



Stock Code: 6277

**ATEN International Co., LTD**

**Handbook for the 2017 Annual Meeting of  
Shareholders**

**【Translation】**

**Meeting Time: June 15, 2017**

Place: ATEN Headquarter Museum (4F., No.125, Sec. 2,  
Datong Rd. Sijhih District., New Taipei City, Taiwan )



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**ATEN International Co., LTD**

## **Procedure for the 2017 Annual Meeting of Shareholders**

1. Call the Meeting to Order
2. Chairman Remarks
3. Report Items
4. Adoption Matters
5. Discussion
6. Election
7. Discussion
8. Questions and Motions
9. Adjournment



ATEN International Company, Ltd.  
Year 2017  
Agenda of Annual Meeting of Shareholders

**Time:** June 15, 2017 (Thursday) at 9 a.m.

**Place:** ATEN Headquarter Museum (4F., No.125, Sec. 2, Datong Rd. Sijhih District., New Taipei City, Taiwan)

**1. Report Items**

- (1).2016 Business Report
- (2).Supervisor’s Review Report on the 2016 Financial Statements
- (3).2016 Employees’ Compensation and Directors and Supervisors’ Remuneration Report

**2. Adoption Matters**

- (1).Adoption of the Fiscal 2016 Business Report and Financial Statements
- (2).Adoption of the Proposal for Distribution of 2016 Profits

**3. Discussion**

- (1).Amendment to the Articles of Incorporation
- (2).Amendment to the Operational Procedures for Acquisition and Disposal of Assets

**4. Election**

To elect directors and supervisors

**5. Discussion**

- (3). To release the Prohibition on Directors from Participation in Competitive Business

**6. Questions and Motions**

**7. Adjournment**

# Report Items

## **Item No. 1**

2016 Business Reports

### **Explanation:**

The 2016 Business Report is attached as page 5-6.

# **ATEN International Co., LTD**

## **2016 Business Report**

FY2016 was another year of impressive performance for ATEN. Thanks to ATEN's strategy of making continuous adjustments to the company's product mix, and working to increase high-end products' share of overall production, ATEN's consolidated gross profit margin rose to a record high, and consolidated earnings increased by 10.6% year-on-year. Consolidated net sales revenue for the full year was NT\$4,936 million. ATEN posted a consolidated operating margin of NT\$2,967 million, representing a consolidated gross profit margin of 60.1%. Consolidated net income before tax in FY2016 was NT\$1,008 million, and consolidated earnings after tax came to NT\$795 million, representing after-tax earnings per share (EPS) of NT\$6.6 per share.

As regards product development, the ongoing digital revolution continues to transform the face of industry. Developments such as the emergence of DisplayPort (an innovative video display connection technology), growing demand for 4K high-resolution video, and the development of Over-IP technology, have all helped to stimulate new demand and new industrial application trends in the global market. In the IT infrastructure access management solution segment, ATEN launched the brand-new 4K UHD DisplayPort KVM switch, a cutting-edge solution for industrial application environments requiring high-resolution video capabilities. In the Over-IP segment, to meet users' needs for flexible management, ATEN has launched a series of matrix-type KVM Over-IP video extenders that are suitable for use in a wide range of application environments, including control rooms, broadcasting, media post-production and testing, etc. In the Professional Audio & Video Product Solutions segment, ATEN has introduced an innovative new "three-in-one" digital signage solution that integrates video splitter, multimedia player and video wall functions. This new solution provides advanced video wall functions, and also supports creative splicing and pre-scheduling; thanks to the built-in graphical user interface, users can set the content to be shown on the video wall remotely without needing to install additional software; the ability to pre-set a detailed playlist covering a period of up to one month reduces the cost burden for customers, and provides enhanced flexibility and convenience. ATEN has further upgraded the ATEN Control System, to provide more flexible system deployment and services for high-end audiovisual control; ATEN has introduced brand-new hardware/software support and services to facilitate integration with an even wider range of equipment types, thereby meeting today's increasingly complex, diversified environmental requirements. ATEN showcased its latest solutions at the Computex Taipei exhibition in 2016, using a "sports bar" style display scenario to demonstrate the full range of ATEN's Professional Audio & Video solution, Control System solutions, Data Center and IT Management Integration solutions; ATEN's display attracted a great deal of positive comment.

ATEN has for many years now attached considerable importance to sustainable operation; while expanding the scale and scope of its business activities, ATEN has made a point of giving back to society, working to help realize sustainable development not only for ATEN but also for society as a whole and for the environment. In the field of education, ATEN provided sponsorship for performances by the Windmill Theatre children's theater troupe in XiZhi District, New Taipei City, as part of the Windmill Theatre's tour of 368 rural townships and urban districts throughout Taiwan; around 5,000 people attended these performances. In the area of environmental protection, since 2012 ATEN has adopted a 360-meter stretch of beach at Fulong in GongLiao District, New Taipei City; ATEN fulfils its commitment to helping protect the global environment by organizing several beach clean-up activities every year. In 2016, ATEN was awarded the *CommonWealth* magazine Corporate Citizenship Award for the eighth time; in the future, ATEN will continue to work humbly and dedicatedly towards the strengthening and realization of the corporate social responsibility (CSR) philosophy, and will be striving to ensure that this positive force is diffused as widely as possible.

As one of the world's leading IT connector and management solution brands, in the future ATEN will maintain its commitment to sustainable operation and to earning profits for the company's shareholders, working tirelessly to create sustainable value for shareholders, employees, society, and the environment.

