

Annual Report

2012

ATEN INTERNATIONAL CO., LTD
Stock Code : 6277



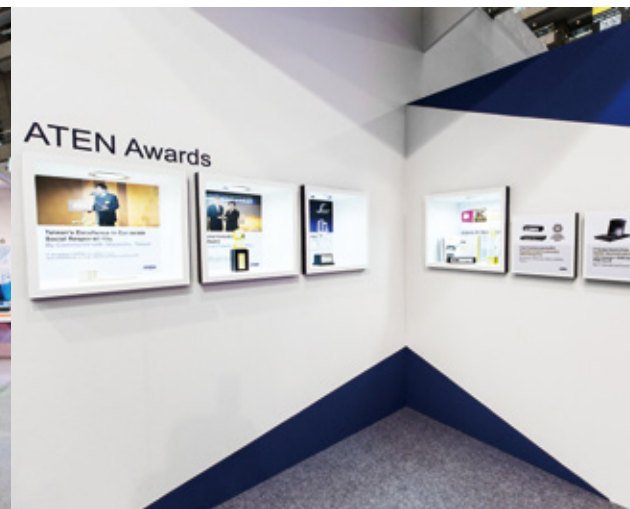


About ATEN

Established in 1979, ATEN International Co., Ltd. is today considered the leading manufacturer of connectivity and Professional AV solutions worldwide. Dedicated to the vision, "Simply Better Connections," ATEN provides innovative solutions for customers to make better connections, efficiently and seamlessly, to the information and people. ATEN's product range covers hundreds of connectivity products, providing complete data center management, Professional AV and Green Energy solutions—from entry level operations to the enterprise market. ATEN is headquartered in Taiwan, and strategically located with subsidiaries in China, Japan, Korea, Belgium, the UK, and the US. Together with its R&D and manufacturing centers in Taiwan, China and Canada, ATEN employs a total of more than 1500 people worldwide. For more information about ATEN, please visit <http://www.aten.com>.

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Report to Shareholders

Dear Shareholders,

Due to the negative impact of the economic slowdown that affected most regions of the global economy in FY2012, ATEN's consolidated net sales revenue for the whole of FY2012 was NT\$4,275 million, 2.9% down on FY2011. Gross profit margin rose to 57%, thanks to strengthened product line management. However, increased operating expenses had a negative impact on profits. Consolidated earnings before tax totaled NT\$633 million, while consolidated earnings after tax came to NT\$481 million; ATEN's after-tax earnings per share (EPS) in FY2012 was NT\$4.03 per share.

ATEN attaches great importance to technology development. As far as product development is concerned, ATEN has continued to provide a wide range of innovative solutions, including connectors, professional audio/video devices, and Intelligent PDU "green energy" products, to meet customers' diverse needs. In the professional audio/video equipment segment, in response to the dramatic, worldwide fall in the price of LCD panel, a shift away from analog to digital in video product interfaces, the introduction of digital signage for video products and the emergence of a more diversified industry environment, ATEN has launched new HDMI matrix-type integrated video solutions and signal extenders that are suitable for a wide range of different usage environments, and which provide outstandingly crisp video image quality. In the connector and management solutions segment, ATEN has continued to roll out new products with remote management functionality, while also developing a large number of new software functions, including virtual media, split-screen display mode, ID authentication, etc., to provide users with more convenience and enhanced safety. ATEN has also introduced a new control center

management solution suitable for use in traffic control centers, military command and control facilities, and telecommunications control centers; this new solution expands the scope of application of ATEN products from IT control rooms to include other types of industrial application environment. ATEN's newly-developed "green energy" product line provides a comprehensive range of energy-saving solutions, including Intelligent PDUs (Power Distribution Units), energy-saving sensor software, etc. For data centers, ATEN's green energy products provide both local and remote real-time energy management and performance indicators, making it possible for existing control rooms to transform themselves into "green" control rooms in a rapid, cost-effective manner.

With regard to product sales and market development, ATEN will be working actively to develop emerging markets, including China, India, and Russia. ATEN is setting up a representative office in Russia to develop direct communication channels with the Russian market, while at the same time working to strengthen our collaborative partnerships with system integrators and distributors. ATEN is also stepping up its development of the bid market, and is providing comprehensive local support services; ATEN is confident that these proactive measures will satisfy local consumers' need for comprehensive service provision. Besides ATEN's own-brand sales, the company is also leveraging its first-class technology to develop OEM business, with the aim of boosting sales revenue and market share. In addition, ATEN will continue to strengthen the performance of its production operations and implement effective inventory control, integrating a more flexible business model and global logistics



Kevin Chen, Chairman
and President

processes into day-to-day management, and using improvements in efficiency and cost control to enhance the company's earnings performance.

