this annual report shall list the facts of the dispute, amount of money at stake in the dispute, the date of commencement of proceedings, the main parties to the dispute, and current status of the dispute's handling.

- (a) Litigious or non-litigious proceedings or administrative disputes involving the Company and its subsidiaries with respect to which a judgment has become final and unappealable 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 UHP-NH₃ Gas Plant on September 13, 2012. Both parties disputed over whether the installation was completed and whether additional construction was required, and Jing He refused to make payments. The said disputes required the judicial investigations, so the Company filed an action to request for payments of the construction.

Contract sum : NT\$21,665,255

Start date : The Company filed a civil action against Jing He on September 16, 2013.

Progress : Reached a settlement With Jing He Science Co., Ltd. On September 3, 2018. The defendant, Jing He Company, agreed to pay the company NT\$16 million and the payment was completed.. (Case No: Taiwan Taoyuan District Court 2013 Jien-Zi No.63).

- (b) Litigious or non-litigious proceedings or administrative disputes involving the Company and its subsidiaries with respect to which a judgment is still pending in the most recent two fiscal years and as of the printing date of this annual report:
- i. Litigation against Jing He Science Co., Ltd. (Jing He) regarding the performance of a contract:

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

Contract sum : NT\$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 AX-CELLENT Green Energy & Repro. Corp.(NERCA) regarding the performance of a contract:

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

Contract sum : NT\$3,379,227

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

Progress : According to binding judgment of Taiwan High Court Tainan Branch Court. NERCA needs to pay the company NT\$ 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.
- b. Litigious or non-litigious proceedings or administrative disputes involving a director, a supervisor, the president, the de facto person in charge, a 10% or greater major shareholder, or a controlled company of the Company with respect to which a judgment has become final and unappealable in the most recent two fiscal years and as of the printing date of this annual report, or is still pending, and whose outcome could materially impact shareholders' equity or the prices of the Company's securities: None.
- c. Any of the situations set out under Article 157 of the Securities and Exchange Act having occurred with respect to a director, a supervisor, a managerial officer, and a 10% or greater major shareholder of the Company in the most recent two fiscal years and as of the printing date of this annual report, and the current status of the Company's handling of the matter: None.
- d. If a director, a supervisor, a managerial officer, and a 10% or greater major shareholder of the Company has experienced financial difficulties or loss of creditworthiness in the most recent two fiscal years and as of the printing date of this annual report, this annual report shall indicate the impact on the Company's financial status: None.

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:

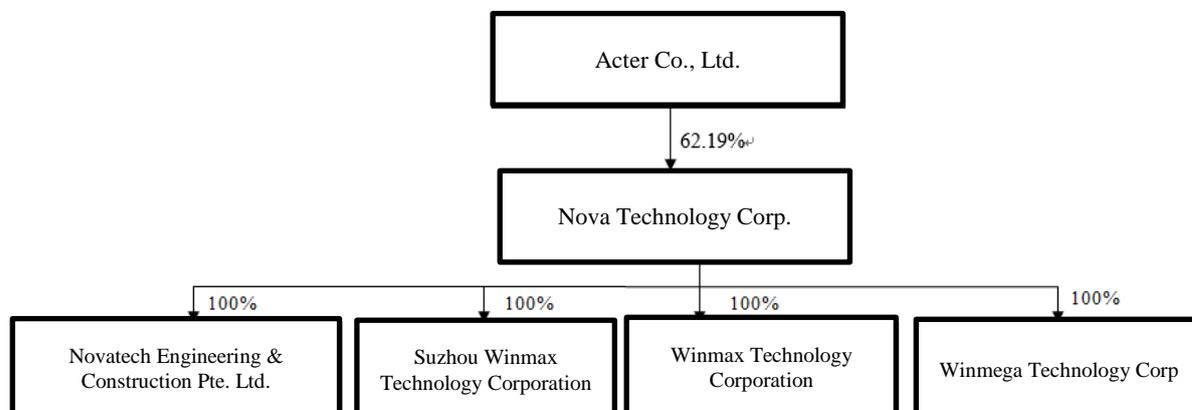
- a. Strengthening employees' awareness of security : The risky security threat information and response methods are irregularly announced with the company's employees, preventing employees from inadvertently falling into the trap of the security threat, and strengthening employees' awareness of security
- b. 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.
- c. 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.
- d. 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 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, 2018; 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, 2018; Unit: Shares, %

Affiliated Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Acter Co., Ltd.	Chairperson	Liang, Chin-Li	2,082,566	3.84
	Director	Hu, Tai-Chen	1,251,618	2.31
	Director	Yang, Chiung-Tang	1,005,330	1.85
	Independent Director	Yeh, Hui-Hsin	3,450	0.01
	Independent Director	Wang, Mao-Jung	3,450	0.01
	Independent Director	Yang Chien	0	0
	President	Wang, Chun-Sheng	37,772	0.07
	President	Lai, Ming-Kun	156,978	0.29
Winmega Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Liang, Chin-Li)	3,000,000	100
	Director	Nova Technology Corp. (Representative: Hsu, Chung-Cheng)		
	Director	Nova Technology Corp. (Representative: Wu, Chien-Nan)		
	Supervisor	Nova Technology Corp. (Representative: Ma, Wei)		
	President	Wu, Chien-Nan	0	0

Affiliated Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Winmax Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Ma Wei)	Note 1	100
	Director	Nova Technology Corp. (Representative: Hsu, Chung-Cheng)		
	Director	Nova Technology Corp. (Representative: Chien, Chien-Chih)		
	Supervisor	Nova Technology Corp. (Representative: Liang, Chin-Li)		
	President	Chien, Chien-Chih		0
Suzhou Winmax Technology Corp.	Chairperson	Nova Technology Corp. (Representative: Ma Wei)	Note 1	100
	Director	Nova Technology Corp. (Representative: Hsu, Chung-Cheng)		
	Director	Nova Technology Corp. (Representative: Chien, Chien-Chih)		
	Supervisor	Nova Technology Corp. (Representative: Liang, Chin-Li)		
	President	Chien, Chien-Chih		0
Novatech Engineering & Construction Pte. Ltd.	Director	Nova Technology Corp. (Representative: Liang, Chin-Li)	1,000,000	100
	Director	Nova Technology Corp. (Representative: Hsu, Chung-Cheng)		
	President	Hsu, Chung-Cheng		

