Prosperity Dielectrics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 10 "Consolidated and Separate Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PROSPERITY DIELECTRICS CO., LTD.

By

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YU-HENG CHIAO
Chairman

February 25, 2021

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

The Board of Directors and Shareholders
Prosperity Dielectrics Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Prosperity Dielectrics Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows:

Validity of Sales Revenue

As a result of stable market demand for multilayer ceramic capacitors, which is the Group's main product, there was a significant increase in sales revenue in 2020 compared to the previous year. Therefore, the validity of sales revenue from some of the Group's main customers whose sales revenue increased in 2020 compared to the previous year is regarded as key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020. For the accounting policies related to sales revenue, please refer to Note 4 of the consolidated financial statements.

Our audit procedures performed in response to the aforementioned key audit matter include the following: we understood the Group's internal controls on the recognition of sales revenue from the aforementioned customers, evaluated the design of the key controls, tested the operating effectiveness of these controls, inspected the sales transactions from these customers on a sample basis to ensure the validity of occurrence of the sales transactions.

Other Matter

We have also audited the parent company only financial statements of Prosperity Dielectrics Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 the 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi-Min Huang and Chin-Chuan Shih.

Yi Min Huang

Chin Chuan Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,223,228	15	$ 787,019	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	315,229	4	591,998	9
Financial assets at amortized cost - current (Notes 4 and 8)	334,900	4	30,500	1
Notes receivable from unrelated parties (Notes 4 and 9)	60,225	1	29,038	-
Trade receivables from unrelated parties (Notes 4 and 9)	828,593	10	608,970	10
Trade receivables from related parties (Notes 4, 9 and 27)	157,957	2	186,973	3
Other receivables from unrelated parties	61,757	1	21,428	-
Other receivables from related parties (Note 27)	672	-	1,362	-
Inventories (Notes 4 and 10)	638,864	8	458,045	7
Other current assets	53,819	1	63,553	1
Total current assets	3,675,244	46	2,778,886	44
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,247,264	16	831,322	13
Financial assets at amortized cost - non-current (Notes 4 and 8)	172,523	2	-	-
Investments accounted for using the equity method (Notes 4 and 13)	637,274	8	636,724	10
Property, plant and equipment (Notes 4 and 14)	2,000,351	25	1,775,007	28
Right-of-use assets (Notes 4 and 15)	189,734	2	221,334	4
Computer software (Note 4)	1,804	-	2,034	-
Deferred tax assets (Notes 4 and 23)	35,734	1	35,405	1
Other non-current assets (Note 16)	13,861	-	12,553	-
Total non-current assets	4,298,545	54	3,514,379	56
TOTAL	$ 7,973,789	100	$ 6,293,265	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 20,000	-	$ 77,000	1
Trade payables to unrelated parties	420,216	5	324,068	5
Trade payables to related parties (Note 27)	338,004	4	107,157	2
Other payables to unrelated parties (Note 18)	667,898	9	541,447	9
Other payables to related parties (Note 27)	26,729	-	33,259	1
Current tax liabilities (Notes 4 and 23)	76,853	1	83,070	1
Lease liabilities - current (Notes 4 and 15)	28,548	-	28,602	-
Other current liabilities	31,583	1	24,857	-
Total current liabilities	1,609,831	20	1,219,460	19
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	762,969	10	285,533	5
Lease liabilities - non-current (Notes 4 and 15)	160,504	2	191,160	3
Deferred revenue - non-current (Notes 4 and 18)	12,031	-	14,467	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	48,110	1	44,798	1
Guarantee deposits received	21,069	-	10,645	-
Deferred tax liabilities (Notes 4 and 23)	107,096	1	13,734	-
Total non-current liabilities	1,111,779	14	560,337	9
Total liabilities	2,721,610	34	1,779,797	28
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Note 21)				
Ordinary shares	1,720,000	21	1,720,000	27
Capital surplus (Note 21)	497,066	6	497,066	8
Retained earnings (Note 21)				
Legal reserve	430,775	6	353,616	6
Special reserve	69,489	1	69,489	1
Unappropriated earnings	2,102,322	26	1,698,220	27
Total retained earnings	2,602,586	33	2,121,325	34
Other equity (Notes 4 and 21)				
Exchange differences on the translation of the financial statements of foreign operations	(185,087)	(2)	(170,337)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	577,039	7	301,321	5
Total other equity	391,952	5	130,984	2
Total equity attributable to owners of the Company	5,211,604	65	4,469,375	71
NON-CONTROLLING INTERESTS	40,575	1	44,093	1
Total equity	5,252,179	66	4,513,468	72
TOTAL	$ 7,973,789	100	$ 6,293,265	100

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

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
NET SALES (Note 4)	$ 5,207,861	100	$ 4,356,398	100
COST OF SALES (Note 10)	3,901,196	75	3,099,210	71
GROSS PROFIT	1,306,665	25	1,257,188	29
OPERATING EXPENSES				
Selling and marketing expenses	159,139	3	136,627	3
General and administrative expenses	152,300	3	147,936	4
Research and development expenses	87,273	2	78,836	2
Total operating expenses	398,712	8	363,399	9
PROFIT FROM OPERATIONS	907,953	17	893,789	20
NON-OPERATING INCOME AND EXPENSES				
Interest income	14,494	-	14,052	-
Dividend income	30,185	1	31,793	1
Other income	17,206	-	11,514	-
Gain on disposal of property, plant and equipment	872	-	152	-
Gain on disposal of investments	10,214	-	-	-
Gain on lease modifications	594	-	528	-
Gain on valuation of financial assets at FVTPL	74,141	2	51,686	1
Gain on reversal of impairment loss	6,070	-	7,670	-
Interest expense	(8,010)	-	(3,676)	-
Miscellaneous expenses	(5,696)	-	(7,647)	-
Loss on disposal of investments	-	-	(3,854)	-
Foreign exchange loss	(49,876)	(1)	(8,990)	-
Share of loss of associates accounted for using the equity method (Notes 4 and 13)	(6,223)	-	(6,005)	-
Total non-operating income and expenses	83,971	2	87,223	2
PROFIT BEFORE INCOME TAX	991,924	19	981,012	22
INCOME TAX EXPENSE (Notes 4 and 23)	(204,193)	(4)	(216,153)	(5)
NET PROFIT FOR THE YEAR	787,731	15	764,859	17

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (2,724)	-	$ (511)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	269,154	5	130,162	3
Share of the other comprehensive income of associates accounted for using the equity method	8,831	-	20,725	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations	(14,715)	-	(68,487)	(2)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	34	-	(786)	-
Other comprehensive income for the year	260,580	5	81,103	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,048,311	20	$ 845,962	19
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	791,318	15	771,591	18
Non-controlling interests	(3,587)	-	(6,732)	-
	$ 787,731	15	$ 764,859	18
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,051,829	20	$ 855,382	19
Non-controlling interests	(3,518)	-	(9,420)	-
	$ 1,048,311	20	$ 845,962	19
EARNINGS PER SHARE (Notes 4 and 24)				
Basic	$ 4.60		$ 4.49	
Diluted	$ 4.59		$ 4.47	

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

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
				Retained Earnings			Other Equity (Note 21)				
	Number of Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	172,000	$ 1,720,000	$ 489,736	$ 205,412	$ 69,489	$ 1,811,572	$ (103,752)	$ 153,806	$ 4,346,263	$ 16,576	$ 4,362,839
Appropriation of 2018 earnings (Note 21)											
Legal reserve	-	-	-	148,204	-	(148,204)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(739,600)	-	-	(739,600)	-	(739,600)
Change in capital surplus from investment in associates accounted for using the equity method	-	-	7,330	-	-	-	-	-	7,330	-	7,330
Net profit for the year ended December 31, 2019	-	-	-	-	-	771,591	-	-	771,591	(6,732)	764,859
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(506)	(66,585)	150,882	83,791	(2,688)	81,103
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	771,085	(66,585)	150,882	855,382	(9,420)	845,962
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	36,937	36,937
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates accounted for using the equity method (Note 21)	-	-	-	-	-	3,367	-	(3,367)	-	-	-
BALANCE AT DECEMBER 31, 2019	172,000	1,720,000	497,066	353,616	69,489	1,698,220	(170,337)	301,321	4,469,375	44,093	4,513,468
Appropriation of 2019 earnings (Note 21)											
Legal reserve	-	-	-	77,159	-	(77,159)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(309,600)	-	-	(309,600)	-	(309,600)
Net profit for the year ended December 31, 2020	-	-	-	-	-	791,318	-	-	791,318	(3,587)	787,731
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(2,724)	(14,750)	277,985	260,511	69	260,580
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	788,594	(14,750)	277,985	1,051,829	(3,518)	1,048,311
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates accounted for using the equity method (Note 21)	-	-	-	-	-	2,267	-	(2,267)	-	-	-
BALANCE AT DECEMBER 31, 2020	172,000	$ 1,720,000	$ 497,066	$ 430,775	$ 69,489	$ 2,102,322	$ (185,087)	$ 577,039	$ 5,211,604	$ 40,575	$ 5,252,179