ATEN was the recipient of numerous awards and honors in FY2012 in recognition of its achievements in R&D and in sustainable operation. Last year, ATEN won the National Invention and Creation Award, which is presented by the Intellectual Property Office, Ministry of Economic Affairs. As part of the company's corporate social responsibility initiatives, ATEN collaborated with National Taiwan University of Science and Technology on the development of the "iListen" communication software for the hearing-impaired, which won a prestigious award at Germany's Red Dot design awards. ATEN has also continued its involvement in charitable activities, for example by sponsoring a free public performance of the Paper Windmill theatre company's "Chicken Story" musical drama for children, encouraging ATEN employees to do volunteer work at Guandu Nature Park (and sponsoring the maintenance of taro fields), providing sponsorship for National Taiwan University of Science and Technology to develop the "iCan" app to help autistic children communicate, arranging for volunteers from ATEN to participate in the cleaning up of Fulong Beach, etc. ATEN ranked fourth in CommonWealth magazine's Corporate Citizenship Awards list of the Top 50 best corporate citizens in Taiwan. All of the activities and awards listed above are a reflection of ATEN's commitment to sustainable, responsible operation.

In response to the rapid pace of change in both information technology and networking, besides continuing to focus on the active

development of innovative new products and technologies, ATEN will be monitoring economic and political developments (both domestic and international), and will be making effective use of industry organizations, trade shows and conferences to keep up to date with new developments in the industry and obtain the latest market news, so as to be able to take appropriate measures in response to changes in the regulatory and business environments. ATEN will also be taking active steps to combat product piracy and protect the company's rights regarding the sale of its own patented products.

In the future, ATEN will continue to adhere to the company's four core values - Integrity, Caring, Ambition, and Novelty, which emphasizes putting the customer first, and providing high-quality service. Besides achieving and maintaining the status of a leading provider of connector and management solutions, ATEN will also be maintaining rigorous corporate governance through efficiency enhancement and cost control, while participating in charitable and environmental protection activities, and continuing to build corporate value and benefit shareholders.

Chairman and President

II. Company Profile

Date of Incorporation : July 6th, 1979

Milestones

Key Milestones in the Company History

1979	• Initial establishment and registration of the Company as HOZN Automation Co. Ltd.
1982	• Introduced the first product – a central control series for home appliances to monitor and operate security sensors, lighting and power switches remotely.
1984	• Introduced DATA Switch BOX products.
1986	• Introduced MP series Auto Switch and Converter Series.
1987	• Introduced INDATA industrial Computer Series.
1988	• HOZN Automation Co. Ltd. renamed as ATEN International Co. Ltd.
	• Started manufacturing of power supplies for computers.
1991	• Introduced ATEN Brand Products.
	• Introduced ATEN ASIC CHIP.
1992	• Launched world's smallest printer buffer.
	• Launched the first ATEN product AS251P.
	• Launched AS-248 product series, printer switch - controlled via LAN.
1996	• Obtained the ISO-9002 quality certification.
	• Established U.S. subsidiary "ATEN TECHNOLOGY INC."
1999	• Registered as a public company.
	• Invested in Topmost International Co., Ltd., a British Cayman Islands entity.
	• Invested in Expand International Co., Ltd, a Niue entity, through subsidiary Topmost International Co., Ltd.
2000	• CS182/124/1016 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
	• Developed the first 4-port USB 2.0 hub, and received the world's first USB 2.0 hub certification. USB Association uses ATEN's creation as USB testing standard.
	• Moved the Company's headquarters to 3rd floor, No. 125 Section 2, Datung Road, Sijhih City, Taipei, R.O.C.
	• Established Belgium subsidiary "ATEN INFOTECH N.V."
2001	• CS428/9138 Matrix KVM Switch received "Taiwan Excellence" award from Ministry of Economic Affairs.
	• Construction of new factory in Sijhih was completed and factory commenced operations.
2002	• ACS1714 and ACS1808 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
	• Obtained the ISO-9001 quality certification.
	• GreTai Securities Market approved the registration of the Company's shares under the classification of "Emerging Stock".
2003	• Listed in the Taiwan Stock Exchange.
	• CEO Mr. Kevin Chen was recognized through the 2003 "Golden Merchant Award" given by the Ministry of Economic Affairs.
2004	• ATEN received "Industrial Technology Advancement" award from the Ministry of Economic Affairs.
	• The Company was conferred the 2nd "Golden Root Award" by the Taiwan Industrial Technology Association.
	• Established Japan subsidiary "ATEN JAPAN Co., Ltd."
2005	• KM0432 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
	• Acquired "Wellsyn Technology Inc." and obtained the key IPMI technology, enabling ATEN to enter the embedded solutions market.
	• Launched the first wireless KVM solution – KW1000.
2006	• KL1116, KM0832 and KA9233 received "2006 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics.
	• ATEN Named One of Asia's Best 200 under a Billion by Forbes.
	• SMART magazine chose ATEN's CEO for inclusion in its "Three CEOs who will be Making Waves Over the Next Three Years."
	• KL1116, KN2116 and CS1774 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
	• Awarded ISO-14001 certification.
	• Established ATEN Europe Ltd.
	• Established U.K. subsidiary "ATEN UK Ltd."
	• Established New Jersey - U.S. subsidiary "ATEN New Jersey Inc."
	• Established ATEN US Holdings Inc.
2007	• ATEN received "2007 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.
	• Established Korea subsidiary "ATEN ADVANCE CO.,LTD.", later renamed "ATEN KOREA CO., LTD." in 2009.
	• KH98, KL9108/9116, CS52 Series and CS62DU & CS62D received "Taiwan Excellence" award from the Ministry of Economic Affairs.