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

F. Operational overview of the affiliates

As of December 31, 2018; Unit: NT\$ thousands

Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net Operating Income	Net Income	Earnings per Share
Acter Co., Ltd.	542,028	6,382,037	2,032,911	4,349,126	4,234,865	456,078	1,049,020	19.52
Winmega Technology Corp.	30,000	92,280	13,616	78,664	61,617	29,526	24,887	8.30
Winmax Technology Corporation	151,426	2,343,179	1,276,795	1,066,383	2,840,905	369,116	380,117	Note 1
Suzhou Winmax Technology Corporation	32,478	682,301	581,596	100,705	509,293	88,925	66,670	Note 1
Novatech Engineering & Construction Pte. Ltd.	24,179	55,508	14,463	41,045	98,567	22,943	19,501	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.133 ~ P.190

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

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

Implementation of commitments after Taipei Exchange listing:

OTC Commitments	Implementation of Commitments
<p>The Company has committed to adding the following provision to the Procedures for Acquisition or Disposal of Assets: “If Winmax Company and Suzhou Winmax Company hold shares, the company will lose its substantive control over Winmax Company and Suzhou Winmax Company, and it must first pass a special resolution of the board of directors of the company, and independent directors should attend and express their opinions. The contents of the resolution and the amendments to this article should be opened and public information should be entered into the major observing station information to be disclosed and a letter to the counter buying center for future reference.”</p>	<p>The Company has added Article 15 of the Procedures for Acquisition or Disposal of Assets. The amended Procedures have been approved by the Board of Directors on February 22, 2018 and have been approved by shareholders’ meeting on May 28, 2018 . As of March 31, 2019, the Company did not directly or indirectly dispose of the shares held by Winmax Company and Suzhou Winmax Company.</p>

IX. Any Events in 2018 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.

Representation Letter

The entities that are required to be included in the combined financial statements of Nova Technology Corp. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nova Technology Corp. and its Subsidiaries do not prepare a separate set of combined financial statements.

Nova Technology Corporation

Chairman: Mr. Liang, Chin-Li

February 25, 2019



安侯建業聯合會計師事務所

KPMG

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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, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, 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, 2018 and 2017, 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 as well as related guidance endorsed 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 of the current period. 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 from contracts with customers", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(3) "Construction contracts" 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(2) "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: testing the control and validity of the collection, and checking the receipt of cash after the year-end, analyzing the aging of the allowance evaluation assumptions and measuring the credit loss during expected period of the receivables to consider the adequacy of the Group's disclosures in the accounts.

3. Accrual of construction contract losses

Please refer to Note 4(12) "Construction contracts", 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 additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group 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.

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 of the current period 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 25, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 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 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, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018		December 31, 2017		Liabilities and Equity	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (not 6(1))	\$ 1,717,725	39	2,246,348	42	Notes payable	\$ 43,126	1	149,917	3
Notes receivable, net (note 6(2))	227,870	5	81,741	2	Accounts payable	861,160	20	937,107	18
Accounts receivable, net (note 6(2))	1,377,726	31	565,996	11	Accounts payable to related parties (note 7)	2,961	-	2,063	-
Contract assets—current (notes 6(12) and 7)	81,936	2	-	-	Contract liabilities—current (notes 6(12) and 7)	542,657	12	-	-
Construction contracts receivable (notes 6(3) and 7)	-	-	401,156	7	Construction contracts payable (notes 6(3) and 7)	-	-	47,777	1
Other receivables due from related parties (note 7)	225	-	207	-	Salary and bonus payable	164,773	4	125,741	2
Inventories (note 6(4))	306,787	7	1,634,371	30	Provisions—current (note 6(7))	152,970	3	180,549	3
Prepayments to suppliers	217,743	5	171,273	3	Unearned sales revenue (note 3)	-	-	1,702,275	32
Other financial assets—current (notes 6(5) and 8)	249,731	6	119,743	2	Other current liabilities	101,856	2	119,617	2
Other current assets	29,510	1	25,272	-	Total current liabilities	1,869,503	42	3,265,046	61
Total current assets	4,209,253	96	5,246,107	97	Non-Current liabilities:				
Non-current assets:					Deferred tax liabilities (note 6(9))	192,005	4	107,608	2
Property, plant and equipment (note 6(6))	144,648	3	92,816	2	Net defined benefit liabilities—non-current (note 6(8))	24,403	1	22,280	-
Deferred tax assets (note 6(9))	29,007	1	44,525	1	Total non-current liabilities	216,408	5	129,888	2
Other non-current assets (note 6(2))	8,814	-	9,122	-	Total liabilities	2,085,911	47	3,394,934	63
Total non-current assets	182,469	4	146,463	3	Equity (note 6(10):				
					Ordinary share capital	339,280	8	339,280	6
					Capital surplus	866,545	20	866,545	16
					Retained earnings	1,140,428	26	817,987	15
					Other equity interest	(40,442)	(1)	(26,176)	-
					Total equity	2,305,811	53	1,997,636	37
Total assets	\$ 4,391,722	100	5,392,570	100	Total liabilities and equity	\$ 4,391,722	100	5,392,570	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, 2018 and 2017