ATEN International Co., LTD

Chairman : Kevin Chen

President : Kevin Chen

Chief Accountant : Stephen Chen

**Item No. 2**

Supervisor's Review Report on the 2016 Financial Statements

**Explanation:**

- (1). The 2016 Supervisor's Review Report is attached as page 8.
- (2). CPA Audit Report is attached as page 9-16.

## ATEN International Co., LTD

### Supervisors Review Report

The Board of Directors has prepared the Company's Financial Statements. ATEN International Financial Statements have been audited and certified by Po-Shu Huang, CPA, and Lin Wu, CPA, of KPMG and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of ATEN International. According to Article 219 of the Company act, I hereby submit this report.

ATEN International Co., LTD

Supervisor : Se-Se Chen

Shiu-Ta Liao

Chen- Lin Kuo

March 14, 2017

## **Independent Auditor's Report**

To the Board of Directors of ATEN INTERNATIONAL CO., LTD.:

### **Opinion**

We have audited the financial statements of ATEN INTERNATIONAL CO., LTD. ("the Company"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### **1. Revenue recognition**

Please refer to note 4(n) and note 6(o) for disclosure related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Company's financial or operating performance. Therefore, the accuracy of the timing and amount of revenue recognized has significant impact on the financial statements. Hence, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed included testing the effectiveness of the design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing significant sales contract to determine whether the accounting treatment is reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying them with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

## 2. Inventory measurement

Please refer to note 4(g), note 5, and note 6(e) for disclosure related to inventory measurement.

Description of key audit matter:

The inventory is measured at the lower of cost and net realizable value. Due to the update of technology, the inventory might be out of date or no longer meets the requirement of the market, which may result in a decline on the price of the product resulting in the cost of the inventory to be higher than the net realizable value. The measurement of inventory depends on the evaluation of the management based on several evidences. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand the management's accounting policy of inventory measurement and determine whether it is reasonable and is being implement. The procedures include inspecting the method of inventory valuation assumption is consistently and evaluating whether the assumption is needed to be adjusted due to the operating and economic condition change. Obtaining the inventory valuation table, understanding the net realizable values by management and the variation of the prices, in the period after the reporting date, to ensure the appropriateness of the valuation price. Reviewing the reason and verifying the accuracy on past three years and current year's allowance of inventory. Assessing whether the disclosure of provision for inventory valuation is appropriate.

## **Other Matter**

We did not audit the financial statements of the investments accounted for under equity method of the Company. These financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors. These investments accounted for under equity method constituted 8% of the total assets as of December 31, 2015, and the related share of profit of associates accounted for under equity method constituted 12% of total profit before tax for the year ended December 31, 2015.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for under equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report are Po-Shu Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2017

**Note to Readers**

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

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

## **Independent Auditors' Report**

To the Board of Directors of ATEN INTERNATIONAL CO., LTD.:

### **Opinion**

We have audited the consolidated financial statements of ATEN INTERNATIONAL CO., LTD. and subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### **1. Revenue recognition**

Please refer to note 4(n) and note 6(o) for disclosure related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group's financial or operating performance. Therefore, the accuracy of the timing and amount of revenue recognized has significant impact on the financial statements. Hence, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed included testing the effectiveness of the design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing significant sales contract to determine whether the accounting treatment is reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying them with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

## 2. Inventory measurement

Please refer to note 4(h), note 5, and note 6(e) for disclosure related to inventory measurement.

Description of key audit matter:

The inventory is measured at the lower of cost and net realizable value. Due to the update of technology, the inventory might be out of date or no longer meets the requirement of the market, which may result in a decline on the price of the product resulting in the cost of the inventory to be higher than the net realizable value. The measurement of inventory depends on the evaluation of the management based on several evidences. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand the management's accounting policy of inventory measurement and determine whether it is reasonable and is being implement. The procedures include inspecting the method of inventory valuation assumption is consistently and evaluating whether the assumption is needed to be adjusted due to the operating and economic condition change. Obtaining the inventory valuation table, understanding the net realizable values by management and the variation of the prices, in the period after the reporting date, to ensure the appropriateness of the valuation price. Reviewing the reason and verifying the accuracy on past three years and current year's allowance of inventory. Assessing whether the disclosure of provision for inventory valuation is appropriate.

## Other Matter

We did not audit the financial statements of the investments accounted for under equity method of the Group. These consolidated financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors. These investments accounted for under equity method constituted 2% of the total assets as of December 31, 2015, and the related share of profit of associates accounted for under equity method constituted 3% of total profit before tax for the year ended December 31, 2015.

The financial statements of these Companies were audited by other auditors of the Group. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for these Companies, is based solely on the report of other auditors. The consolidated total assets constituting 10% of consolidated total assets at December 31, 2015, and net revenues constituting 15% of consolidated net revenues for the years ended December 31, 2015.

ATEN INTERNATIONAL CO., LTD. has prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion and an unqualified opinion with other Matter, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report are Po-Shu Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2017

#### **Note to Readers**

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

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

### **Item No. 3**

#### 2016 Employees' Compensation and Directors and Supervisors' Remuneration Report

#### **Explanation:**

- (1). According to Article 24 of the Article of Incorporation. After deducting employee compensation and directors and supervisors' remuneration, the Company shall set aside between 10% to 16% of its before tax profit to employee compensation and no more than 2% to directors and supervisors' remuneration, respectively, however, this Company shall have reserved a sufficient amount to offset its accumulated losses first before distributing in the percentage as stated above.
- (2). BOD resolved to approve 2016 employees' compensation totaling NT\$ 140,744,215 and directors and supervisors' remuneration totaling NT\$ 10,826,478. The amount is both distributed in cash.

