Stock Code：2409

AU OPTRONICS CORP.

Parent Company Only Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018

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

Independent Auditors' Report

To the Board of Directors of AU Optronics Corp.:

Opinion

We have audited the parent company only financial statements of AU Optronics Corp. ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Emphasis of Matter

As stated in Note 3(1) to the parent company only financial statements, the Company has initially adopted the IFRS 16, "Leases" from January 1, 2019 and applied the modified retrospective approach with no restatement of comparative period amounts. Our conclusion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of long-term non-financial assets (including goodwill)

Refer to Note 4(15) "Impairment – non-financial assets", Note 5(2) and Note 5(3) "Critical accounting judgments and key sources of estimation and assumption uncertainty", Note 6(8) "Property, plant and equipment", Note 6(9) "Lease arrangements" and Note 6(11) "Intangible assets" to the parent company only financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, has goodwill through the acquisition of subsidiaries, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets (including goodwill). The impairment assessment includes identifying cash-generating units, determining a valuation model, determining significant assumptions, and computing recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding assumptions used, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Company's disclosures of its policy on impairment of noncurrent non-financial assets and other related disclosures.

Revenue recognition

Refer to Note 4(18) "Revenue from contracts with customers" and Note 6(18) "Revenue from contracts with customers" to the parent company only financial statements.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. In addition, the Company operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only financial statements.

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

1. Identified and assessed the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated 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 determined those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wei, Shing-Hai and Lu, Chien-Hui.

KPMG
Hsinchu, Taiwan (Republic of China)
February 25, 2020

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

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

AU OPTRONICS CORP.

Balance Sheets

December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

		December 31,			
		2019		2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 45,928,070	13	30,316,278	9
1110	Financial assets at fair value through profit or loss－current (Note 6(2))	18,753	-	52,434	-
1170	Accounts receivable, net (Note 6(4))	26,986,723	8	41,612,155	12
1180	Accounts receivable from related parties, net (Notes 6(4)&7)	1,938,966	1	4,625,330	1
1210	Other receivables from related parties (Note 7)	1,211,588	-	27,905	-
1220	Current tax assets	28,303	-	26,282	-
130X	Inventories (Note 6(5))	17,256,261	5	20,209,268	6
1476	Other current financial assets (Note 6(4))	1,111,904	-	304,164	-
1479	Other current assets (Note 6(12))	1,836,890	1	1,754,804	-
		98,317,458	28	98,928,620	28
	Noncurrent assets:				
1517	Financial assets at fair value through other comprehensive income－noncurrent (Note 6(3))	7,140,410	2	6,604,041	2
1550	Investments in equity-accounted investees (Notes 6(6)&(7))	70,184,815	20	73,281,985	21
1600	Property, plant and equipment (Notes 6(8),7&8)	144,142,738	42	148,448,632	43
1755	Right-of-use assets (Note 6(9))	9,346,877	3	-	-
1760	Investment property (Note 6(10)&8)	465,868	-	539,436	-
1780	Intangible assets (Note 6(11))	12,051,761	3	12,476,746	4
1840	Deferred tax assets (Note 6(24))	4,265,480	1	5,151,811	1
1900	Other noncurrent assets (Notes 6(12)&8)	1,749,460	1	1,973,250	1
		249,347,409	72	248,475,901	72
	Total Assets	**$ 345,664,867**	**100**	**347,404,521**	**100**

		December 31,			
		2019		2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (Note 6(2))	$ 7,054	-	13,973	-
2170	Accounts payable	24,296,415	7	29,179,096	9
2180	Accounts payable to related parties (Note 7)	25,325,274	8	31,270,499	9
2213	Equipment and construction payable (Note 7)	4,568,963	1	7,125,831	2
2220	Other payables to related parties (Note 7)	405,656	-	224,886	-
2230	Current tax liabilities	-	-	1,267,055	-
2250	Provisions－current (Note 6(15))	666,896	-	1,395,690	-
2280	Lease liabilities－current (Note 6(9))	415,981	-	-	-
2399	Other current liabilities	13,584,470	4	17,353,370	5
2322	Current installments of long-term borrowings (Notes 6(13)&8)	4,000,000	1	22,212,000	7
		73,270,709	21	110,042,400	32
	Noncurrent liabilities:				
2540	Long-term borrowings, excluding current installments (Notes 6(13)&8)	81,966,110	24	29,733,545	9
2550	Provisions－noncurrent (Note 6(15))	805,729	-	777,445	-
2570	Deferred tax liabilities (Note 6(24))	2,213,429	1	2,356,782	1
2580	Lease liabilities－noncurrent (Note 6(9))	9,009,594	3	-	-
2600	Other noncurrent liabilities (Note 6(16))	1,727,456	-	1,631,634	-
		95,722,318	28	34,499,406	10
	Total liabilities	168,993,027	49	144,541,806	42
	Equity (Note 6(17)):				
3100	Common stock	96,242,451	28	96,242,451	28
3200	Capital surplus	60,544,474	18	60,622,043	17
3300	Retained earnings	22,903,722	6	46,845,991	13
3400	Other components of equity	(2,005,384)	(1)	(847,770)	-
3500	Treasury stock	(1,013,423)	-	-	-
	Total equity	176,671,840	51	202,862,715	58
	Total Liabilities and Equity	**$ 345,664,867**	**100**	**347,404,521**	**100**

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			2019		2018	
			Amount	**%**	**Amount**	**%**
4110	**Revenue**	$	257,130,650	101	295,131,127	101
4190	Less: sales return and discount		1,963,474	1	2,070,788	1
	Net revenue (Notes 6(18)&7)		255,167,176	100	293,060,339	100
5000	**Cost of sales** (Notes 6(5),(9),(14),(19),(20)&7)		257,786,100	101	266,682,541	91
	Gross profit (loss)		(2,618,924)	(1)	26,377,798	9
	Operating expenses: (Notes 6(9),(14),(19),(20)&7)					
6100	Selling and distribution expenses		2,873,009	1	3,079,820	1
6200	General and administrative expenses		4,244,405	2	4,399,773	1
6300	Research and development expenses		7,989,907	3	7,864,641	3
	Total operating expenses		15,107,321	6	15,344,234	5
	Profit (loss) from operations		(17,726,245)	(7)	11,033,564	4
	Non-operating income and expenses:					
7010	Other income (Notes 6(21)&7)		1,495,033	1	1,397,091	-
7020	Other gains and losses (Notes 6(7),(8),(22)&7)		618,172	-	(152,891)	-
7050	Finance costs (Notes 6(8),(9)&(23))		(1,546,400)	(1)	(980,812)	-
7060	Share of profit of equity-accounted investees (Note 6(6))		(1,187,224)	-	688,041	-
	Total non-operating income and expenses		(620,419)	-	951,429	-
7900	**Profit (loss) before income tax**		(18,346,664)	(7)	11,984,993	4
7950	**Less: income tax expense** (Note 6(24))		838,594	-	1,824,395	1
8200	**Profit (loss) for the year**		(19,185,258)	(7)	10,160,598	3
8300	**Other comprehensive income:** (Notes 6(6),(16),(17),(24))					
8310	**Items that will never be reclassified to profit or loss**					
8311	Remeasurement of defined benefit obligations		188,110	-	(56,956)	-
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income		536,369	-	(756,179)	-
8330	Equity-accounted investees – share of other comprehensive income (loss)		(13,981)	-	5,605	-
8349	Related tax		(37,622)	-	38,908	-
			672,876	-	(768,622)	-
8360	**Items that are or may be reclassified subsequently to profit or loss**					
8361	Foreign operations – foreign currency translation differences		(1,211,454)	-	1,685,563	1
8380	Equity-accounted investees – share of other comprehensive loss		(846,480)	-	(2,125,649)	(1)
8399	Related tax		377,862	-	133,370	-
			(1,680,072)	-	(306,716)	-
8300	**Other comprehensive income (loss), net of tax**		(1,007,196)	-	(1,075,338)	-
8500	**Total comprehensive income (loss) for the year**	$	**(20,192,454)**	**(7)**	**9,085,260**	**3**
	Earnings (loss) per share (NT$, Note 6(25))					
9750	Basic earnings (loss) per share	$	**(2.00)**		**1.06**	
9850	Diluted earnings (loss) per share	$	**(2.00)**		**1.04**	

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	Capital Stock		Retained Earnings				Other Components of Equity					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal	Cumulative Translation Differences	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Loss)	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Subtotal	Treasury Shares	Total Equity
Balance at January 1, 2018	$ 96,242,451	60,540,326	3,439,686	-	47,675,843	51,115,529	(1,120,969)	-	1,377,031	256,062	-	208,154,368
Adjustments on initial application of new standards	-	-	-	-	73,020	73,020	-	1,303,816	(1,377,031)	(73,215)	-	(195)
Adjusted balance at January 1, 2018	96,242,451	60,540,326	3,439,686	-	47,748,863	51,188,549	(1,120,969)	1,303,816	-	182,847	-	208,154,173
Appropriation of earnings												
Legal reserve	-	-	3,235,942	-	(3,235,942)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(14,436,368)	(14,436,368)	-	-	-	-	-	(14,436,368)
Profit for the year	-	-	-	-	10,160,598	10,160,598	-	-	-	-	-	10,160,598
Other comprehensive income (loss), net of tax	-	-	-	-	(16,862)	(16,862)	(306,716)	(751,760)	-	(1,058,476)	-	(1,075,338)
Total comprehensive income (loss) for the year	-	-	-	-	10,143,736	10,143,736	(306,716)	(751,760)	-	(1,058,476)	-	9,085,260
Changes in deemed contributions from shareholders	-	33,304	-	-	-	-	-	-	-	-	-	33,304
Adjustments for changes in investees' equity	-	28,889	-	-	158	158	-	-	-	-	-	29,047
Group reorganization	-	19,524	-	-	-	-	(22,225)	-	-	(22,225)	-	(2,701)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(50,084)	(50,084)	-	50,084	-	50,084	-	-
Balance at December 31, 2018	96,242,451	60,622,043	6,675,628	-	40,170,363	46,845,991	(1,449,910)	602,140	-	(847,770)	-	202,862,715
Appropriation of earnings												
Legal reserve	-	-	1,016,060	-	(1,016,060)	-	-	-	-	-	-	-
Special reserve	-	-	-	847,770	(847,770)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(4,812,122)	(4,812,122)	-	-	-	-	-	(4,812,122)
Loss for the year	-	-	-	-	(19,185,258)	(19,185,258)	-	-	-	-	-	(19,185,258)
Other comprehensive income (loss), net of tax	-	-	-	-	150,418	150,418	(1,680,072)	522,458	-	(1,157,614)	-	(1,007,196)
Total comprehensive income (loss) for the year	-	-	-	-	(19,034,840)	(19,034,840)	(1,680,072)	522,458	-	(1,157,614)	-	(20,192,454)
Changes in deemed contributions from shareholders	-	547	-	-	-	-	-	-	-	-	-	547
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(1,013,423)	(1,013,423)
Adjustments for changes in investees' equity	-	(40,085)	-	-	-	-	-	-	-	-	-	(40,085)
Changes in ownership interest in subsidiaries	-	(15,749)	-	-	(95,307)	(95,307)	-	-	-	-	-	(111,056)
Differences between acquisition price and carrying amount arising from acquisition of subsidiaries	-	(22,282)	-	-	-	-	-	-	-	-	-	(22,282)
Balance at December 31, 2019	**$ 96,242,451**	**60,544,474**	**7,691,688**	**847,770**	**14,364,264**	**22,903,722**	**(3,129,982)**	**1,124,598**	**-**	**(2,005,384)**	**(1,013,423)**	**176,671,840**

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Profit (loss) before income tax	$(18,346,664)	11,984,993
Adjustments for:		
- depreciation	23,520,703	20,870,071
- amortization	424,985	506,391
- interest expense	1,546,400	980,812
- interest income	(300,199)	(288,091)
- dividend income	(284,946)	(452,561)
- share of loss (profit) of equity-accounted investees	1,187,224	(688,041)
- gains on disposals of property, plant and equipment, net	(27,307)	(55,482)
- impairment losses on assets	67,778	4,470
- losses (gains) on financial instruments at fair value through profit or loss	26,762	(71,713)
- unrealized foreign currency exchange losses (gains)	(488,929)	434,330
- others	943	-
Changes in operating assets and liabilities:		
- accounts receivable	14,270,038	(6,056,978)
- receivables from related parties	2,702,681	(2,588,189)
- inventories	2,953,007	(982,953)
- other current assets	(718,394)	1,019,479
- notes and accounts payable	(4,128,050)	1,838,466
- payables to related parties	(5,764,455)	1,617,660
- net defined benefit liability	(89,386)	(86,706)
- provisions	(690,939)	629,203
- other current liabilities	(3,349,523)	(2,265,052)
Cash generated from operations	12,511,729	26,350,109
Cash received from interest income	301,758	304,697
Cash received from dividends	604,468	1,191,234
Cash paid for interest	(1,319,874)	(871,657)
Cash paid for income taxes	(1,024,452)	(132,836)
Net cash provided by operating activities	11,073,629	26,841,547

(Continued)

See accompanying notes to the parent company only financial statements

AU OPTRONICS CORP.

Statements of Cash Flows (Continued)

For the years ended December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from investing activities:		
Acquisitions of financial assets at fair value through other comprehensive income	-	(3,418,633)
Acquisitions of equity-accounted investees	(654,914)	(2,061,398)
Proceeds from disposals of equity-accounted investees	-	2,338,360
Proceeds from return of capital by equity-accounted investees	-	94,760
Acquisitions of property, plant and equipment	(21,196,552)	(26,436,621)
Proceeds from disposals of property, plant and equipment	16,855	78,774
Decrease (increase) in refundable deposits	40,026	(137,841)
Increase in other financial assets	(2,412)	(5,161)
Decrease (increase) in other receivables from related parties	(1,200,000)	1,065,570
Net cash used in investing activities	(22,996,997)	(28,482,190)
Cash flows from financing activities:		
Proceeds from long-term borrowings	75,900,000	136,200
Repayments of long-term borrowings	(42,087,000)	(26,217,000)
Payments of lease liabilities	(442,719)	-
Cash dividends	(4,812,122)	(14,436,368)
Repurchase of treasury shares	(1,013,423)	-
Others	547	33,304
Net cash provided by (used in) financing activities	27,545,283	(40,483,864)
Effect of exchange rate change on cash and cash equivalents	(10,123)	17,638
Net increase (decrease) in cash and cash equivalents	15,611,792	(42,106,869)
Cash and cash equivalents at January 1	30,316,278	72,423,147
Cash and cash equivalents at December 31	$ 45,928,070	30,316,278

See accompanying notes to the parent company only financial statements

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization

AU Optronics Corp. ("AUO" or "the Company") was founded on August 12, 1996 and is located in Hsinchu Science Park, the Republic of China ("ROC"). AUO's main activities are the research, development, production and sale of thin film transistor liquid crystal displays ("TFT-LCDs") and other flat panel displays used in a wide variety of applications. AUO also engages in the production and sale of solar modules and systems. AUO's common shares have been publicly listed on the Taiwan Stock Exchange since September 2000, and its American Depositary Shares ("ADSs") have been listed on the New York Stock Exchange ("NYSE") since May 2002. On and from October 1, 2019, AUO's ADSs has delisted from the NYSE and begun trading on the over-the-counter ("OTC") market.

On September 1, 2001, October 1, 2006 and October 1, 2016, Unipac Optoelectronics Corp. ("Unipac"), Quanta Display Inc. ("QDI") and Taiwan CFI Co., Ltd. ("CFI") were merged with and into AUO, respectively. AUO is the surviving Company, whereas Unipac, QDI and CFI were dissolved.

2. The Authorization of Financial Statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors of AUO on February 5, 2020.

3. Application of New and Revised Standards, Amendments and Interpretations

(1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC ("FSC")

In preparing the accompanying parent company only financial statements, the Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC with effective date from January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9, *Prepayment Features with Negative Compensation*	January 1, 2019
IFRS 16, *Leases*	January 1, 2019
Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures*	January 1, 2019

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
IFRIC 23, *Uncertainty over Income Tax Treatments*	January 1, 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	January 1, 2019

Except for the item discussed below, the adoption of abovementioned standards and interpretations has not had a material impact on the Company's accounting policies.

IFRS 16, Leases

IFRS 16 sets out the accounting standards for leases, which replaces IAS 17, *Leases* and the related interpretations.

Upon the initial application of IFRS 16, if the Company is a lessee, it is required to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with exception for leases of low-value assets and short-term leases which the Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17. Additionally, a depreciation expense charged on the right-of-use asset and an interest expense accrued on the lease liability, for which interest is computed by using effective interest method, are recognized separately on the statement of comprehensive income. On the statement of cash flows, cash payments for the principal amount of the lease liability is classified within financing activities; cash payments for interest portion is classified within operating activities. See Note 4(13) for an explanation of the Company's accounting policies on leases.

When IFRS 16 became effective, as a lessee, the Company applied this Standard using the modified retrospective approach with the cumulative effect of the initial application of this Standard recognized at the date of initial application. Comparative financial information, therefore, has not been restated. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sublease. The Company has accounted for those leases in accordance with IFRS 16 starting from the date of initial application. On January 1, 2019, based on the assessment of the remaining contractual terms and conditions agreed in head leases and subleases, all of the Company's subleases were classified as operating leases.

As at January 1, 2019, lease liabilities recognized for leases previously classified as an operating lease under IAS 17, except for leases of low-value asset and short-term leases, were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. The Company also tested right-of-use assets for impairment applying IAS 36.

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

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

b. Applied the exemption not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

c. Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

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

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application were determined at the carrying amount of the lease asset and lease payable under IAS 17 as at December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized by the Company at January 1, 2019 is 1.82%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating leases on December 31, 2018 is presented as follows:

		Amounts (in thousands)
The future minimum lease payments of non-cancellable operating leases on December 31, 2018	$	3,845,080
Other leases in scope of IFRS 16		119,504
Undiscounted amount on January 1, 2019	**$**	**3,964,584**
Discounted amount using the incremental borrowing rate on January 1, 2019	$	3,639,324
Extension of lease that reasonably certain to be exercised		7,149,661
Lease liabilities recognized on January 1, 2019	**$**	**10,788,985**

The following table summarized the impacts of initially applying IFRS 16 on the Company's assets, liabilities and equity as at January 1, 2019.

	January 1, 2019		
	Carrying amount under IAS 17 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 16
		(in thousands)	
Right-of-use assets	$ -	10,788,985	10,788,985
Impacts to total assets		**$ 10,788,985**	
Lease liabilities–current	$ -	442,879	442,879
Lease liabilities–noncurrent	-	10,346,106	10,346,106
Impacts to total liabilities		**$ 10,788,985**	
Impacts to total equity		**$ -**	

(2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from 2020. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3, *Definition of a Business*	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of Material*	January 1, 2020

The Company assesses that the initial adoption of the abovementioned standards would not have any material impact on its accounting policies.

(3) The IFRSs issued by the IASB but not yet endorsed by the FSC

A summary of the new or/and amended IFRSs issued by the IASB but not yet endorsed by the FSC is set out below.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Subject to IASB's announcement
IFRS 17, *Insurance Contracts*	January 1, 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*	January 1, 2022

Note: The aforementioned new, revised and amended standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

As of the date that the accompanying parent company only financial statements were issued, the Company continues in assessing the impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations. The related impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent company only financial statements are set out as below. The significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(2) Basis of preparation

a. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

(i) Financial instruments at fair value through profit or loss (including derivative financial instruments) (Note 6(2));

(ii) Financial assets at fair value through other comprehensive income (Note 6(3));

(iii) Defined benefit asset (liability) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation (Note 6(16)).

b. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar ("NTD"), which is also the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currency transactions and operations

a. Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and the resulting exchange differences are included in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. The resulting exchange differences are included in profit or loss for the year except for those arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in other comprehensive income.

b. For the purpose of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NTD using the exchange rates at each reporting date. Income and expenses of foreign operations are translated at the average exchange rates for the period unless the exchange rates fluctuate significantly during the period; in that case, the exchange rates at the dates of the transactions are used. Foreign currency differences are recognized in other comprehensive income and accumulated in equity.