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

	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Net operating revenue (notes 6(3), (12) and (13))	\$ 4,866,703	100	3,342,542	100
Operating costs (notes 6(3), (4), (8) and 7)	<u>3,765,651</u>	<u>78</u>	<u>2,345,098</u>	<u>71</u>
Gross profit	<u>1,101,052</u>	<u>22</u>	<u>997,444</u>	<u>29</u>
Operating expenses (notes 6(2), (8), (10) and (15)):				
Selling	74,940	2	51,892	2
General and administrative	208,805	4	199,765	6
Research and development	116,037	2	81,945	2
Expected credit Impairment loss (gain)	<u>(4,299)</u>	<u>-</u>	<u>(12,060)</u>	<u>-</u>
Total operating expenses	<u>395,483</u>	<u>8</u>	<u>321,542</u>	<u>10</u>
Net operating income	<u>705,569</u>	<u>14</u>	<u>675,902</u>	<u>19</u>
Non-operating income and expenses:				
Other gains and losses (note 6(14))	99,428	2	(78,015)	(2)
Finance costs (note 6(14))	<u>-</u>	<u>-</u>	<u>(1,176)</u>	<u>-</u>
	<u>99,428</u>	<u>2</u>	<u>(79,191)</u>	<u>(2)</u>
Income before income tax	804,997	16	596,711	17
Less: income tax expense (note 6(9))	<u>245,134</u>	<u>5</u>	<u>149,236</u>	<u>4</u>
Net income	<u>559,863</u>	<u>11</u>	<u>447,475</u>	<u>13</u>
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans (note 6(8))	(2,342)	-	(5,527)	-
Income tax relating to items that will be not reclassified subsequently	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(2,342)</u>	<u>-</u>	<u>(5,527)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(19,015)	-	(2,907)	-
Income tax relating to items that may be reclassified subsequently (note 6(9))	<u>4,749</u>	<u>-</u>	<u>494</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(14,266)</u>	<u>-</u>	<u>(2,413)</u>	<u>-</u>
Other comprehensive income, net	<u>(16,608)</u>	<u>-</u>	<u>(7,940)</u>	<u>-</u>
Total comprehensive income	<u>\$ 543,255</u>	<u>11</u>	<u>439,535</u>	<u>13</u>
Earnings per share (New Taiwan Dollars) (note 6(11))				
Basic earnings per share	<u>\$ 16.50</u>		<u>15.07</u>	
Diluted earnings per share	<u>\$ 16.39</u>		<u>14.99</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share capital	Capital surplus	Retained earnings			Total	Exchange differences on translation of foreign financial statements	Total equity
			Legal reserve	Special reserve	Unappropriat ed retained earnings			
Balance as of January 1, 2017	\$ 296,280	239,295	99,262	9,241	445,304	553,807	(23,763)	1,065,619
Net income for the period	-	-	-	-	447,475	447,475	-	447,475
Other comprehensive income for the period	-	-	-	-	(5,527)	(5,527)	(2,413)	(7,940)
Total comprehensive income for the period	-	-	-	-	441,948	441,948	(2,413)	439,535
Appropriation and distribution of retained earnings:								
Appropriation for legal reserve	-	-	26,439	-	(26,439)	-	-	-
Appropriation for special reserve	-	-	-	23,763	(23,763)	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	(177,768)	(177,768)	-	(177,768)
Capital increase by cash	43,000	615,266	-	-	-	-	-	658,266
Share-based payment for the subscription of new shares by employees	-	11,984	-	-	-	-	-	11,984
Balance as of December 31, 2017	339,280	866,545	125,701	33,004	659,282	817,987	(26,176)	1,997,636
Effects of retrospective application of new standards	-	-	-	-	104,200	104,200	-	104,200
Balance on 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

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, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 804,997	596,711
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	10,064	6,671
Expected credit Impairment loss (gain)	(4,299)	(12,060)
Allowance for inventory valuation and obsolescence loss	5,309	2,414
Interest expense	-	1,176
Interest income	(24,390)	(11,555)
Compensation cost of share-based payment transactions	-	11,984
Others	30	460
Total adjustments to reconcile profit (loss)	<u>(13,286)</u>	<u>(910)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(953,088)	159,015
Contract assets	424,348	(341,917)
Inventories	(73,423)	(540,099)
Other current assets	(80,714)	(57,311)
Total changes in operating assets	<u>(682,877)</u>	<u>(780,312)</u>
Changes in operating liabilities:		
Contract liabilities	211,423	(303,946)
Notes and accounts payable	(182,738)	375,379
Accounts payable-related parties	898	(140)
Unearned sales revenue	(10,023)	659,007
Accrued expenses and other current assets	(7,840)	197,094
Total changes in operating assets	<u>11,720</u>	<u>927,394</u>
Total adjustments	<u>(684,443)</u>	<u>146,172</u>
Cash flows generated from operations	120,554	742,883
Interest received	24,390	11,555
Interest paid	-	(1,182)
Income taxes paid	(152,729)	(79,022)
Net cash flows from (used in) operating activities	<u>(7,785)</u>	<u>674,234</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(63,114)	(14,103)
Proceeds from disposal of property, plant and equipment	277	150
Increase in other financial assets	(100,000)	-
Decrease (increase) in other non-current assets	308	(3,864)
Net cash flows used in investing activities	<u>(162,529)</u>	<u>(17,817)</u>
Cash flows from financing activities:		
Cash dividends paid	(339,280)	(177,768)
Capital increase by cash	-	658,266
Net cash flows generated from (used in) financing activities	<u>(339,280)</u>	<u>480,498</u>
Effect of exchange rate changes	<u>(19,029)</u>	<u>(3,485)</u>
Net increase (decrease) in cash and cash equivalents	(528,623)	1,133,430
Cash and cash equivalents at beginning of period	2,246,348	1,112,918
Cash and cash equivalents at end of period	<u>\$ 1,717,725</u>	<u>2,246,348</u>

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, 2018 and 2017

(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 Taiwan Stock 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 25, 2019.

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, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per International Accounting Standards Board</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

NOVA CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument, as a whole, is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(7).

The adoption of IFRS 9 did not have any a significant impact on the Group’s accounting policies on financial liabilities.

(b) Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(7).

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(d) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	2,246,348	Amortized cost	2,246,348
Receivables net abstract	Loans and receivables	647,737	Amortized cost	647,737

There is no significant impact if reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and the relevant interpretations. The standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five step model. The Group adopts IFRS 15 in its consolidated financial statements using the cumulative effect approach. As a result, there is no need to reproduce the comparative information in previous periods. The Group recognized the cumulative effect upon its initial application of the principle as an adjustment to the opening balance of its retained earnings on January 1, 2018.

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on the changing of accounting policies:

(a) Sales of equipment

For manufacturing and sale of equipment, as the contract has an acceptance clause, in the past, the equipment is delivered to the customer field site, revenue is recognized when the installation is completed, and the customer's final acceptance permit is obtained, as well as the significant risks and rewards of related ownership have been transferred to the customer. Revenue is recognized at that point because the income and cost at that time can be reliably measured, the price is likely to be recovered and no longer continue to participate in the management of goods. Under IFRS 15, revenue will be recognized when the customer gains control over the product. Because some equipment sales are based on customers' requirements on single-piece manufacturing and gradual change of control of the equipment during the production and installation of the equipment, the Company will be in the process of producing these products and recognize them as revenue according to IFRS 15. This will result in the revenue and related costs of the contracts being earlier than the current recognition time, this means that the equipment is installed and the final acceptance of the customer is obtained.