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

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 991,924	$ 981,012
Adjustments for:		
Depreciation expense	357,613	314,773
Amortization expense	4,482	3,435
Expected credit loss recognized on trade receivables	-	321
Net gain on valuation of financial assets at FVTPL	(74,141)	(51,686)
Interest expense	8,010	3,676
Interest income	(14,494)	(14,052)
Dividend income	(30,185)	(31,793)
Share of loss of associates accounted for using the equity method	6,223	6,005
Gain on disposal of property, plant and equipment	(872)	(152)
(Gain) loss on disposal of investments	(10,214)	3,854
Impairment loss (reversal of impairment loss) of non-financial assets	17,949	(13,008)
Net loss on foreign currency exchange	49,876	8,990
Gain on lease modifications	(594)	(528)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	361,124	57,473
(Increase) decrease in notes receivable from unrelated parties	(31,187)	26,426
(Increase) decrease in trade receivables from unrelated parties	(269,499)	367,054
Decrease (increase) in trade receivables from related parties	29,016	(53,751)
Decrease (increase) in other receivables from unrelated parties	15,490	(10,799)
Decrease in other receivables from related parties	3,276	1,778
(Increase) decrease in inventories	(204,838)	217,230
Decrease in other current assets	9,734	10,189
Increase in other non-current assets	(675)	(8,258)
Increase (decrease) in trade payables to unrelated parties	96,148	(138,616)
Increase (decrease) in trade payables to related parties	230,847	(227,332)
Increase (decrease) in other payables to unrelated parties	21,780	(28,970)
Decrease in other payables to related parties	(5,909)	(12,105)
Increase in other current liabilities	6,726	9,152
Increase (decrease) in net defined benefit liabilities	588	(1,517)
Cash generated from operations	1,568,198	1,418,801
Interest received	9,535	14,148
Dividend received	30,925	32,585
Interest paid	(7,768)	(3,593)
Income tax paid	(168,237)	(499,033)
Net cash generated from operating activities	1,432,653	962,908

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (146,788)	$ (6,585)
Purchase of financial assets at amortized cost	(476,923)	-
Acquisition of associates	-	(205,685)
Payments for property, plant and equipment	(454,232)	(942,098)
Proceeds from disposal of property, plant and equipment	10,071	914
Increase in refundable deposits	(4,790)	-
Decrease in refundable deposits	-	9,193
Acquisition of intangible assets	(914)	-
Net cash used in investing activities	(1,073,576)	(1,144,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term borrowings	(57,000)	47,000
Proceeds from long-term borrowings	477,436	285,533
Proceeds from guaranteed deposits received	10,424	1,519
Repayment of the principal portion of lease liabilities	(28,684)	(23,308)
(Decrease) increase in other non-current liabilities	(2,436)	14,467
Cash dividends paid to owners of the Company	(309,600)	(739,600)
Changes in non-controlling interests	-	36,937
Net cash generated from (used in) financing activities	90,140	(377,452)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(13,008)	(31,767)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	436,209	(590,572)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	787,019	1,377,591
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,223,228	$ 787,019

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Prosperity Dielectrics Co., Ltd. (PDC or the “Company”) was incorporated on May 21, 1990. The Company mainly manufactures, processes and sells multilayer ceramic capacitors (MLCC), chip resistors, semiconductor tiles, ceramic dielectric powders, magnetic elements and rectifier diodes.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (TPEx) since April 19, 2002. The parent company, Walsin Technology Corporation, held 43.13% of the common shares of the Company as of December 31, 2020 and 2019.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 25, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

   Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

   The amendment stipulates that, when the Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 and the Group meets the specified requirements, the Group may elect to apply the practical expedient and recognize the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and make a corresponding adjustment to the lease liability.

The Group did not enter into rent negotiations in 2020; however, if such negotiations will occur in 2021, the Group will elect to apply the practical expedient.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of PDC and the entities controlled by PDC (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by PDC. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of PDC and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of PDC.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 11, Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of PDC and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of PDC are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. Depreciation is over the shorter of the useful life of the asset and the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indicators that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. The financial asset is more than 120 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

- Revenue from the sale of goods

  Revenue from the sale of goods comes from sales of electronic components. Sales of electronic components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

- Revenue from the rendering of services

  Revenue is recognized when services are rendered.

  Revenue from the rendering of services is recognized based on the degree of completion of contracts.

n. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

   Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

   The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

   Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

   Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The difference between the proceeds received from a government loan with a below-market rate of interest and the fair value of the loan based on prevailing market interest rates is recognized as a government grant.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 563	$ 500
Checking accounts and demand deposits	491,765	298,229
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	100,667	440,290
Repurchase agreements collateralized by bonds	630,233	48,000
	$ 1,223,228	$ 787,019

The market rate intervals of cash equivalents were as follows:

	December 31	
	2020	2019
Time deposits with original maturities of 3 months or less	1.755%-2.3%	1.1%-2.8%
Repurchase agreements collateralized by bonds	0.22%-2.4%	2.1%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL - current		
Non-derivative financial assets		
Domestic listed shares	$ 315,229	$ 235,535
Mutual funds	-	291,908
Governments bonds	-	64,555
	$ 315,229	$ 591,998

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	**2019**
Current		
Time deposits with original maturities of more than 3 months (a)	$ 181,457	$ 30,500
Restricted deposits (b)	153,443	-
	$ 334,900	$ 30,500
Non-current		
Time deposits with original maturities of more than 1 year (a)	$ 172,523	$ -

a. The ranges of interest rates for time deposits with original maturities of more than 3 months and 1 year were as follows:

	December 31	
	2020	**2019**
Time deposits with original maturities of more than 3 months	0.8%-2.25%	1.055%
Time deposits with original maturities of more than 1 year	3.15%-4.125%	-

b. These foreign currency deposits are repatriated and held in a special account in accordance with the regulations stipulated in “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	**2019**
Notes receivable from unrelated parties		
At amortized cost		
Gross carrying amount	$ 60,225	$ 29,038
Less: Allowance for impairment loss	-	-
	$ 60,225	$ 29,038
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 853,003	$ 633,401
Less: Allowance for impairment loss	(24,410)	(24,431)
	$ 828,593	$ 608,970
Trade receivables from related parties (Note 27)		
At amortized cost		
Gross carrying amount	$ 157,957	$ 186,973
Less: Allowance for impairment loss	-	-
	$ 157,957	$ 186,973

The average credit period of sales of goods is 0 to 120 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to the past default experience of the customers and the customers' current financial positions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the Group determines the expected credit loss rate only by reference to the past due days of notes receivable and accounts receivable.

The Group writes off a note receivable or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on past default experience with the customers and the customers' current financial positions.