(Continued)

(4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

a. The asset expected to realize, or intends to sell or consume, in its normal operating cycle;

b. The asset primarily held for the purpose of trading;

c. The asset expected to realize within twelve months after the reporting date; or

d. Cash and cash equivalent excluding the asset restricted to be exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when:

a. The liability expected to settle in its normal operating cycle;

b. The liability primarily held for the purpose of trading;

c. The liability is due to be settled within twelve months after the reporting date; or

d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash comprises cash balances and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits with short-term maturity but not for investments and other purposes and are qualified with the aforementioned criteria are classified as cash equivalent.

(6) Financial instruments

a. Financial assets

(i) Classification of financial assets

The Company classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

i. it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

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

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss.

(b) Financial assets at fair value through other comprehensive income

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and accumulated in equity－unrealized gains (losses) on financial assets at fair value through other comprehensive income, except for dividends deriving from equity investments which are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividends on investments in equity instruments are recognized on the date that the Company's right to receive the dividends is established.

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

All financial assets not classified as at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets.

Such financial assets are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in profit or loss.

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost, including cash and cash equivalents, receivables, refundable deposits and other financial assets, etc., and contract assets. Loss allowances for financial assets are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring on the financial instrument as the weights.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses, except for the financial instrument that is determined to have low credit risk at the reporting date and the credit risk thereof has not increased significantly since initial recognition, which is measured at an amount equal to the 12-month expected credit losses. For trade receivables and contract assets, the Company measures their loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant. This includes both qualitative and quantitative information and analysis, based on the Company's historical experience and credit assessment as well as forward-looking information.

In the circumstance that a financial asset is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers the credit risk on that financial asset has significantly increased, or further, to be in default.

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

(iii) De-recognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity.

b. Financial liabilities

(i) Classification of financial liabilities

The Company classifies financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

The Company designates financial liabilities as held for trading for the purpose of hedging exposure to foreign exchange risk arising from operating and financing activities. When a financial liability is not effective as a hedge, the Company accounts for it as a financial liability at fair value through profit or loss.

The Company designates financial liabilities, other than the one mentioned above, as at fair value through profit or loss at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities in this category are subsequently measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss.

(b) Other financial liabilities

Financial liabilities not classified as held for trading, or not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method, except for insignificant recognition of interest expense from short-term borrowings and payables. Interest expense not capitalized as an asset cost is recognized in profit or loss.

(ii) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

c. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis in the balance sheet when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable and marketable condition and location. The production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Subsequently, inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is calculated based on the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

(8) Noncurrent assets held for sale

Noncurrent assets are classified as held for sale when their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Such noncurrent assets must be available for immediate sale in their present condition and the sale is highly probable within one year. When classified as held for sale, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. However, subsequent gains are not recognized in excess of the cumulative impairment loss that has been recognized.

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When intangible assets and property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated. In addition, once an equity-accounted investee is classified as held for sale, it is no longer equity accounted.

(9) Investments in associates and joint ventures

Associates are those entities in which the Company together with its subsidiaries have the power to exercise significant influence, but not control or joint control, over their financial and operating policies.

Joint venture is a joint arrangement whereby the Company and other parties agreed to share the control of the arrangement, and have rights to the net assets of the arrangement. Unanimous consent from the parties sharing control is required when making decisions for the relevant activities of the arrangement.

Investments in associates or joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of associates or joint ventures, after adjustments are made to align their accounting policies with those of the Company. When an associate or a joint venture incurs changes in its equity not derived from profit or loss and other comprehensive income, the Company recognizes all the equity changes in proportion to its ownership interest in the associate or joint venture as capital surplus provided that the ownership interest in the associate or joint venture remains unchanged.

The difference between acquisition cost and fair value of associates' or joint ventures' identifiable assets and liabilities as of the acquisition date is accounted for as goodwill. Goodwill is included in the original investment cost of acquired associates or joint ventures and is not amortized. If the fair value of identified assets and liabilities is in excess of acquisition cost, the remaining excess over acquisition cost is recognized as a gain in profit or loss.

The Company discontinues the use of the equity method from the date when its investment ceases to be an associate or a joint venture, and then measures the retained interests at fair value at that date. The difference between the carrying amount of the investment at the date the equity method was discontinued and the fair value of the retained interests along with any proceeds from disposing of a part interest in the associate or joint venture is recognized in profit or loss. Moreover, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

When the Company subscribes for additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate or joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the capital surplus arising from investment accounted for under the equity method in associates or joint ventures is insufficient to offset with the said corresponding amount, the differences will be charged or credited to retained earnings.

If the Company's ownership interest in an associate or a joint venture is reduced due to disposal of or disproportionate subscription to the shares, but the Company continues to apply the equity method, the Company shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

At the end of each reporting period, if there is any indication of impairment, the entire carrying amount of the investment including goodwill is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount. An impairment loss recognized forms part of the carrying amount of the investment in associates or joint ventures. Accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from the transactions between the Company and associates or joint ventures are recognized in the Company's parent company only financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

When the Company's share of losses exceeds its interest in an associate or a joint venture, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation, or has made payments on behalf of the investee.

(10) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit or loss, other comprehensive income and equity in the parent company only financial statement are equal to the profit or loss, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement. The Company prepares the consolidated financial statement quarterly comprising of AUO and its subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(11) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured using the cost model. Depreciation is charged and recognized in non-operating income and expenses based on the depreciable amount. Depreciation methods, useful lives and residual values are in accordance with the policy of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is reclassified to property, plant and equipment at its carrying amount when the use of the investment property changes.

(12) Property, plant and equipment

a. Recognition and measurement

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

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss.

b. Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Ongoing repairs and maintenance expenses are recognized in profit or loss as incurred.

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c. Depreciation

Depreciation is determined by depreciable amount allocated over the estimated useful lives of the respective assets, considering significant components of an individual asset on a straight-line basis. If a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation charge is recognized in profit or loss.

Leased assets are depreciated over their useful lives if it is reasonably certain that the Company will obtain ownership by the end of the lease term. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful lives.

Except for land, which is not depreciated, the estimated useful lives of the assets are as follows:

(i) Buildings: 20~50 years

(ii) Machinery and equipment: 3~10 years

(iii) Other equipment: 3~6 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and, if necessary, adjusted as appropriate. Any changes therein are accounted for as changes in accounting estimates.

d. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(13) Leases

Leases (policy applicable from January 1, 2019)

a. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

(i) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and

(ii) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and

(iii) the Company has the right to direct the use of the identified asset throughout the period of use.

b. As a lessee

Payments for leases of low-value assets and short-term leases are recognized as expenses on a straight-line basis during the lease term for which the recognition exemption is applied. Except for leases described above, a right-of-use asset and a lease liability shall be recognized for all other leases at the lease commencement date.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments (including fixed payments and variable lease payments that depend on an index or a rate), discounted using the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred in restoring the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the useful life of the right-of-use asset or the lease term. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured (i) if there is a change in the lease term; (ii) if there is a change in future lease payments arising from a change in an index or a rate; (iii) if there is a change in the amounts expected to be payable under a residual value guarantee; or (iv) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in the circumstances aforementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

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

c. As a lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the asset leased to others and recognized as an expense on a straight-line basis over the lease term.

Leases (policy applicable before January 1, 2019)

a. Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense on a straight-line basis over the lease term.

b. Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(14) Intangible assets

a. Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

Equity-method goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

b. Research and development

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

Expenditure arising from development is capitalized as an intangible asset when the Company demonstrates all of the following:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) its intention to complete the intangible asset and use or sell it;

(iii) its ability to use or sell the intangible asset;

(iv) the probability that the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

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(vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditure which fails to meet the criteria for recognition as an intangible asset is reflected in profit or loss when incurred. Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

c. Other intangible assets

Other intangible assets acquired are measured at cost less accumulated amortization and any accumulated impairment losses.

d. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

e. Amortization

The depreciable amount of an intangible asset is the cost less its residual value. Other than goodwill and intangible assets with indefinite useful life, an intangible asset with a finite useful life is amortized over 3 to 20 years using the straight-line method from the date that the asset is made available for use. The amortization charge is recognized in profit or loss.

The residual value, amortization period, and amortization method are reviewed at least annually at each annual reporting date, and any changes therein are accounted for as changes in accounting estimates.

(15) Impairment – non-financial assets

Other than inventories, deferred tax assets and noncurrent assets held for sale, the carrying amounts of the Company's investment property measured at cost and other long-term non-financial assets (property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives), are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

 (Continued)

In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use.

If there is evidence that the accumulated impairment loss of an asset other than goodwill and intangible assets with indefinite useful lives in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

For the purpose of impairment test, goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. If the recoverable amount of a CGU is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amounts of the other assets in the unit on a pro rata basis. The impairment loss recognized on goodwill is not reversed in a subsequent period.

(16) Provisions

A provision is recognized when the Company has a present obligation arising from a past event, it is probable that the Company will be required to make an outflow of resources embodying economic benefits to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

a. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

b. Decommissioning obligation

The Company is subject to decommissioning obligations related to certain items of property, plant and equipment. Such decommissioning obligations are primarily attributable to clean-up costs, including deconstruction, transportation, and recover costs. The unwinding of the discount based on original discount rate is recognized in profit or loss as interest expense over the periods with corresponding increase in the carrying amounts of the accrued decommissioning costs. The carrying amount of the accruals at the end of the assets' useful lives is the same as the estimated decommissioning costs.

c. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

d. Loss contingencies

Management periodically assesses the obligation of all litigation and claims and relative legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

(17) Treasury shares

Where the Company repurchases its common stock that has been issued, the consideration paid, including all directly attributable costs is recorded as treasury share and deducted from equity. When treasury share is reissued, the excess of sales proceeds over cost is accounted for as capital surplus – treasury shares. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of capital surplus arising from similar types of treasury shares. If such capital surplus is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The carrying amount of treasury share is calculated using the weighted-average cost of different types of repurchase.

If treasury share is retired, the weighted-average cost of the retired treasury share is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus – treasury shares, or a reduction of retained earnings for any deficiency where capital surplus – treasury shares is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and the capital surplus premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus – treasury shares.

(18) Revenue from contracts with customers

Revenue is measured based on the consideration that the Company expects to be entitled in the transfer of goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The following is a description of the Company's major revenues:

a. Sales of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the product has been shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product has been accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all criteria for acceptance have been satisfied.

For certain contracts with volume discounts offer to customers, revenue is recognized on a net basis of contract price less estimated volume discounts, and only to the extent that it is highly probable that a significant reversal will not occur. The amount of volume discounts is estimated based on the expected value with reference to the historical experience, and is recorded as refund liability (presented under other current liabilities).

Trade receivable is recognized when the Company is entitled for unconditional right to receive payment upon delivery of goods to customers. The consideration received in advance from the customer according to the sales contract but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

The Company provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Company has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

b. Construction contracts

For construction contracts, revenue is recognized progressively based on the progress towards complete satisfaction of contract activities, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If the Company cannot reasonably measure its progress towards complete satisfaction of performance obligations in accordance with the construction contracts, revenue is recognized only to the extent of contract costs incurred that it is expected to be recoverable.

The consideration is paid by the customer according to the agreed payment terms. The excess of the amount that has been recognized as revenue over the amount that the Company has issued a bill is recognized as a contract asset. When the entitlement to the payment becomes unconditional, the contract asset is transferred to receivables.

A contract liability is recognized for an advance consideration that the Company has billed to customers arising from construction contracts. When the construction is completed and accepted by the customers, the contract liability is transferred to revenue.

If there are changes in circumstances, the estimates of revenue, cost and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

The Company provides standard warranties for construction contracts and has recognized provisions for warranties to fulfill the obligation. Refer to Note 4(16) for further details.

c. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(19) Employee benefits

a. Defined contribution plans

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

b. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each benefit plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Discount rate is determined by reference to the yield rate of Taiwan government bonds at the reporting date. The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Cost Method.

Remeasurements of the net defined benefit liability (asset) which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income in the period in which they occur, and which then are reflected in retained earnings and will not be reclassified to profit or loss.

c. Short-term employee benefits

Short-term employee benefit obligations, which are due to be settled within twelve months are measured on an undiscounted basis and are expensed as the related service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(20) Income taxes

Income tax expense comprises current and deferred taxes.

a. Current taxes

Current taxes comprise the expected tax payable or receivable on the taxable income or losses for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date.

In accordance with the ROC Income Tax Act, undistributed earnings from the companies located in the Republic of China, if any, is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions which is the year subsequent to the year the earnings arise.

b. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at annual reporting date, by considering global economic environment, industry environment, statutory tax deduction years and projected future taxable income, and reduced to the extent that it is no longer probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax assets which originally not recognized is also reviewed at annual reporting date and recognized to the extent that it is probable that future taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred taxes liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint arrangements are recognized, unless the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the reverse, using the statutory tax rate or the actual legislative tax rate on the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

(21) Business combinations

The consideration transferred in the acquisition is measured at fair value, as are identifiable net assets acquired. Goodwill is measured as the excess of the aggregate of the fair value of consideration transferred and the amount of any non-controlling interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred and the amount of any non-controlling interests in the acquiree, after reassessing all of the assets acquired and all of the liabilities assumed being properly identified, the difference is recognized in profit or loss as a gain on bargain purchase.

Acquisition-related costs are expensed as incurred, except that the costs are related to the issue of debt or equity instruments.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured, on a case-by-case basis, at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs endorsed by the FSC with effective date (hereinafter referred to as "TIFRSs").

Any contingent consideration included in the consideration transferred is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of the contingent consideration during the measurement period shall adjust to the cost of the acquisition and the resulting goodwill retrospectively. An adjustment made during the measurement period is to reflect additional information obtained by the Company about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. The accounting treatment for those changes to the fair value of the contingent consideration that are not measurement period adjustments is depending on the classification of the contingent consideration. If the contingent consideration is classified as equity, it is not remeasured and the subsequent settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit or loss.

(22) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings or capital surplus to common stock.

(23) Operating segments

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

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the significant effect on the amounts recognized in the parent company only financial statements is included in the following notes:

(1) Estimate of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within the warranty period, the historical and anticipated warranty claims rate associated with similar products and services, and the projected unit cost of maintenance. The Company regularly reviews the basis of the estimate and if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any changes of the basis of the estimate.

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company's resources and the amount can be reasonably estimated. While the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability.

(2) Impairment of long-term non-financial assets, other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(3) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs.

(4) Measurement of defined benefit obligations

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Cost Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, long-term average future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(5) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, the sources of taxable income, the amount of tax credits can be utilized and feasible tax planning strategies. Changes in the global economic environment, the industry trends and relevant laws and regulations may result in adjustments to the deferred tax assets.

(6) Estimate of variable consideration of revenue

The Company estimates the amount of variable consideration by using methods either the expected value or the most likely amount based on historical experience, market and economic situation and any known factors that would significantly affect the estimates. The amount of variable consideration is recognized as a reduction of revenue in the same period the related revenue is recognized. The Company periodically reviews the reasonableness of the estimated variable consideration. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration.

(7) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
	(in thousands)	
Cash on hand, demand deposits and checking accounts	$ 32,188,485	19,180,244
Time deposits	13,739,585	11,136,034
	$ 45,928,070	30,316,278

Refer to Note 6(28) for the disclosure of credit risk, currency risk and sensitivity analysis of the financial instruments of the Company.

As at December 31, 2019 and 2018, no cash and cash equivalents were pledged with banks as collaterals.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

	December 31, 2019	December 31, 2018
	(in thousands)	
Financial assets mandatorily measured at FVTPL:		
Foreign currency forward contracts	$ 18,753	52,434
Financial liabilities held for trading:		
Foreign currency forward contracts	$ 7,054	13,973

The Company entered into derivative contracts to manage the exposure to currency risk arising from operating activities. Refer to Note 6(28) for the disclosure of the Company's credit and currency risks related to financial instruments.

As of December 31, 2019 and 2018, the Company's outstanding foreign currency forward contracts were as follows:

December 31, 2019

Contract item	Maturity date	Contract amount (in thousands)
Sell USD / Buy NTD	Jan. 2020	USD154,000 / NTD4,640,720
Sell USD / Buy JPY	Jan. 2020	USD27,000 / JPY2,948,070
Sell CNY / Buy USD	Feb. 2020 – Mar. 2020	CNY1,285,305 / USD184,000
Sell EUR / Buy JPY	Jan. 2020 – Feb. 2020	EUR23,000 / JPY2,788,285
Sell HKD / Buy USD	Jan. 2020	HKD60,177 / USD7,721

December 31, 2018

Contract item	Maturity date	Contract amount (in thousands)
Sell USD / Buy NTD	Jan. 2019	USD205,000 / NTD6,305,641
Sell USD / Buy JPY	Jan. 2019	USD112,000 / JPY12,531,420
Sell NTD / Buy JPY	Jan. 2019 – Mar. 2019	NTD2,054,260 / JPY7,400,000
Sell EUR / Buy JPY	Jan. 2019	EUR12,000 / JPY1,536,180
Sell CNY / Buy JPY	Jan. 2019 – Feb. 2019	CNY60,800 / JPY981,383
Sell CNY / Buy USD	Jan. 2018 – Feb. 2019	CNY853,328 / USD124,000

(3) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

		December 31	
		2019	2018
		(in thousands)	
Investments in equity instruments at FVTOCI:			
Equity securities – listed stocks	$	7,140,410	6,604,041

The purpose that the Company invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, those equity securities are designated as financial assets at FVTOCI.

If the value of these equity securities appreciates or depreciates by 10% at the reporting date, other comprehensive income would increase or decrease by $714,041 thousand and $660,404 thousand for the years ended December 31, 2019 and 2018, respectively.

(4) Accounts Receivable, net (Including Related and Unrelated Parties)

		December 31,	
		2019	2018
		(in thousands)	
Accounts receivable	$	28,925,839	46,252,776
Less: loss allowance		(150)	(15,291)
	$	28,925,689	46,237,485
Accounts receivable, net	$	26,986,723	41,612,155
Accounts receivable from related parties, net	$	1,938,966	4,625,330

The Company measures loss allowance for accounts receivable using the simplified approach under IFRS 9 with the lifetime expected credit losses. Analysis of expected credit losses which was measured based on the aforementioned method, was as follows:

		December 31, 2019		
		Carrying amount of accounts receivable	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
		(in thousands)		(in thousands)
Not past due	$	28,140,278	0.00%	1
Past due less than 60 days		773,489	0.00%	4
Past due 61~180 days		12,072	1.20%	145
	$	28,925,839		150

	December 31, 2018		
	Carrying amount of accounts receivable	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
	(in thousands)		(in thousands)
Not past due	$ 45,576,334	0.00%	89
Past due less than 60 days	653,327	0.07%	439
Past due 61~180 days	8,461	1.29%	109
	$ 46,238,122		637

In addition, there was objective evidence indicating that, under reasonable expectation, some of the accounts receivable would not be recovered in total; therefore, the Company recognized a loss allowance amounting to $0 and $14,654 thousand as of December 31, 2019 and 2018.

The movement of the loss allowance for accounts receivable was as follows:

	December 31,	
	2019	2018
	(in thousands)	
Balance at beginning of the year	$ 15,291	19,589
Reversals against expense	(487)	(4,298)
Write-offs	(14,654)	-
Balance at end of the year	$ 150	15,291

The payment terms granted to customers are generally 25 to 60 days from the end of the month during which the invoice is issued. This term is consistent with practices in our industry, and thus, no financing components involved.