(b) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Impacted line items on the consolidated balance sheet						
Contract assets	\$ 196,977	(115,041)	81,936	401,156	105,128	506,284
Inventories	2,829,745	(2,522,958)	306,787	1,634,371	(1,395,932)	238,439
Deferred tax assets	95,305	(66,296)	29,009	44,525	(13,791)	30,734
Impact on assets		<u>(2,704,295)</u>			<u>(1,304,595)</u>	
Contract liability- construction and equipment	\$ 161,657	377,083	538,740	47,777	283,457	331,234
Contract liability-Sales revenue received in advance	3,454,061	(3,450,144)	3,917	1,702,275	(1,692,252)	10,023
Impact on liabilities		<u>(3,073,061)</u>			<u>(1,408,795)</u>	
Retained earnings	\$ 771,662	368,766	1,140,428	817,987	104,200	922,187
Impact on equity		<u>\$ 368,766</u>			<u>104,200</u>	

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Impacted line items on the consolidated income statement</u>	<u>For the year ended December 31, 2018</u>		
	<u>Before adjustments</u>	<u>Impact of changes in accounting polices</u>	<u>After adjustments</u>
Net operating revenues	\$ 3,383,832	1,482,871	4,866,703
Operating costs	(2,599,850)	(1,165,801)	(3,765,651)
Impact on profit before income tax		317,070	
Income tax expenses	(192,630)	(52,504)	(245,134)
Impact on Profit		<u>264,566</u>	
Basic earnings per share (NT Dollars)	<u>\$ 8.70</u>	<u>7.80</u>	<u>16.50</u>
Diluted earnings per share (NT Dollars)	<u>\$ 8.65</u>	<u>7.74</u>	<u>16.39</u>

<u>Impacted line items on the consolidated statement of cash flows</u>	<u>For the year ended December 31, 2018</u>		
	<u>Before adjustments</u>	<u>Impact of changes in accounting polices</u>	<u>After adjustments</u>
Cash flows from (used in) operating activities:			
Profit before tax	\$ 487,927	317,070	804,997
Adjustments:			
Contract assets	204,179	220,169	424,348
Inventories	(1,200,449)	1,127,026	(73,423)
Contract liabilities	113,879	97,544	211,423
Unearned sales revenue	1,751,786	(1,761,809)	(10,023)
Impact on cash flows from operating activities		<u>(317,070)</u>	
Impact on net cash flows from operating activities		<u>\$ -</u>	

C. IFRIC 22 Foreign currency transaction and advance consideration

IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration.

The Group shall apply the interpretation of the preceding paragraph commencing January 1, 2018. The foreign currency contract shall determine the exchange rate used for the original recognition of the relevant assets, loss or income, according to relevant regulations.

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(a) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts it entered into before January 1, 2019 and identify them as leases in accordance with IAS 17 and IFRIC 4.

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- (c) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, staff dormitory, and warehouses. The Group estimated that its right-of-use assets and lease liabilities to increase by \$30,201 thousand on January 1, 2019.

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.

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, the Group estimated the application of the new amendments will 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 and IAS 8 “Definition of Material”	January 1, 2020

The Group is in the process of assessing the impact of the above standards and interpretations on its financial position and results of its operations. The Group will disclose the related results when the assessment is finalized.

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..

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 consolidated financial statements have been prepared on a historical cost basis.

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 its subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2018	December 31, 2017
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

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the ended of the reporting periods (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences arising from retranslation are recognized in profit or loss except for the differences in FVOCI (available for sale) financial assets, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations are translated to New Taiwan Dollars (the present currency used in this consolidated report) using the exchange rates at the reporting date and income and expenses, which are translated to New Taiwan Dollars at the average rate for the period. Foreign currency 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;

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- (c) It is due to be settled the liability within twelve months after the reporting period; or
- (d) It 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 and cash equivalents comprise cash, cash in bank, and checking 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

A. Financial instruments (policy applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method, the amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Impairment of financial assets

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

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The Group measures loss allowances at an amount equal to lifetime expected credit loss (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.

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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 its financial asset has increased significantly if it is more than 365 days past due.

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

ECLs 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). ECLs 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 is 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.

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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 (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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.

(c) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial assets (policy applicable before January 1, 2018)

Financial asset of the Group is mainly receivables.

(a) Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is included in non-operating income and expenses.

(b) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on receivables are recognized in operating expenses. Impairment losses and recoveries on financial assets other than receivables are recognized in non-operating income and expenses.

(c) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

C. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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.

(b) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value (including short-term borrowings, accounts payable and other payables), plus, any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

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(d) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities 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 existing 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 from contracts with customers (policy applicable commencing from January 1, 2018)

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.

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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.

(10) Contract costs (policy applicable commencing from January 1, 2018)

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 those costs meet all of the following criteria:

- (i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (ii) the costs will generate or enhance resources that will be used in satisfying (or in continuing to satisfy) the performance obligations of the Group in the future; and
- (iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), are recognized as expenses by the Group when incurred.

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(11) Revenue (policy applicable before January 1, 2018)

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is recognized when persuasive evidence exists (usually in customer order), the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

B. Construction contracts

Contract revenue includes the initial amount agreed in the contract, plus, any variations in contract work, claims, and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred, unless, they create an asset related to future contract activity.

According to the nature of the contract, the stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent that the contract costs incurred are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

C. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is considered to be the net amount of commission made by the Group.

(12) Construction contracts

When the contract for the project refers to the work performed on the contract as of the date of the report, it is expected that customers will be charged the total amount of outstanding bills. Profits are recognized as of the reporting date (please refer to note 6(3)), and deduction of the amount of the bills that have been opened on schedule, and the amount of losses recognized. Cost includes all expenses directly related to a specific project, and apportion of fixed and variable manufacturing expenses arising from contractual activities based on normal capacity.

The input cost, plus, the profit are recognized when the profit exceeds the progress of the project and the construction contract is expressed in the balance sheet as the construction contract receivable (contract assets). If the progress of the project is greater than the cost incurred, the profit should be recognized, and the difference is expressed on the balance sheet as the construction contract payable (contract liability).

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;

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- 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.

(13) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss, under net non-operating income and expenses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. Ongoing repairs and maintenance are expensed as incurred.

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. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore, 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

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The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(14) Intangible assets

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- B. The intention to complete the intangible asset and use or sell it.
- C. The ability to use or sell the intangible asset.
- D. How the intangible asset will generate probable future economic benefits.
- E. The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- F. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(15) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the recoverable amount is less than the carrying amount. The Company would assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset, other than goodwill, shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss. Goodwill is required to be tested at least annually for impairment loss. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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(16) 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.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

The Company's net obligation, in respect of defined benefit pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and 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. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit, relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability, which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Company recognized them under retained earnings.

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The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized 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.

(18) Share based payment

The grant date fair value of share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense 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 tax expenses include both 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 shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

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- B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
- (a) levied by the same taxing authority; or
 - (b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Such deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the deductible temporary differences can be utilized.

(20) 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.

(21) Operating segment information

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.

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

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

The Group recognizes contract profit or loss based on the completion level of contract revenue and cost, evaluate percentage of completion, and completion level that is measured by proportion of contract costs incurred to the estimated contract costs. The Group estimates the total contract cost by considering the nature of each construction, the estimated construction period, the project in the construction, the construction process, the construction method and the estimated amount of the contract. Any changes above may result in a significant adjustment to the estimated amount. For relevant information, please refer to note 6(3).