December 31, 2020

	Not Past Due	**1 to 30 Days Past Due**	**31 to 60 Days Past Due**	**61 to 90 Days Past Due**	**91 to 180 Days Past Due**	**Over 180 Days Past Due**	**Total**
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	$ 893,002	$ 9,143	$ 10,445	$ -	$ 638	$ -	$ 913,228
Loss allowance (Lifetime ECLs)	(22,589)	(457)	(1,045)	-	(319)	-	(24,410)
Amortized cost	$ 870,413	$ 8,686	$ 9,400	$ -	$ 319	$ -	$ 888,818

December 31, 2019

	Not Past Due	**1 to 30 Days Past Due**	**31 to 60 Days Past Due**	**61 to 90 Days Past Due**	**91 to 180 Days Past Due**	**Over 180 Days Past Due**	**Total**
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	$ 658,491	$ -	$ 3,948	$ -	$ -	$ -	$ 662,439
Loss allowance (Lifetime ECLs)	(24,036)	-	(395)	-	-	-	(24,431)
Amortized cost	$ 634,455	$ -	$ 3,553	$ -	$ -	$ -	$ 638,008

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	December 31	
	2020	2019
Balance at January 1	$ 24,431	$ 23,272
Add: Net remeasurement of loss allowance	-	321
Add: Reclassification of loss allowance of overdue receivables	-	907
Foreign exchange differences	(21)	(69)
Balance at December 31	$ 24,410	$ 24,431

10. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 217,248	$ 152,392
Semi-finished goods	72,693	53,626
Work in progress	136,823	104,347
Raw materials	209,123	140,175
Inventory in transit	2,977	7,505
	$ 638,864	$ 458,045

The nature of the cost of goods sold is as follows:

	December 31	
	2020	2019
Cost of inventories sold	$ 3,877,177	$ 3,104,548
Inventory write-downs (reversed)	24,019	(5,338)
	$ 3,901,196	$ 3,099,210

The reversal of inventory write-downs is due to the removal of the inventory that was previously recognized as inventory write-downs.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership (%)	
			December 31	
Investor	**Investee**	**Nature of Activities**	**2020**	**2019**
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Investment holding	100	100
Prosperity Dielectrics Co., Ltd.	Frontec International Corporation	Overseas investment	100	100
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Investment holding	100	100
PDC Prime Holdings Limited	Frontier Components Co., Limited	International trade	100	100
PDC Prime Holdings Limited	Prosperity International Development (HK) Co., Limited	Investment holding	100	100

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2020	2019
PDC Success Investments Ltd.	PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic components and ceramic materials	100	100
Frontec International Corporation	Hunan Frontier Electronics Co., Ltd.	Manufacturing and selling transformers, coils and magnetic elements	100	100
Frontec International Corporation	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling chip components, power electronic devices and new electronic components	70	70
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Selling transformer, coils and rectifier diode	100	100

(Concluded)

The above-mentioned subsidiaries included in the consolidated financial statements have been audited for the years ended December 31, 2020 and 2019.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31 2020	2019
Non-current		
Domestic investments - listed shares	$ 1,109,357	$ 737,410
Domestic investments - unlisted shares	118,910	86,991
Foreign investments - unlisted shares	18,997	6,921
	$ 1,247,264	$ 831,322

Investments in Equity Instruments at FVTOCI

	December 31 2020	2019
Non-current		
Domestic investments - listed shares		
Walton Advanced Engineering Inc.	$ 440,434	$ 371,816
Walsin Lihwa Corporation	135,100	107,800
HannStar Board Corporation	245,722	110,485
Singatron Enterprise Co., Ltd.	246,717	147,309
APAQ Technology Co., Ltd.	41,384	-
Domestic investments - unlisted shares		
Chin-Xin Investment Co., Ltd.	118,910	86,991
Foreign investments - unlisted shares		
Union Technology Corp.	18,997	6,921
	$ 1,247,264	$ 831,322

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in Associates

	December 31	
	2020	**2019**
Chongqing Shuohong Investment Co., Ltd.	$ 442,124	$ 446,884
Chongqing Xincheng Electronics Co., Ltd.	25,641	26,856
GHPW Enterprise Corporation (HK) Limited	57,339	58,084
Walsin Color Corporation	112,170	102,344
INPAQ Technology Co., Ltd.	-	2,556
	$ 637,274	$ 636,724

Share of (loss) profit of associates for the years ended December 31, 2020 and 2019 was summarized as follows:

	2020	**2019**
Chongqing Shuohong Investment Co., Ltd.	$ (5,675)	$ (4,641)
Chongqing Xincheng Electronics Co., Ltd.	(1,265)	(1,807)
GHPW Enterprise Corporation (HK) Limited	(655)	(1,387)
Walsin Color Corporation	1,832	1,723
INPAQ Technology Co., Ltd.	(460)	107
	$ (6,223)	$ (6,005)

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group was as follows:

	December 31	
	2020	**2019**
Chongqing Shuohong Investment Co., Ltd.	20.43%	20.43%
Chongqing Xincheng Electronics Co., Ltd.	13.04%	13.04%
GHPW Enterprise Corporation (HK) Limited	10%	10%
Walsin Color Corporation	3.36%	3.36%
INPAQ Technology Co., Ltd.	-	0.05%

Even though PDC holds less than 20% of the voting rights each in Chongqing Xincheng Electronics Co., Ltd., GHPW Enterprise Corporation (HK) Limited, Walsin Color Corporation and INPAQ Technology Co Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

In July 2020, the Group sold 0.05% of its interest in INPAQ Technology Co., Ltd. to a third party for proceeds of $2,616 thousand. This transaction resulted in the recognition of a loss of $58 thousand.

Refer to Table 6 “Information on Investments” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

The share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the years ended December 31, 2020 and 2019 was recognized based on the associates’ audited financial statements for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Other Equipment	Property under Construction and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2019	$ 83,809	$ 760,807	$ 1,808,887	$ 42,692	$ 287,168	$ 180,839	$ 3,164,202
Additions	51	60	106,871	353	2,024	604,879	714,238
Disposals	-	(641)	(44,433)	(8,303)	(10,758)	-	(64,135)
Effect of foreign currency exchange differences	-	(16,054)	(20,809)	(408)	(2,160)	(100)	(39,531)
Reclassifications	218,360	261,539	334,738	3,278	(83,425)	(729,325)	5,165
Balance at December 31, 2019	$ 302,220	$ 1,005,711	$ 2,185,254	$ 37,612	$ 192,849	$ 56,293	$ 3,779,939
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 495,937	$ 1,095,499	$ 27,689	$ 197,749	$ -	$ 1,816,874
Depreciation expenses	-	35,413	201,411	4,929	36,073	-	277,826
Disposals	-	(641)	(44,380)	(8,303)	(10,049)	-	(63,373)
Reversals of impairment losses	-	(6,011)	(1,659)	-	-	-	(7,670)
Effects of foreign currency exchange differences	-	(8,414)	(15,358)	(359)	(1,811)	-	(25,942)
Reclassifications	-	75,491	(1,659)	(52)	(66,563)	-	7,217
Balance at December 31, 2019	$ -	$ 591,775	$ 1,233,854	$ 23,904	$ 155,399	$ -	$ 2,004,932
Carrying amount at December 31, 2019	$ 302,220	$ 413,936	$ 951,400	$ 13,708	$ 37,450	$ 56,293	$ 1,775,007
Cost							
Balance at January 1, 2020	$ 302,220	$ 1,005,711	$ 2,185,254	$ 37,612	$ 192,849	$ 56,293	$ 3,779,939
Additions	-	114	7,359	-	1,095	549,471	558,039
Disposals	-	(527)	(46,430)	(70)	(4,865)	-	(51,892)
Effect of foreign currency exchange differences	-	826	1,191	40	121	4	2,182
Reclassifications	-	106,540	372,902	11,410	31,877	(523,275)	(546)
Balance at December 31, 2020	$ 302,220	$ 1,112,664	$ 2,520,276	$ 48,992	$ 221,077	$ 82,493	$ 4,287,722
Accumulated depreciation and impairment							
Balance at January 1, 2020	$ -	$ 591,775	$ 1,233,854	$ 23,904	$ 155,399	$ -	$ 2,004,932
Depreciation expenses	-	71,896	234,896	4,992	15,961	-	327,745
Disposals	-	(450)	(37,820)	(70)	(4,353)	-	(42,693)
Reversals of impairment losses	-	(6,011)	(59)	-	-	-	(6,070)
Effects of foreign currency exchange differences	-	538	1,006	22	124	-	1,690
Reclassifications	-	-	145	-	1,622	-	1,767
Balance at December 31, 2020	$ -	$ 657,748	$ 1,432,022	$ 28,848	$ 168,753	$ -	$ 2,287,371
Carrying amount at December 31, 2020	$ 302,220	$ 454,916	$ 1,088,254	$ 20,144	$ 52,324	$ 82,493	$ 2,000,351

a. The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-41 years
Electrical mechanical and power equipment	2-21 years
Engineering system	2-25 years
Others	2-35 years
Machinery and equipment	2-12 years
Office equipment	3-5 years
Other equipment	2-10 years

b. The Group resolved in the board of directors' meeting on November 1, 2019 to acquire land and the plant that was originally leased from its related party, Walsin Lihwa Corporation. The transaction price was $278,246 thousand, which was determined with reference to the professional appraisal report.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amount		
Land	$ 176,865	$ 199,341
Buildings	11,855	21,079
Transportation equipment	1,014	914
	$ 189,734	$ 221,334