Milestones

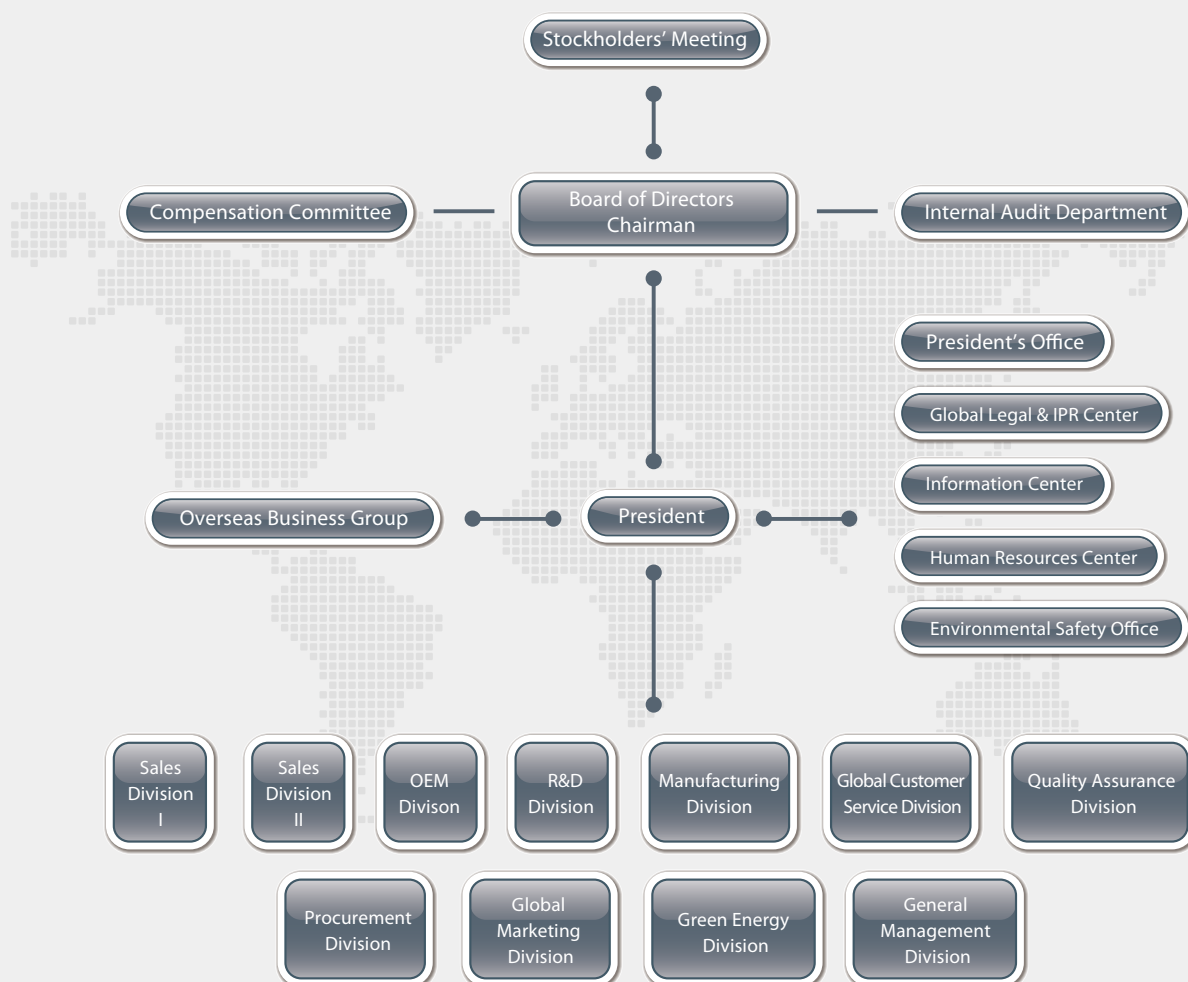
Key Milestones in the Company History

	<ul style="list-style-type: none"> • ATEN Opened New R&D Headquarters, Expanded its R&D Team Scale. • The KVM Switches CS62D/CS62DU and CS52 Series received "2006 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics. • Launched world's first KVM Switch with IPMI-enabled function – KH98. • The product KVM Switch KL9116 was given the "iF China Award". • Launched world's first DVI cable KVM Switch with audio - CS62DU/CS62D. • Launched world's first 19-inch CAT5 Dual Rail Integrated LCD KVM Switch - KL1508 / KL1516. • Established Foremost International Co., Ltd. • Established Beijing - China subsidiary "ATEN China Co., Ltd."
2008	<ul style="list-style-type: none"> • KE8220, CL5708/5716 and CS1782/1784 received "Taiwan Excellence" award from the Ministry of Economic Affairs. • Launched the first USB KVM Switch for Notebooks – CS661. • Promote enterprise core value – Integrity, Caring, Ambition and Novelty.
2009	<ul style="list-style-type: none"> • Established manufacturing factory in China "ATEN Foremost Co., Ltd". • HDMI KVM CS1792/CS1794 received "2009 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics. • Cat 5 video/audio splitter VS1504/1508 received "Taiwan Excellence" award from the Ministry of Economic Affairs. • ATEN's global patent portfolio grew to 668 patents and patent applications, of which 244 patents have already been granted. This puts ATEN in 86th place in the 2008 rankings of the Top 100 companies and research institutions in Taiwan with the largest number of patents, ahead of leading hi-tech enterprises such as TSMC and Lite-On. • KN4140v won Computex 2009 "Best Choice Award" and Japan "Interop Tokyo Best Show Award". • ATEN Chairman Mr. Kevin Chen received an award from the King of Belgium in recognition of ATEN's outstanding contribution to business development and the company's technological achievements. • ATEN received the "National Innovation and Creation Award" from the Ministry of Economic Affairs. • Manager Today magazine ranked ATEN Chairman Mr. Kevin Chen as one of the 100 most outstanding managers in Taiwan. • ATEN received the "2009 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine. • ATEN built a new European Operations Center in Belgium as ATEN logistics center in Europe to expand business opportunities throughout the continent.