(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 refer to note 6(2).

(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 refer 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).

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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(16) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash	\$ -	22
Checking deposits and cash in bank	1,224,162	1,282,225
Time deposits	<u>493,563</u>	<u>964,101</u>
	<u>\$ 1,717,725</u>	<u>2,246,348</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current:		
Notes receivable	\$ 227,870	81,741
Accounts receivable	1,384,315	577,356
Less: loss allowance	<u>(6,589)</u>	<u>(11,360)</u>
	<u>\$ 1,605,596</u>	<u>647,737</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Non Current:		
Overdue receivable	\$ 1,051	1,099
Less: loss allowance	<u>(1,051)</u>	<u>(1,099)</u>
	<u>\$ -</u>	<u>-</u>

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, 2018. 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, 2018 was determined as follows:

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Aging days	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	<u>5,342</u>	100.0%	<u>5,342</u>
Total	<u>\$ 1,612,185</u>		<u>6,589</u>

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.

As of December 31, 2017, the Group applied the incurred loss model in considering the allowance for doubtful accounts of receivable, which were past due but not impaired, as follows:

	December 31, 2017	
	Total	Impairment
1 to 120 days	\$ 571,879	-
121 to 180 days	22,524	225
181 to 360 days	57,101	5,710
361 to 540 days	3,613	1,445
More than 541 days past due	<u>5,079</u>	<u>5,079</u>
	<u>\$ 660,196</u>	<u>12,459</u>

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

	2018	2017
Balance on January 1, 2018 and 2017	\$ 12,459	33,425
Impairment losses recognized (reversed)	(4,299)	(12,060)
Amounts written off	(48)	(8,187)
Foreign exchange losses	<u>(472)</u>	<u>(719)</u>
Balance on December 31, 2018 and 2017	<u>\$ 7,640</u>	<u>12,459</u>

(3) Construction contracts

A. Construction revenue

Construction revenue recognized in profit or loss during the year ended December 31, 2017 was as follows

	2017
Construction revenue recognized in current period	<u>\$ 1,289,763</u>

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B. Construction in Process

	December 31, 2017
Accumulated costs incurred (including contract costs that relate to future activity on the contract)	\$ 1,141,433
Add: Accumulated profit and losses recognized arising from the construction	140,612
	1,282,045
Less: Progress billings	(928,666)
Net receivables (payables) for construction contracts	\$ 353,379
Construction contracts receivable	\$ 401,156
Construction contracts payable	(47,777)
	\$ 353,379
Cash received in advance	\$ -

Please refer to note 6(12) for the amount of contract balance on December 31, 2018, and note 6(12) for the amount of operating revenue for the year ended December 31, 2018.

(4) Inventories, net

	December 31, 2018	December 31, 2017
Finished goods	\$ 3,579	3,139
Work in progress	20,305	1,475,964
Raw materials	294,428	169,354
	318,312	1,648,457
Less: losses allowance	(11,525)	(14,086)
	\$ 306,787	1,634,371

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 and \$2,414 thousand for the year ended December 31, 2018 and 2017, respectively.

(5) Other financial assets- current

	December 31, 2018	December 31, 2017
Deposit account (more than three months)	\$ 100,000	-
Restricted deposit	65,169	21,361
Guarantee deposits paid for construction	66,730	85,264
Other	17,832	13,118
	\$ 249,731	119,743

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(6) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
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	<u>\$ 67,083</u>	<u>45,302</u>	<u>82,273</u>	<u>194,658</u>
Balance as of January 1, 2017	\$ 44,518	26,526	55,217	126,261
Additions	-	-	14,103	14,103
Disposals	-	-	(2,626)	(2,626)
Effect of exchange rate changes	-	-	(453)	(453)
Balance as of December 31, 2017	<u>\$ 44,518</u>	<u>26,526</u>	<u>66,241</u>	<u>137,285</u>
Depreciation:				
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	<u>\$ -</u>	<u>6,954</u>	<u>43,056</u>	<u>50,010</u>
Balance as of January 1, 2017	\$ -	5,202	34,612	39,814
Depreciation for the period	-	897	5,774	6,671
Disposals	-	-	(1,733)	(1,733)
Effect of exchange rate changes	-	-	(283)	(283)
Balance as of December 31, 2017	<u>\$ -</u>	<u>6,099</u>	<u>38,370</u>	<u>44,469</u>
Book value:				
Balance as of December 31, 2018	<u>\$ 67,083</u>	<u>38,348</u>	<u>39,217</u>	<u>144,648</u>
Balance as of December 31, 2017	<u>\$ 44,518</u>	<u>20,427</u>	<u>27,871</u>	<u>92,816</u>
Balance as of January 1, 2017	<u>\$ 44,518</u>	<u>21,324</u>	<u>20,605</u>	<u>86,447</u>

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(7) Provisions—current

	Warranties	
	2018	2017
Balance as of January 1	\$ 180,549	73,215
Provisions made for the period	104,947	238,937
Provisions utilized during the period	(129,775)	(132,461)
Effect of change in exchange rate	<u>(2,751)</u>	<u>858</u>
Balance as of December 31	<u><u>\$ 152,970</u></u>	<u><u>180,549</u></u>

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).

(8) 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, 2018	December 31, 2017
Present value of the defined benefit obligation	\$ 33,061	32,798
Fair value of plan assets	<u>(8,658)</u>	<u>(10,518)</u>
Net defined benefit liabilities	<u><u>\$ 24,403</u></u>	<u><u>22,280</u></u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. Plans (covered by the Labor Standards Law) 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 \$8,658 thousand as of December 31, 2018. 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.

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

	<u>2018</u>	<u>2017</u>
Defined benefit obligation as of January 1	\$ 32,798	26,946
Interest costs	533	367
Actuarial losses (gains)	2,577	5,485
Pension payment	<u>(2,847)</u>	<u>-</u>
Defined benefit obligation as of December 31	<u><u>\$ 33,061</u></u>	<u><u>32,798</u></u>

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets as of January 1	\$ 10,518	9,910
Contributions made	577	510
Expected return on plan assets	175	140
Actuarial gains (losses)	235	(42)
Pension payment	<u>(2,847)</u>	<u>-</u>
Fair value of plan assets as of December 31	<u><u>\$ 8,658</u></u>	<u><u>10,518</u></u>

(d) Expenses recognized in profit or loss

	<u>2018</u>	<u>2017</u>
Interest costs	\$ 533	367
Actual return on plan assets	(410)	(95)
Plan assets loss (gain)	<u>235</u>	<u>(42)</u>
	<u><u>\$ 358</u></u>	<u><u>230</u></u>

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

	<u>2018</u>	<u>2017</u>
Actuarial losses (gains) on defined benefit obligation	\$ 2,577	5,485
Actuarial losses (gains) on plan assets	<u>(235)</u>	<u>42</u>
	<u><u>\$ 2,342</u></u>	<u><u>5,527</u></u>

(f) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.375 %	1.625 %
Future salary increase rate	3.00 %	3.00 %

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(ii) For actuarial in defined benefit plans cost:

	2018	2017
Discount rate	1.675 %	1.375 %
Future salary increase rate	3.00 %	3.00 %

The Company expects to make a contribution of \$599 thousand to its defined benefit plans in the following year, beginning December 31, 2018.