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 859	$ 1,598
Depreciation charge for right-of-use assets		
Land	$ 20,216	$ 20,228
Buildings	9,213	16,284
Transportation equipment	439	435
	$ 29,868	$ 36,947

Except for the recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amount		
Current	$ 28,548	$ 28,602
Non-current	$ 160,504	$ 191,160

The discount rates of lease liabilities were as follows:

	December 31	
	2020	**2019**
Land	1%	1%
Buildings	1%	1%
Transportation equipment	1%	1%

16. OTHER NON-CURRENT ASSETS

	December 31	
	2020	2019
Long-term prepayments	$ 5,723	$ 9,205
Refundable deposits	8,138	3,348
	$ 13,861	$ 12,553

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	$ 20,000	$ 77,000
Interest rate	0.9%	0.98%

b. Long-term borrowings

	December 31	
	2020	2019
E.Sun Commercial Bank		
Line of credit borrowings: The loan limit is NT$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.		
Loan period		
2019.12.26-2024.12.15	$ 197,005	$ 190,731
2020.04.09-2024.12.15	98,502	-
2020.07.09-2025.06.15	78,608	-
2020.08.07-2025.06.15	98,260	-
Taishin International Bank		
Line of credit borrowings: The loan limit is NT$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.		
Loan period		
2019.12.10-2024.12.10	98,546	94,802
2020.04.29-2024.12.10	98,546	-
First Commercial Bank		
Line of credit borrowings: The loan limit is NT$900,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.		
Loan period		
2020.03.02-2025.03.02	93,502	-
Less: Current portion	-	-
Long-term borrowings	$ 762,969	$ 285,533
Interest rate	0.45%-0.6%	0.7%-0.85%

18. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Payables expense	$ 405,559	$ 385,307
Payables for purchases of equipment	217,603	113,174
Payables for annual leave	9,555	8,311
Payables for remuneration of directors and supervisors and employee bonuses	34,681	34,155
Payables for dividends	500	500
	$ 667,898	$ 541,447
Non-current		
Deferred revenue		
Arising from government grants	$ 12,031	$ 14,467

19. PROVISIONS - CURRENT

	December 31	
	2020	2019
Employee benefits (presented in other payables)	$ 9,555	$ 8,311

The provision for employee benefits represents the accrual of employees' vested service leave entitlement.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

PDC adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, PDC makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The foreign subsidiaries allocate pension funds to the relevant pension management program in compliance with their local laws.

b. Defined benefit plans

The defined benefit plans adopted by PDC in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. PDC contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 106,216	$ 102,103
Fair value of plan assets	(58,106)	(57,305)
Deficit	48,110	44,798
Net defined benefit liabilities	$ 48,110	$ 44,798

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 98,891	$ (53,087)	$ 45,804
Service cost			
Current service cost	175	-	175
Net interest expense (income)	1,112	(611)	501
Recognized in profit or loss	1,287	(611)	676
Remeasurement			
Actuarial loss - changes in demographic assumptions	400	-	400
Actuarial loss - changes in financial assumptions	4,089	-	4,089
Actuarial gain - experience adjustments	(1,975)	-	(1,975)
Return on the plan assets	-	(2,003)	(2,003)
Recognized in other comprehensive income	2,514	(2,003)	511
Contributions from the employer	-	(2,193)	(2,193)
Benefits paid from the plan assets	(589)	589	-
Balance at December 31, 2019	102,103	(57,305)	44,798
Service cost			
Current service cost	117	-	117
Prior service cost	533	-	533
Net interest expense (income)	766	(438)	328
Recognized in profit or loss	1,416	(438)	978
Remeasurement			
Actuarial loss - changes in demographic assumptions	359	-	359
Actuarial loss - changes in financial assumptions	2,668	-	2,668
Actuarial loss - experience adjustments	1,547	-	1,547
Return on the plan assets	-	(1,850)	(1,850)
Recognized in other comprehensive income	4,574	(1,850)	2,274
Contributions from the employer	-	(2,332)	(2,332)
Benefits paid from the plan assets	(3,819)	3,819	-
Other	1,942	-	1,942
Balance at December 31, 2020	$ 106,216	$ (58,106)	$ 48,110

Through the defined benefit plans under the Labor Standards Act, PDC is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of PDC were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	**2019**
Discount rate	0.50%	0.75%
Expected rate of salary increase	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (2,716)	$ (2,753)
0.25% decrease	$ 2,818	$ 2,861
Expected rate of salary increase		
0.25% increase	$ 2,725	$ 2,775
0.25% decrease	$ (2,641)	$ (2,684)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	**2019**
Expected contributions to the plan for the next year	$ 2,330	$ 2,256
Average duration of the defined benefit obligation	10.3 years	10.9 years

21. EQUITY

a. Share capital

Common shares

	December 31	
	2020	2019
Authorized shares (in thousands of shares)	220,000	220,000
Authorized capital	$ 2,200,000	$ 2,200,000
Issued and paid shares (in thousands of shares)	172,000	172,000
Issued capital	$ 1,720,000	$ 1,720,000

Shares issued with par value of $10 carry one vote per share and the right to dividends.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of common shares	$ 402,192	$ 402,192
Conversion of bonds	55,484	55,484
Treasury share transactions	28,889	28,889
May only be used to offset a deficit		
Share of changes in capital surplus of associates accounted for using the equity method	10,501	10,501
	$ 497,066	$ 497,066

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in PDC's articles of incorporation (the "Articles"), where PDC made a profit in a fiscal year, the profit shall be first used to offset losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals PDC's paid-in capital. After setting aside or reversing a special reserve in accordance with the law and regulations, additional appropriations may be made to the special reserve depending on business needs. Any remaining profit together with any undistributed retained earnings shall be used by PDC's board of directors as the basis of proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 22-b.

In addition to the distribution of dividends in accordance with the Articles, cash dividends are limited to 50% of the total dividends distributed. The remaining retained earnings shall be distributed in the form of share dividends. However, should the Company obtain sufficient funds to meet its capital requirements during the current year, the cash distribution ratio can be raised to 100%. The Group should decide on the most appropriate dividend distribution policy and the form of payment based on the current year's actual operating condition, taking into consideration the following year's capital budget plans.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by PDC.

The appropriations of earnings for the years ended December 31, 2019 and 2018 which were approved in the shareholders' meetings on June 17, 2020 and June 12, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	**2018**
Legal reserve	$ 77,159	$ 148,204
Cash dividends	309,600	739,600
Cash dividends per share (NT$)	1.8	4.3

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held in June 2021.

d. Other equity items

	For the Year Ended December 31, 2020		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	**Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI**	**Total**
Balance at January 1	$ (170,337)	$ 301,321	$ 130,984
Exchange differences on the translation of the net assets of foreign operations	(14,784)	-	(14,784)
Unrealized gain on investments in equity instruments at FVTOCI	-	269,154	269,154
Share from associates accounted for using the equity method	34	8,831	8,865
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	(2,267)	(2,267)
Balance at December 31	$ (185,087)	$ 577,039	$ 391,952

	For the Year Ended December 31, 2019		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	**Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI**	**Total**
Balance at January 1	$ (103,752)	$ 153,806	$ 50,054
Exchange differences on the translation of the net assets of foreign operations	(65,799)	-	(65,799)
Unrealized gain on investments in equity instruments at FVTOCI	-	130,162	130,162
Share from associates accounted for using the equity method	(786)	20,720	19,934
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	(3,367)	(3,367)
Balance at December 31	$ (170,337)	$ 301,321	$ 130,984

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

a. The employee benefits expense, depreciation and amortization incurred in the current period are summarized according to their functions as follows:

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	**Operating Expenses**	**Total**	**Operating Costs**	**Operating Expenses**	**Total**
Short-term employee benefits						
Salaries and wages	$ 454,628	$ 173,298	$ 627,296	$ 406,417	$ 157,800	$ 564,217
Labor/health insurance	36,525	10,517	47,042	43,292	12,144	55,436
Pension	12,862	4,412	17,274	10,472	4,965	15,437
Other employee benefits	29,637	6,259	35,896	26,516	6,041	32,557
Depreciation	330,993	26,620	357,613	291,411	23,362	314,773
Amortization	3,123	1,359	4,482	1,533	1,902	3,435

The number of employees of the Group as of December 31, 2020 and 2019 was 1,176 and 1,146, respectively.

b. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, PDC accrues compensation of employees and remuneration of directors and supervisors at rates of 2%-10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 which were approved by the Company's board of directors on February 25, 2021 and February 26, 2020, respectively, are as follows:

	For the Year Ended December 31	
	2020	**2019**
Accrual rate		
Compensation of employees	2.5%	2.5%
Remuneration of directors and supervisors	1%	1%

	For the Year Ended December 31			
	2020		**2019**	
	Cash	**Shares**	**Cash**	**Shares**
Amount				
Compensation of employees	$ 24,772	$ -	$ 24,396	$ -
Remuneration of directors and supervisors	9,909	-	9,759	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors and paid on February 26, 2020 and February 21, 2019, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2020 and 2019.

	For the Year Ended December 31			
	2019		**2018**	
	Cash	**Shares**	**Cash**	**Shares**
Compensation of employees				
Amounts approved in the board of directors meeting	$ 24,396	$ -	$ 46,670	$ -
Actual amounts paid	24,376	-	46,553	-
Remuneration of directors and supervisors				
Amounts approved in the board of directors' meeting	9,759	-	18,668	-
Actual amounts paid	9,759	-	18,668	-

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. The details of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 215,671	$ 219,644
Income tax on unappropriated earnings	-	8,970
Adjustments for deferred tax assets	1,204	(1,170)
Adjustments for prior year	(12,682)	(11,291)
	$ 204,193	$ 216,153

b. The components of deferred income tax assets and liabilities are as follows:

	December 31	
	2020	2019
Deferred tax assets (liabilities)		
Unrealized loss from inventory devaluation	$ 13,122	$ 12,390
Unrealized loss from bad debt	3,289	4,268
Impairment loss on assets	15,936	17,150
Reserve for land value increment tax	(13,734)	(13,734)
Income tax on unappropriated earnings of subsidiaries	(86,533)	-
Others	(3,442)	1,597
Deferred tax, net	(71,362)	21,671
Deferred tax assets	(35,734)	(35,405)
Deferred tax liabilities	$ (107,096)	$ (13,734)

c. The reconciliation of accounting profit and taxable income for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax		
Income tax expense calculated at the statutory rate	$ 229,819	$ 234,422
Tax effect of reconciled items:		
(Gain) loss on disposal of investments	(308)	1,976
Loss (gain) on investments accounted for using the equity method	1,139	(27,901)
Other adjustments	(15,806)	10,061
Income tax expense for the current year	214,844	218,558
Recognition (reversal) of deferred income tax assets (liabilities)		
Unrealized loss from inventory devaluation	(2,847)	(1,061)
Unrealized (gain) loss from bad debt	(979)	520
Gain on investments accounted for using the equity method	(36,564)	-
Other adjustments	(15,136)	790
Add: Income tax on unappropriated earnings	-	8,970
Less: Withholding tax and provisional tax	(82,465)	(185,016)
Add: The prior years' balance of tax payable	-	40,309
Current income tax liabilities	$ 76,853	$ 83,070

In July 2019, the president of the ROC announced “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, which allowed the decrease in tax rate from 20% to 8%-10% for enterprises that applied and repatriated funds from August 15, 2019 to August 14, 2021. The repatriated funds shall be deposited in restricted foreign currency deposit accounts, and the tax will be deducted from the receiving bank once the funds are deposited.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

d. PDC’s income tax returns through 2018 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31, 2020		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share			
Amount after income tax attributable to owners of the Company	$ 791,318	172,000,000	$ 4.60
Effect of potentially dilutive common shares - employee share options	-	432,916	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	$ 791,318	172,432,916	$ 4.59

	For the Year Ended December 31, 2019		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share	$ 771,591	172,000,000	$ 4.49
Amount after income tax attributable to owners of the Company			
Effect of potentially dilutive common shares - employee share options	-	444,541	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	$ 771,591	172,444,541	$ 4.47

Since the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group have the essential financial resources and operating plans to meet the needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures in the next 12 months.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of December 31, 2020 and 2019.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 315,229	$ -	$ -	$ 315,229
Financial assets at FVTOCI				
Domestic listed shares	$ 1,109,357	$ -	$ -	$ 1,109,357
Domestic unlisted shares	-	-	118,910	118,910
Foreign unlisted shares	-	-	18,997	18,997
	$ 1,109,357	$ -	$ 137,907	$ 1,247,264

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 235,535	$ -	$ -	$ 235,535
Mutual funds	291,908	-	-	291,908
Foreign government bonds	-	64,555	-	64,555
	$ 527,443	$ 64,555	$ -	$ 591,998
Financial assets at FVTOCI				
Domestic listed shares	$ 737,410	$ -	$ -	$ 737,410
Domestic unlisted shares	-	-	86,991	86,991
Foreign unlisted shares	-	-	6,921	6,921
	$ 737,410	$ -	$ 93,912	$ 831,322

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

b. Categories of financial instruments

	December 31	
	2020	**2019**
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	$ 315,229	$ 591,998
Financial assets at amortized cost (1)	2,667,332	1,665,290
Financial assets at FVTOCI		
Equity instruments	1,247,264	831,322
<u>Financial liabilities</u>		
Amortized cost (2)	2,256,885	1,379,109

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group utilizes derivatives based on the procedures for the handling of derivative financial instrument transactions, which had been approved by the board of directors, to hedge against foreign currency risk. The internal auditor reviews compliance with policies and risk limits on an ongoing basis.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group's exposure to market risk in financial instruments and its management and measurement of such exposure has not changed since the last period.

a) Foreign currency risk

The Group manages the risk of exchange rate fluctuations arising from foreign currency transactions by using forward exchange contracts to the extent permitted by the regulations governing the procedures for the handling of derivative financial instrument transactions.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 31.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Profit or loss	$ 22,739	$ 25,155	$ 19,148	$ 20,226
Equity	1,720	1,743	14,033	14,212

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the year for a 3% change in foreign currency rates. A positive number indicates an increase in post-tax profit and equity associated with the New Taiwan dollar strengthening 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and equity.

b) Interest rate risk

The Group was exposed to interest rate risk arising from both fixed and floating interest rate deposits, and repurchase agreements collateralized by bonds and borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	$ 1,238,323	$ 518,790
Financial liabilities	782,969	362,533

The Group's sensitivity analysis of interest rate risk mainly focuses on changes in the fair value of the financial assets and liabilities at fixed interest rate at the end of the reporting period. If interest rates were lower by 1% and all other variables were held constant, the Group's variable-rate financial assets for the years ended December 31, 2020 and 2019 would have resulted in cash outflows by $4,554 thousand and $1,563 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group.

The management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group's working capital is sufficient to meet its obligations; therefore, there is no liquidity risk arising from the inability to raise funds to meet its contractual obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods:

December 31, 2020

	Less than 1 Year	2-3 Years	3+ Years	Total
Non-interest bearing	$ 1,473,916	$ -	$ -	$ 1,473,916
Variable interest rate liabilities	20,000	332,223	430,746	782,969
Lease liabilities	28,548	42,246	118,258	189,052
	$ 1,522,464	$ 374,469	$ 549,004	$ 2,445,937

December 31, 2019

	Less than 1 Year	2-3 Years	3+ Years	Total
Non-interest bearing	$ 1,016,576	$ -	$ -	$ 1,016,576
Variable interest rate liabilities	77,000	-	285,533	362,533
Lease liabilities	28,602	50,809	140,351	219,762
	$ 1,122,178	$ 50,809	$ 425,884	$ 1,598,871

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, refer to Table 5. Details of transactions between the Group and other related parties are disclosed as follows.