2010	<ul style="list-style-type: none"> • CE790, KM0932, PN7212/PN7320 and CS1792/CS1794 received "Taiwan Excellence" award from the Ministry of Economic Affairs. • Announced the launch of VanCryst™ video products line to provide professional audio and video solutions to different industries. • KL3116T received the "2010 Computex Taipei Design and Innovation Award." • ATEN received the "2010 Taiwan Superior Brands Award" from the Bureau of Foreign Trade, Ministry of Economic Affairs. • Subsidiary in Korea moved to an office building in Geumcheon-gu, Seoul with the establishment of a customer service center to step up local support services and strengthen its vantage as a market leader. • ATEN received the "2010 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine.
2011	<ul style="list-style-type: none"> • CM0264 received the "Taiwan Excellence" award from the Ministry of Economic Affairs. • Japan subsidiary moved to a new building in Tokyo to integrate sales, marketing, technical support/ customer service, warehousing and logistics business services. • VM0808T won Computex 2011 "Best Choice Award."
2012	<ul style="list-style-type: none"> • Announced the launch of NRGence™, a brand new "green energy" line of eco PDUs (Power Distribution Units), eco Sensors, and energy boxes. With the core concept of "Energy Intelligence", a complete green data center solution designed to optimize energy efficiency. • ATEN released the first "ATEN Corporate Social Responsibility Report" which honestly unveils ATEN's accomplishments with regards to the status and programs on Corporate Social Responsibility. • ATEN received the "2012 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine. • ATEN won the 2012 Taiwan National Invention and Creation Award with its patented "Industrial Operation Console" technology issued by the Ministry of Taiwan's Economic Affairs. • ATEN collaborated with National Taiwan University of Science and Technology to develop the "iListen", a software helping hearing-impaired people, has won both the 2012 Red Dot Communication Design Award and the 2012 Samsung Apps Contest championship.
2013	<ul style="list-style-type: none"> • VM0808H and EC1000 received the "Taiwan Excellence" award from the Ministry of Economic Affairs.