The weighted-average duration of the defined benefit obligation is 16.99 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, 2018, 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	\$ (1,235)	1,286
Future salary increase rate	\$ 1,246	(1,203)

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 2018 and 2017.

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 \$9,025 thousand and \$8,285 thousand for the years ended December 31, 2018 and 2017, respectively.

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(9) Income tax

A. Income tax expenses

According to the amendments to the “Income Tax Act” enacted by the office of the President of the R.O.C. on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

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

	<u>2018</u>	<u>2017</u>
Current income tax expense		
Current period	\$ 145,341	88,214
Adjustment for prior period	(11,393)	7,779
Unappropriated retained earnings	<u>6,522</u>	<u>4,214</u>
	<u>140,470</u>	<u>100,207</u>
Deferred income tax expense		
Origination and reversal of temporary differences	92,586	49,029
Effect of changes in tax rate	<u>12,078</u>	<u>-</u>
	<u>104,664</u>	<u>49,029</u>
Income tax expenses	<u>\$ 245,134</u>	<u>149,236</u>

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

	<u>2018</u>	<u>2017</u>
Exchange differences on translation of foreign financial statements	\$ 3,803	494
Effect of changes in tax rate	<u>946</u>	<u>-</u>
	<u>\$ 4,749</u>	<u>494</u>

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

	<u>2018</u>	<u>2017</u>
Income before income tax	<u>\$ 804,997</u>	<u>596,711</u>
Income tax at the Company’s domestic tax rate	160,999	101,441
Effect of different tax rates in foreign jurisdictions	79,998	43,668
Effect of changes in tax rate	12,078	-
Permanent difference and others	(3,070)	(7,866)
Over (under)-provision in prior periods	(11,393)	7,779
Surtax on unappropriated retained earnings	<u>6,522</u>	<u>4,214</u>
Total	<u>\$ 245,134</u>	<u>149,236</u>

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B. Deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018
Warranties	\$ 5,246	4,240	-	9,486	(4,582)	-	4,904
Construction revenue and costs on book-tax differences	31,515	(12,236)	-	19,279	(9,892)	-	9,387
Exchange differences on translation of foreign financial statements	4,867	-	494	5,361	-	4,749	10,110
Unrealized loss on exchange	267	5,642	-	5,909	(5,909)	-	-
Unrealized loss and others	7,188	(2,698)	-	4,490	116	-	4,606
	<u>\$ 49,083</u>	<u>(5,052)</u>	<u>494</u>	<u>44,525</u>	<u>(20,267)</u>	<u>4,749</u>	<u>29,007</u>

Deferred tax liabilities:

	January 1, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018
Unrealized gain on exchange	\$ -	-	-	-	(334)	-	(334)
Gain on profit of subsidiary accounted for using equity method	(63,631)	(43,977)	-	(107,608)	(84,063)	-	(191,671)
	<u>\$ (63,631)</u>	<u>(43,977)</u>	<u>-</u>	<u>(107,608)</u>	<u>(84,397)</u>	<u>-</u>	<u>(192,005)</u>

C. Examination and approval

The Company's tax returns have been examined by the tax authorities through 2016.

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(10) Capital and other equity

A. Issuance of ordinary shares

Pursuant to the board of directors' resolution on October 27, 2017, the Company increased its first ordinary share capital by 4,300 thousand shares in cash, underwriting (shares) in over-the-counter market. The aforementioned underwritten-shares could be auctioned and purchased at the weighted average price per share of \$161.6 dollars and at the price per share of purchase of \$135 dollars, with the issuance amounting to \$658,266 thousand dollars, plus the difference between the denomination and the issued value of \$615,266 thousand dollars, recognized as Capital surplus--premium. The abovementioned has already been registered with the government authorities.

In accordance with the regulations, the listing share-based payment for the subscription of new shares by the Company's employees amounted to \$11,984 thousand dollars.

As of December 31, 2018 and 2017, the issued capital of the Company amounted to \$339,280 and \$296,280 thousand dollars, respectively; 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, 2018	December 31, 2017
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.

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(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, 2018, 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

The following are the appropriation of earnings in 2018 and 2017 which were approved during the shareholders' meeting held on May 28, 2018 and May 22, 2017, respectively:

	2017		2016	
	Amount per share (TWD)	Total amount	Amount per share (TWD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 10.00	339,280	6.00	177,768

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2018 will be presented for resolution in the Board of Directors' meeting and 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.

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(11) Earnings per share

	2,018	2,017
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	\$ <u>559,863</u>	<u>447,475</u>
Weighted average number of ordinary shares (in thousands)	<u>33,928</u>	<u>29,699</u>
Basic earnings per share (TWD)	\$ <u>16.50</u>	<u>15.07</u>
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	\$ <u>559,863</u>	<u>447,475</u>
Weighted average number of ordinary shares (in thousands) (basic)	33,928	29,699
Effect of potential diluted ordinary shares:		
Effect of employee remuneration employee stock remuneration	<u>237</u>	<u>147</u>
Weighted average number of ordinary shares (in thousands) (diluted)	<u>34,165</u>	<u>29,846</u>
Diluted earnings per share (TWD)	\$ <u>16.39</u>	<u>14.99</u>

(12) Revenue from contracts with customers

A. Revenue from major regional markets and products:

	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	<u>285,090</u>	<u>34,609</u>	<u>35,024</u>	<u>354,723</u>
	<u>\$ 3,125,590</u>	<u>1,480,763</u>	<u>260,350</u>	<u>4,866,703</u>

Details of Revenue for 2017, please refer to note 6(13).

B. Contract balances

	December 31, 2018
Contract assets — construction and equipment	\$ 127,415
Less: Loss in contract	<u>(45,479)</u>
	<u>\$ 81,936</u>
Contract liability — construction and equipment	\$ 538,740
Contract liability — cash received in advance	<u>3,917</u>
Contract liability — construction and equipment	<u>\$ 542,657</u>

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Changes in contract assets and contract liabilities are mainly attributable to the difference between the timing at which the Company's transfer of goods or services to the customers and the performance of the obligation is satisfied.