# Adoption Matters

**1.**

**Proposed by the Board**

**Proposal:**

Adoption of the 2016 Business Report and Financial Statements

**Explanation:**

- ( 1 ) The Company's Financial Statements, including the balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, were audited by independent auditors, Po-Shu Huang and Lin Wu of KPMG Firm. Also Business Report and Financial Statements have been approved by the Board on May 14, 2017.
- ( 2 ) The 2016 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached as page 5-6, page 9-16 and page 19-26, respectively.

**Resolution:**

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

## ATEN INTERNATIONAL CO., LTD

## Balance Sheets

December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

Assets	December 31, 2016		December 31, 2015		Liabilities and Stockholders' Equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6(a))	\$ 214,767	4	448,024	9	Short-term borrowings (note 6(i))	\$ 387,590	8	255,789	5
Financial assets at fair value through profit or loss — current (note 6(b))	895,389	17	432,102	9	Financial liabilities at fair value through profit or loss — current (note 6(b))	1,571	-	1,438	-
Available-for-sale financial assets — current (note 6(c))	7,138	-	6,368	-	Notes payable	365	-	664	-
Notes receivable, net (note 6(d))	599	-	-	-	Accounts payable	166,789	3	219,350	5
Accounts receivable, net (note 6(d))	137,280	3	108,381	3	Accounts payable — related parties (note 7)	96,988	2	82,612	2
Accounts receivable — related parties, net (notes 6(d) and 7)	450,999	9	475,294	10	Other payables (notes 6(k) and 6(p))	346,692	7	299,793	6
Other receivables (notes 6(d) and 7)	929	-	508	-	Other payables — related parties (note 7)	191,887	4	192,036	4
Inventories (note 6(e))	343,387	7	346,553	7	Current tax liabilities	74,048	1	44,324	1
Prepayments	4,673	-	3,527	-	Provisions — current (note 6(j))	18,406	-	17,010	-
Other current assets	10,426	-	8,957	-	Other current liabilities	7,542	-	11,100	-
<b>Total current assets</b>	<b>2,065,587</b>	<b>40</b>	<b>1,829,714</b>	<b>38</b>	<b>Total current liabilities</b>	<b>1,291,878</b>	<b>25</b>	<b>1,124,116</b>	<b>23</b>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
Financial assets carried at cost — non-current (note 6(f))	21,780	-	29,580	1	Deferred income tax liabilities (note 6(l))	165,648	3	160,811	3
Investments accounted for under equity method (note 6(g))	1,229,722	24	1,131,960	23	Accrued pension liabilities (note 6(k))	98,956	2	112,529	3
Property, plant and equipment (notes 6(h) and 7)	1,607,673	31	1,607,872	33	Deposits received	837	-	1,036	-
Deferred income tax assets (note 6(l))	119,651	2	131,390	3	Other non-current liabilities	2,173	-	1,638	-
Refundable deposits	250	-	231	-	<b>Total non-current liabilities</b>	<b>267,614</b>	<b>5</b>	<b>276,014</b>	<b>6</b>
Other financial assets — non-current (notes 8 and 9)	127,771	3	127,722	2	<b>Total liabilities</b>	<b>1,559,492</b>	<b>30</b>	<b>1,400,130</b>	<b>29</b>
<b>Total non-current assets</b>	<b>3,106,847</b>	<b>60</b>	<b>3,028,755</b>	<b>62</b>	<b>Equity attributable to shareholders of the parent (notes 6(k), 6(l), 6(m) and 6(r)):</b>				
					Common stock	1,194,711	23	1,194,711	25
					Capital surplus:				
					Additional paid-in capital	316,913	6	316,913	7
					Donated assets received	50	-	50	-
					Changes in equity of associates accounted for using equity method	66,063	1	19,564	-
						<b>383,026</b>	<b>7</b>	<b>336,527</b>	<b>7</b>
					Retained earnings:				
					Legal reserve	962,497	19	892,026	18
					Special reserve	876	-	-	-
					Unappropriated retained earnings	1,137,164	22	1,035,952	21
						<b>2,100,537</b>	<b>41</b>	<b>1,927,978</b>	<b>39</b>
					Other equity:				
					Financial statements translation differences for foreign operations	(62,784)	(1)	2,641	-
					Unrealized gain (loss) on available-for-sale financial assets	(2,548)	-	(3,518)	-
						<b>(65,332)</b>	<b>(1)</b>	<b>(877)</b>	<b>-</b>
					<b>Total equity</b>	<b>3,612,942</b>	<b>70</b>	<b>3,458,339</b>	<b>71</b>
<b>Total assets</b>	<b>\$ 5,172,434</b>	<b>100</b>	<b>4,858,469</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,172,434</b>	<b>100</b>	<b>4,858,469</b>	<b>100</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**ATEN INTERNATIONAL CO., LTD.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2016 and 2015**  
**(All amounts expressed in thousands dollars)**