Related party name and category

Related Party Name	Related Party Category
Walsin Technology Corporation	Parent company
Dongguan Walsin Technology Electronics Co., Ltd.	Sister company
Dongguan Huafai Trading Co., Ltd.	Sister company
Pan Overseas (Guangzhou) Electronic Co., Ltd.	Sister company
Walsin Technology Corporation (HK) Limited	Sister company
INPAQ Technology Co., Ltd.	Sister company (associate before July 2020)
INPAQ Technology (Suzhou) Co., Ltd.	Sister company (associate before July 2020)
Taiwan INPAQ Electronics Co., Ltd.	Sister company (associate before July 2020)
INPAQ Technology (China) Co., Ltd.	Sister company (associate before July 2020)
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Falcon Automation Equipment Corporation	Other related party
Info-Tek Corp.	Other related party
VVG Inc.	Other related party
Global Brands Manufacture Ltd.	Other related party
Winbond Electronics Corp.	Other related party
Walsin Color Corporation	Associate

Transactions

Related Party Category/Name	Sales of Goods For the Year Ended December 31 2020	Sales of Goods For the Year Ended December 31 2019	Purchases of Goods For the Year Ended December 31 2020	Purchases of Goods For the Year Ended December 31 2019
Parent company	$ 650,952	$ 501,288	$ 688,557	$ 457,179
Sister companies				
Dongguan Walsin Technology Electronics Co., Ltd.	419,083	204,573	547,049	198,381
Others	176,924	59,890	19,268	6,243
	596,007	264,463	566,317	204,624
Associates	-	91,291	-	19,528
Other related parties	445	174	-	-
	$ 1,247,404	$ 857,216	$ 1,254,874	$ 681,331

The selling prices between the Group and related parties were not significantly different from that of general transactions. The collection terms of general transactions are within 0 to 120 days. The collection terms of related parties were not significantly different from that of general customers. Among them, trade receivable (payable) of Walsin Technology Corporation are directly offset by its respective counterparty's trade receivable (payable), and the remaining receivables are collected (paid) under the usual collection (payment) terms.

The prices of the purchase transactions between the Group and related parties were not significantly different from that of general transactions, and the payment terms of general transactions are within 30 to 120 days. The payment terms of related parties were not significantly different from that of general suppliers.

Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2020	Purchase Price For the Year Ended December 31 2019
Investor that exercises significant influence over the Group		
Walsin Lihwa Corporation	$ 295	$ 278,246
Parent company	174	3,349
Other related parties		
Falcon Automation Equipment Corporation	19,450	2,944
	$ 19,919	$ 284,539

Disposal of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31 2020 Proceeds	2020 Gain (Loss) on Disposal	2019 Proceeds	2019 Gain (Loss) on Disposal
Parent company	$ 8,991	$ 381	$ -	$ -
Associates	-	-	678	-
	$ 8,991	$ 381	$ 678	$ -

Lease arrangements as lessee

Item	Related Party Category	December 31 2020	December 31 2019
Lease liabilities	Parent company	$ 8,019	$ 13,574

Item	Related Party Category	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Interest expense	Parent company	$ 106	$ 513
Rental expense	Parent company	$ 96	$ 59
	Sister companies	205	213
		$ 301	$ 272

Lease modifications

The Group leased buildings as factories and offices from related parties. In October 2019, a lease agreement was modified as a result of a change in the leased area, which resulted in an increase of $1,089 thousand and $970 thousand in the right-of-use assets and lease liabilities, respectively, and a gain on lease modifications of $119 thousand.

In December 2019, the Group terminated some of its lease agreements from the parent company after purchasing real estate from its investor that exercises significant influence over the Group, and therefore recognized a gain on lease modifications of $409 thousand on the derecognition of right-of-use assets and lease liabilities.

Lease arrangements as lessor

Lease income was summarized as follows:

Related Party Category	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Parent company	$ 2,870	$ 46
Sister companies	84	-
Associates	131	50
Other related parties	2,189	2,428
	$ 5,274	$ 2,524

For the years ended December 31, 2020 and 2019, the remaining balances were as follows:

Related Party Category/Name	Trade Receivables For the Year Ended December 31 2020	Trade Receivables For the Year Ended December 31 2019	Trade Payables For the Year Ended December 31 2020	Trade Payables For the Year Ended December 31 2019
Parent company	$ -	$ 59,078	$ 53,233	$ -
Sister companies				
Dongguan Walsin Technology Electronics Co., Ltd.	97,496	74,106	274,264	94,154
Others	60,458	16,623	10,507	4,613
	157,954	90,729	284,771	98,767
Associates	-	37,113	-	8,390
Other related parties	3	53	-	-
	$ 157,957	$ 186,973	$ 338,004	$ 107,157

Related Party Category/Name	Other Receivables For the Year Ended December 31 2020	Other Receivables For the Year Ended December 31 2019	Other Payables For the Year Ended December 31 2020	Other Payables For the Year Ended December 31 2019
Investor that exercises significant influence over the Group	$ -	$ -	$ 383	$ 370
Parent company	-	-	25,289	$ 31,904
Sister companies	1	-	276	294
Associates	12	729	-	-
Other related parties	659	633	781	691
	$ 672	$ 1,362	$ 26,729	$ 33,259

Other receivables are the uncollected amounts from the Group’s lease income, selling of raw materials, purchasing of spare parts as an agent and the collections on behalf of others.

Other payables are the payments that have not been made for the acquisition of equipment and payments on behalf of others.

The remaining trade payables - related parties were not guaranteed and would be paid off by cash; trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of December 31, 2020 and 2019.

Financing provided to others

Please refer to Table 1 of Note 32 for financing between the subsidiaries.

Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	**2019**
Short-term employee benefits	$ 19,438	$ 26,566
Post-employment benefits	66	72
	$ 19,504	$ 26,638

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2020 and 2019 were as follows:

a. Significant unrecognized commitments

Unrecognized commitments were as follows:

	December 31	
	2020	**2019**
Acquisition of property, plant and equipment	$ 253,370	$ 282,997

b. Contingencies

As of December 31, 2020, outstanding letters of credit of the Group were summarized as follows:

Unit: Dollars

Currency	**Carrying Value**	**Deposits Paid**
JPY	JPY116,840,000	JPY -

As of December 31, 2019, outstanding letters of credit of the Group were summarized as follows:

Unit: Dollars

Currency	**Carrying Value**	**Deposits Paid**
USD	USD 18,300	USD -
JPY	JPY147,460,000	JPY -
EUR	EUR 236,400	EUR -

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to focus on its core technologies and strengthen its competitiveness, the Company planned to sell 100% of its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. INPAQ Technology (Suzhou) Co., Ltd. is the 100%-owned second-tier subsidiary of the Company's sister company, INPAQ Technology Co., Ltd. The transaction was closed at the price of RMB 94,800 thousand and has been approved in the Company's board of directors' meeting on January 27, 2021. The settlement of the sale of the shares is dependent on the progress of approval of the local authorities, and settlement is expected to take place and all the relevant procedures are expected to be completed by the end of June 2021.

30. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the operations of the subsidiaries located in China were temporarily suspended because of the lockdown and shut-down control measures imposed by the local government. However, the Group resumed work quickly, which made the Group's revenue barely affected by this pandemic; instead, revenue grew under this tough environment due to strong market demand. Currently, all of the subsidiaries have resumed operations.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between the foreign currencies and their respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	December 31					
	2020			2019		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands)**	**Foreign Currency (In Thousands)**	**Exchange Rate**	**Carrying Amount (In Thousands)**
Financial assets						
Monetary items						
USD	$ 40,105	28.1	$ 1,126,951	$ 33,845	29.98	$ 1,014,673
RMB	170,790	4.3131	736,634	175,656	4.3039	756,006
Non-monetary items						
Investments accounted for using the equity method						
USD	2,041	28.1	57,339	1,937	29.98	58,084
RMB	108,452	4.3131	467,765	110,072	4.3039	473,740
Financial liabilities						
Monetary items						
USD	13,131	28.1	368,981	5,876	29.98	176,162
RMB	22,805	4.3131	98,360	19,004	4.3039	81,791

For the years ended December 31, 2020 and 2019, net realized and unrealized foreign exchange losses were $49,876 thousand and $8,990 thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the foreign currency transactions.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 5)

b. Information about reinvestment

Information on investees (Table 6)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the geographical segments as its operating segments. The Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

Taiwan segment - Prosperity Dielectrics Co., Ltd.
- PDC Prime Holdings Limited
- Frontec International Corporation
- PDC Success Investments Ltd.