Information about the Company’s exposure to credit risk is included in Note 6(28).

As at December 31, 2018, the Company did not sell its accounts receivables to banks. As at December 31, 2019, the Company’s accounts receivables sold and derecognized were as follows:

	December 31, 2019			
Underwriting bank	**Factoring limit**	**Amount sold and derecognized**	**Amount advanced**	**Principal terms**
	(in thousands)	(in thousands)	(in thousands)	
CTBC Bank	USD 152,000	USD 18,526	NTD 500,000	See Notes(a)~(d)
Taipei Fubon Bank	USD 120,000	USD 56,020	NTD 1,500,000	See Notes(a)~(d)
DBS Bank	USD 154,000	USD 56,730	NTD 1,520,000	See Notes(a)~(d)
Bank of Taiwan	USD 250,000	USD 15,718	USD 14,000	See Notes(a)~(d)

Note (a): Under these facilities, the Company transferred accounts receivable to the respective underwriting banks, which are without recourse subject to the underwriting consents.

Note (b): The Company informed its customers pursuant to the respective facilities to make payment directly to the respective underwriting banks.

Note (c): As of December 31, 2019, total outstanding receivables after the above transactions, net of fees charged by underwriting banks, of $487,754 thousand was recognized under other current financial assets. In addition, interest rate for the balance of advanced amount as of December 31, 2019 was ranging from 1.0700% to 2.4419%.

Note (d): To the extent of the amount transferred to the underwriting banks, risks of non-collection or potential payment default by customers in the event of insolvency are borne by respective banks. The Company is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. In case any commercial dispute between the Company and customers or other reasons results in the Company's failure to perform the obligation under these facilities, the banks have requested the Company to issue promissory notes in the amounts equal to 10 percent of respective facilities or to transfer receivables in the amounts equal to 10 percent of respective facilities. Other than such arrangements, no collaterals were provided by the Company.

(5) Inventories

	December 31,	
	2019	**2018**
	(in thousands)	
Finished goods	$ 7,022,551	7,585,386
Work-in-progress	8,404,901	10,467,651
Raw materials	1,828,809	2,156,231
	$ 17,256,261	20,209,268

For the years ended December 31, 2019 and 2018, the amounts recognized as cost of sales in relation to inventories were $257,786,100 thousand and $266,682,541 thousand, respectively. The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to $265,330 thousand and $922,443 thousand for the years ended December 31, 2019 and 2018, respectively.

As at December 31, 2019 and 2018, none of the Company's inventories was pledged as collateral.

(6) Investments in Equity-accounted Investees

	December 31, 2019	December 31, 2018
	(in thousands)	
Subsidiaries	$ 67,163,450	70,184,683
Associates	3,021,365	3,097,302
	$ 70,184,815	73,281,985

a. Subsidiaries

Refer to consolidated financial statements for the years ended December 31, 2019 and 2018 for the details.

The following table summarized the amount recognized by the Company at its share of those subsidiaries.

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
The Company's share of subsidiaries':		
Profit (loss)	$ (1,198,425)	638,531
Other comprehensive loss	(2,052,161)	(427,892)
Total comprehensive income (loss)	$ (3,250,586)	210,639

b. Associates

Name of associate	Principal activities	Principal place of business	December 31, 2019 Amount	December 31, 2019 Ownership interest	December 31, 2018 Amount	December 31, 2018 Ownership interest
			(in thousands)	%	(in thousands)	%
Lextar Electronics Corp. ("Lextar")	Manufacturing and sales of Light Emitting Diode	Taiwan ROC	$ 1,642,746	15	$ 1,740,230	15
Star Shining Energy Corporation ("SSEC")	Investment	Taiwan ROC	953,966	31	942,094	31
Star River Energy Corp. ("SREC")	Investment	Taiwan ROC	424,653	32	414,978	32
			$ 3,021,365		$ 3,097,302	

None of the above associates is considered individually material to the Company. The following table summarized the amount recognized by the Company at its share of those associates.

		For the years ended December 31, 2019	For the years ended December 31, 2018
		(in thousands)	
The Company's share of associates':			
Profit	$	11,201	49,510
Other comprehensive loss		(19,754)	(6,588)
Total comprehensive income (loss)	**$**	**(8,553)**	**42,922**

As at December 31, 2019 and 2018, none of the Company's investments in equity-accounted investees was pledged as collateral.

(7) Acquisition of Subsidiaries

In March 2018, the Company obtained control over ComQi Holdings Ltd. (CQIL) and its subsidiaries (collectively as ComQi) by acquiring 100% of shareholdings of CQIL. ComQi is engaged in integration service of content management system and hardware. Through the acquisition of ComQi, the Company expects to be able to provide a total solution for the upstream and downstream of public information displays.

If the acquisition had taken place on January 1, 2018, management estimated that the Company's consolidated revenue and consolidated net profit for the year ended December 31, 2018 would have been $307,673,560 thousand and $7,956,563 thousand, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018. The aforementioned pro-forma information is presented for illustrative purposes only and is not necessarily an indication of consolidated revenue and consolidated results of operations of the Company that would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

Acquisition-related costs of $12,191 thousand on legal fees and due diligence fees were expensed and recognized in operating expenses in the statement of comprehensive income for the year ended December 31, 2018.

The following table summarized each major class of consideration transferred, the assets acquired and liabilities assumed at the acquisition date and the amount of goodwill recognized.

a. Consideration transferred

		Amounts (in thousands)
Cash	$	467,920
Contingent consideration		283,354
	$	**751,274**

In accordance with the terms of the contingent consideration, in the event that ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 are greater than the agreed revenue targets in the agreement, the Company should pay additional consideration of USD4,000 thousand and USD7,000 thousand, respectively, to the original shareholders of ComQi. Under the arrangement of the contingent consideration, the potential undiscounted amount of the contingent payment that the Company might have to pay was between USD0 and USD11,000 thousand.

The fair value of the contingent consideration estimated using Monte Carlo simulation amounted to $283,354 thousand. The fair value measurement was based on the significant unobservable inputs in the market and categorised as a Level 3 fair value under IFRS 13. The significant inputs in the valuation technique used are discount rate of 8.5%, revenue volatility rate of 30.8% and AUO's credit spread of 0.88%.

As ComQi's annual net revenue and annual recurring revenue for the year ended December 31, 2018 were not greater than the agreed revenue targets in the agreement, the Company remeasured the fair value of the contingent consideration and determined the value was zero. The change in the fair value of the contingent consideration of $283,354 thousand was not a measurement period adjustment, and therefore, was recognized under other gains and losses in the statement of comprehensive income for the year ended December 31, 2018.

b. Identifiable assets acquired and liabilities assumed

The following table summarized the fair value of identifiable assets acquired and liabilities assumed recognized at the acquisition date:

		Fair value (in thousands)
Cash	$	19,432
Accounts receivable and other current assets		36,851
Property, plant and equipment		3,712
Intangible assets		150,436
Accounts payable and other current liabilities		(57,361)
Other liabilities		(2,120)
	$	**150,950**

Goodwill arising from the acquisition for which is attributable mainly to the synergies expected to be achieved from integrating ComQi into the Company's existing business has been recognized as follows:

	Amounts (in thousands)
Consideration transferred	$ 751,274
Less: Fair value of identifiable net assets	(150,950)
	$ 600,324

(8) Property, Plant and Equipment

	For the year ended December 31, 2019				
	Balance, Beginning of Year	**Additions**	**Disposal or write off**	**Reclassification**	**Balance, End of Year**
			(in thousands)		
Cost:					
Land	$ 6,344,658	-	-	-	6,344,658
Buildings	87,696,804	-	-	96,988	87,793,792
Machinery and equipment	694,184,513	1,028,763	(2,678,152)	14,060,356	706,595,480
Other equipment	24,056,317	3,789,557	(3,444,483)	1,363,450	25,764,841
	812,282,292	**4,818,320**	**(6,122,635)**	**15,520,794**	826,498,771
Accumulated depreciation and impairment loss:					
Buildings	22,950,335	1,793,785	-	23,372	24,767,492
Machinery and equipment	626,632,857	17,204,842	(2,671,407)	-	641,166,292
Other equipment	19,233,488	4,068,438	(3,442,271)	-	19,859,655
	668,816,680	**23,067,065**	**(6,113,678)**	**23,372**	685,793,439
Prepayments for purchase of land and equipment, and construction in progress	4,983,020	**13,879,180**	**-**	**(15,424,794)**	3,437,406
Net carrying amounts	**$ 148,448,632**				**144,142,738**

	For the year ended December 31, 2018				
	Balance, Beginning of Year	**Additions**	**Disposal or write off**	**Reclassification**	**Balance, End of Year**
			(in thousands)		
Cost:					
Land	$ 6,344,658	-	-	-	6,344,658
Buildings	87,649,494	(530)	-	47,840	87,696,804
Machinery and equipment	661,302,840	1,410,817	(5,753,325)	37,224,181	694,184,513
Other equipment	19,077,836	3,950,266	(71,087)	1,099,302	24,056,317
	774,374,828	**5,360,553**	**(5,824,412)**	**38,371,323**	812,282,292

(Continued)

	For the year ended December 31, 2018				
	Balance, Beginning of Year	**Additions**	**Disposal or write off**	**Reclassification**	**Balance, End of Year**
Accumulated depreciation and impairment loss:					
Buildings	21,158,080	1,792,255	-	-	22,950,335
Machinery and equipment	617,002,758	15,373,101	(5,743,002)	-	626,632,857
Other equipment	15,596,915	3,707,302	(70,729)	-	19,233,488
	653,757,753	20,872,658	(5,813,731)	-	668,816,680
Prepayments for purchase of land and equipment, and construction in progress	21,179,915	22,174,428	-	(38,371,323)	4,983,020
Net carrying amounts	$ 141,796,990				148,448,632

As of December 31, 2019 and 2018, a non-irrigated farmland located in LongTan plant amounted to $23,671 thousand was registered in the name of a farmer due to regulations. An agreement of pledge had been signed between the Company and the farmer clarifying the rights and obligations of each party.

In 2019, the Company wrote down certain machineries and equipment with extremely low utilization resulting from the decline in the application for certain products associated with its display segment and recognized an impairment loss of $52,829 thousand.

In 2019 and 2018, the Company wrote down certain long-term assets with extremely low capacity utilization associated with its energy segment and recognized impairment losses of $14,949 thousand and $4,470 thousand, respectively.

The following table summarized the Company's capitalized borrowing costs and the interest rate range applied for the capitalization:

	For the years ended December 31,	
	2019	**2018**
	(in thousands)	
Capitalized borrowing costs	$ 127,318	290,262
Interest rates applied for the capitalization	1.77%~ 1.89%	1.73%~ 1.91%

Certain property, plant and equipment were pledged as collateral, see Note 8.

(9) Lease Arrangements

a. Leasees

(i) Right-of-use assets

	December 31, 2019 (in thousands)
Carrying amount of right-of-use assets	
Land	$ 9,236,323
Buildings	78,037
Other equipment	32,517
	$ 9,346,877

	For the year ended December 31, 2019 (in thousands)
Additions to right-of-use assets	$ 143,402
Depreciation charge for right-of-use assets	
Land	$ 431,013
Buildings	25,552
Other equipment	64,851
	$ 521,416

(ii) Lease liabilities

	December 31, 2019		
	Future minimum lease payments	Interests	Present value of minimum lease payments
		(in thousands)	
Less than one year	$ 583,994	168,013	415,981
Between one and five years	2,143,485	601,155	1,542,330
More than five years	8,797,303	1,330,039	7,467,264
	$ 11,524,782	2,099,207	9,425,575
Lease liabilities－current			$ 415,981
Lease liabilities－noncurrent			9,009,594
			$ 9,425,575

(iii) Significant lease agreements

AUO has entered into various land lease agreements with Hsinchu Science Park Bureau, Central Science Park Administration Bureau and Southern Taiwan Science Park Bureau, respectively, for the construction of plant for operations. All lease amounts are adjusted in accordance with the land value announced by the government from time to time. In January 2019, AUO modified one of its lease contracts due to the decrease of the scope of the lease, and therefore, the carrying amount of the right-of-use asset was reduced by $1,064,094 thousand. The difference between the remeasurement of the lease liability and the reduction of the right-of-use asset was recognized in profit or loss.

(iv) Additional lease information

The Company applies the recognition exemption to account for short-term leases and leases of low-value assets, primarily for some leases of office buildings and other sporadic leasing. The amounts recognized in profit or loss during the lease term were as follows:

	For the year ended December 31, 2019
	(in thousands)
Expenses relating to short-term leases	$ 2,861

Total cash outflow for the Company's leases in which it acts as a lessee for the year ended December 31, 2019 was $618,293 thousand.

b. Lessor

The Company leased out its investment properties and part of its land and buildings and did not transfer substantially all the risks and rewards incidental to their ownership to the lessees, therefore, those leases were recognized as operating leases. Refer to Note 6(21) for the information of rental income from operating leases. In addition, the direct costs relating to the aforementioned operating leases amounted to $ 1,803 thousand for the year ended December 31, 2019.

The maturity analysis of undiscounted operating lease receivable for the abovementioned assets are as follows:

	December 31, 2019
	(in thousands)
Year 1	$ 8,052
Year 2	8,052
Year 3	8,052
Year 4	8,052
Year 5	8,052
Year 6 onwards	63,074
Total undiscounted operating lease receivable	$ 103,334

Refer to Note 6(14) for the Company's respective information as lessor and lessee as of December 31, 2018.

(10) Investment Property

	For the year ended December 31, 2019			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
	(in thousands)			
Cost:				
Land	$ 465,868	-	-	465,868
Buildings	96,000	-	(96,000)	-
	561,868	-	(96,000)	465,868
Accumulated depreciation:				
Buildings	22,432	940	(23,372)	-
Net carrying amounts	$ 539,436			465,868
Fair Value	$ 1,500,985			1,578,838

	For the year ended December 31, 2018			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
	(in thousands)			
Cost:				
Land	$ 465,868	-	-	465,868
Buildings	96,000	-	-	96,000
	561,868	-	-	561,868
Accumulated depreciation:				
Buildings	20,549	1,883	-	22,432
Net carrying amounts	$ 541,319			539,436
Fair Value	$ 1,502,896			1,500,985

The fair value of investment property is based on a valuation performed by a qualified independent appraiser who holds a recognized and relevant professional qualification and has recent valuation experience in the location and category of the investment property being valued. The valuation is performed using sales comparison approach and land development analysis approach with reference to available market information.

The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation techniques used. Sales comparison approach is through comparison, analysis, adjustment and other means of value for comparable properties to estimate the value of the investment property. Land development analysis approach determine the fair value of investment property based on the value prior to development or construction, after deducting the direct cost, indirect cost, capital interest and profit during the development period, and also consider total sales price of properties after completion of development or construction. It also incorporates the possibility of changes in utility of land through development or improvement in accordance with legal use and density of the land.

The significant inputs used in the fair value measurement were as follows:

	December 31,	
	2019	**2018**
Overall capital interest rate	2.53%	1.86%
Rate of return	15.00%	10.00%

As at December 31, 2019 and 2018, there was no investment property that was pledged as collateral.

(11) Intangible Assets

	For the year ended December 31, 2019			
	Balance, Beginning of Year	**Additions**	**Reclassification**	**Balance, End of Year**
	(in thousands)			
Cost:				
Goodwill	$ 11,280,595	-	-	11,280,595
Patent and technology fee	12,078,767	-	-	12,078,767
	23,359,362	-	-	23,359,362
Accumulated amortization:				
Patent and technology fee	10,882,616	424,985	-	11,307,601
Net carrying amounts	$ 12,476,746			12,051,761

	For the year ended December 31, 2018			
	Balance, Beginning of Year	Additions	Reclassification	Balance, End of Year
	(in thousands)			
Cost:				
Goodwill	$ 11,280,595	-	-	11,280,595
Patent and technology fee	12,078,767	-	-	12,078,767
	23,359,362	-	-	23,359,362
Accumulated amortization:				
Patent and technology fee	10,376,225	506,391	-	10,882,616
Net carrying amounts	$ 12,983,137			12,476,746

For the purpose of impairment test, the following table shows the information of the operating business that the Company's goodwill allocating to.

	December 31, 2019	December 31, 2018
	(in thousands)	
Display business	$ 11,280,595	11,280,595

The Company's goodwill has been tested for impairment at least once at the end of the annual reporting period. The recoverable amount was determined based on value in use of the operating business.

The key assumptions used in the estimation of the recoverable amount included discount rate and terminal growth rate. The annual discount rates for the years ended December 31, 2019 and 2018 were 12.25% and 11.57%, respectively, based on industry weighted average cost of capital. The cash flow projections were determined based on the financial budgets approved by management covering the future five-year period and extrapolated with a steady annual terminal growth rate for subsequent years, which were negative 0.5% and negative 1% for the years ended December 31, 2019 and 2018, respectively. The key assumptions abovementioned represents the management's forecast of the future for the related industry by considering the history information from internal and external sources.

Based on the impairment assessment for the years ended December 31, 2019 and 2018, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

(12) Other Current Assets and Other Noncurrent Assets

	December 31,		
		2019	2018
		(in thousands)	
Refundable deposits	$	543,530	585,697
Refundable and overpaid tax		404,135	414,004
Prepayments for purchases		134,972	373,119
Others		2,503,713	2,355,234
		3,586,350	3,728,054
Less: current		(1,836,890)	(1,754,804)
Noncurrent	$	**1,749,460**	**1,973,250**

(13) Long-term Borrowings

Bank or agent bank	Durations		December 31, 2019	December 31, 2018
			(in thousands)	
Syndicated loans:				
Bank of Taiwan and others	From Feb. 2015 to Feb. 2019	$	-	5,912,000
Bank of Taiwan and others	From Apr. 2016 to Apr. 2019		-	36,175,000
Bank of Taiwan and others	From May 2017 to May 2022		10,000,000	10,000,000
Bank of Taiwan and others	From Feb. 2019 to Feb. 2024		42,000,000	-
Bank of Taiwan and others	From Mar. 2019 to Apr. 2023		23,000,000	-
Unsecured loans	From Aug 2018 to Aug. 2023		5,000,000	300,000
Secured loans	From Nov. 2019 to Dec. 2026		6,200,000	-
			86,200,000	52,387,000
Less: transaction costs			(233,890)	(441,455)
			85,966,110	51,945,545
Less: current portion			(4,000,000)	(22,212,000)
		$	**81,966,110**	**29,733,545**
Unused credit facilities		$	**31,000,000**	**75,120,300**
Interest rate range			**1.0000%~ 1.8822%**	**1.5991%~ 1.9598%**

The Company entered into the aforementioned long-term loan arrangements with banks and financial institutions to finance capital expenditures for purchase of machinery and equipment, and to fulfill working capital, as well as to repay the matured debts. A commitment fee is negotiated with the leading banks of syndicated loans and is calculated based on the committed-to-withdraw but unused balance, if any. No commitment fees were paid for the year ended December 31, 2019.

These credit facilities contain covenants that require the Company to maintain certain financial ratios, calculating based on the Company's annual consolidated financial statements prepared in accordance with TIFRSs, such as current ratio, leverage ratio, interest coverage ratio, tangible net worth and others as specified in the loan agreements. As of December 31, 2019 and 2018, the Company complied with all financial covenants required under each of the loan agreements.