	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue (notes 6(o) and 7)</b>	\$ 3,255,671	100	3,164,612	100
<b>Operating costs (notes 6(e), 6(h), 6(j), 6(k), 6(p) and 7)</b>	1,526,422	47	1,557,093	49
<b>Gross Profit</b>	1,729,249	53	1,607,519	51
Less: Unrealized profit (loss) from sales	(12,326)	-	2,758	-
<b>Gross Profit, net</b>	1,741,575	53	1,604,761	51
<b>Operating expenses (notes 6(d), 6(h), 6(k), 6(p) and 7):</b>				
Selling expenses	319,874	10	283,261	9
Administrative expenses	351,004	10	350,996	11
Research and development expenses	386,012	12	366,980	12
<b>Total operating expenses</b>	1,056,890	32	1,001,237	32
<b>Operating profit</b>	684,685	21	603,524	19
<b>Non-operating income and expenses (notes 6(f), 6(g) and 6(q) and 7):</b>				
Other income	42,021	1	40,087	1
Other gains and losses	(1,300)	-	13,600	-
Financial costs	(3,177)	-	(1,872)	-
Share of profit of associates accounted for under equity method	208,848	6	185,474	6
<b>Total non-operating income and expenses</b>	246,392	7	237,289	7
<b>Net income before tax</b>	931,077	28	840,813	26
<b>Less: income tax expenses (note 6(l))</b>	142,757	4	136,102	4
<b>Net income</b>	788,320	24	704,711	22
<b>Other comprehensive income (loss) (notes 6(k), 6(l), 6(m) and 6(r)):</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Remeasurements of the defined benefit plans	6,799	-	(22,868)	(1)
Income tax benefit (expense) related to items that will not be reclassified subsequently	(1,153)	-	3,785	-
<b>Total Items that will not be reclassified subsequently to profit or loss</b>	5,646	-	(19,083)	(1)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Financial statements translation differences for foreign operations	(65,519)	(2)	(8,125)	-
Unrealized gain on valuation of available-for-sale financial assets	770	-	(1,026)	-
Share of other comprehensive income of subsidiaries accounted for under equity method	137	-	(368)	-
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
<b>Total Items that may be reclassified subsequently to profit or loss</b>	(64,612)	(2)	(9,519)	-
<b>Other comprehensive income (loss), net of tax</b>	(58,966)	(2)	(28,602)	(1)
<b>Total comprehensive income</b>	<b>\$ 729,354</b>	<b>22</b>	<b>676,109</b>	<b>21</b>
<b>Basic earnings per share (in New Taiwan dollars) (note 6(n))</b>	<b>\$ 6.60</b>		<b>5.90</b>	
<b>Diluted earnings per share (in New Taiwan dollars) (note 6(n))</b>	<b>\$ 6.48</b>		<b>5.77</b>	

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

ATEN INTERNATIONAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	Retained earnings					Total	Other equity adjustments		Total	Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings		Financial statements translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets		
	3110	3200	3310	3320	3350	3300	3410	3425	3400	3xxx
<b>Balance at January 1, 2015</b>	\$ 1,194,711	333,360	815,979	-	1,107,724	1,923,703	10,766	(2,492)	8,274	3,460,048
Appropriations and distributions (note 6(m)):										
Legal reserve	-	-	76,047	-	(76,047)	-	-	-	-	-
Cash dividends	-	-	-	-	(680,985)	(680,985)	-	-	-	(680,985)
Changes in equity of associates accounted for under equity method	-	3,167	-	-	-	-	-	-	-	3,167
Net income	-	-	-	-	704,711	704,711	-	-	-	704,711
Other comprehensive income (loss)	-	-	-	-	(19,451)	(19,451)	(8,125)	(1,026)	(9,151)	(28,602)
Total comprehensive income (loss)	-	-	-	-	685,260	685,260	(8,125)	(1,026)	(9,151)	676,109
<b>Balance at December 31, 2015</b>	1,194,711	336,527	892,026	-	1,035,952	1,927,978	2,641	(3,518)	(877)	3,458,339
Appropriations and distributions (note 6(m)):										
Legal reserve	-	-	70,471	-	(70,471)	-	-	-	-	-
Special reserve	-	-	-	876	(876)	-	-	-	-	-
Cash dividends	-	-	-	-	(621,250)	(621,250)	-	-	-	(621,250)
Changes in equity of associates accounted for under equity method	-	46,499	-	-	-	-	-	-	-	46,499
Net income	-	-	-	-	788,320	788,320	-	-	-	788,320
Other comprehensive income (loss)	-	-	-	-	5,489	5,489	(65,425)	970	(64,455)	(58,966)
Total comprehensive income (loss)	-	-	-	-	793,809	793,809	(65,425)	970	(64,455)	729,354
<b>Balance at December 31, 2016</b>	<b>\$ 1,194,711</b>	<b>383,026</b>	<b>962,497</b>	<b>876</b>	<b>1,137,164</b>	<b>2,100,537</b>	<b>(62,784)</b>	<b>(2,548)</b>	<b>(65,332)</b>	<b>3,612,942</b>

Note: For the years 2016 and 2015 the estimated amount of directors' and supervisors' remuneration were \$10,826 thousand and \$10,781 thousand, respectively, and the estimated amounts of employees' remuneration were amounting to \$140,744 thousand and \$127,250 thousand, respectively, were recorded as operating cost or operating expenses in the respective periods.