III. Corporate Governance Report

Company Organization

(1) Organization Chart




(2) Responsibilities of Individual Divisions and Departments

Unit	Responsibilities
President Office	Business plan implementation and integration; overall business strategy planning for ATEN and its subsidiaries.
Global Legal & IPR Center	Contract review and management, IP strategy and other legal matters.
Information Center	<ul style="list-style-type: none"> • MIS system planning, deployment and management. • Information system program development and maintenance. • Database and information security maintenance and management. • Software and hardware equipment appraisal, deployment and troubleshooting. • Provision of training and guidance for IT personnel. • Document flow management, and data maintenance and management.

Unit	Responsibilities
Human Resources Center	<ul style="list-style-type: none"> • Formulation of human resources strategy; personnel system establishment and promotion. • Recruitment, appointments and dismissals, training, compensation, performance review, promotion and transfer, incentives and punishments, etc. • Implementation and management of employee relationship operations (including labor-management consultative meetings, guidance, etc.) • Industry-wide human resources analysis and formulation of response strategies.
Internal Audit Department	Internal control systems and implementation of auditing operations for ATEN and its subsidiaries.
Environmental Safety Office	<ul style="list-style-type: none"> • Formulation of occupational injury prevention plans and emergency response plans, and provision of guidance to relevant departments with regard to plan implementation. • Employee health examination planning and employee health management. • Other matters relating to health, safety and environmental management.
Overseas Business Group	Supervision of overseas subsidiaries.
Sales Division I	Market development for East Asian and Pan-Asian markets.
Sales Division II	Market development for Russia and Eastern European markets.
OEM Division	OEM business development.
R&D Division	Hardware and software product design and development, industrial design, coordination of global R&D resources, upgrading of the R&D environment and R&D capability planning.
Manufacturing Division	Production and production process planning, continuing improvement, and strengthening of production technology capabilities.
Quality Assurance Division	Handling of quality assurance, quality system, import/export and payments and receipts management, etc.
Procurement Division	<ul style="list-style-type: none"> • Purchasing of raw materials and components. • Identification of potential new suppliers, and supplier appraisal. • Purchasing monitoring and documentation management. • Production facility goods inward and billing operations.
Global Marketing Division	<ul style="list-style-type: none"> • Corporate image building, product marketing and brand development. • Brand and product strategy planning, market trends analysis and distribution channel strategy planning.
Green Energy Division	Green energy product marketing and business development.
Global Customer Service Division	Customer service, RMA maintainance, e-support platform, technique support, technique training and verification and solution consultation and execution.
General Management Division	<ul style="list-style-type: none"> • General affairs, fixed asset purchasing, etc. • Finance Department: Cash flow management and financing planning, bank transactions, receipts and expenses, and short- and long-term investment management and consultation. • Compilation of managerial reports, compilation and analysis of financial statements, budget planning and analysis, tax and transfer pricing planning and implementation, and provision of advisory and planning support for accounting issues of subsidiaries. • Information disclosure, investor relations management, matters relating to board meetings and shareholders' meetings, and capital market operations. • Overall planing and implementing general affairs of subsidiaries.