Refer to Note 6(28) for detailed information of exposures to interest rate, currency, and liquidity risks. Refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(14) Operating Leases

a. Lessees

Future minimum lease payments under non-cancellable operating leases as of December 31, 2018 were as follows:

		December 31, 2018
		(in thousands)
Less than one year	$	570,122
Between one and five years		2,076,520
More than five years		1,198,438
	$	**3,845,080**

The Company entered into various operating lease agreements for land with Hsinchu Science Park Bureau beginning from March 1, 1994 for a period of 20 years, with renewal option upon expiration. The Company had on July 2003 and November 2006, entered into various operating lease for land with Central Science Park Administration Bureau for period from July 28, 2003 till December 31, 2023 and November 9, 2006 till December 31, 2025. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

The Company had also on February 2008 and October 2018, respectively, renewed its lease agreements with Hsinchu Science Park Bureau and Southern Taiwan Science Park Bureau, respectively, for the lands in Longtan Science Park and Kaohsiung Science Park. The period covers from February 9, 2008 till December 31, 2027 and October 23, 2018 till October 22, 2038, respectively. All lease amounts are adjusted in accordance with the land value announced by the government from time to time.

Rental expense for operating leases amounted to $691,663 thousand for the year ended December 31, 2018.

c. Lessor

The Company leased its investment properties to third parties under operating lease. Refer to Note 6(10) for further information on investment properties.

Future minimum lease receivables under non-cancellable operating leases as of December 31, 2018 were as follows:

	December 31, 2018
	(in thousands)
Less than one year	$ 21,684
Between one and five years	45,840
More than five years	71,126
	$ 138,650

In addition to the above-mentioned, the Company also leased partial offices to others. See Note 6(21) for rental income. Repair and maintenance expenses incurred from aforementioned operating leases for the year ended December 31, 2018 amounted to $3,059 thousand.

(15) Provisions

	Warranties(i)	Litigation, claims and others	Total
		(in thousands)	
Balance at January 1, 2019	$ 1,433,887	739,248	2,173,135
Additions (Reversals)	126,356	(366,612)	(240,256)
Usage	(294,162)	(156,521)	(450,683)
Effect of change in exchange rate	-	(9,571)	(9,571)
Balance at December 31, 2019	1,266,081	206,544	1,472,625
Less: current	(460,352)	(206,544)	(666,896)
Noncurrent	**$ 805,729**	**-**	**805,729**
Balance at January 1, 2018	$ 1,446,255	89,520	1,535,775
Additions (Reversals)	55,884	641,571	697,455
Usage	(68,252)	-	(68,252)
Effect of change in exchange rate	-	8,157	8,157
Balance at December 31, 2018	1,433,887	739,248	2,173,135
Less: current	(656,442)	(739,248)	(1,395,690)
Noncurrent	**$ 777,445**	**-**	**777,445**

(i) The provisions for warranties for the years ended December 31, 2019 and 2018 were estimated based on historical experience of warranty claims rate associated with similar products and services. The Company expects most warranty claims will be made within two years from the date of the sale of the product.

(16) Employee Benefits

a. Defined benefit plans

Pursuant to the ROC Labor Standards Act, the Company has established a defined benefit pension plan covering their full-time employees in the ROC. This plan provides for retirement benefits to retiring employees based on years of service and the average salaries and wages for the six-month period before the employee's retirement. The funding of this retirement plan by the Company is contributed monthly based on a certain percentage of employees' total salaries and wages. The fund is deposited with Bank of Taiwan.

(i) Reconciliation for the Company's present value of defined benefit obligation and the fair value of plan assets

	December 31, 2019	December 31, 2018
	(in thousands)	
Present value of defined benefit obligation	$ (3,122,442)	(3,224,379)
Fair value of plan assets	2,542,832	2,367,273
Net defined benefit liability	**$ (579,610)**	**(857,106)**

(ii) Movement in net defined benefit asset (liability)

	Defined benefit obligation 2019	Defined benefit obligation 2018	Fair value of plan assets 2019	Fair value of plan assets 2018	Net defined benefit asset (liability) 2019	Net defined benefit asset (liability) 2018
			(in thousands)			
Balance at January 1,	$ (3,224,379)	(3,099,874)	2,367,273	2,213,018	(857,106)	(886,856)
Included in profit or loss						
Service cost	(1,177)	(1,935)	-	-	(1,177)	(1,935)
Interest cost	(39,337)	(49,598)	-	-	(39,337)	(49,598)
Expected return on plan assets	-	-	28,881	35,408	28,881	35,408
	(40,514)	(51,533)	28,881	35,408	(11,633)	(16,125)
Included in other comprehensive income						
Remeasurements (loss) gain:						
Actuarial (loss) gain arising from:						
- demographic assumptions	89,851	(15,795)	-	-	89,851	(15,795)
- financial assumptions	(206,995)	(178,212)	-	-	(206,995)	(178,212)
- experience adjustment	228,466	84,437	-	-	228,466	84,437
Return on plan assets excluding interest income	-	-	76,788	52,614	76,788	52,614
	111,322	(109,570)	76,788	52,614	188,110	(56,956)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset (liability)	
	2019	2018	2019	2018	2019	2018
			(in thousands)			
Other						
Contributions paid by the employer	-	-	101,019	102,831	101,019	102,831
Benefits paid	31,129	36,598	(31,129)	(36,598)	-	-
Others	31,129	36,598	69,890	66,233	101,019	102,831
Balance at December 31,	**$ (3,122,442)**	**(3,224,379)**	**2,542,832**	**2,367,273**	**(579,610)**	**(857,106)**

(iii) Plan assets

Pursuant to the ROC Labor Standards Act, the Company contributes an amount based on a certain percentage of employees' total salaries and wages paid every month to its pension fund (the "Fund"), which is administered by the Bureau of Labor Fund, Ministry of Labor and supervised by the employees' pension plan committee (the "Committee") and deposited in the Committee's name with Bank of Taiwan. Under the ROC Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum return on the plan assets should not be lower than the average interest rate on two-year time deposits published by the local banks. The government is not only responsible for the determination of the investment strategies and policies, but also for any shortfall in the event that the rate of return is less than the required rate of return.

As of December 31, 2019, the Fund deposited in the Committee's name in the Bank of Taiwan amounted to $2,542,832 thousand. Information on utilization of labor pension funds, including the yield rate of funds and the component of plan assets are available at the Bureau of Labor Funds, Ministry of Labor website.

(iv) Defined benefit obligation

(a) Principal actuarial assumptions

	December 31,	
	2019	2018
Discount rate	0.88%	1.22%
Rate of increase in future salary	2.90%	2.90%

The Company anticipates contributing $100,799 thousand to the defined benefit plans in the next year starting from January 1, 2020.

As at December 31, 2019, the weighted-average duration of the defined benefit obligation was 20 years.

(b) Sensitivity analysis

Reasonably possible changes at December 31, 2019 and 2018 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2019		December 31, 2018	
	Changes in assumptions		Changes in assumptions	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	(in thousands)		(in thousands)	
Discount rate	$ (150,518)	158,966	(159,872)	169,102
Rate of increase in future salary	$ 156,374	(147,992)	165,850	(157,706)

In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

The approach to develop the sensitivity analysis and its relevant actuarial assumptions are the same as those in previous year.

b. Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act (the "Act"), employees who elected to participate in the Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, the Company contributes monthly at a rate of no less than six percent of the employees' monthly salaries and wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance.

The Company has set up defined contribution plan in accordance with the Act. For the years ended December 31, 2019 and 2018, $902,578 thousand and $942,864 thousand, respectively, of the pension costs under the pension plan to the ROC Bureau of the Labor Insurance.

(17) Capital and Other Components of Equity

a. Common stock

The Company's authorized common stock, with par value of $10 per share, both amounted to $100,000,000 thousand as at December 31, 2019 and 2018.

The Company's issued common stock, with par value of $10 per share, both amounted to $96,242,451 thousand as at December 31, 2019 and 2018.

On September 9, 2019, the Company's Board of Directors approved the delisting of ADSs from the NYSE and trading on the OTC market. On and from October 1, 2019, the Company's ADSs has begun trading on the OTC market. As of December 31, 2019, the Company has issued 50,123 thousand ADSs, which represented 501,229 thousand shares of its common stock.

b. Capital surplus

The components of capital surplus were as follows:

	December 31,	
	2019	2018
	(in thousands)	
From common stock	$ 52,756,091	52,756,091
From convertible bonds	6,049,862	6,049,862
From others	1,738,521	1,816,090
	$ 60,544,474	60,622,043

According to the ROC Company Act, capital surplus, including premium from stock issuing and donations received, shall be applied to offset accumulated deficits before it can be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholdings. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

c. Legal reserve

According to the ROC Company Act, 10 percent of net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

d. Distribution of earnings

In accordance with the Company's Articles of Incorporation, after payment of income taxes and offsetting accumulated deficits, the legal reserve shall be set aside until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside or reversed. The remaining current-year earnings together with accumulated undistributed earnings from preceding years can be distributed according to relevant laws and the Company's Articles of Incorporation.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders' interest, maintenance of balanced dividend and the Company's long-term financial plan. If the current-year retained earnings available for distribution reach 2% of the paid-in capital of the Company, dividend to be distributed shall be no less than 20% of the current-year retained earnings available for distribution. If the current-year retained earnings available for distribution do not reach 2% of the paid-in capital of the Company, the Company may decide not to distribute dividend. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year. The dividend distribution ratio aforementioned could be adjusted after taking into consideration factors such as finance, business and operations, etc.

Pursuant to relevant laws or regulations or as requested by the local authority, total net debit balance of the other components of equity shall be set aside from current earnings as special reserve, and not for distribution. Subsequent decrease pertaining to items that are accounted for as a reduction to the other components of equity shall be reclassified from special reserve to undistributed earnings.

The Company's appropriations of earnings for 2017 had been approved in the shareholders' meeting held on June 15, 2018. The appropriations and dividends per share were as follows:

	For fiscal year 2017	
	Appropriation of earnings	**Dividends per share**
	(in thousands, except for per share data)	
Legal reserve	$ 3,235,942	
Cash dividends to shareholders	14,436,368	$1.50
	$ 17,672,310	

The aforementioned appropriation of earnings for 2017 was consistent with the resolutions of the board of directors' meeting held on March 23, 2018.

The Company's appropriations of earnings for 2018 had been approved in the shareholders' meeting held on June 14, 2019. The appropriations and dividends per share were as follows:

	For fiscal year 2018	
	Appropriation of earnings	**Dividends per share**
	(in thousands, except for per share data)	
Legal reserve	$ 1,016,060	
Special reserve	847,770	
Cash dividends to shareholders	4,812,122	$0.50
	$ 6,675,952	

The aforementioned appropriation of earnings for 2018 was consistent with the resolutions of the board of directors' meeting held on March 22, 2019.

Information on the approval of board of directors and shareholders for the Company's appropriations of earnings are available at the Market Observation Post System website.

e. Treasury shares

According to the resolution approved by the board of directors' meeting held on September 9, 2019, the Company expects to repurchase 125,000 thousand shares as treasury shares transferred to employees in accordance with Securities and Exchange Act requirements. The related information on treasury share transactions was as follows:

For the year ended December 31, 2019				
Reason for reacquisition	**Number of shares, Beginning of Year**	**Additions**	**Reductions**	**Number of shares, End of Year**
	(in thousands of shares)			
Transferring to employees	-	125,000	-	125,000

Pursuant to the Securities and Exchange Act, the number of shares repurchased shall not exceed 10 percent of the number of the company's issued and outstanding shares, and the total amount repurchased shall not exceed the sum of the company's retained earnings, share premium, and realized capital surplus. Also, the shares repurchased for transferring to employees shall be transferred within five years from the date of reacquisition and those shares not transferred within the five-year period are to be retired.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights before their transfer.

f. Other components of equity

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Total
		(in thousands)	
Balance at January 1, 2019	$ (1,449,910)	602,140	(847,770)
Foreign operations – foreign currency translation differences	(1,211,454)	-	(1,211,454)
Net change in fair value of financial assets at FVTOCI	-	536,369	536,369
Equity-accounted investees – share of other comprehensive income	(846,480)	(13,911)	(860,391)
Related tax	377,862	-	377,862
Balance at December 31, 2019	**$ (3,129,982)**	**1,124,598**	**(2,005,384)**

	Cumulative translation differences	Unrealized gains (losses) on financial assets at FVTOCI	Unrealized gains (losses) on available-for-sale financial assets	Total
		(in thousands)		
Balance at January 1, 2018	$ (1,120,969)	-	1,377,031	256,062
Adjustments on initial application of new standards	-	1,303,816	(1,377,031)	(73,215)
Foreign operations – foreign currency translation differences	1,685,563	-	-	1,685,563
Net change in fair value of financial assets at FVTOCI	-	(756,179)	-	(756,179)
Equity-accounted investees – share of other comprehensive income	(2,125,649)	4,419	-	(2,121,230)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	50,084	-	50,084
Group reorganization	(22,225)	-	-	(22,225)
Related tax	133,370	-	-	133,370
Balance at December 31, 2018	**$ (1,449,910)**	**602,140**	**-**	**(847,770)**

(18) Revenue from Contracts with Customers

		For the year ended December 31, 2019		
		Display segment	Energy segment	Total segments
			(in thousands)	
Primary geographical markets:				
PRC (including Hong Kong)	$	92,747,943	1,262,345	94,010,288
Taiwan		76,020,646	4,486,119	80,506,765
Singapore		38,550,665	7,666	38,558,331
Japan		18,861,590	280,429	19,142,019
Others		21,459,052	1,490,721	22,949,773
	$	247,639,896	7,527,280	255,167,176
Major products:				
Products for Televisions	$	86,426,165	-	86,426,165
Products for Mobile PCs and Devices		69,290,266	-	69,290,266
Products for Monitors		39,522,268	-	39,522,268
Products for Commercial and Others(i)		52,401,197	-	52,401,197
Solar Products		-	7,527,280	7,527,280
	$	247,639,896	7,527,280	255,167,176
Major customers:				
Customer A	$	31,426,701	-	31,426,701
Others (individually not greater than 10%)		216,213,195	7,527,280	223,740,475
	$	247,639,896	7,527,280	255,167,176

		For the year ended December 31, 2018		
		Display segment	Energy segment	Total segments
			(in thousands)	
Primary geographical markets:				
PRC (including Hong Kong)	$	109,586,951	1,031,491	110,618,442
Taiwan		91,085,995	5,464,243	96,550,238
Singapore		39,367,379	-	39,367,379
Japan		16,888,485	460,783	17,349,268
Others		24,898,667	4,276,345	29,175,012
	$	281,827,477	11,232,862	293,060,339

(Continued)

		For the year ended December 31, 2018		
		Display segment	Energy segment	Total segments
			(in thousands)	
Major products:				
Products for Televisions	$	110,451,334	-	110,451,334
Products for Mobile PCs and Devices		74,393,888	-	74,393,888
Products for Monitors		47,032,467	-	47,032,467
Products for Commercial and Others(i)		49,949,788	-	49,949,788
Solar Products		-	11,232,862	11,232,862
	$	281,827,477	11,232,862	293,060,339
Major customers:				
Customer A	$	34,869,029	-	34,869,029
Others (individually not greater than 10%)		246,958,448	11,232,862	258,191,310
	$	281,827,477	11,232,862	293,060,339

(i) Others include sales from products for other applications and sales of raw materials, components and from service charges.

(19) Remuneration to Employees and Directors

According to the Company's Articles of Incorporation, the Company should distribute remuneration to employees and directors no less than 5% and no more than 1% of annual profits before income tax, respectively, after offsetting accumulated deficits, if any. Only employees, including employees of affiliate companies that meet certain conditions are entitled to the abovementioned remuneration which to be distributed in stock or cash. The said conditions and distribution method are decided by board of directors or the personnel authorized by board of directors.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2019.

The Company accrued remuneration to employees based on the profit before income tax excluding the remuneration to employees and directors for the period, multiplied by the percentage resolved by board of directors. For the year ended December 31, 2018, the Company estimated the remuneration to employees amounting to $1,215,696 thousand. Remuneration to directors was estimated based on the amount expected to pay and recognized together with the remuneration to employees as cost of sales or operating expenses. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss.

(Continued)

Remuneration to employees and directors for 2018 in the amounts of $1,215,696 thousand and $27,780 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 22, 2019. The aforementioned approved amounts are the same as the amounts charged against earnings of 2018.

Remuneration to employees and directors for 2017 in the amounts of $4,062,114 thousand and $132,604 thousand, respectively, in cash for payment had been approved in the meeting of board of directors held on March 23, 2018. The aforementioned approved amounts are the same as the amounts charged against earnings of 2017.

The information about the Company’s remuneration to employees and directors is available at the Market Observation Post System website.

(20) The Nature of Expenses

	For the years ended December 31,					
	2019			2018		
	Recognized in cost of sales	Recognized in operating expenses	Total	Recognized in cost of sales	Recognized in operating expenses	Total
	(in thousands)					
Employee benefits expenses:						
Salaries and wages	14,352,414	5,242,481	19,594,895	16,109,604	5,554,392	21,663,996
Labor and health insurances	1,322,702	391,763	1,714,465	1,394,015	407,740	1,801,755
Retirement benefits	668,826	245,385	914,211	707,531	251,458	958,989
Remuneration to directors	-	31,681	31,681	-	58,713	58,713
Other employee benefits	1,275,784	214,908	1,490,692	1,236,157	242,955	1,479,112
Depreciation(i)	20,708,657	2,812,046	23,520,703	18,424,568	2,443,620	20,868,188
Amortization	424,985	-	424,985	506,391	-	506,391

(i) The above depreciation did not include the depreciation of investment property.

Additional information on the number of the Company’s employees and the average employee benefit expenses of the Company for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
	(in thousands)	
Number of employees	21,263	23,261
Number of non-employee directors	7	7
Average employee benefit expenses	$ 1,115	1,114
Average salaries expenses	$ 922	931
Average salary expense adjustment	(1)%	

(21) Other Income

		For the years ended December 31,	
		2019	2018
		(in thousands)	
Interest income on bank deposits	$	272,320	259,588
Interest income on government bonds with reverse repurchase agreements and others		27,879	28,503
Rental income, net		351,618	364,893
Dividend income		284,946	452,561
Grants and Others		558,270	291,546
	$	**1,495,033**	**1,397,091**

(22) Other Gains and Losses

		For the years ended December 31,	
		2019	2018
		(in thousands)	
Foreign exchange losses, net	$	(57,872)	(111,958)
Gains on valuation of financial instruments at FVTPL, net		349,903	549,805
Gains on disposals of property, plant and equipment, net		27,307	55,482
Impairment losses on assets		(67,778)	(4,470)
Gains (losses) on litigation and others		366,612	(641,750)
	$	**618,172**	**(152,891)**

(23) Finance Costs

		For the years ended December 31,	
		2019	2018
		(in thousands)	
Interest expense on bank borrowings	$	1,154,398	851,067
Interest expense on lease liabilities		172,713	-
Interest expense on others		219,289	129,745
	$	**1,546,400**	**980,812**

(24) Income Taxes

a. Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31, 2019	2018
		(in thousands)	
Current income tax expense (benefit):			
Current year	$	-	1,266,731
Adjustment to prior years and others		(244,624)	(388,025)
		(244,624)	878,706
Deferred tax expense (benefit):			
Temporary differences		553,216	(413,271)
Investment tax credit and tax losses carryforwards		530,002	1,911,841
Effect of changes in statutory income tax rate		-	(552,881)
		1,083,218	945,689
Total income tax expense	$	**838,594**	**1,824,395**

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31, 2019	2018
		(in thousands)	
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	$	**37,622**	**(38,908)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences	$	(242,291)	241,618
Equity-accounted investees – share of other comprehensive income		(135,571)	(374,988)
	$	**(377,862)**	**(133,370)**

Reconciliation of the expected income tax expense (benefit) calculated based on the ROC statutory income tax rate compared with the actual income tax expense as reported in the statements of comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31, 2019	2018
	(in thousands)	
Income tax expense at statutory tax rate	$ (3,669,333)	2,396,999
Tax on undistributed earnings, net	-	1,266,731
Effect of changes in statutory income tax rate	-	(552,881)
Net of non-taxable income and non-deductible expense	442,825	(67,590)
Effect of change of unrecognized deductible temporary differences, tax losses carryforwards, and investment tax credits	4,309,726	(830,839)
Adjustments to prior year	(244,624)	(388,025)
Income tax expense	**$ 838,594**	**1,824,395**

b. Deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2019	2018
	(in thousands)	
Deductible temporary differences	$ 976,183	253,978
Unused tax losses carryforwards	14,453,820	11,276,085
	$ 15,430,003	**11,530,063**

Under the ROC tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2019, the expiration period for abovementioned unrecognized deferred tax assets of unused tax losses carryforwards were as follows:

Year of assessment	Unrecognized deferred tax assets	Expiration in year
	(in thousands)	
2011	$ 1,801,079	2021
2012	9,667,511	2022
2019 (estimated)	2,985,230	2029
	$ 14,453,820	

As of December 31, 2019, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $277,670 thousand.