## ATEN INTERNATIONAL CO., LTD.

## Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands dollars)

	2016	2015
<b>Cash flows from operating activities:</b>		
<b>Net income before tax</b>	\$ 931,077	840,813
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss		
Depreciation	39,717	41,239
Interest expenses	3,177	1,872
Interest income	(791)	(2,149)
Dividend income	(256)	(245)
Share of profit of associates accounted for under equity method	(208,848)	(185,474)
Losses (gains) on disposal of property, plant and equipment	80	(683)
Property, plant and equipment transferred to expenses	-	55
Impairment loss on financial assets	7,800	4,700
Unrealized profit on affiliated transactions	(12,326)	2,758
Total adjustments to reconcile profit and loss	<u>(171,447)</u>	<u>(137,927)</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets held for trading	(463,287)	129,567
Notes receivable	(599)	-
Accounts receivable	(28,899)	13,766
Accounts receivable—related parties	24,295	36,738
Other receivable	(165)	17,616
Inventories	3,166	(84,432)
Prepayments	(1,146)	13,165
Other current assets	(1,469)	1,390
Total changes in operating assets, net	<u>(468,104)</u>	<u>127,810</u>
Net changes in operating liabilities:		
Financial liabilities held for trading	133	777
Notes payable	(299)	(4,479)
Accounts payable	(52,561)	26,066
Accounts payable—related parties	14,376	10,665
Other payable	46,899	(4,599)
Other payable—related parties	(149)	100
Provisions	1,396	(34,515)
Other current liabilities	(3,558)	3,311
Accrued pension liabilities	(6,774)	(64,426)
Other non current liabilities	535	817
Total changes in operating liabilities, net	<u>(2)</u>	<u>(66,283)</u>
Total changes in operating assets / liabilities, net	<u>(468,106)</u>	<u>61,527</u>
Total adjustments	<u>(639,553)</u>	<u>(76,400)</u>
Cash provided by operating activities	291,524	764,413
Dividends received	136,479	129,664
Payment of income tax	(97,610)	(170,215)
<b>Net cash provided by operating activities</b>	<u>330,393</u>	<u>723,862</u>
<b>Cash flows from investing activities:</b>		
Increase in long term investments accounted for under equity method	(31,950)	(24,082)
Acquisition of property, plant and equipment	(41,294)	(34,413)
Proceeds from disposal of property, plant and equipment	1,696	956
Decrease (increase) in refundable deposits	(19)	(20)
Increase in other financial assets—non current	(49)	(2,817)
Interest received	791	2,149
<b>Net cash used in investing activities</b>	<u>(70,825)</u>	<u>(58,227)</u>
<b>Cash flows from financing activities:</b>		
Increase in short term borrowings	131,801	20,279
Decrease in returnable deposits	(199)	-
Cash dividends paid	(621,250)	(680,985)
Interest paid	(3,177)	(1,872)
<b>Net cash used in financing activities</b>	<u>(492,825)</u>	<u>(662,578)</u>
Increase (decrease) in cash and cash equivalents for the period	(233,257)	3,057
Cash and cash equivalents at beginning of period	448,024	444,967
Cash and cash equivalents at end of period	<u>\$ 214,767</u>	<u>448,024</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2016 and 2015**  
(All amounts expressed in thousands of New Taiwan dollars)

Assets	December 31, 2016		December 31, 2015		Liabilities and Stockholders' Equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6(a))	\$ 794,504	14	1,086,101	19	Short-term borrowings (notes 6(i) and 8)	\$ 652,330	11	596,754	11
Financial assets at fair value through profit or loss — current (note 6(b))	950,760	17	474,466	9	Current portion of long-term borrowings (notes 6(i) and 8)	16,853	-	17,683	-
Available-for-sale financial assets — current (note 6(c))	7,138	-	6,368	-	Financial liabilities at fair value through profit or loss — current (note 6(b))	1,580	-	1,571	-
Notes receivable, net (note 6(d))	11,455	-	21,059	-	Notes payable	5,052	-	9,713	-
Notes receivable - related parties (notes 6(d) and 7)	6,827	-	-	-	Accounts payable (note 7)	370,692	7	429,396	8
Accounts receivable, net (notes 6(d) and 7)	591,910	10	545,525	10	Other payables (note 6(p))	469,129	8	444,749	8
Other receivables (note 6(d))	2,231	-	751	-	Current tax liabilities	90,547	2	70,849	1
Inventories (note 6(e))	771,819	14	833,535	15	Provisions — current (note 6(j))	18,406	-	17,010	-
Prepayments	52,885	1	59,907	1	Other current liabilities	22,882	-	20,838	-
Other current assets	17,141	-	18,755	-	<b>Total current liabilities</b>	<b>1,647,471</b>	<b>28</b>	<b>1,608,563</b>	<b>28</b>
<b>Total current assets</b>	<b>3,206,670</b>	<b>56</b>	<b>3,046,467</b>	<b>54</b>	<b>Non-current liabilities:</b>				
<b>Non-current assets:</b>					Long-term borrowings (notes 6(i) and 8)	48,477	1	68,487	1
Financial assets carried at cost — non-current (note 6(f))	21,780	1	29,580	1	Deferred income tax liabilities (note 6(l))	212,429	3	206,234	4
Investments accounted for under equity method (note 6(g))	166,323	3	102,461	2	Accrued pension liabilities (note 6(k))	100,692	2	114,096	2
Property, plant and equipment (notes 6(h) and 8)	2,026,920	35	2,058,046	37	Deposits received	1,766	-	2,055	-
Goodwill	2,756	-	2,756	-	Other non-current liabilities	29,470	1	28,260	1
Deferred income tax assets (note 6(l))	182,502	3	199,437	4	<b>Total non-current liabilities</b>	<b>392,834</b>	<b>7</b>	<b>419,132</b>	<b>8</b>
Prepayments for equipment	5,919	-	311	-	<b>Total liabilities</b>	<b>2,040,305</b>	<b>35</b>	<b>2,027,695</b>	<b>36</b>
Refundable deposits	8,940	-	9,291	-	<b>Equity attributable to shareholders of the parent (notes 6(k), 6(l), 6(m), and 6(r)):</b>				
Other financial assets — non-current (notes 8 and 9)	127,771	2	127,722	2	Common stock	1,194,711	21	1,194,711	21
Other non-current assets	1,089	-	1,649	-	Capital surplus:				
<b>Total non-current assets</b>	<b>2,544,000</b>	<b>44</b>	<b>2,531,253</b>	<b>46</b>	Additional paid-in capital	316,913	6	316,913	6
					Donated assets received	50	-	50	-
					Changes in equity of associates accounted for using equity method	66,063	1	19,564	-
						<b>383,026</b>	<b>7</b>	<b>336,527</b>	<b>6</b>
					Retained earnings:				
					Legal reserve	962,497	16	892,026	16
					Special reserve	876	-	-	-
					Unappropriated retained earnings	1,137,164	20	1,035,952	19
						<b>2,100,537</b>	<b>36</b>	<b>1,927,978</b>	<b>35</b>
					Other equity:				
					Financial statements translation differences for foreign operations	(62,784)	(1)	2,641	-
					Unrealized gain (loss) on available-for-sale financial assets	(2,548)	-	(3,518)	-
						<b>(65,332)</b>	<b>(1)</b>	<b>(877)</b>	<b>-</b>
					<b>Total Equity attributable to shareholders of the parent</b>	<b>3,612,942</b>	<b>63</b>	<b>3,458,339</b>	<b>62</b>
					<b>Non-controlling interests</b>	<b>97,423</b>	<b>2</b>	<b>91,686</b>	<b>2</b>
					<b>Total equity</b>	<b>3,710,365</b>	<b>65</b>	<b>3,550,025</b>	<b>64</b>
<b>Total assets</b>	<b>\$ 5,750,670</b>	<b>100</b>	<b>5,577,720</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,750,670</b>	<b>100</b>	<b>5,577,720</b>	<b>100</b>