Corporate Governance

Item	Status	Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE Listed Companies, and the reason for any such departure
<p>① Shareholder structure and shareholders' rights</p> <p>(A) Measures of handling shareholder suggestions or disputes.</p> <p>(B) Maintenance of the list of major shareholders who exercise effective control over the Company, including details of who has final ownership over these major shareholders.</p> <p>(C) Establishment by the Company of risk control methods and firewalls with respect to affiliates.</p>	<p>The Company has appointed a Spokesperson and set up IR Dept. to handle shareholder suggestions or disputes.</p> <p>Handled by the Company's shareholder affairs personnel.</p> <p>The Company has drawn up Operational Procedures for Affiliates and Affiliate Transactions, Procedures for the Management of Subsidiaries, along with other relevant procedures and regulations, and has implemented them properly, thereby ensuring effective risk control and firewall function operation with respect to affiliates.</p>	<p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p> <p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p> <p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p>
<p>② Organization and responsibilities of the Board of Directors:</p> <p>(A) Appointment of Independent Directors.</p> <p>(B) Regular appraisal of the independence of the Company auditor.</p>	<p>The Company currently has one independent director. The vacancy of another independent director will be elected at 2013 annual general shareholders' meeting.</p> <p>No</p>	<p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p> <p>Currently under consideration.</p>
<p>③ Establishment of channels for communication with related parties</p>	<p>Related parties that need to communicate with the Company can do so at any time via the Company Spokesperson or the relevant contact personnel.</p>	<p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p>

Item	Status	Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE Listed Companies, and the reason for any such departure
<p>4 Information Disclosure</p> <p>(A) Establishment of a Company website, and disclosure of financial and corporate governance information.</p> <p>(B) Other methods of disclosure adopted by the Company.</p>	<p>The Company already discloses relevant information on its website.</p> <p>The Company has appointed dedicated personnel to be responsible for the collection and disclosure of relevant information, and has established a spokesperson system. The information disclosed at investor presentations is also disclosed on the Company website.</p>	<p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p> <p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p> 
<p>5 Establishment by the Company of functional committees such as a nominating committee, remuneration committee, etc.</p>	<p>On April 24, 2012, ATEN's Board of Directors approved the establishment of a Corporate Social Responsibility Management Committee, to exercise overall control over the formulation of the company's corporate social responsibility (CSR) and sustainable development strategy and objectives. The Committee is chaired by ATEN's Chairman, with eight senior managers (chosen because of their expertise in areas relating to the main foci of ATEN's CSR activities) serving as Committee Members. This committee model is employed to formulate annual objectives with respect to every aspect of CSR, and to exercise supervision over the implementation of these CSR activities. The Committee reported to the Board of Directors on a regular basis.</p> <p>A meeting of ATEN's Board of Directors held on December 20, 2011 approved the establishment of the Compensation Committee.</p>	<p>No significant departure from the provisions of the Corporate Governance Best-Practice Principles for TWSE listed companies.</p>