The components of and changes in deferred tax assets and liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			(in thousands)			
Tax losses carryforwards	$ 2,120,783	2,650,785	-	-	2,120,783	2,650,785
Unrealized loss and expenses	161,146	303,467	-	(2,586)	161,146	300,881
Inventories write-down	857,255	809,322	-	-	857,255	809,322
Accumulated amortization of goodwill in accordance with local tax laws	-	-	(2,213,429)	(2,213,429)	(2,213,429)	(2,213,429)
Remeasurement of defined benefit plans	157,216	194,838	-	-	157,216	194,838
Others	969,080	1,193,399	-	(140,767)	969,080	1,052,632
	$ 4,265,480	5,151,811	(2,213,429)	(2,356,782)	2,052,051	2,795,029

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019
				(in thousands)			
Deferred tax assets (liabilities):							
Tax losses carryforwards	$ 3,878,232	(1,227,447)	-	2,650,785	(530,002)	-	2,120,783
Unrealized loss and expenses	191,866	109,015	-	300,881	(139,735)	-	161,146
Inventories write-down	531,108	278,214	-	809,322	47,933	-	857,255
Accumulated amortization of goodwill in accordance with local tax laws	(1,881,415)	(332,014)	-	(2,213,429)	-	-	(2,213,429)
Remeasurement of defined benefit plans	155,930	-	38,908	194,838	-	(37,622)	157,216
Others	692,719	226,543	133,370	1,052,632	(461,414)	377,862	969,080
	$ 3,568,440	(945,689)	172,278	2,795,029	(1,083,218)	340,240	2,052,051

c. Assessments by the tax authorities

As of December 31, 2019, the tax authorities have completed the examination of income tax returns of the Company through 2017.

(25) Earnings (Loss) per Share

	For the years ended December 31,	
	2019	2018
	(in thousands, except for per share data)	
Basic earnings (loss) per share		
Profit (loss) attributable to shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Basic earnings (loss) per share (NT$)	$ (2.00)	1.06

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands, except for per share data)	
Diluted earnings (loss) per share		
Profit (loss) attributable to shareholders	$ (19,185,258)	10,160,598
Weighted-average number of common shares outstanding during the year	9,597,268	9,624,245
Effect of employee remuneration in stock	-	164,609
	9,597,268	9,788,854
Diluted earnings (loss) per share (NT$)	$ (2.00)	1.04

Since AUO incurred net loss for the year ended December 31, 2019, there were no potential ordinary shares with dilutive effect for the year.

(26) Cash Flow Information

The reconciliation of liabilities to cash flows arising from financing activities was as follows:

	Long-term borrowings (including current installments)	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
	(in thousands)			
Balance at January 1, 2019	$ 51,945,545	757,315	10,788,985	63,491,845
Cash flows	33,813,000		(442,719)	33,370,281
Non-cash changes:				
Increase (decrease) in lease liabilities	-	-	(920,691)	(920,691)
Changes in exchange rate	-	(29,228)	-	(29,228)
Amortization on transaction costs	207,565	-	-	207,565
Balance at December 31, 2019	$ 85,966,110	728,087	9,425,575	96,119,772

	Long-term borrowings (including current installments)	Guarantee deposits	Total liabilities from financing activities
	(in thousands)		
Balance at January 1, 2018	$ 77,902,271	765,883	78,668,154
Cash flows	(26,080,800)	-	(26,080,800)
Non-cash changes:			
Changes in exchange rate		(8,568)	(8,568)
Amortization on transaction costs	124,074	-	124,074
Balance at December 31, 2018	$ 51,945,545	757,315	52,702,860

(27) Financial Instruments

a. Fair value and carrying amount

The carrying amounts of the Company's current non-derivative financial instruments, including financial assets at amortized cost and financial liabilities at amortized cost, were considered to approximate their fair value due to their short-term nature. This methodology applies to cash and cash equivalents, receivables or payables (including related parties) and other current financial assets.

Disclosures of fair value are not required for the financial instruments abovementioned and lease liabilities. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	$ 18,753	18,753	52,434	52,434
Financial assets at FVTOCI	7,140,410	7,140,410	6,604,041	6,604,041
Financial assets at amortized cost:				
Refundable deposits	543,530	543,530	585,697	585,697
Financial liabilities:				
Financial liabilities at FVTPL:				
Financial liabilities held for trading	7,054	7,054	13,973	13,973
Financial liabilities at amortized cost:				
Long-term borrowings (including current installments)	85,966,110	85,966,110	51,945,545	51,945,545
Guarantee deposits	728,087	728,087	757,315	757,315

b. Valuation techniques and assumptions applied in fair value measurement

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities without quoted market prices are estimated using valuation approach. The estimates and assumptions used are the same as those used by market participants in the pricing of financial instruments.

Fair value of foreign currency forward contract is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from Reuters quote system.

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

The fair value of floating-rate long-term borrowings approximates to their carrying value.

c. Fair value measurements recognized in the balance sheets

The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

(i) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.

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

(iii) Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement level of an asset or a liability within their fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands)		
December 31, 2019				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	$ -	18,753	-	18,753
Financial assets at FVTOCI	7,140,410	-	-	7,140,410
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	7,054	-	7,054

	Level 1	Level 2	Level 3	Total
		(in thousands)		
December 31, 2018				
Financial assets at FVTPL:				
Financial assets mandatorily measured at FVTPL	-	52,434	-	52,434
Financial assets at FVTOCI	6,604,041	-	-	6,604,041
Financial liabilities at FVTPL:				
Financial liabilities held for trading	-	13,973	-	13,973

There were no transfers between Level 1 and 2 for the years ended December 31, 2019 and 2018.

(28) Financial Risk Management

a. Risk management framework

The managerial officers of related divisions are appointed to review, control, trace and monitor the strategic risks, financial risks and operational risks faced by the Company. The managerial officers report to executive officers the progress of risk controls from time to time and, if necessary, report to the board of directors, depending on the extent of impact of risks.

b. Financial risk information

Hereinafter discloses information about the Company's exposure to variable risks, and the goals, policies and procedures of the Company's risk measurement and risk management.

The Company is exposed to the following risks due to usage of financial instruments:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk are mainly from:

(a) The carrying amount of financial assets recognized in the balance sheets.

(b) The amount of contingent liabilities as a result from the Company providing financial guarantee to its customers.

The Company's potential credit risk is derived primarily from cash in bank, cash equivalents and trade receivables. The Company deposits its cash and cash equivalents investments with various reputable financial institutions of high credit quality. There should be no major concerns for the performance capability of trading counterparts. Management performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. Management believes that there is a limited concentration of credit risk in cash in banks and cash equivalents.

The majority of the Company's customers are in high technology industries. Management continuously evaluates and controls the credit quality, credit limit and financial strength of its customers to ensure any overdue receivables are taken necessary procedures. The Company also flexibly makes use of prepayments, accounts receivable factoring and credit insurance as credit enhancement instruments. If necessary, the Company will request collaterals or assurance from its customers in order to reduce the credit risk from particular customers.

Additionally, on the reporting date, the Company reviews the recoverability of its receivables to provide appropriate valuation allowances. Consequently, management believes there is a limited concentration of its credit risk.

For the years ended December 31, 2019 and 2018, the Company's five largest customers accounted for 38.7% and 37.8%, respectively, of the Company's net revenue. There is no other significant concentration of credit risk.

Refer to Note 6(4) for expected credit loss analysis of accounts receivable and the movement in the loss allowance of accounts receivable.

For credit of guarantee, the Company's policy is to provide financial guarantees only to subsidiaries. Refer to Note 13(1)b. for information about endorsements or guarantees provided by the Company to its subsidiaries as of December 31, 2019.

(ii) Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The following, except for payables (including related parties) and equipment and construction payable, are the contractual maturities of other financial liabilities. The amounts include estimated interest payments but exclude the impact of netting agreements.

	Contractual cash flows	2020.1.1~ 2020.12.31	2021.1.1~ 2022.12.31	2023.1.1~ 2024.12.31	2025 and thereafter
			(in thousands)		
December 31, 2019					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	$ 90,585,552	5,494,005	39,068,031	45,000,942	1,022,574
Guarantee deposits	728,087	-	-	-	728,087
Derivative financial instruments					
Foreign currency forward contracts－inflows	(12,006,046)	(12,006,046)	-	-	-
Foreign currency forward contracts－outflows	12,010,120	12,010,120	-	-	-
	$ 91,317,713	5,498,079	39,068,031	45,000,942	1,750,661

	Contractual cash flows	2019.1.1~ 2019.12.31	2020.1.1~ 2021.12.31	2022.1.1~ 2023.12.31	2024 and thereafter
			(in thousands)		
December 31, 2018					
Non-derivative financial liabilities					
Long-term borrowings (including current installments)	$ 53,691,689	22,903,847	28,468,316	2,319,526	-
Guarantee deposits	757,315	-	-	-	757,315
Derivative financial instruments					
Foreign currency forward contracts－inflows	(16,354,682)	(16,354,682)	-	-	-
Foreign currency forward contracts－outflows	16,337,417	16,337,417	-	-	-
	$ 54,431,739	22,886,582	28,468,316	2,319,526	757,315

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

As at December 31, 2019, the management believes the Company's existing unused credit facilities under its existing loan agreements, together with net cash flows expected to be generated from its operating activities, will be sufficient for the Company to fulfill its payment obligations. Therefore, management believes that the Company does not have significant liquidity risk.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's handling procedures for conducting derivative transactions, and also monitored by internal audit department.

(a) Currency risk

The Company is exposed to currency risk on foreign currency denominated financial assets and liabilities arising from operating, financing and investing activities such that the Company uses forward exchange contracts to hedge its currency risk. Gains and losses derived from the foreign currency fluctuations on underlying assets and liabilities are likely to offset. However, transactions of derivative financial instruments help minimize the impact of foreign currency fluctuations, but the risk cannot be fully eliminated.

The Company periodically examines portions exposed to currency risks for individual asset and liability denominated in foreign currency and uses forward contracts as hedging instruments to hedge positions exposed to risks. The contracts have maturity dates that do not exceed six months, and do not meet the criteria for hedge accounting.

I. Exposure of currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency amounts	Exchange rate	NTD	Foreign currency amounts	Exchange rate	NTD
	(in thousands)		(in thousands)	(in thousands)		(in thousands)
Financial assets						
Monetary items						
USD	$ 1,133,061	30.1350	34,144,793	1,716,412	30.8020	52,868,922
JPY	19,604,815	0.2768	5,426,613	8,705,129	0.2775	2,415,673
EUR	45,485	33.7422	1,534,764	28,478	35.2036	1,002,528
Non-monetary items						
USD	1,765,302	30.1350	53,197,376	1,743,967	30.8020	53,717,672
Financial liabilities						
Monetary items						
USD	1,236,623	30.1350	37,265,634	1,511,459	30.8020	46,555,960
JPY	23,792,658	0.2768	6,585,808	29,016,969	0.2775	8,052,209
EUR	2,910	33.7422	98,190	3,490	35.2036	122,861

II. Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, loans and borrowings and trade payables that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD, EUR and JPY at December 31, 2019 and 2018, while all other variables were remained constant, would have increased or decreased the net profit before tax for the years ended December 31, 2019 and 2018 as follows:

	For the years ended December 31,	
	2019	2018
	(in thousands)	
1% of depreciation	$ (28,435)	15,561
1% of appreciation	28,435	(15,561)

III. Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange losses for the years ended December 31, 2019 and 2018 were $57,872 thousand and $111,958 thousand, respectively.

(b) Interest rate risk

The Company's exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any change in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time. The Company will, depending on the market condition, enter into and designate interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2019 and 2018 by $215,500 thousand and $130,968 thousand, respectively.

(c) Equity price risk

See Note 6(3) for disclosure of equity price risk analysis.

(29) Capital Management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

	December 31, 2019	December 31, 2018
	(in thousands)	
Long-term borrowings (including current installments)	$ 85,966,110	51,945,545
Total liabilities	168,993,027	144,541,806
Total equity	176,671,840	202,862,715
Debt-to-equity ratio	96%	71%
Net debt-to-equity ratio[i]	23%	11%

(i) Net debt-to-equity ratio is defined as long-term borrowings less cash and cash equivalents and divided by total equity.

7. Related-party Transactions

(1) Name and relationship of related parties

The following is a summary of subsidiaries and related parties that have had transactions with the Company during the periods presented in the parent company only financial statements.

Name of related party	Relationship with the Company
AU Optronics (L) Corp. (“AULB”)	Subsidiary of the Company
Konly Venture Corp. (“Konly”)	Subsidiary of the Company
Ronly Venture Corp. (“Ronly”)	Subsidiary of the Company
Darwin Precisions Corporation (“DPTW”)	Subsidiary of the Company
AUO Crystal Corp. (“ACTW”)	Subsidiary of the Company
Space Money Inc. (“SMI”)	Subsidiary of the Company
U-Fresh Technology Inc. (“UTI”)	Subsidiary of the Company
AU Optronics Corporation America (“AUUS”)	Subsidiary of the Company
AU Optronics Corporation Japan (“AUJP”)	Subsidiary of the Company
AU Optronics Europe B.V. (“AUNL”)	Subsidiary of the Company
AU Optronics Korea Ltd. (“AUKR”)	Subsidiary of the Company
AU Optronics Singapore Pte. Ltd. (“AUSG”)	Subsidiary of the Company
AU Optronics (Czech) s.r.o. (“AUCZ”)	Subsidiary of the Company
AU Optronics (Shanghai) Co., Ltd. (“AUSH”)	Subsidiary of the Company
AU Optronics (Xiamen) Corp. (“AUXM”)	Subsidiary of the Company
AU Optronics (Suzhou) Corp., Ltd. (“AUSZ”)	Subsidiary of the Company
AU Optronics (Slovakia) s.r.o. (“AUSK”)	Subsidiary of the Company
AFPD Pte., Ltd. (“AUST”)	Subsidiary of the Company

(Continued)

Name of related party	Relationship with the Company
AU Optronics (Kunshan) Co., Ltd. (“AUKS”)	Subsidiary of the Company
a.u. Vista Inc. (“AUVI”)	Subsidiary of the Company
Fortech Electronics (Suzhou) Co., Ltd. (“FTWJ”)	Subsidiary of the Company
Darwin Precisions (Xiamen) Corp. (“DPXM”)	Subsidiary of the Company
BriView (Xiamen) Corp. (“BVXM”)	Subsidiary of the Company
AUO Green Energy Europe B.V. (“AENL”)	Subsidiary of the Company
ComQi Inc. (“CQUS”)	Subsidiary of the Company
Lextar Electronics Corporation (“Lextar”)	Associate of the Company
Raydium Semiconductor Corporation (“Raydium”)	Associate of the Company
Star River Energy Corp. (“SREC”)	Associate of the Company
Sungen Power Corporation (“SGPC”)	Subsidiary of SREC
Evergen Power Corporation (EGPC)	Subsidiary of SREC
Star Shining Energy Corporation (“SSEC”)	Associate of the Company
TronGen Power Corporation (“TGPC”)	Subsidiary of SSEC
Fargen Power Corporation (“FGPC”)	Subsidiary of SSEC
Ri Ji Power Corporation (“RJPC”)	Subsidiary of SSEC
Ri Jing Power Corporation (“RGPC”)	Subsidiary of SSEC
ChampionGen Power Corporation (“CGPC”)	Subsidiary of SSEC
Daxin Materials Corp. (“Daxin”)	Associate of the Company
Qisda Corporation (“Qisda”)	Corporate shareholder of the Company of which accounts for the Company using the equity method
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Japan Co., Ltd. (“QJTO”)	Subsidiary of Qisda
Mainteq Europe B.V. (“MQE”)	Subsidiary of Qisda
BenQ Corporation (“BenQ”)	Subsidiary of Qisda
BenQ Materials Corp. (“BMC”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ America Corporation (“BQA”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Data Image Corporation (“DIC”)	Subsidiary of Qisda
Data Image (Suzhou) Corporation (“DICSZ”)	Subsidiary of Qisda

Name of related party	Relationship with the Company
Sysage Technology Co., Ltd. (“Sysage”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
TRENDYLITE CORPORATION (“TRENDYLITE“)	Subsidiary of Lextar
BenQ Foundation	Substantive related party
AUO Foundation	Substantive related party

Note : For the information in respect of the Company’s subsidiaries, please refer to the consolidated financial statements for the years ended December 31, 2019 and 2018.

(2) Compensation to key management personnel

Key management personnel’s compensation comprised:

	For the years ended December 31, 2019	For the years ended December 31, 2018
	(in thousands)	
Short-term employee benefits	$ 238,873	334,713
Post-employment benefits	2,633	2,457
	$ 241,506	337,170

(3) Except for otherwise disclosed in other notes to the parent company only financial statements, the Company’s significant related party transactions and balances were as follows:

a. Sales

	Sales		Accounts receivable from related parties	
	For the years ended December 31,		December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	$ 4,053,100	2,476,237	313,465	2,028,364
Associates	1,124,483	1,871,511	236,971	659,372
Others	10,051,582	11,651,266	1,388,530	1,937,594
	$ 15,229,165	15,999,014	1,938,966	4,625,330

The collection terms for sales to related parties were 25 to 55 days from the end of the month during which the invoice is issued. The pricing for sales to related parties were not materially different from those with third parties.

b. Purchases

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	$ 86,620,411	90,178,389	21,808,772	26,799,904
Associates	3,687,643	4,201,227	1,089,448	1,577,440
Others	12,380,236	13,949,794	2,427,054	2,893,155
	$ 102,688,290	**108,329,410**	**25,325,274**	**31,270,499**

The payment terms for purchases from related parties were 30 to 120 days. The pricing and payment terms with related parties were not materially different from those with third parties.

c. Acquisition of property, plant and equipment

	Acquisition prices	
	For the years ended December 31,	
	2019	2018
	(in thousands)	
Subsidiaries	$ 474,357	258,967
Associates	6,555	6,527
Others	5,909	3,418
	$ 486,821	**268,912**

d. Disposal of property, plant and equipment and others

	Proceeds from disposal		Gains on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
	(in thousands)			
Subsidiaries	**$ 2,261**	**36,021**	**50**	**7,880**

e. Other related party transactions

Transaction type	Type of related party		December 31, 2019	December 31, 2018
			(in thousands)	
Other receivables due from related parties	Subsidiaries	$	1,211,067	21,284
	Associates		328	1,961
	Others		193	4,660
		$	1,211,588	27,905
Other payables due to related parties (including payables for equipment)	Subsidiaries	$	398,081	211,551
	Associates		13,163	17,757
	Others		22,450	3,615
		$	433,694	232,923

Transaction type	Type of related party		For the years ended December 31, 2019	For the years ended December 31, 2018
			(in thousands)	
Rental income	Subsidiaries	$	26,764	48,560
	Associates		40,684	38,002
	Others		107,074	90,491
		$	174,522	177,053
Administration and other income	Subsidiaries	$	41,585	62,994
	Associates		8,154	7,626
	Others		6,476	6,149
		$	56,215	76,769
Other expenses	Subsidiaries	$	696,208	721,134
	Associates		17,491	31,783
	Others		46,781	11,096
		$	760,480	764,013

The Company leased portion of its facilities to related parties. The collection term was 15 days from quarter-end, and the pricing was not materially different from that with third parties.