China segment - PDC Electronics (Suzhou) Co., Ltd.
- Dongguan Frontier Electronics Co., Ltd.
- Hunan Frontier Electronics Co., Ltd.
- Frontier Components Co., Limited
- Prosperity International Development (HK) Co., Limited
- Prosperity Frontier Electronics (Shenzhen) Co., Ltd.

a. Segment revenue and results

The following tables detail the Group’s segment revenue and results by reportable segments for the years ended December 31, 2020 and 2019.

	For the Year Ended December 31, 2020			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Net sales	$ 4,243,551	$ 3,515,375	$ (2,551,065)	$ 5,207,861
Cost of sales	(3,192,798)	(3,275,227)	2,566,829	(3,901,196)
Unrealized gain on inter-affiliate accounts	6,425	-	(6,425)	-
Gross profit	1,057,178	240,148	9,339	1,306,665
Operating expenses	(348,796)	(41,916)	(8,000)	(398,712)
Profit from operations	708,382	198,232	1,339	907,953
Non-operating income and expenses	244,118	24,010	(184,157)	83,971
Profit before income tax	$ 952,500	$ 222,242	$ (182,818)	$ 991,924

	For the Year Ended December 31, 2019			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Net sales	$ 3,693,112	$ 2,388,368	$ (1,725,082)	$ 4,356,398
Cost of sales	(2,670,344)	(2,165,531)	1,736,665	(3,099,210)
Unrealized gain on inter-affiliate accounts	976	-	(976)	-
Gross profit	1,023,744	222,837	10,607	1,257,188
Operating expenses	(308,333)	(45,066)	(10,000)	(363,399)
Profit from operations	715,411	177,771	607	893,789
Non-operating income and expenses	236,453	(5,150)	(144,080)	87,223
Profit before income tax	$ 951,864	$ 172,621	$ (143,473)	$ 981,012

b. Segment assets and liabilities

Segment assets

	December 31, 2020			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	$ 759,917	$ 463,311	$ -	$ 1,223,228
Notes and trade receivables	653,083	882,511	(488,819)	1,046,775
Inventories	548,801	102,563	(12,500)	638,864
Other current assets	585,213	183,332	(2,168)	766,377
Total current assets	2,547,014	1,631,717	(503,487)	3,675,244
Financial assets at FVTOCI - non-current	1,247,264	-	-	1,247,264
Investments accounted for using the equity method	1,880,603	525,104	(1,768,433)	637,274
Property, plant and equipment	1,698,010	302,341	-	2,000,351
Other non-current assets	213,970	199,686	-	413,656
Total assets	$ 7,586,861	$ 2,658,848	$ (2,271,920)	$ 7,973,789

	December 31, 2019			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	$ 172,701	$ 614,318	$ -	$ 787,019
Notes and trade receivables	748,169	535,684	(458,872)	824,981
Inventories	337,399	139,571	(18,925)	458,045
Other current assets	312,871	432,124	(36,154)	708,841
Total current assets	1,571,140	1,721,697	(513,951)	2,778,886
Financial assets at FVTOCI - non-current	831,322	-	-	831,322
Investments accounted for using the equity method	1,972,540	531,824	(1,867,640)	636,724
Property, plant and equipment	1,442,114	332,928	(35)	1,775,007
Other non-current assets	241,987	29,339	-	271,326
Total assets	$ 6,059,103	$ 2,615,788	$ (2,381,626)	$ 6,293,265

Segment liabilities

	December 31, 2020			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	$ 1,261,660	$ 839,159	$ (490,988)	$ 1,609,831
Guarantee deposits received	16,946	4,123	-	21,069
Deferred income tax liabilities	107,096	-	-	107,096
Other non-current liabilities	983,300	314	-	983,614
Total liabilities	$ 2,369,002	$ 843,596	$ (490,988)	$ 2,721,610

	December 31, 2019			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	$ 1,031,042	$ 683,444	$ (495,026)	$ 1,219,460
Guarantee deposits received	6,378	4,267	-	10,645
Deferred income tax liabilities	13,734	-	-	13,734
Other non-current liabilities	531,909	4,049	-	535,958
Total liabilities	$ 1,583,063	$ 691,760	$ (495,026)	$ 1,779,797

All intercompany transactions had been eliminated upon consolidation.

c. Geographical information

The Group operates in three principal geographical areas - Asia, America and Europe.

The Group's revenue from external customers by location of operations is detailed as below:

	For the Year Ended December 31	
	2020	2019
Asia	$ 4,722,389	$ 3,890,651
America	267,882	273,706
Europe	217,590	191,683
Other	-	358
	$ 5,207,861	$ 4,356,398

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2020	2019
Customer A	$ 650,952	$ 501,288
Customer B	$ 383,002	$ 803,179

TABLE 1

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Frontier Components Co., Limited	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Receivables from related parties	Yes	$ 30,250 (US$ 1,000,000)	$ -	$ -	2	Short-term financing	$ -	Operating turnover	$ -	Promissory note	$ -	$ 117,557 (Note 2)	$ 235,114 (Note 3)

Note 1: Investee company.

Note 2: 20% of the shareholders' equity of the lender.

Note 3: 40% of the shareholders' equity of the lender.

Note 4: The aggregate financing limit of the loans made by the Company to others is 40% of its net worth as presented in its latest audited or reviewed financial statements. If the loans are made to borrowers with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net worth as presented in its latest audited or reviewed financial statements. The aforementioned restrictions do not apply to financing provided to foreign subsidiaries in which the Company directly or indirectly owns 100% of the voting shares.

TABLE 2

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Prosperity Dielectrics Co., Ltd.	Listed shares							
	Walton Advanced Engineering Inc.	The chairman of the securities issuer is the same as the Company's	Financial assets at fair value through other comprehensive income - non-current	31,915,536	$ 440,434	6.30	$ 440,434	
	Walsin Lihwa Corporation	The chairman of the securities issuer is the second degree of kinship of the Company	〃	7,000,000	135,100	0.22	135,100	
	HannStar Board Corporation	The chairman of the securities issuer is the same as the Company's	〃	5,668,332	245,722	1.07	245,722	
	Singatron Enterprise Co., Ltd.	None	〃	10,301,314	246,717	8.12	246,717	
	APAQ Technology Co., Ltd.	〃	〃	739,000	41,384	0.87	41,384	
	APAQ Technology Co., Ltd.	〃	Financial assets at fair value through profit or loss - current	4,541,000	254,296	5.37	254,296	
	Singatron Enterprise Co., Ltd.	〃	〃	723,717	17,333	0.57	17,333	
	Chunghwa Telecom Co., Ltd.	〃	〃	400,000	43,600	0.01	43,600	
	Shares							
	Chin-Xin Investment Co., Ltd.	The chairman of the securities issuer is the second degree of kinship of the Company	Financial assets at fair value through other comprehensive income - non-current	3,500,000	118,910	0.72	118,910	
	Union Technology Corp.	None	〃	71,409	18,997	10.32	18,997	

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Indirectly owned second-tier subsidiary	Sales	$ (1,058,621)	(25)	No significant difference with third parties	-	-	Trade receivables $ 87,619	13	
	Walsin Technology Corporation	Owns 43.13% of the Company’s shares	Sales	(650,952)	(15)	〃	-	-	Trade receivables -	-	
	Walsin Technology Corporation	Owns 43.13% of the Company’s shares	Purchases	688,557	30	〃	-	-	Trade payables (53,233)	(10)	
	Hunan Frontier Electronics Co., Ltd.	Indirectly owned second-tier subsidiary	Purchases	209,931	9	〃	-	-	Trade payables (84,432)	(16)	
Frontier Components Co., Limited	Prosperity Dielectrics Co., Ltd.	Parent company	Purchases	1,058,621	63	〃	-	-	Trade payables (87,619)	(22)	
	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Sales	(1,040,144)	(58)	〃	-	-	Trade receivables 248,718	59	
Dongguan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Parent company	Purchases	1,040,144	96	〃	-	-	Trade payables (248,718)	(96)	
Hunan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Sister company	Sales	(103,470)	(33)	〃	-	-	Trade receivables 21,584	20	
Frontier Components Co., Limited	Hunan Frontier Electronics Co., Ltd.	Sister company	Purchases	103,470	6	〃	-	-	Trade payables (21,584)	(5)	
Hunan Frontier Electronics Co., Ltd.	Prosperity Dielectrics Co., Ltd.	Parent company	Sales	(209,931)	(67)	〃	-	-	Trade receivables 84,432	79	
Frontier Components Co., Limited	Dongguan Walsin Technology Electronics Co., Ltd.	PDC’s parent company indirectly owned second-tier subsidiary	Sales	(419,070)	(24)	〃	-	-	Trade receivables 97,481	23	
	Dongguan Walsin Technology Electronics Co., Ltd.	PDC’s parent company indirectly owned second-tier subsidiary	Purchases	466,398	28	〃	-	-	Trade payables (274,264)	(68)	