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

For details on construction contracts as of December 31, 2017, please refer to note 6(3).

The amount of revenue recognized for the year ended December 31, 2018 that was translated from contract liability balance at January 1, 2018 was \$339,521 thousand.

The contract assets primarily relate to the amount of revenue that has been recognized for construction contract to be charged at the reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The advance payment and the related contract liabilities received by the Group will be recognized as revenue, progressively, during the construction period.

The major changes in the balance of contract assets and contract liabilities are the differences between the time frame in the performance obligation to be satisfied and the payment to be received. There were no significant changes in 2018.

C. Transaction price allocated to the remaining performance obligations

As of December 31 2018, the aggregate amount of the transaction price for each project allocated to the remaining performance obligation was \$778,519 thousand. The Group will recognize this revenue over time when the construction contract is completed, which is expected to occur over the next 1 to 3 years. If the contract has an original expected duration of less than one year, the Group shall apply the practical expedient of IFRS 15 and will not disclose any information about the transaction price allocated to the remaining performance obligations of the contract.

The consideration for all customer contracts has been included in the above transaction price.

(13) Operating revenues

	2017
Construction contract revenue	\$ 1,289,763
Sales revenue	1,988,483
Others	64,296
	\$ 3,342,542

For details on revenue for 2018, please refer to note 6(12).

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(14) Non-operating income and expenses

A. Other gains and losses, net

	2018	2017
Interest income	\$ 24,390	11,555
Foreign exchange gains (losses), net	59,577	(88,530)
Others	15,461	(1,040)
	\$ 99,428	(78,015)

B. Finance costs

	2018	2017
Interest expense – short term borrowings	\$ -	(1,176)

(15) 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 \$30,600 thousand and \$23,431 thousand, and the remunerations to directors amounted to \$22,950 thousand and \$17,573 thousand for the years ended December 31, 2018 and 2017, 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 \$23,431 thousand, as well as the remunerations to directors amounted to \$17,573 thousand for the years ended December 31, 2017. 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.

(16) Financial instruments

A. Credit risk

(a) Exposures to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

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(b) Concentration of credit risk

As of December 31, 2018 and 2017, 48% and 32%, 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(7); and for the changes in the allowance for the above financial assets in 2018, please refer to Note 6(2).

B. 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, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 15,948	USD/TWD =30.802	491,230	30,213	USD/TWD =29.848	901,798
USD	26,694	USD/CNY =6.866	822,229	26,079	USD/CNY =6.512	778,406
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	4,124	USD/TWD =30.8020	127,027	4,222	USD/TWD =29.848	126,018
USD	2,618	USD/CNY =6.866	80,640	5,204	USD/CNY =6.512	155,329

(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, 2018 and 2017, with other factors remaining constant, would have increased (decreased) the comprehensive income by \$28,720 thousand and \$38,899 thousand respectively. The analysis is performed on the same basis.

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

	2018		2017	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ 21,110	-	(53,235)	-
CNY	38,467	4.5591	(35,295)	4.5052

C. Fair value of financial instruments

Categories of financial instruments and fair value

The Company did not engage in derivative financial commodity transactions in 2018; On July 14, 2007, the Company signed a foreign exchange contract with Citibank amounting to US\$2,000 thousand, with a maturity date on August 11, 2017. As of December 31, 2017, the aforementioned transactions were settled. The Company's carrying amount and the fair value of its financial assets and liabilities, including the information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market, disclosure of fair value information is not required. The carrying amount of all financial instruments of the Company is a reasonable approximation of fair value, therefore, disclosure of fair value information is not required.

(17) 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.

NOVA CORPORATION AND SUBSIDIARIES
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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.

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(r) 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, 2018.

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

	December 31, 2018	December 31, 2017
Total liabilities	\$ 2,085,911	3,394,934
Less: cash	<u>(1,717,725)</u>	<u>(2,246,348)</u>
Net debt	<u>\$ 368,186</u>	<u>1,148,586</u>
Total equity	<u>\$ 2,305,811</u>	<u>1,997,636</u>
Debt-to-adjusted-capital ratio	<u>15.97%</u>	<u>57.50%</u>

As of December 31, 2018, the debt to adjusted capital ratio had decreased due to the changes in accounting principle of contract revenue in 2018, resulting in a decrease in the amount of liability.

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, 2018. Acter Co., Ltd. has issued the consolidated financial statements available for public use.

(2) Names and relationship with related parties

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

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(3) Significant transactions with related parties

A. Accumulated construction costs, notes and accounts payable

(a) Current purchase amount

	<u>2018</u>	<u>2017</u>
Other related parties	\$ <u>40,239</u>	<u>-</u>

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

(b) Accumulated incurred costs

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company	\$ 4,995	4,995
Other related parties	<u>39,596</u>	<u>-</u>
	<u>\$ 44,591</u>	<u>4,995</u>

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Amount</u>	<u>Percentage of all notes and accounts payables</u>	<u>Amount</u>	<u>Percentage of all notes and accounts payables</u>
Other related parties	\$ <u>2,961</u>	<u>-</u>	<u>-</u>	<u>-</u>

B. Guarantee for related parties

<u>Guaranteed object</u>	<u>Guarantee type</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Construction performance guarantee or warranty:			
Parent company	Credit guarantee	\$ 289,800	376,800
Other related parties	Credit guarantee	<u>189,115</u>	<u>-</u>
		<u>\$ 478,915</u>	<u>376,800</u>

C. Rent Expense

The Group rented office buildings and factory building from its related parties. The rental expenses for 2018 and 2017 amounted to \$2,618 thousand and \$1,783 thousand, respectively, which had been paid as of December 31, 2018.

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- D. As of December 31, 2018 and 2017, 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 payables of the Group, incurred from its related parties in 2018 and 2017, amounted to \$0 and \$2,063 thousand, respectively; and the receivables from related parties amounted to \$225 thousand and \$207 thousand, respectively.

(4) Transactions with key management personnel

Key management personnel compensation comprised:

	2018	2017
Short term employee benefits	\$ 33,718	26,410
Post-employment benefits	420	366
	\$ 34,138	26,776

8. Pledged assets:

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

Pledged assets	Purpose of Pledged	December 31, 2018	December 31, 2017
Time deposits (recorded in other financial assets – current)	Security deposit of guarantee letter	\$ 65,169	21,361

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 \$608,610 thousand and \$634,541 thousand, respectively.
- (2) The performance guarantee letters issued by the bank for the Group, due to the contracted projects, were \$542,036 thousand and \$334,437 thousand, respectively.
- (3) For the unfinished significant contracted construction contracts signed by the Group, please refer to Note 6(3).