For the years ended December 31, 2019 and 2018, the Company had received cash dividends from related parties of $604,468 thousand and $1,191,234 thousand, respectively.

8. Pledged Assets

The carrying amounts of the assets which the Company pledged as collateral were as follows:

Pledged assets	Pledged to secure	December 31, 2019	December 31, 2018
		(in thousands)	
Restricted cash in banks[(i)]	Guarantees for warranties	$ 8,657	6,245
Land and building	Long-term borrowings	27,800,133	25,903,994
Machinery and equipment	Long-term borrowings	42,952,902	36,075,058
		$ 70,761,692	61,985,297

(i) Classified as other noncurrent assets.

9. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Company as of December 31, 2019, in addition to those disclosed in other notes to the parent company only financial statements, were as follows:

(1) Outstanding letters of credit

As at December 31, 2019, the Company had the following outstanding letters of credit for the purpose of purchasing machinery and equipment and materials:

Currency	December 31, 2019
	(in thousands)
USD	5,768
JPY	1,951,409

(2) Technology licensing agreements

Starting in 1998, AUO has entered into technical collaboration, patent licensing, and/or patent cross licensing agreements with Fujitsu Display Technologies Corp. (subsequently assumed by Fujitsu Limited), Toppan Printing Co., Ltd. (“Toppan Printing”), Semiconductor Energy Laboratory Co., Ltd., Japan Display Inc. (formerly Japan Display East Inc./Hitachi Displays, Ltd.), Panasonic Liquid Crystal Display Co., Ltd. (formerly IPS Alpha Technology, Ltd.), LG Display Co., Ltd., Sharp Corporation, Samsung Electronics Co., Ltd., Hydis Technologies Co., Ltd., Seiko Epson Corporation and others. AUO believes that it is in compliance with the terms and conditions of the aforementioned agreements.

(3) Purchase commitments

As at December 31, 2019, significant outstanding purchase commitments for construction in progress, property, plant and equipment totaled $5,545,232 thousand.

(4) Litigation

a. Antitrust civil actions lawsuits in the United States and other jurisdictions

A lawsuit was filed by certain consumers in Israel against certain LCD manufacturers including AUO in the District Court of the Central District in Israel ("Israeli Court"). The defendants contested various issues including whether the lawsuit was properly served. In December 2016, the Israeli Court overturned the original decision and revoked the permission for this case to serve out of Israeli jurisdiction. The plaintiffs lodged an appeal to the Israeli Supreme Court but the Israeli Supreme Court overruled the appeal in August 2017. In January 2018, the parties reached a settlement agreement and agreed to commence the required proceedings for withdrawing the lawsuit. In April 2019, the Central District Court of Israel in Lod approved the settlement. In May 2014, LG Electronics Nanjing Display Co., Ltd. and seven of its affiliates filed a lawsuit in Seoul Central District Court against certain LCD manufacturers including AUO, alleging overcharge and claiming damages. AUO does not believe service has been properly made, but in order to protect its rights, AUO has retained counsel to handle the related matter, and at this stage, the final outcome of these matters is uncertain. AUO has been reviewing the merits of this lawsuit on an on-going basis.

In September 2018, AUUS received a complaint filed by the Government of Puerto Rico on its own behalf and on behalf of all consumers and governmental agencies of Puerto Rico against certain LCD manufacturers including AUO and AUUS in the Superior Court of San Juan, Court of First Instance alleging unjust enrichment and claiming unspecified monetary damages. AUO has retained counsel to handle the related matter and intends to defend this lawsuit vigorously, and at this stage, the final outcome of these matters is uncertain. AUO is reviewing the merits of this lawsuit on an on-going basis.

b. Alleged patent infringements

In July 2018, Vista Peak Ventures, LLC ("VPV") filed three lawsuits in the United States District Court for the Eastern District of Texas against AUO, claiming infringement of certain of VPV's patents in the United States relating to the manufacturing of TFT-LCD panels. In the complaints, VPV seeks, among other things, unspecified monetary damages for past damages and an injunction against future infringement. On September 27, 2019, the relevant parties reached a settlement agreement, and all pending lawsuits that have been filed by VPV against AUO were dismissed on October 10, 2019.

As of February 5, 2020, the Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. While management intends to defend certain of the lawsuits described above vigorously, there is a possibility that one or more legal proceedings or lawsuits may result in an unfavorable outcome to the Company. In addition to the matters described above, the Company is also a party to other litigations or proceedings that arise during the ordinary course of business. Except as mentioned above, the Company, to its knowledge, is not involved as a defendant in any material litigation or proceeding which could be expected to have a material adverse effect on the Company's business or results of operations.

10. Significant Disaster Losses: None.

11. Subsequent Event

On February 5, 2020, AUO's Board of Directors resolved to acquire common shares of ADLINK Technology Inc. through tender offer. The tender offer consideration for each common share is NT$57 in cash. The planned acquisition amount is 65,249 thousand shares of ADLINK. The tender offer period will run from February 7, 2020 to March 12, 2020.

12. Others

Since 2010, there have been environmental proceedings relating to the development project of the Central Taiwan Science Park in Houli, Taichung, which AUO's second 8.5-generation fab is located at. The proceedings were initiated by six residents in Houli District, Taichung City (the "Plaintiffs") to object the administrative dispositions of the environmental assessment and development approval issued in 2010 by the Environmental Protection Administration ("EPA") of the Executive Yuan of Taiwan to the third phrase development area in the Central Taiwan Science Park (the "Project"). On August 8, 2014, the Plaintiffs reached a settlement with the defendants (i.e. the governmental authorities, including the EPA of the Executive Yuan of Taiwan, the Ministry of Science and Technology (former National Science Council of the ROC Executive Yuan) and the Central Taiwan Science Park Development Office) in the Taipei High Administrative Court. The second phase environmental impact assessment for the Project continues to proceed. On December 14, 2017, the EPA of the Executive Yuan of Taiwan held the third review meeting of the investigation group. The review meeting reached the conclusion of suggesting approval for the Project. On November 6, 2018, the EPA approved the Project, but on December 6, 2018, five residents in Houli District, Taichung City filed administrative appeal to the Appeals Review Committee of the Executive Yuan requesting a withdrawal of the approval. Currently management does not believe that this event will have a material adverse effect on the Company's operation and will continue to monitor the development of this event.

13. Additional Disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the Regulations for the Company for the year ended December 31, 2019.

a. Financings provided: Please see Table 1 attached.

b. Endorsements / guarantees provided: Please see Table 2 attached.

c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Please see Table 3 attached.

d. Individual marketable securities acquired or disposed of with costs or prices exceeding NT$300 million or 20% of the paid-in capital: Please see Table 4 attached.

e. Acquisition of individual real estate with costs exceeding NT$300 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate with prices exceeding NT$300 million or 20% of the paid-in capital: None.

g. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 5 attached.

h. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: Please see Table 6 attached.

i. Information about trading in derivative instruments: Please see Note 6(2).

(2) Information on investees (excluding information on investment in Mainland China): Please see Table 7 attached.

(3) Information on investment in Mainland China:

a. The related information on investment in Mainland China: Please see Table 8.1 and 8.2 attached.

b. Upper limit on investment in Mainland China: Please see Table 8.1 and 8.2 attached.

(Continued)

c. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2019, for which intercompany transactions were eliminated upon consolidation, are disclosed in Note 13(1) “Information on significant transactions”.

14. Segment Information

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

AU OPTRONICS CORP. AND SUBSIDIARIES
Financings Provided
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
0	AUO	ACTW	Other receivables from related parties	Yes	3,500,000	1,725,000	1,200,000	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
0	AUO	AUKS	Other receivables from related parties	Yes	1,524,810	1,294,650	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	17,667,184	70,668,736
1	AULB	AUSK	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	53,221,601	53,221,601
1	AULB	AUKS	Other receivables from related parties	Yes	10,633,245	10,572,975	2,805,075	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	21,288,641	21,288,641
2	AUXM	BVHF	Other receivables from related parties	Yes	-	-	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511
2	AUXM	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	3,452,400	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,359,511	5,359,511

(Continued)

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Notes 1 and 2)	Amount Actually Drawn Down (Notes 1 and 4)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 5)	Limits on Financing Company's Total Financing Amount (Notes 1 and 5)
													Item	Value		
3	BVXM	AUKS	Other receivables from related parties	Yes	434,010	431,550	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	509,196	509,196
4	AUSJ	UFSZ	Other receivables from related parties	Yes	92,090	86,310	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730
4	AUSJ	AUKS	Other receivables from related parties	Yes	1,467,264	1,380,960	949,410	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	1,513,492	1,513,492
4	AUSJ	A-Care	Other receivables from related parties	Yes	46,045	43,155	-	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	3,783,730	3,783,730
5	AUSZ	AUKS	Other receivables from related parties	Yes	5,272,980	4,962,825	4,099,725	Markup rate on short-term financing cost	Needs for short-term financing	-	Operating capital	-	-	-	5,886,493	5,886,493
6	DPSZ	AUKS	Other receivables from related parties	Yes	460,450	431,550	-	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	711,740	711,740
7	FTKS	AUKS	Other receivables from related parties	Yes	450,170	431,550	431,550	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	540,321	540,321
8	FTWJ	FHWJ	Other receivables from related parties	Yes	92,090	64,733	64,733	Adjusted by base lending rate of People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	2,071,120	2,071,120

Note 1: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 2: The ending balance represents the amounts approved by the Board of Directors.

Note 3: The maximum balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 4: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 5: The policy for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

a. AUO: The total amount available for lending purposes shall not exceed 40% of AUO's net worth as stated in its latest audited financial statement. The total amount for lending to a company shall not exceed 10% of AUO's net worth as stated in its latest audited financial statement.
b. AULB, AUSZ, AUXM, AUSJ and BVXM: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company as stated in its latest audited financial statement. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company as stated in its latest audited financial statement.
c. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by AUO, the aggregate amount available for lending to such borrowers and total amount lendable to a company shall not exceed the net worth of the lending company as stated in its latest audited financial statement.
d. DPSZ, FTWJ and FTKS: The total amount available for lending purposes shall not exceed 40% of the net worth of the lending company. The total amount for lending to a company shall not exceed 40% of the net worth of the lending company.
e. In the event that the financing is between foreign subsidiaries whose voting shares are 100% owned, directly and indirectly, by DPTW, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers shall not exceed the net worth of the lending company.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Endorsements/Guarantees Provided
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	AUO	AUKS	2	88,335,920	16,140,185	15,317,737	11,507,216	-	8.67%	176,671,840	Yes	No	Yes
1	AUXM	AUO &AUST	3,4	13,398,777	2,302,250	-	-	-	-	13,398,777	No	Yes	No
1	AUXM	AUO	3	13,398,777	9,577,360	6,257,475	-	-	46.70%	13,398,777	No	Yes	No
2	AUSJ	AUO	3	3,783,730	1,473,440	-	-	-	-	3,783,730	No	Yes	No
3	AUSZ	AUO	3	14,716,233	7,275,110	4,401,810	-	-	29.91%	14,716,233	No	Yes	No
3	AUSZ	AUO &AUSK	3,4	14,716,233	1,519,485	-	-	-	-	14,716,233	No	Yes	No

Note 1: The relationship between the endorser/guarantor and the guaranteed party:
1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 3: The ending balance represents the amounts approved by the Board of Directors.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:

a. AUO: The total endorsement/guarantee amount provided shall not exceed the net worth of AUO as stated in its latest audited financial statement. The aggregate amount of endorsement/guarantee provided to each guaranteed party shall not exceed 50% of AUO’s net worth as stated in its latest audited financial statement.

b. AUSZ, AUXM and AUSJ: The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed the net worth of the endorser/guarantor as stated in its latest audited financial statement.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

December 31, 2019

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 3

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
AUO	Stock BenQ ESCO Corp.	Related party	Financial assets at FVTPL— noncurrent	1,700	-	17.00%	-	
AUO	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	335,231	7,140,410	17.04%	7,140,410	
AULB	Stock Abakus Solar AG	-	Financial assets at FVTPL— noncurrent	3	-	2.22%	-	
AUSH	Stock T-powertek Optronics Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	352	CNY 6,250	2.16%	CNY 6,250	
DPSZ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 70,488	-	CNY 70,488	
FPWJ	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 100,642	-	CNY 100,642	
FTKS	Structured deposit	-	Financial assets at FVTPL－current	-	CNY 171,493	-	CNY 171,493	
Konly	Stock PlayNitride Inc.	-	Financial assets at FVTOCI— noncurrent	609	42,123	1.80%	42,123	
Konly	Stock SnapBizz CloudTech Pte. Ltd.	-	Financial assets at FVTOCI— noncurrent	13	-	5.33%	-	
Konly	Stock a2peak power Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,000	-	10.87%	-	

(Continued)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Konly	Stock ChenFeng Optronics Corporation	-	Financial assets at FVTPL－noncurrent	1,500	-	2.63%	-	
Konly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	4,200	-	8.52%	-	
Konly	Stock Azotek Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,407	7,345	4.01%	7,345	
Konly	Stock Qisda	Related party	Financial assets at FVTOCI— noncurrent	10,145	216,091	0.52%	216,091	
Konly	Stock ATS International Inc.	-	Financial assets at FVTOCI— noncurrent	1,667	-	5.15%	-	
DPTW	Stock Wibase Industrial Solutions Inc.	Related party	Financial assets at FVTOCI— noncurrent	4,700	56,400	12.11%	56,400	
DPTW	Stock Evertrust Technology Ltd.	-	Financial assets at FVTOCI— noncurrent	150	1,500	16.13%	1,500	
DPTW	Stock D8AI Holdings Corporation	-	Financial assets at FVTOCI— noncurrent	7,000	8,649	4.59%	8,649	
DPTW	Stock HUAI I Precision Technology Co., Ltd.	-	Financial assets at FVTOCI— noncurrent	2,914	34,968	10.00%	34,968	
DPTW	Stock Disign Incorporated	-	Financial assets at FVTOCI— noncurrent	2	10,714	19.89%	10,714	

(Continued)

Name of Holder	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Ronly	Stock UniBright Chemical Co., Ltd.	-	Financial assets at FVTPL－noncurrent	600	-	1.22%	-	
Ronly	Stock Exploit Technology Co., Ltd.	-	Financial assets at FVTPL－noncurrent	41	-	0.49%	-	

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Individual Marketable Securities Acquired or Disposed of with Costs or Prices Exceeding NT$300 Million or 20% of the Paid-in Capital

For the year ended December 31, 2019

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain/Loss on Disposal	Shares	Amount	
AUO	Stock ACTW	Investments in equity-accounted investees	-	-	378,193	5,005,774	40,390	549,393	-	-	-	-	418,583	2,805,441	1
DPSZ	Structured deposit	Financial assets at FVTPL－current	-	-	-	-	-	CNY 140,000	-	CNY 71,331	CNY 71,331	-	-	CNY 70,488	2
FPWJ	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 91,753	-	CNY 200,000	-	CNY 194,885	CNY 194,885	-	-	CNY 100,642	2
FTKS	Structured deposit	Financial assets at FVTPL－current	-	-	-	CNY 274,091	-	CNY 510,000	-	CNY 621,552	CNY 621,552	-	-	CNY 171,493	2

Note 1: a. As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.
b. The ending balance includes the recognition of investment gain (loss), foreign currency translation differences and capital surplus, etc. under the equity method.

Note 2: The ending balance includes the gain/loss on valuation of the financial asset.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Purchases from or Sales to Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BMC	Subsidiary of Qisda	Purchases	4,049,902	2%	EOM 90 days	-		(988,782)	(2)%	
AUO	Raydium	Associate	Purchases	980,406	1%	EOM 120 days	-		(238,957)	-	
AUO	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	8,306,875	4%	EOM 45 days	-		(1,437,067)	(3)%	
AUO	Daxin	Associate	Purchases	2,665,305	1%	EOM 120 days	-		(831,009)	(2)%	
AUO	DPTW	Subsidiary of AUO	Purchases	6,101,237	3%	EOM 60 days	-		(887,617)	(2)%	
AUO	AUCZ	Subsidiary of AUO	Purchases	129,946	-	EOM 45 days	-		-	-	
AUO	AUSZ	Subsidiary of AUO	Purchases	35,474,816	18%	EOM 45 days	-		(9,447,956)	(19)%	
AUO	AUST	Subsidiary of AUO	Purchases	5,692,940	3%	EOM 45 days	-		(873,769)	(2)%	
AUO	AUSK	Subsidiary of AUO	Purchases	134,558	-	EOM 45 days	-		(19,847)	-	
AUO	AULB	Subsidiary of AUO	Purchases	956,615	-	EOM 45 days	-		(381,063)	(1)%	
AUO	AUKS	Subsidiary of AUO	Purchases	12,385,120	6%	EOM 30 days	-		(2,151,131)	(4)%	
AUO	AUXM	Subsidiary of AUO	Purchases	25,695,562	13%	EOM 45 days	-		(8,029,959)	(16)%	
AUO	TGPC	Subsidiary of SSEC	Sales	(161,763)	-	EOM 25 days	-		109,566	-	
AUO	QCSZ	Subsidiary of Qisda	Sales	(7,126,336)	(3)%	EOM 55 days	-		930,165	3%	
AUO	QCOS	Subsidiary of Qisda	Sales	(244,442)	-	EOM 55 days	-		27,621	-	
AUO	FGPC	Subsidiary of SSEC	Sales	(663,428)	-	EOM 25 days	-		76,082	-	
AUO	DPXM	Subsidiary of AUO	Sales	(130,396)	-	EOM 45 days	-		7,822	-	
AUO	DPTW	Subsidiary of AUO	Sales	(413,290)	-	EOM 45 days	-		43,577	-	

(Continued)

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUO	BenQ	Subsidiary of Qisda	Sales	(2,571,371)	(1)%	EOM 55 days	-		399,935	1%	
AUO	AUXM	Subsidiary of AUO	Sales	(989,043)	-	EOM 45 days	-		-	-	
AUO	AUUS	Subsidiary of AUO	Sales	(131,140)	-	EOM 75 days	-		36,724	-	
AUO	AUSZ	Subsidiary of AUO	Sales	(1,036,086)	-	EOM 45 days	-		-	-	
AUO	AUNL	Subsidiary of AUO	Sales	(696,101)	-	EOM 45 days	-		136,045	-	
AUO	RGPC	Subsidiary of SSEC	Sales	(109,168)	-	EOM 25 days	-		-	-	
AUO	ACTW	Subsidiary of AUO	Sales	(581,352)	-	EOM 45 days	-		82,862	-	
ACMK	ACTW	Subsidiary of AUO	Purchases	USD 36,650	93%	OA 60 days	-		USD (5,971)	(92)%	
AUCZ	AUO	Ultimate parent company	Sales	CZK (99,079)	(100)%	EOM 45 days	-		-	-	
AUKS	AUSZ	Subsidiary of AUO	Purchases	CNY 130,338	8%	EOM 60 days	-		CNY (42,137)	(6)%	
AUKS	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY 23,017	1%	EOM 120 days	-		CNY (10,475)	(2)%	
AUKS	AUO	Ultimate parent company	Sales	CNY (2,770,165)	(100)%	EOM 30 days	-		CNY 500,963	100%	
AULB	AUO	Ultimate parent company	Sales	USD (30,931)	(72)%	EOM 45 days	-		USD 8,711	100%	
AULB	AUSZ	Subsidiary of AUO	Sales	USD (11,445)	(11)%	EOM 45 days	-		-	-	
AULB	AUXM	Subsidiary of AUO	Sales	USD (18,769)	(17)%	EOM 45 days	-		-	-	
AUNL	AUO	Ultimate parent company	Purchases	EUR 20,734	100%	EOM 45 days	-		EUR (4,009)	(100)%	
AUSH	AUO	Ultimate parent company	Sales	CNY (31,870)	(97)%	End of quarter 25 days	-		-	-	
AUSK	AUO	Ultimate parent company	Sales	EUR (4,275)	(84)%	EOM 45 days	-		EUR 746	82%	
AUST	AUO	Ultimate parent company	Sales	USD (184,271)	(100)%	EOM 45 days	-		USD 28,995	100%	
AUSZ	Raydium	Associate	Purchases	CNY 560,109	8%	EOM 120 days	-		CNY (222,287)	(10)%	
AUSZ	Qisda	Corporate shareholder of AUO of which accounts for AUO using the equity method	Purchases	CNY 569,724	8%	EOM 120 days	-		CNY (235,978)	(10)%	
AUSZ	DPTW	Subsidiary of AUO	Purchases	CNY 178,762	3%	EOM 120 days	-		CNY (67,252)	(3)%	