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands of New Taiwan dollars)

	2016		2015	
	Amount	%	Amount	%
<b>Operating revenue (notes 6(o) and 7)</b>	\$ 4,935,747	100	4,887,879	100
<b>Operating costs (notes 6(e), 6(h), 6(j), 6(k), 6(p) and 7)</b>	1,973,171	40	2,037,708	42
<b>Gross profit</b>	2,962,576	60	2,850,171	58
<b>Operating expenses (notes 6(d), 6(h), 6(k), 6(p) and 7):</b>				
Selling expenses	1,036,172	21	1,002,416	21
Administrative expenses	582,182	12	579,958	11
Research and development expenses	404,310	8	383,868	8
<b>Total operating expenses</b>	2,022,664	41	1,966,242	40
<b>Operating profit</b>	939,912	19	883,929	18
<b>Non-operating income and expenses (notes 6(d), 6(f), 6(g) and 6(q)):</b>				
Other income	15,525	-	19,147	-
Other gains and losses	25,838	-	9,653	-
Finance costs	(12,445)	-	(11,279)	-
Share of profit of associates accounted for under equity method	39,388	1	30,052	1
<b>Total non-operating income and expenses</b>	68,306	1	47,573	1
<b>Net income before tax</b>	1,008,218	20	931,502	19
<b>Less: income tax expenses (note 6(l))</b>	212,685	4	212,165	4
<b>Net income</b>	795,533	16	719,337	15
<b>Other comprehensive income (loss) (notes 6(k), 6(l), 6(m) and 6(r)):</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Remeasurements of the defined benefit plans	6,535	-	(23,487)	(1)
Income tax benefit (expense) related to items that will not be reclassified subsequently	(1,153)	-	3,785	-
<b>Total Items that will not be reclassified subsequently to profit or loss</b>	5,382	-	(19,702)	(1)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Financial statements translation differences for foreign operations	(69,061)	(1)	(9,095)	-
Unrealized gain on valuation of available-for-sale financial assets	770	-	(1,026)	-
Share of other comprehensive income of subsidiaries accounted for under equity method	294	-	-	-
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
<b>Total Items that may be reclassified subsequently to profit or loss</b>	(67,997)	(1)	(10,121)	-
<b>Other comprehensive income (loss), net of tax</b>	(62,615)	(1)	(29,823)	(1)
<b>Total comprehensive income</b>	<b>\$ 732,918</b>	<b>15</b>	<b>689,514</b>	<b>14</b>
<b>Net income attributable to:</b>				
Shareholders of the parent	\$ 788,320	16	704,711	15
Non-controlling interests	7,213	-	14,626	-
	<b>\$ 795,533</b>	<b>16</b>	<b>719,337</b>	<b>15</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent	\$ 729,354	15	676,109	14
Non-controlling interests	3,564	-	13,405	-
	<b>\$ 732,918</b>	<b>15</b>	<b>689,514</b>	<b>14</b>
<b>Basic earnings per share (in New Taiwan dollars) (note 6(n))</b>	<b>\$ 6.60</b>		<b>5.90</b>	
<b>Diluted earnings per share (in New Taiwan dollars) (note 6(n))</b>	<b>\$ 6.48</b>		<b>5.77</b>	