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Trade receivables	$ 248,718	5.44	$ -	-	$ 113,054	$ -

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Parent company to subsidiary	Sales	$ 1,058,621	No significant difference with third parties	20
				Trade receivables	87,619	〃	1
		Hunan Frontier Electronics Co., Ltd.	Parent company to subsidiary	Purchases	209,931	〃	4
				Trade payables	84,432	〃	1
1	Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Subsidiary to subsidiary	Sales	1,040,144	〃	20
				Trade receivables	248,718	〃	3
2	Hunan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Subsidiary to subsidiary	Sales	103,470	〃	2

Note 1: The investee company is represented in the number column as follows:

a. The parent company is numbered “0”.
b. The subsidiaries are numbered consecutively from “1” in the order presented in the table above.

Note 2. There are three natures of relationships regarding the flow of transactions (in the case of the same transaction between the parent company and its subsidiary or between subsidiaries, there is no need to repeat disclosure. For example: If the parent company has disclosed the transaction between the parent company and the subsidiary, the subsidiary does not need to be disclosed. If a subsidiary has disclosed the transaction between the other subsidiary and itself, the other subsidiary does not need to be disclosed).

a. From the parent company to its subsidiary.
b. From a subsidiary to its parent company.
c. Between subsidiaries.

Note 3: The transaction amount as a percentage of the consolidated total revenue or total assets is calculated as follows: For balance sheet items, each item’s period-end balance is shown as a percentage of consolidated total assets as of December 31, 2020. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the year ended December 31, 2020.

Note 4: The decision whether or not to disclose the significant intercompany transactions was made based on the principle of materiality.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Samoa	Investment holding	$ 728,456	$ 728,456	23,464,538	100	$ 1,313,574	$ 192,688	$ 192,688	
	Frontec International Corporation	British Virgin Islands	Overseas investment	695,113	695,113	21,679,182	100	454,858	(9,870)	(9,870)	
	Walsin Color Corporation	Taiwan	Investment holding	51,928	51,928	4,934,995	3.36	112,170	54,447	1,832	
	INPAQ Technology Co., Ltd.	Taiwan	Researching, developing, manufacturing and selling of Microwave complex miniature antenna and module, Multilayer circuit protection component and Multilayer microwave RF component and integrated module	-	4,096	-	-	-	129,106 (Note 3)	(460)	
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Republic of Mauritius	Investment holding	387,932	387,932	12,009,000	100	670,436	23,812	23,812	
	Frontier Components Co., Limited	Hong Kong	International trade	252,928 (Note 2)	252,928 (Note 2)	70,036,752	100	587,785	173,211	173,211	
	Prosperity International Development (HK) Co., Ltd.	Hong Kong	Investment holding	67,468 (Note 2)	67,468 (Note 2)	2,401,000	100	57,362	(655)	(655)	
Prosperity International Development (HK) Co., Ltd.	GHPW Enterprise Corporation (HK) Limited	Hong Kong	Investment holding	67,440 (Note 2)	67,440 (Note 2)	2,400,000	10	57,339	(6,552)	(655)	

Note 1: For the information on investees in mainland China, refer to Table 7.

Note 2: The closing exchange rate as of December 31, 2020 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of December 31, 2020 was US$ to NT$ = 1:28.1.

Note 3: Net income (loss) of the company before disposal.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic parts and ceramic components	$ 337,200 (US$ 12,000,000)	Note 1	$ 337,200 (US$ 12,000,000)	$ -	$ -	$ 337,200 (US$ 12,000,000)	$ 23,829	100.00	$ 23,829	$ 670,181	$ 71,294 (US$ 2,537,141)
Dongguan Frontier Electronics Co., Ltd.	Selling of transformer, coils and rectifier diode	171,410 (US$ 6,100,000)	Note 1	171,410 (US$ 6,100,000)	-	-	171,410 (US$ 6,100,000)	92,519	100.00	92,519	310,289	92,145 (US$ 3,279,186)
Hunan Frontier Electronics Co., Ltd.	Manufacturing and selling of transformer, coils and magnetic component	449,600 (US$ 16,000,000)	Note 1	449,600 (US$ 16,000,000)	-	-	449,600 (US$ 16,000,000)	(1,491)	100.00	(1,491)	364,674	-
Chongqing Shuohong Investment Co., Ltd.	Investment management, investment consultation services	2,285,943 (RMB 530,000,000) (Note 4)	Note 1	-	-	-	-	(27,775)	20.43	(5,675)	442,124	-
Chongqing Xincheng Electronic Co., Ltd.	Selling of electronic components, real estate investment and leasing	233,434 (RMB 54,122,000) (Note 5)	Note 1	-	-	-	-	(9,641)	13.04	(1,265)	25,641	-
GHPW Enterprise Corporation (Chongqing) Limited	Business consultations, business management, consultation services and property management	674,400 (US$ 24,000,000)	Note 1	67,440 (US$ 2,400,000)	-	-	67,440 (US$ 2,400,000)	(6,392)	10.00	(639)	57,250	-
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	168,600 (US$ 6,000,000)	Note 1	118,020 (US$ 4,200,000)		-	118,020 (US$ 4,200,000)	(11,956)	70.00	(8,369)	94,675	-

Note 1: Investment in mainland China companies through an existing company established in a third region.

Note 2: Based on the financial statements of the investee companies audited by the attesting CPA of the parent company in Taiwan.

Note 3: The average exchange rate as of December 31, 2020 is used to convert the foreign currencies into New Taiwan dollars except for the investment gains and losses of the current period (converted at the average exchange rate of 2020) if the relevant figures in this table involve foreign currencies.

Note 4: Investment amount of RMB108,290,000 was made using PDC Electronics (Suzhou) Co., Ltd.'s own capital.

Note 5: Investment amount of RMB7,055,500 was made using Frontier Electronic (Chong Qing) Co., Ltd.'s own capital, which has been transferred to Dongguan Frontier Electronics Co., Ltd. in December 2017.

2. Investment quota for mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 1,277,913 (US$ 45,477,329)	$ 1,426,258 (US$50,756,516)	(Note 2)

Note 1: The average exchange rates as of December 31, 2020 are as follows:

US$ to NT$ = 1:28.1
RMB to NT$ = 1:4.3131

The average exchange rates for the year 2020 are as follows:

US$ to NT$ = 1:29.549
RMB to NT$ = 1:4.2827

(Continued)

Note 2: In accordance with Article 3 of the "Regulations Governing the Examination of Investment or Technical Cooperation in mainland China" on August 29, 2008, enterprises within the scope of operations of the operational headquarters approved by the Industrial Development Bureau of the Ministry of Economic Affairs are exempt. The company is an enterprise that has been recognized as the operational headquarters of the said Regulations. The validity period is from July 17, 2018 to July 16, 2021, so there is no upper limit on the amount of mainland China Investments.

3. Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

Investee Company	Relationship	Transaction Type	Amount	Transaction Details			Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
Hunan Frontier Electronics Co., Ltd.	Subsidiary	Purchases	$ 209,931	No significant difference with normal transactions	T/T	No significant difference	$ (84,432)	(16)	$ -

4. Circumstances in which investee mainland China companies in provide endorsements, guarantees or collaterals directly or indirectly through third-region enterprises: None.

5. Circumstances of financing provided with investee mainland China companies directly or indirectly through a third region: Table 1.

6. Other transactions that have a material effect on the current profit and loss or financial status: None.

(Concluded)

TABLE 8

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Technology Corporation	74,186,468	43.13