(Continued)

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
AUSZ	AUO	Ultimate parent company	Purchases	CNY 227,034	3%	EOM 45 days	-		-	-	
AUSZ	AULB	Subsidiary of AUO	Purchases	CNY 75,930	1%	EOM 45 days	-		-	-	
AUSZ	BMC	Subsidiary of Qisda	Purchases	CNY 274,748	4%	EOM 90 days	-		CNY (82,462)	(4)%	
AUSZ	AULB	Subsidiary of AUO	Sales	CNY (36,846)	-	EOM 45 days	-		-	-	
AUSZ	AUKS	Subsidiary of AUO	Sales	CNY (130,338)	(2)%	EOM 60 days	-		CNY 42,137	2%	
AUSZ	AUO	Ultimate parent company	Sales	CNY (7,869,533)	(95)%	EOM 45 days	-		CNY 2,196,988	88%	
AUUS	AUO	Ultimate parent company	Purchases	USD 4,555	100%	EOM 75 days			USD (1,215)	(100)%	
AUUS	AUO	Ultimate parent company	Sales	USD (5,539)	(56)%	EOM 30 days	-		-	-	
AUXM	Raydium	Associate	Purchases	CNY 377,685	7%	EOM 120 days	-		CNY (130,325)	(7)%	
AUXM	Lextar	Associate	Purchases	CNY 42,203	1%	EOM 120 days	-		CNY (18,499)	(1)%	
AUXM	AULB	Subsidiary of AUO	Purchases	CNY 125,815	2%	EOM 45 days	-		-	-	
AUXM	AUO	Ultimate parent company	Purchases	CNY 194,961	3%	EOM 45 days	-		-	-	
AUXM	BMC	Subsidiary of Qisda	Purchases	CNY 180,358	3%	EOM 90 days	-		CNY (46,691)	(2)%	
AUXM	DPXM	Subsidiary of AUO	Purchases	CNY 43,398	1%	EOM 120 days	-		CNY (13,923)	(1)%	
AUXM	DPTW	Subsidiary of AUO	Purchases	CNY 308,620	5%	EOM 120 days	-		CNY (115,982)	(6)%	
AUXM	AULB	Subsidiary of AUO	Sales	CNY (27,290)	-	EOM 45 days	-		-	-	
AUXM	BVXM	Subsidiary of AUO	Sales	CNY (760,742)	(12)%	EOM 45 days	-		CNY 183,553	9%	
AUXM	AUO	Ultimate parent company	Sales	CNY (5,704,904)	(88)%	EOM 45 days	-		CNY 1,865,262	91%	
BVHF	DPTW	Subsidiary of AUO	Purchases	CNY 52,126	21%	EOM 60 days	-		CNY (36,531)	(58)%	
BVHF	Lextar	Associate	Purchases	CNY 30,865	12%	EOM 120 days	-		CNY (5,229)	(8)%	
BVHF	DPTW	Subsidiary of AUO	Sales	CNY (381,196)	(100)%	EOM 60 days	-		CNY 88,590	100%	
BVXM	AUXM	Subsidiary of AUO	Purchases	CNY 759,427	100%	EOM 45 days	-		CNY (182,131)	(100)%	
DPSZ	DPTW	Subsidiary of AUO	Purchases	CNY 24,407	25%	EOM 60 days			CNY (2,649)	(7)%	
DPSZ	DPTW	Subsidiary of AUO	Sales	CNY (134,962)	(76)%	EOM 90 days	-		CNY 36,326	70%	
DPXM	DPTW	Subsidiary of AUO	Purchases	CNY 24,058	3%	EOM 60 days			CNY (19,029)	(7)%	
DPXM	AUO	Ultimate parent company	Purchases	CNY 28,887	4%	EOM 45 days	-		CNY (1,936)	(1)%	
DPXM	AUXM	Subsidiary of AUO	Sales	CNY (43,246)	(4)%	EOM 120 days	-		CNY 13,923	3%	
DPXM	DPTW	Subsidiary of AUO	Sales	CNY (1,074,429)	(89)%	EOM 90 days	-		CNY 384,021	83%	

(Continued)

Company Name	Counterparty	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount (Note 2)	Percentage of Total Purchases /Sales	Credit Terms	Unit Price (Note 1)	Credit Terms (Note 1)	Ending Balance (Note 2)	Percentage of Total Notes /Accounts Receivable (Payable)	
FTWJ	DPTW	Subsidiary of AUO	Purchases	CNY 116,790	21%	EOM 60 days	-		CNY (283,725)	(57)%	
FTWJ	Lextar	Associate	Purchases	CNY 57,349	10%	EOM 120 days	-		CNY (22,443)	(5)%	
FTWJ	DPTW	Subsidiary of AUO	Sales	CNY (765,048)	(90)%	EOM 90 days	-		CNY 552,530	91%	
M.Setek	ACTW	Subsidiary of AUO	Sales	JPY (5,215,104)	(99)%	EOM 45 days	-		JPY 1,643,976	100%	
ACTW	AUO	Ultimate parent company	Purchases	581,454	17%	EOM 45 days	-		(82,862)	(11)%	
ACTW	M.Setek	Subsidiary of AUO	Purchases	1,480,568	43%	EOM 45 days	-		(455,053)	(62)%	
ACTW	ACMK	Subsidiary of AUO	Sales	(1,079,766)	(22)%	OA 60 days	-		179,946	22%	
UTI	AUO	Ultimate parent company	Sales	(150,409)	(69)%	EOM 60 days	-		15,093	89%	
DPTW	BVHF	Subsidiary of AUO	Purchases	1,726,072	13%	EOM 60 days	-		(143,375)	(5)%	
DPTW	AUO	Ultimate parent company	Purchases	410,921	3%	EOM 45 days	-		(43,343)	(1)%	
DPTW	EFOP	Joint Venture	Purchases	1,027,147	7%	EOM 45 days	-		(72,942)	(2)%	
DPTW	FTWJ	Subsidiary of AUO	Purchases	3,428,533	25%	EOM 90 days	-		(998,087)	(32)%	
DPTW	DPXM	Subsidiary of AUO	Purchases	4,819,703	35%	EOM 90 days	-		(1,390,592)	(45)%	
DPTW	DPSZ	Subsidiary of AUO	Purchases	606,434	4%	EOM 90 days	-		(156,919)	(5)%	
DPTW	DPXM	Subsidiary of AUO	Sales	(107,170)	(1)%	EOM 60 days	-		36,730	1%	
DPTW	FTWJ	Subsidiary of AUO	Sales	(521,864)	(3)%	EOM 60 days	-		196,827	7%	
DPTW	DPSZ	Subsidiary of AUO	Sales	(110,489)	(1)%	EOM 60 days	-		11,445	-	
DPTW	BVHF	Subsidiary of AUO	Sales	(236,590)	(2)%	EOM 60 days	-		9,589	-	
DPTW	AUXM	Subsidiary of AUO	Sales	(1,379,316)	(9)%	EOM 120 days	-		501,004	18%	
DPTW	AUO	Ultimate parent company	Sales	(6,456,889)	(42)%	EOM 60 days	-		845,012	31%	
DPTW	QCES	Subsidiary of Qisda	Sales	(208,913)	(1)%	EOM 120 days	-		80,000	3%	
DPTW	Darwin Summit Corporation, Ltd.	Associate	Sales	(100,201)	(1)%	EOM 90 days	-		42,033	2%	
DPTW	AUSZ	Subsidiary of AUO	Sales	(797,366)	(5)%	EOM 120 days	-		290,507	11%	

Note 1: Transaction terms with related parties were similar to those with third parties, except for particular transactions with no similar transactions to compare with. For those transactions, transaction terms were determined in accordance with mutual agreements.

Note 2: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES

Receivables from Related Parties with Amounts Exceeding NT$100 Million or 20% of the Paid-in Capital

December 31, 2019

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
AUO	TGPC	Subsidiary of SSEC	109,566	2.93	-	-	-	-
AUO	ACTW	Subsidiary of AUO	1,284,439	(Note 2)	-	-	-	-
AUO	BenQ	Subsidiary of Qisda	399,935	5.52	114	Will be collected in next period	-	-
AUO	AUNL	Subsidiary of AUO	136,045	10.23	16	Collected in subsequent period	70,516	-
AUO	QCSZ	Subsidiary of Qisda	930,165	6.26	935	Will be collected in next period	-	-
AUKS	AUO	Ultimate parent company	CNY 500,963	5.83	CNY 28,896	Collected in subsequent period	CNY 240,556	-
AULB	AUO	Ultimate parent company	USD 9,189	(Note 2)	USD 8,711	Will be collected in next period	-	-
AULB	AUKS	Subsidiary of AUO	USD 95,056	(Note 2)	-	-	-	-
AUSJ	AUKS	Subsidiary of AUO	CNY 224,528	(Note 2)	-	-	-	-
AUST	AUO	Ultimate parent company	USD 28,995	5.92	-	-	-	-
AUSZ	AUKS	Subsidiary of AUO	CNY 1,016,582	(Note 2)	CNY 14,634	Collected in subsequent period	CNY 16,118	-
AUSZ	AUO	Ultimate parent company	CNY 2,196,989	(Note 2)	CNY 27,024	Collected in subsequent period	CNY 1,511,352	-
AUXM	BVXM	Subsidiary of AUO	CNY 183,895	(Note 2)	CNY 1,421	Collected in subsequent period	CNY 106,300	-
AUXM	AUKS	Subsidiary of AUO	CNY 818,914	(Note 2)	CNY 137	Collected in subsequent period	CNY 250	
AUXM	AUO	Ultimate parent company	CNY 1,865,262	6.10	CNY 93,824	Collected in subsequent period	CNY 1,082,848	-
BVHF	DPTW	Subsidiary of AUO	CNY 88,996	(Note 2)	CNY 49,549	Will be collected in next period	-	-
DPSZ	DPTW	Subsidiary of AUO	CNY 36,326	2.55	-	-	-	-
DPXM	DPTW	Subsidiary of AUO	CNY 384,031	(Note 2)	-	-	CNY 24,417	-

(Continued)

Company Name	Counterparty	Relationship	Ending Balance of Receivables (Note 3)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
FTKS	AUKS	Subsidiary of AUO	CNY 101,547	(Note 2)	-	-	-	-
FTWJ	DPTW	Subsidiary of AUO	CNY 552,530	1.39	-	-	CNY 97,667	-
M.Setek	ACTW	Subsidiary of AUO	JPY 1,643,976	5.75	JPY 418,115	Will be collected in next period	-	-
ACTW	M.Setek	Subsidiary of AUO	220,875	-	-	-	-	-
ACTW	ACMK	Subsidiary of AUO	188,510	(Note 2)	-	-	-	-
DPTW	AUSZ	Subsidiary of AUO	290,507	5.49	-	-	-	-
DPTW	FTWJ	Subsidiary of AUO	1,230,770	(Note 2)	29,182	Collected in subsequent period	414,948	-
DPTW	AUXM	Subsidiary of AUO	501,004	5.36	-	-	-	-
DPTW	AUO	Ultimate parent company	845,532	(Note 2)	71,466	Will be collected in next period	-	-
DPTW	BVHF	Subsidiary of AUO	157,802	(Note 2)	-	-	-	-

Note 1: Until the end of January 2020.

Note 2: The ending balance includes other receivables from transactions not related to ordinary sales.

Note 3: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investees (Excluding Information on Investment in Mainland China)
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 7

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
AUO	AULB	Malaysia	Holding and trading company	59,058,698	59,058,698	1,882,189	100.00%	53,221,601	100.00%	1,367,091	1,481,004	Subsidiary
AUO	AUNL	Netherlands	Sales and sales support of TFT-LCD panels	24,275	24,275	50	100.00%	37,774	100.00%	13,707	13,707	Subsidiary
AUO	Konly	Taiwan ROC	Venture capital investment	4,227,070	4,227,070	284,302	100.00%	5,208,936	100.00%	171,825	171,825	Subsidiary
AUO	Ronly	Taiwan ROC	Venture capital investment	1,778,692	1,778,692	154,757	100.00%	2,049,860	100.00%	9,126	9,126	Subsidiary
AUO	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	3,569,155	3,569,155	190,108	28.56%	3,156,574	28.56%	(190,141)	(54,311)	Subsidiary
AUO	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	15,687,921	15,138,528	418,583	100.00%	2,805,441	100.00%	(2,648,071)	(2,614,702)	Subsidiary (Note 4)
AUO	SREC	Taiwan ROC	Investment	379,040	379,040	37,904	32.01%	424,653	32.01%	110,266	35,300	Associate
AUO	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	881,076	881,076	78,418	15.10%	1,642,746	15.33%	(309,651)	(46,855)	Associate
AUO	SMI	Taiwan ROC	Sales and leasing of content management system and hardware	30,000	30,000	3,000	100.00%	18,247	100.00%	(11,025)	(11,025)	Subsidiary
AUO	UTI	Taiwan ROC	Planning, design and development of construction for environmental protection and related project management	100,000	50,000	10,000	100.00%	88,906	100.00%	(11,183)	(11,183)	Subsidiary
AUO	SSEC	Taiwan ROC	Investment	930,000	930,000	93,000	31.00%	953,966	31.00%	73,407	22,756	Associate
AUO	CQIL	Israel	Holding company	876,659	821,138	39,974	100.00%	576,111	100.00%	(54,995)	(182,866)	Subsidiary
Konly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	703,795	703,795	42,598	6.40%	707,303	6.40%	(190,141)	(12,170)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
Konly	ACTW	Taiwan ROC	Manufacturing and sales of ingots and solar wafers	-	589,793	-	-	-	2.50%	(2,648,071)	(2,381)	Subsidiary (Note 4)
Konly	SREC	Taiwan ROC	Investment	17,760	17,760	1,776	1.50%	19,897	1.50%	110,266	1,654	Associate
Konly	Raydium	Taiwan ROC	IC design	175,857	175,857	11,454	17.10%	740,504	17.63%	674,300	117,334	Associate
Konly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	154,748	154,748	19,114	18.61%	517,812	18.61%	650,420	121,032	Associate
Konly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	450,674	450,674	26,133	5.03%	547,439	5.11%	(309,651)	(15,614)	Associate
Konly	Ubitech Inc.	Taiwan ROC	Development and sales of software for POS system	27,000	27,000	357	26.31%	1,262	26.31%	(7,584)	(16,854)	Associate
Konly	SSEC	Taiwan ROC	Investment	60,000	60,000	6,000	2.00%	61,546	2.00%	73,407	1,468	Associate
Konly	WishMobile, Inc.	Taiwan ROC	Developing and providing CRM APP	15,000	15,000	2,500	12.50%	5,899	12.50%	1,334	(7,932)	Associate
Konly	SkyREC Ltd.	BVI	Data consulting service for retail	46,016	46,016	188	16.12%	4,304	16.12%	(14,143)	(38,982)	Associate
Ronly	DPTW	Taiwan ROC	Design, manufacturing, and sales of TFT-LCD modules, backlight modules, TV set and related parts	845,510	845,510	40,509	6.09%	672,617	6.09%	(190,141)	(11,573)	Subsidiary
Ronly	Daxin	Taiwan ROC	Research, manufacturing and sales of display related chemicals	70,021	70,021	6,312	6.15%	171,001	6.15%	650,420	39,969	Associate
Ronly	Lextar	Taiwan ROC	Manufacturing and sales of Light Emitting Diode	323,431	323,431	34,338	6.61%	719,336	6.71%	(309,651)	(20,517)	Associate
DPTW	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	242,935	29.71%	(133,388)	(39,630)	Subsidiary
DPTW	DPLB	Malaysia	Holding company	4,362,627	4,362,627	92,267	100.00%	6,172,423	100.00%	(27,931)	(17,834)	Subsidiary
DPTW	FHVI	BVI	Holding company	2,362,321	2,362,321	22,006	100.00%	4,008,112	100.00%	96,028	20,304	Subsidiary
DPTW	FRVI	BVI	Holding company	-	274,700	-	-	-	100.00%	6,200	6,029	Subsidiary (Note 5)
DPTW	FFMI	Mauritius	Holding company	274,700	-	653	100.00%	93,524	100.00%	6,200	-	Subsidiary (Note 5)
DPTW	EFOP	Taiwan ROC	Manufacturing and sales of polymer plasticized raw materials	338,729	338,729	33,873	49.00%	178,719	49.00%	(88,238)	(43,237)	Joint Venture
DPTW	Darwin Summit Corporation, Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	10,394	40.00%	7,765	3,106	Associate

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
ACTW	ACMK	Malaysia	Manufacturing and sales of solar wafers	449,975	449,975	46,196	100.00%	537,395	100.00%	42,306	42,306	Subsidiary
ACTW	SDMC	Taiwan ROC	Holding company	1,988,488	1,988,488	116,836	100.00%	1,948,642	100.00%	171,314	168,217	Subsidiary
SDMC	M.Setek	Japan	Manufacturing and sales of ingots	23,596,398	23,596,368	11,404,184	99.9991%	1,946,295	99.9991%	188,831	188,830	Subsidiary
AULB	AUUS	United States	Sales and sales support of TFT-LCD panels	USD 1,000	USD 1,000	1,000	100.00%	USD 2,063	100.00%	USD 161	USD 161	Subsidiary
AULB	AUJP	Japan	Sales support of TFT-LCD panels	USD 276	USD 276	1	100.00%	USD 1,765	100.00%	USD 1	USD 1	Subsidiary
AULB	AUKR	South Korea	Sales support of TFT-LCD panels	USD 155	USD 155	-	100.00%	USD 1,014	100.00%	USD 83	USD 83	Subsidiary
AULB	AUCZ	Czech Republic	Assembly of solar modules	USD 20,531	USD 20,531	-	100.00%	USD 10,534	100.00%	USD (3,607)	USD (3,607)	Subsidiary
AULB	AUSK	Slovakia Republic	Repairing of TFT-LCD modules	USD 1,359	USD 54,349	-	100.00%	USD 22,879	100.00%	USD 246	USD 246	Subsidiary
AULB	AUST	Singapore	Manufacturing TFT-LCD panels based on low temperature polysilicon technology	USD 276,543	USD 321,161	907,114	100.00%	USD 139,306	100.00%	USD 2,120	USD 2,120	Subsidiary
AULB	AUVI	United States	Research and development and IP related business	USD 5,000	USD 5,000	5,000	100.00%	USD 5,875	100.00%	USD 255	USD 255	Subsidiary
AULB	BVLB	Malaysia	Holding company	USD 85,171	USD 85,171	85,171	70.29%	USD 19,073	70.29%	USD (4,313)	USD (3,032)	Subsidiary
AULB	AUSG	Singapore	Holding company and sales support of TFT-LCD panels	USD 48,321	USD 86,685	266,268	100.00%	USD 34,448	100.00%	USD 903	USD 903	Subsidiary
AUSG	AEUS	United States	Sales support of solar-related products	USD 3,510	USD 3,510	9,510	100.00%	USD 814	100.00%	USD (1)	USD (1)	Subsidiary
AUSG	AENL	Netherlands	Sales support of solar-related products	USD 45	USD 45	-	100.00%	USD 174	100.00%	USD (12)	USD (12)	Subsidiary
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 205,804	100.00%	USD (248)	USD (248)	Subsidiary (Note 6)
DPLB	DPSK	Slovakia Republic	Manufacturing and sales of automotive parts	USD 4,216	USD 4,216	-	100.00%	USD 2,546	100.00%	USD (655)	USD (655)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 75,756	100.00%	USD (2,786)	USD (2,786)	Subsidiary
FHVI	FWSA	Samoa	Holding company	USD 19,000	USD 19,000	19,000	100.00%	USD 14,364	100.00%	USD 146	USD 146	Subsidiary
FHVI	PMSA	Samoa	Holding company	USD 39,673	USD 39,673	31,993	100.00%	USD 44,825	100.00%	USD 1,832	USD 1,832	Subsidiary
FRVI	FFMI	Mauritius	Holding company	-	USD 8,200	-	-	-	100.00%	USD 200	USD 200	Subsidiary (Note 5)