NOVA CORPORATION AND SUBSIDIARIES
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- (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 interest) for partially reimbursing the said construction.

10. **Losses due to major disasters:**None

11. **Subsequent events:**None

12. **Other:**

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

By item	By function	For the year ended December 31					
		2018			2017		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		219,484	185,732	405,216	179,776	162,800	342,576
Labor and health insurance		36,473	21,534	58,007	29,552	14,472	44,024
Pension		6,127	3,256	9,383	5,527	2,988	8,515
Remuneration of directors		-	25,200	25,200	-	19,773	19,773
Others		6,309	8,151	14,460	4,580	5,945	10,525
Depreciation		4,534	5,530	10,064	2,657	4,014	6,671

NOVA CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

A. Loans to other parties:

(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	112,155	112,155	112,155	2.025	Short-term financing	-	Operating demand	-	-	-	426,553	426,553

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	Winmax Suzhou Winmax	Subsidiary	4,611,622	277,724	213,533	61,818	-	9.26 %	6,917,433	Y	N	Y
0	The Company	Suzhou Winmax	Subsidiary	4,611,622	196,732	147,709	147,709	-	6.41 %	6,917,433	Y	N	Y
0	The Company	Suzhou Winmax	Subsidiary	4,611,622	1,109,457	1,109,422	581,189	-	48.11 %	6,917,433	Y	N	Y
0	The Company	Acter	Parent company	4,611,622	376,800	289,800	289,800	-	12.57 %	6,917,433	Y	N	Y
0	The Company	Sheng Hwei (Suzhou)	100% owned subsidiary of the parent company	4,611,622	189,115	189,115	189,115	-	8.20 %	6,917,433	N	N	Y
1	Winmax	Nova	Parent company	3,199,149	229,800	229,800	229,800	-	21.55 %	5,331,915	N	Y	N
1	Winmax	SParker Gas (Suzhou)	Business relationship company	3,199,149	7,541	7,541	7,541	-	0.71 %	5,331,915	N	N	Y
2	Suzhou Winmax	Winmax	100% owned subsidiary of the parent company	3,524,675	627,632	601,180	601,180	-	596.97 %	3,524,675	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.

NOVA CORPORATION AND SUBSIDIARIES

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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 its net worth; as well as to any individual entity, shall not exceed 3500% of its net worth. In addition, the total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of its net worth and to any individual entity, shall not exceed 300% of its net worth. The total amount for guarantees and endorsements provided by the Suzhou Winmax to other entities shall not exceed 500% of its net worth and to any individual entity shall not exceed 300% of its net worth.

- C. Securities held as of December 31, 2018 (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\$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	Sale	460,548	9 %	By contract	-	-	-	-%	Note

Note: The related transaction and account balance have been eliminated in the consolidated financial statements.

- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- I. Trading in derivative instruments:None
- J. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Winmax	Parent company to subsidiary	Sales	460,548	Note	9.00%

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.

NOVA CORPORATION AND SUBSIDIARIES
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(2) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (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, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	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 %	78,664	24,887	24,887	Note
The company	Novatech Engineering & Construction Pte. Ltd.	Singapore	Contract for the chemical supply system business	24,179	24,179	1,000	100.00 %	41,045	19,501	19,501	

Note: Winmega remitted cash dividends of \$30,000 thousand in 2018.

(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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	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	380,117	100.00%	380,117	1,066,383	-	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	66,670	100.00%	66,670	100,705	-	

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
42,113	42,113	1,383,487

Note 1: The amount of capital included the capital increase by retained earning of USD4,590 thousand in 1997 and 2012.

Note 2: The financial statements of the investee company were audited by the Certified Public Accountant.

Note 3: Direct investment in Mainland China.

Note 4: Winmax has distributed cash dividends CNY30,000 thousand, which equals TWD140,916 thousand in 2018.

C. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

NOVA CORPORATION AND SUBSIDIARIES
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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 years ended December 31, 2018	Taiwan	China	Asia and others	Adjustmen t and elimination	Total
Revenue					
Revenue from external customers	\$ 1,448,943	3,319,193	98,567	-	4,866,703
Revenue from internal segment	<u>460,548</u>	<u>31,005</u>	<u>-</u>	<u>(491,553)</u>	<u>-</u>
Total revenue	<u>\$ 1,909,491</u>	<u>3,350,198</u>	<u>98,567</u>	<u>(491,553)</u>	<u>4,866,703</u>
Depreciation					(10,064)
Reportable segment profit					559,863
Reportable segment assets					4,391,722
Reportable segment liabilities					2,085,911

NOVA CORPORATION AND SUBSIDIARIES
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<u>For the years ended December 31, 2017</u>	<u>Taiwan</u>	<u>China</u>	<u>Asia and others</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$ 982,585	2,237,338	122,619	-	3,342,542
Revenue from internal segment	<u>25,282</u>	<u>214,512</u>	<u>-</u>	<u>(239,794)</u>	<u>-</u>
Total revenue	<u>\$ 1,007,867</u>	<u>2,451,850</u>	<u>122,619</u>	<u>(239,794)</u>	<u>3,342,542</u>
Depreciation					(6,671)
Reportable segment profit					447,475
Reportable segment assets					5,392,570
Reportable segment liabilities					3,394,934

(3) Products and services information

	<u>2017</u>
Water and gas supply integration project	\$ 1,297,083
High-tech equipment materials, sales and service business	<u>2,045,459</u>
	<u>\$ 3,342,542</u>

For details of the information from January 1 to December 31, 2018, please refer to Note 6 (12).

(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:

<u>Location</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 756,681	982,585
China	3,755,299	2,237,338
Others	<u>354,723</u>	<u>122,619</u>
	<u>\$ 4,866,703</u>	<u>3,342,542</u>

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B. Non-current assets

<u>Location</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Taiwan	\$ 113,491	74,372
China	37,490	25,527
Others	<u>2,481</u>	<u>2,039</u>
	<u>\$ 153,462</u>	<u>101,938</u>

(5) Major customer information

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

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
Customer D	\$ 822,974	17	-	-
Customer C	30,290	1	290,390	9
Customer B	<u>28,971</u>	<u>1</u>	<u>255,664</u>	<u>8</u>
	<u>\$ 882,235</u>	<u>19</u>	<u>546,054</u>	<u>17</u>

NOVA TECHNOLOGY CORP.

Chairman: Liang ,Chin-Li

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