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent						Other equity adjustments		Total	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
	Common stock	Capital surplus	Legal reserve	Retained earnings		Financial statements translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets					
				Special reserve	Unappropriated earnings							
	3110	3200	3310	3320	3350	3300	3410	3425	3400	31xx	36xx	3xxx
<b>Balance at January 1, 2015</b>	\$ 1,194,711	333,360	815,979	-	1,107,724	1,923,703	10,766	(2,492)	8,274	3,460,048	93,880	3,553,928
Appropriations and distributions:												
Legal reserve	-	-	76,047	-	(76,047)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(680,985)	(680,985)	-	-	-	(680,985)	(15,599)	(696,584)
Changes in equity of associates accounted for under equity method	-	3,167	-	-	-	-	-	-	-	3,167	-	3,167
Net income	-	-	-	-	704,711	704,711	-	-	-	704,711	14,626	719,337
Other comprehensive income (loss)	-	-	-	-	(19,451)	(19,451)	(8,125)	(1,026)	(9,151)	(28,602)	(1,221)	(29,823)
Total comprehensive income (loss)	-	-	-	-	685,260	685,260	(8,125)	(1,026)	(9,151)	676,109	13,405	689,514
<b>Balance at December 31, 2015</b>	1,194,711	336,527	892,026	-	1,035,952	1,927,978	2,641	(3,518)	(877)	3,458,339	91,686	3,550,025
Appropriations and distributions:												
Legal reserve	-	-	70,471	-	(70,471)	-	-	-	-	-	-	-
Special reserve	-	-	-	876	(876)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(621,250)	(621,250)	-	-	-	(621,250)	(12,527)	(633,777)
Changes in equity of associates accounted for under equity method	-	46,499	-	-	-	-	-	-	-	46,499	-	46,499
Net income	-	-	-	-	788,320	788,320	-	-	-	788,320	7,213	795,533
Other comprehensive income (loss)	-	-	-	-	5,489	5,489	(65,425)	970	(64,455)	(58,966)	(3,649)	(62,615)
Total comprehensive income (loss)	-	-	-	-	793,809	793,809	(65,425)	970	(64,455)	729,354	3,564	732,918
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	14,700	14,700
<b>Balance at December 31, 2016</b>	<b>\$ 1,194,711</b>	<b>383,026</b>	<b>962,497</b>	<b>876</b>	<b>1,137,164</b>	<b>2,100,537</b>	<b>(62,784)</b>	<b>(2,548)</b>	<b>(65,332)</b>	<b>3,612,942</b>	<b>97,423</b>	<b>3,710,365</b>

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(All amounts expressed in thousands of New Taiwan dollars)

	2016	2015
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 1,008,218	931,502
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss		
Depreciation	80,597	82,199
Provision for bad debt expense	234	(583)
Interest expenses	12,445	11,279
Interest income	(2,544)	(4,175)
Dividend income	(256)	(245)
Share of profit of associates accounted for under equity method	(39,388)	(30,052)
Gains on disposal of property, plant and equipment	(2,363)	(1,646)
Property, plant and equipment transferred to expenses	-	55
Impairment loss on financial assets	7,800	9,700
Total adjustments to reconcile profit and loss	<u>56,525</u>	<u>66,532</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets held for trading	(476,294)	139,390
Notes receivable	9,604	15,498
Notes receivable – related parties	(6,827)	-
Accounts receivable	(45,418)	44,677
Other receivable	(2,480)	20,693
Inventories	63,217	(126,390)
Prepayments	7,022	21,646
Other current assets	1,614	390
Total changes in operating assets, net	<u>(449,562)</u>	<u>115,904</u>
Net changes in operating liabilities:		
Financial liabilities held for trading	9	637
Notes payable	(4,661)	(3,339)
Accounts payable	(58,704)	42,149
Other payable	24,380	(14,106)
Provisions	1,396	(34,515)
Other current liabilities	2,044	(4,656)
Accrued pension liabilities	(6,869)	(61,247)
Other non-current liabilities	1,210	6,278
Total changes in operating liabilities, net	<u>(41,195)</u>	<u>(68,799)</u>
Total changes in operating assets / liabilities, net	<u>(490,757)</u>	<u>47,105</u>
Total adjustments	<u>(434,232)</u>	<u>113,637</u>
Cash provided by operating activities	573,986	1,045,139
Dividends received	22,575	16,518
Payment of income tax	(184,586)	(273,122)
<b>Net cash provided by operating activities</b>	<u>411,975</u>	<u>788,535</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(65,823)	(69,761)
Proceeds from disposal of property, plant and equipment	5,195	2,206
Decrease (increase) in refundable deposits	351	(2,042)
Increase in other financial assets – non-current	(49)	(2,817)
Decrease (increase) in other non-current assets	560	(870)
Increase in prepayments for equipment	(5,871)	(311)
Interest received	2,544	4,175
<b>Net cash used in investing activities</b>	<u>(63,093)</u>	<u>(69,420)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	55,576	44,706
Repayment of long-term borrowings	(16,853)	(39,083)
Decrease in deposits received	(289)	-
Decrease in other payables – related parties	-	(21,000)
Cash dividends paid	(633,777)	(696,584)
Interest paid	(12,445)	(11,279)
Changes in non-controlling interests	14,700	-
<b>Net cash used in financing activities</b>	<u>(593,088)</u>	<u>(723,240)</u>
Effect of exchange rate changes on cash and cash equivalents	(47,391)	12,945
Increase (decrease) in cash and cash equivalents for the period	(291,597)	8,820
Cash and cash equivalents at beginning of period	1,086,101	1,077,281
Cash and cash equivalents at end of period	<u>\$ 794,504</u>	<u>1,086,101</u>

**2.**

**Proposed by the Board**

**Proposal:**

Adoption of the Proposal for Distribution of 2016 Profits

**Explanation:**

(1) The Board has adopted a Proposal for Distribution of 2016 Profits in accordance with Articles of Incorporation.