(Continued)

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2019			Maximum Shareholding in the Interim	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 2)				
M.Setek	Ichijo Seisakusyo Co., Ltd.	Japan	Manufacturing of semiconductor equipment and related parts	JPY 5,000	JPY 5,000	-	38.46%	-	38.46%	-	-	Associate (Note 3)
CQIL	CQHLD	United Kingdom	Holding company	USD 18,868	USD 4,071	635,709	100.00%	USD 18,491	100.00%	USD 4,811	USD 4,811	Subsidiary
CQHLD	CQUK	United Kingdom	Sales and sales support of content management system	GBP 1,874	-	-	100.00%	USD 510	100.00%	USD 123	USD 123	Subsidiary
CQHLD	CQUS	United States	Sales of content management system and hardware	USD 15,607	USD 1	11	100.00%	USD 3,863	100.00%	USD (1,873)	USD (1,873)	Subsidiary
CQHLD	CQCA	Canada	Research and development of content management system	CAD 1,310	-	-	100.00%	USD 550	100.00%	USD 88	USD 88	Subsidiary
CQUS	JRUK	United Kingdom	Development and sales of content management system and sales of related hardware	-	-	-	100.00%	-	100.00%	-	-	Subsidiary
CQUS	JRUS	United States	Development and sales of content management system and sales of related hardware	-	-	10	100.00%	-	100.00%	-	-	Subsidiary

Note 1: All inter-company transactions among AUO and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2: Inclusive of the amortization of differences between the investment cost and the entity's share of the net value of investee, and the effect of upstream and sidestream transactions.

Note 3: The carrying amount includes accumulated impairment loss.

Note 4: As part of a business restructuring, AUO acquired all shares of ACTW from Konly and other shareholders.

Note 5: FRVI was liquidated in the fourth quarter of 2019. FRVI transferred all of its shareholdings in FFMI to DPTW.

Note 6: The registration of the alteration of DPHK's common stock has not been completed.

(Continued)

AU OPTRONICS CORP. AND SUBSIDIARIES
Information on Investment in Mainland China
For the year ended December 31, 2019
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

1. AUO：

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow								
A-Care	Design, development and sales of software and hardware for health care industry	43,155	(Note 1)	-	-	-	-	(18,772)	100%	100%	(18,772)	17,973	-	
AETJ	Manufacturing and sales of solar modules	-	(Note 1)	-	-	-	-	847	-	100%	847	-	-	Note 8
AUKS	Manufacturing and sales of TFT-LCD panels	28,959,735	(Note 1)	14,769,465	-	-	14,769,465	(4,634,866)	51%	51%	(2,363,782)	4,985,961	-	
AUSH	Sales support of TFT-LCD panels	90,405	(Note 1)	30,135	-	-	30,135	(37,431)	100%	100%	(37,431)	417,037	-	
AUSJ	Manufacturing and assembly of TFT-LCD modules; leasing	3,254,580	(Note 1)	2,410,800	-	-	2,410,800	81,056	100%	100%	152,141	3,783,730	-	Note 7
AUSZ	Manufacturing, assembly and sales of TFT-LCD modules	8,377,530	(Note 1)	6,027,000	-	-	6,027,000	2,224,611	100%	100%	2,248,227	14,716,233	-	Note 7
AUXM	Manufacturing, assembly and sales of TFT-LCD modules	7,533,750	(Note 1)	7,533,750	-	-	7,533,750	781,059	100%	100%	790,751	13,398,777	-	Note 7

(Continued)

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note 2)	Net Income (Loss) of Investee (Notes 4 and 5)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 4 and 5)	Carrying Amount of the Investment as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow								
BVCH	Manufacturing and sales of liquid crystal products and related parts	-	(Note 1)	225,108	-	-	225,108	(14,325)	-	19%	(2,722)	-	-	Note 8
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	-	-	-	-	(133,307)	100%	100%	(133,307)	815,781	-	Note 6
BVXM	Manufacturing and sales of liquid crystal products and related parts	2,589,300	(Note 1)	-	-	-	-	36,637	100%	100%	36,637	1,272,990	-	
EDT	Design and sales of software and hardware integration system and equipment relating to intelligent manufacturing	21,578	(Note 1)	-	-	-	-	(4,886)	100%	100%	(4,886)	16,862	-	
MIS	Development and licensing of software relating to intelligent manufacturing, and related consulting services	21,578	(Note 1)	-	-	-	-	(13,025)	100%	100%	(13,025)	8,659	-	
UFSZ	Planning, design and development of construction project for environmental protection and related project management	25,893	(Note 1)	-	-	-	-	(7,951)	100%	100%	(7,951)	18,506	-	
UFSD	Planning, design and development of construction project for environmental protection and related project management	8,631	(Note 1)	-	-	-	-	(2,932)	100%	100%	(2,932)	5,802	-	

(Continued)

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 2)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
30,996,258 (USD 1,028,580)	40,462,497 (USD 1,335,003 and HKD 60,000)	112,786,050

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, AUO's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts were recognized based on the investees' audited financial statements except for BVCH.

Note 5: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.

Note 6: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW.

Note 7: Investor's share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2019 both include the effect of sidestream transactions.

Note 8: AETJ and BVCH were liquidated in the fourth quarter of 2019.

(Continued)

2. DPTW:

(1) Related information on investment in Mainland China

Investee Company	Main Activities	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 4)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 6)	% Ownership through Direct or Indirect Investment	Maximum Shareholding in the Interim	Investor's Share of Profit (Loss) of Investee (Notes 2 and 6)	Carrying Amount of the Investment as of December 31, 2019 (Note 4)	Accumulated Inward Remittance of Earnings as of December 31, 2019 (Note 4)	Note
					Outflow (Note 4)	Inflow (Note 4)								
BVHF	Manufacturing and sales of liquid crystal products and related parts	2,213,416	(Note 1)	482,160	-	-	482,160	(133,307)	29.71%	29.71%	(133,307)	815,781	-	Note 5
DPSZ	Manufacturing and sales of backlight modules and related parts	753,375	(Note 1)	452,025	-	-	452,025	1,474	100%	100%	1,474	1,779,351	1,003,989	Note 9
DPXM	Manufacturing and sales of backlight modules and related parts	2,109,450	(Note 1)	2,109,450	-	-	2,109,450	(9,145)	100%	100%	(9,145)	4,422,562	1,559,487	
FHWJ	Manufacturing of motorized treadmills	195,878	(Note 1)	247,107	-	-	247,107	6,200	100%	100%	6,200	43,308	-	
FPWJ	Manufacturing and sales of precision plastic parts	873,915	(Note 1)	572,565	-	-	572,565	6,879	100%	100%	6,879	644,612	-	Note 8
FTKS	Manufacturing and sales of backlight modules and related parts	1,084,860	(Note 1)	1,084,860	-	-	1,084,860	56,654	100%	100%	56,654	1,350,802	-	
FTWJ	Manufacturing and sales of backlight modules and related parts	1,054,725	(Note 1)	195,878	-	-	195,878	(88,537)	100%	100%	(88,537)	2,071,120	424,136	Note 7

(Continued)

(2) Upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
5,144,045 (USD 170,700)	5,674,511 (USD 188,303)	6,630,571

Note 1: Indirect investments in Mainland China through companies registered in a third region.

Note 2: Amounts were recognized based on the investees' audited financial statements.

Note 3: Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, DPTW's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: BVHF is 100% owned by BVLB, a jointly-owned subsidiary of AUO and DPTW. Accordingly, the share of profit (loss) of investee and the carrying amount of the investment as of December 31, 2019 disclosed in the table are presented based on 100% held.

Note 6: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the average exchange rates for the year of 2019.

Note 7: The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note 8: The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note 9: The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

(Continued)

AU OPTRONICS CORP.

Cash and Cash Equivalents

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Item	Description	Amount
Petty cash		$ 2
Cash in Banks	Checking accounts	26,949
	Demand deposits	21,343,944
	Foreign currency deposits (note)	10,817,590
	USD : 155,001 thousand	
	JPY： 19,086,238 thousand	
	EUR：25,505 thousand	
	CNY：691 thousand	
	Time deposits	11,600,000
	TWD : 11,600 thousand	
	Foreign currency time deposits (note)	
	USD : 71,000 thousand	2,139,585
		$ **45,928,070**

Note：Exchange rate at balance sheet date was as follows:

USD	：30.135
JPY	：0.2768
EUR	：33.7422
CNY	：4.3155

AU OPTRONICS CORP.

Accounts Receivable

December 31, 2019

(In thousands of New Taiwan Dollars)

Customer Name	Description	Amount	Remark
Customer A	From operating activities	$ 3,485,653	
Customer B	From operating activities	3,308,630	
Customer C	From operating activities	3,164,298	
Customer D	From operating activities	1,938,715	
Customer E	From operating activities	1,922,559	
Customer F	From operating activities	1,486,619	
Others (less than 5% for each customer)	From operation activities	11,680,399	
Less: Loss allowance		(150)	
		$ 26,986,723	

AU OPTRONICS CORP.

Inventories

December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Amount		Remark
	Book value (note)	Net realizable value	
Finished goods	$ 7,022,551	9,458,583	The determination of net realizable value, please refer to Note 4(7) to this parent company only financial statements.
Work in process	8,404,901	10,518,485	
Raw materials	1,828,809	1,872,171	
	$ 17,256,261	21,849,239	

Note：Cost less allowance of inventories written down.

Other Current Assets and Other Non-Current Assets

Please refer to Note 6(12) to this parent company only financial statements for the details.

AU OPTRONICS CORP.

Changes in Investments in Equity-accounted Investees

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated, and shares in thousands)

Investee Name	Beginning balance (note 1)		Addition (Disposal) (note 2)		Share of profit (loss)	Capital surplus	Cash dividend	Cumulative translation differences	Unrealized gains (losses) on financial assets at fair value though other comprehensive income	Other adjustments (note 3)	Ending balance (note 1)			Market value or net asset value		Guarantee or Pledged
	Shares	Amount	Shares	Amount							Shares	Amount	% of Ownership	Unit price	Total price	
AULB	1,882,189	$ 53,565,171	-	-	1,481,004	-	-	(1,824,574)	-	-	1,882,189	53,221,601	100.00	-	53,221,601	None
ACTW	378,193	5,005,774	40,390	549,393	(2,614,702)	(153,994)	-	18,970	-	-	418,583	2,805,441	100.00	-	2,805,441	None
Konly	284,302	5,296,190	-	-	171,825	2,750	(202,127)	(43,211)	(16,463)	(28)	284,302	5,208,936	100.00	-	5,208,936	None
DPTW	190,108	3,369,060	-	-	(54,311)	-	(64,637)	(93,538)	-	-	190,108	3,156,574	28.56	15.15	2,880,136	None
Ronly	149,412	2,076,069	5,345	-	9,126	(6,754)	-	(29,345)	777	(13)	154,757	2,049,860	100.00	-	2,049,860	None
SMI	3,000	29,272	-	-	(11,025)	-	-	-	-	-	3,000	18,247	100.00	-	18,247	None
UTI	5,000	50,888	5,000	50,000	(11,183)	-	(799)	-	-	-	10,000	88,906	100.00	-	88,906	None
Lextar	78,418	1,740,230	-	-	(46,855)	(15,425)	(15,450)	(21,500)	1,775	(29)	78,418	1,642,746	15.10	18.15	1,423,295	None
SSEC	93,000	942,094	-	-	22,756	-	(10,884)	-	-	-	93,000	953,966	31.00	-	953,966	None
SREC	37,904	414,978	-	-	35,300	-	(25,625)	-	-	-	37,904	424,653	32.01	-	424,653	None
CQIL	39,974	766,795	-	55,521	(182,866)	-	-	(63,339)	-	-	39,974	576,111	100.00	-	576,111	None
AUNL	50	25,464	-	-	13,707	-	-	(1,397)	-	-	50	37,774	100.00	-	37,774	None
		$ 73,281,985		654,914	(1,187,224)	(173,423)	(319,522)	(2,057,934)	(13,911)	(70)		70,184,815				

Note 1：The amount is net of accumulated impairment.
Note 2：Including: (1) The Company acquired shareholdings in ACTW from Konly and Ronly; (2) The Company received stock dividends from Ronly；(3) The Company joined the capital injuction in UTI and CQIL.
Note 3：Including share of actuarial gains (losses) in investees' defined benefits plan and so on.

AU OPTRONICS CORP.

Changes in Property, Plant and Equipment

Please refer to Note 6(8) to this parent company only financial statements for the details.

Changes in Right-of-use Asset

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item		Balance, Beginning of Year	Adjustments on initial application of new standards	Additions	Disposal or write off	Balance, End of Year
Costs:						
Land	$	-	10,692,259	39,171	(1,064,094)	9,667,336
Buildings		-	-	103,589	-	103,589
Other equipment		-	96,726	642	-	97,368
		-	10,788,985	143,402	(1,064,094)	9,868,293
Accumulated Depreciation:						
Land		-	-	431,013	-	431,013
Buildings		-	-	25,552	-	25,552
Other equipment		-	-	64,851	-	64,851
		-	-	521,416	-	521,416
Net carrying amounts	$	-	10,788,985	(378,014)	(1,064,094)	9,346,877

AU OPTRONICS CORP.

Intangible Assets

December 31, 2019

Please refer to Note 6(11) to this parent company only financial statements for the details.

Accounts Payable

December 31, 2019

(In thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Remark
Company A	Using in operation	$ 2,964,269	
Company B	Using in operation	2,448,898	
Company C	Using in operation	1,801,739	
Company D	Using in operation	1,432,966	
Company E	Using in operation	1,225,773	
Others (less than 5% for each vendor)	Using in operation	14,422,770	
		$ **24,296,415**	

AU OPTRONICS CORP.

Other Current Liabilities

December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Accrued payroll and bonus		$ 4,286,761	
Refund liability		2,036,113	
Accrued royalty and others		7,261,596	
		$ **13,584,470**	

Equipment and Construction Payable

Vendor name	Amount
Company W	$ 305,390
Company X	304,518
Company Y	254,572
Others (less than 5% for each vendor)	3,704,483
	$ **4,568,963**

AU OPTRONICS CORP.

Long-term Borrowings

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Financial institution	Limit of credit facility	Amount	Duration and repayment terms	Interest rate	Collateral
Bank of Taiwan (agent bank of Syndicated loan)	$ 10,000,000	$ 10,000,000	from May 2017 to May 2022		Notes 8
Bank of Taiwan (agent bank of Syndicated loan)	42,000,000	42,000,000	from Feb. 2019 to Feb. 2024		Notes 8
Bank of Taiwan (agent bank of Syndicated loan)	23,000,000	23,000,000	from Mar. 2019 to Apr. 2023		Notes 8
O-Bank	1,000,000	1,000,000	from Aug. 2018 to Aug. 2023		Unsecured loans
ING Bank	1,200,000	1,200,000	From Mar. 2019 to Mar. 2022		Unsecured loans
Far Eastern Int'l Bank	800,000	800,000	from Oct. 2019 to Oct. 2022		Unsecured loans
Land Bank	6,000,000	600,000	from Nov. 2019 to Nov. 2026		Notes 8
First Bank	4,600,000	2,600,000	from Dec. 2019 to Dec. 2026		Notes 8
Taipei Fubon Bank	6,000,000	3,000,000	from Dec. 2019 to Dec. 2024		Notes 8
DBS Bank	2,000,000	2,000,000	from Dec. 2019 to Dec. 2022		Unsecured loans
Subtotal		86,200,000		1.0000%~ 1.8822%	
Less: transaction costs		(233,890)			
Less: Current installments of long-term borrowings		(4,000,000)			
		$ 81,966,110			

AU OPTRONICS CORP.

Lease Liabilities

December 31, 2019

(In thousands of New Taiwan Dollars, unless otherwise indicated)

Item	Durations	Discount Rate	Amount
Land	from Sep. 2001 to Dec. 2045	1.8203~1.8853%	$ 9,313,209
Buildings	from Dec. 2018 to Nov. 2024	1.8853%	79,552
Other equipment	from Jul. 2005 to Jul. 2020	1.8203%	32,814
			$ 9,425,575

Net Revenue

For the year ended December 31, 2019

Item	Quantity	Amount	Remark
	(Panels in thousands)		
Products ten inches and above in diagonal length	108,160	$ 198,981,031	
Products which are under ten inches in diagonal length	131,116	43,844,572	
Sales of raw material and others	365,379	12,341,573	
Total		$ **255,167,176**	

AU OPTRONICS CORP.

Cost of Sales

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Balance, beginning of year (note)	$ 2,853,559
Add：Purchases	86,548,105
Less：Raw materials, end of year (note)	(2,811,760)
Sale of raw materials	(5,722,744)
Transferred to other expenses and others	(30,864,444)
Subtotal	50,002,716
Direct labor	9,948,290
Manufacturing expenses	110,225,743
Manufacturing cost	170,176,749
Work in process, beginning of year (note)	11,474,466
Add：Purchases	74,498,347
Less：Work in process, end of year (note)	(9,862,806)
Transferred to other expenses and others	(8,040,779)
Cost of finished goods	238,245,977
Finished goods, beginning of year (note)	9,927,850
Add：Purchases	314,253
Less：Finished goods, end of year (note)	(8,893,633)
Transferred to other expenses and others	(1,278,678)
Cost of goods sold	238,315,769
Add：Cost of raw materials sold	5,722,744
Other operating cost	11,081,848
Write-downs of inventories	265,330
Cost of idle capacity	2,400,409
Cost of Sales	$ **257,786,100**

Note：The amounts were stated at cost.

AU OPTRONICS CORP.

Selling and Distribution Expenses

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Salary expenses		$ 978,512	
Freight expenses		939,031	
Warranty expenses		566,517	
Others (less than 5% for each item)		388,949	
		$ 2,873,009	

General and Administrative Expenses

Item	Description	Amount	Remark
Salary expenses		$ 1,429,819	
Professional service fees		555,999	
Depreciation expenses		314,215	
Management fees of the Science Park Administration		243,416	
Repairs and maintenance expenses		229,876	
Others (less than 5% for each item)		1,471,080	
		$ 4,244,405	

AU OPTRONICS CORP.

Research and Development Expenses

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Salary expenses		$ 2,834,150	
Depreciation expenses		2,476,822	
Indirect material expenses		1,374,329	
Others (less than 5% for each item)		1,304,606	
		$ **7,989,907**	