I. The proposed cash dividend to shareholders is NT\$ 692,932,763 (NT\$5.8 per share) based on the number of actual shares outstanding on the record date for distribution.

II. The cash dividend is distributed in accordance with the number of issued and outstanding shares registered on the Common Stockholders' Roster on the record date. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and pay date.

(2) Profit Distribution Table is attached as page 28.

**Resolution:**

**ATEN International Company, Ltd.**

**PROFIT DISTRIBUTION TABLE**

**Year 2016**

(Unit: NTD \$)

<b>Items</b>	<b>Amount</b>
Beginning retained earnings	343,353,848
Add : 2016 net profit after tax	788,320,132
Less : 10% legal reserve	78,832,013
Less: Special earnings reserves on reductions to shareholders' equity	64,455,270
Less : Adjustments to other comprehensive income (loss) for changes in investees' equity	156,933
Add : Adjustments to actuarial loss	5,645,522
<b>Distributable net profit</b>	<b>993,875,286</b>
Distributable items :	
Cash Dividend to shareholders(NT\$5.8 per share)	692,932,763
<b>Unappropriated retained earnings</b>	<b>300,942,523</b>

# Discussion

1.

**Proposed by the Board**

**Discussion:**

Amendment to the Articles of Incorporation. Please proceed to discuss.

**Explanation:**

- (1). In order to conform to the needs of commercial practice, the company hereby proposes to amend the Articles of Incorporation.
- (2). Please refer to the Chinese version of the Handbook for details.

Resolution:

2.

**Proposed by the Board**

**Discussion:**

Amendment to the Operational Procedures for Acquisition and Disposal of Assets.  
Please proceed to discuss.

**Explanation:**

- (1). In order to conform to the rule No. 1060001296 issued by the Financial Supervisory Commission Bureau (R.O.C.) Taiwan, the company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets. Please proceed to discuss.
- (2). Please refer to the Chinese version of the Handbook for details.

**Resolution:**

# Election

Proposed by the Board

## Proposal:

Director and Supervisor election

## Explanation:

1. The tenure of all ATEN directors and supervisors expired on June 16, 2017. The company proposes to duly elect new Board members at this year's Annual General Shareholders' Meeting.
2. The Board of Directors resolved that 7 directors (including 3 independent directors) and 3 supervisors will be elected at this Annual General Shareholders' Meeting. The term is three years. The tenure of newly elected directors shall commence on June 15, 2017 and expire on June 14, 2020.
3. The election of independent directors is conducted under the "candidate nomination system". The independent directors shall be elected from the nominated candidates. The qualification of the nominated independent directors has been reviewed by the Board meeting. Personal information of the nominee is as follows:

Name	Education	Present position and Experience	Shareholding
Wei-Jen Chu	Master, Accounting, NCCU	Commissioner of National Federation of CPA Association of the R.O.C. Senior Partner of Candor Taiwan CPAs General director of Taipei City CPA Association General supervisor of Taipei City CPA Association Adjunct Instructor, Fu Jen Catholic University Adjunct Instructor, Chinese Culture University	0

Name	Education	Present position and Experience	Shareholding
Chung-Jen Chen	PhD, Rensselaer Polytechnic Institute	Associate Professor, Business Administration Department, NTU Associate Professor, Business Administration Department, NCKU Assistant Professor, Business Administration Department, NCKU Vice Engineer, CTCI	0
Chun-Chu ng Chen	PhD, International Business Administration Department, University of Texas	Associate Professor, Business Administration Department, NTU Associate Professor, Business Administration Department, Yuan Ze University Assistant Professor, Business Administration Department, NCNU	0

### Voting Results

# Discussion

3.

**Proposed by the Board**

**Discussion:**

Proposal for Release the Prohibition on Directors from Participation in Competitive Business. Please proceed to discuss.

**Explanation:**

- (1). According to the Company Act article 209, a director who acts for himself or on behalf of another person that is within the scope of the company's business, shall secure approval for such at the meeting of shareholders.
- (2). For the newly elected board of directors, it is proposed to request to release the prohibition on directors from participation in competitive business.

**Resolution:**

# **Questions and Motions**

## **Adjournment**

## Appendix : Current Shareholding of Directors and Supervisors

### ATEN International Co, LTD

#### The (minimum required) combined Shareholding of Directors and Supervisors

1. The minimum required combined shareholding of all directors and supervisors by law is as follows :

Total issued shares: 119,471,166 shares.

The minimum required combined shareholding of all directors by law: 8,000,000 shares.

The minimum required combined shareholding of all supervisors by law: 800,000 shares.

2. As of the record date April 17, 2017, the shareholding of directors and supervisors is below:

Record date: April 17, 2017

Title	Name	Current Shareholding	Percentage
Chairman	Kevin Chen	4,049,087	3.39%
Director	Shang-Jen Chen	6,779,342	5.67%
Director	CDIB Capital Management Co.	65,660	0.05%
Director	Nicholas Lin	0	0.00%
Independent Director	Wei-Jen Chu	0	0.00%
Independent Director	Chung-Jen Chen	0	0.00%
Supervisor	Se-Se Chen	1,261,416	1.06%
Supervisor	Shiu-Ta Liao	1,807,897	1.51%
Supervisor	Chen-Lin Kuo	0	0.00%
The combined shareholding of all directors(without independent directors) on the book closure date		10,894,089	9.12%
The combined shareholding of all supervisors on the book closure date		3,069,313	2.57%