Item	Status	Any Departure of such Implementation from the Corporate Governance Best-Practice Principles for TWSE Listed Companies, and the reason for any such departure
<p>6 If the Company has established corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE Listed Companies, please explain any departure between the principles established by the Company and actual practice : The Company has not drawn up corporate governance principles. However, the Company is working to achieve gradual implementation of the relevant corporate governance items specified by the Corporate Governance Best-Practice Principles for TWSE Listed Companies, taking into consideration the Company's current status and the requirements of the law. Revision of relevant management regulations is being used to strengthen corporate governance structure, establish the compensation committee, set up supervisors, revise regulations, improve information transparency and strengthen the functioning of the board of directors, thereby promoting effective corporate governance.</p> <p>7 Any other important information that may help to clarify the operation of the Company's corporate governance mechanisms:</p> <p>(A) Employees' rights: ATEN implements protection of employees' rights in accordance with the provisions of the Labor Standards Law and ATEN's own internal regulations.</p> <p>(B) Concern for employees: ATEN is committed to providing its employees with a safe, healthy working environment. Besides providing employees with annual health examinations, ATEN has also established a Medical Office, with a full-time Occupational Health Nurse, and has retained the services of a doctor who visits the production facility twice a week for a total of 4 hours to provide consulting services.</p> <p>(C) Investor relations: Besides making public announcements of the company's important operational and financial information on the Market Observation Post System (MOPS) as required by law, ATEN has also established an Investor Relations Contact Window to handle matters relating to disclosure and investor relations, etc., thereby enhancing overall transparency. The ATEN corporate website also includes an Investor Relations section where information relating to corporate governance, company finances and operations is posted for the reference of investors.</p> <p>(D) Relations with suppliers and related parties: In accordance with company regulations, purchasing agreements are signed with suppliers to ensure that both parties' legal rights are protected.</p> <p>(E) Development and training for directors, supervisors and managers: Besides encouraging directors and supervisors to undergo training programs provided by relevant organizations, ATEN also proactively arranges lectures, held after the conclusion of board meetings, at which specially invited experts discuss issues relating to corporate governance. Directors' and supervisors' record of attendance at board meetings is made public on MOPS, as are the development and training activities undertaken by directors and supervisors. Details of the development and training activities undertaken by ATEN's directors, supervisors and managers in FY2012 are shown in the appended table.</p> <p>(F) Risk management policy and risk measurement criteria implementation status: ATEN has formulated a risk management policy and risk assessment criteria, and has drawn up relevant systems and control mechanisms with respect to the major types of operational risk, including financial and accounting controls, and risk evaluation and control measures for sales operations, production operations, computerized data management etc., with the aim of strengthening overall risk control capability.</p> <p>(G) Customer feedback strategy implementation status: Once a year, ATEN implements a global customer satisfaction survey (covering sales, new product R&D, product quality, technical support, delivery, marketing, etc.), to ensure that the company is able to respond promptly to customer feedback and make improvements where necessary. ATEN has also incorporated an e-support platform into its corporate website, to make it easy for customers to submit queries and comments. A dedicated company department is responsible for responding promptly to customer inquiries and suggestions.</p> <p>(H) Purchasing of insurance for directors and supervisors: Starting from FY2008, ATEN has purchased liability insurance on behalf of its directors and supervisors.</p> <p>8 If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: The Company has not implemented a self corporate governance evaluation, however, it will be implemented and disclosed on MOPS by the end of 2013.</p>		

Continuing Education /Training of Directors and Supervisors in 2012

Title	Name	Date	Host	Training Title	Duration
Independent Director	WEI-JEN CHU	5/18	Taiwan Securities & Futures Institute	Presentation on the Responsibilities of Independent Directors of Publicly-traded Companies	3
Director	CHIH- KUAN YEN (Resigned on November 1)	9/17	Taiwan Securities & Futures Institute	Practical Equity and Tax Planning for Directors, Supervisors and Large Shareholders	3
Supervisor	SHIU-TA LIAO	3/27	Taiwan Securities & Futures Institute	Functions and Responsibilities of Directors and Supervisors within the Corporate Governance System	3
Supervisor	SE-SE CHEN	5/19	Taiwan Securities & Futures Institute	Confidentiality and Non-disclosure as they Apply to Directors and Supervisors	3

Continuing Education /Training of Management in 2012

Title	Name	Date	Host	Training Title	Duration
CFO	Stephen Chen	3/23	Taiwan Securities & Futures Institute	Analysis of the Disparities between IFRS and R.O.C. GAAP	6
		4/17	Taiwan Securities & Futures Institute	Prevention of Insider Training – Case Studies and Practical Training	3
		9/24	Taiwan Stock Exchange Corporation	Seminar on Ethical Management of Stock Market and OTC Listed Companies and Corporate Social Responsibility	3
		10/11	Taiwan Securities & Futures Institute	Forensic Accounting and Financial Fraud Detection – Practical Training	4
		10/26	Taiwan Securities & Futures Institute	New Types of Insider Trading, Irregular Transactions and Economic Crime – Analysis and Practical Training	3

IV. Operational Highlights



Business Activities

(1). Scope of Business

A Main Activities

- Designing, manufacturing and selling of network administration, computer peripherals and video products.
- Designing, manufacturing and selling of professional A/V products.
- Designing, manufacturing and selling of various types of resource sharing devices.
- Designing, manufacturing and selling of interface converters, extenders and splitters.
- Designing, manufacturing and selling of embedded IPMI and Over IP server management solutions for server vendors.
- Designing, manufacturing and selling of smart power distribution unit products.

B Major Product Lines and Contributions to Total Sales

(Unit : NT\$ thousands)

Year Item	2011		2012	
	Amount	Ratio (%)	Amount	Ratio (%)
KVM switches	2,348,883	80.21%	2,160,002	77.11%
Video products	273,673	9.34%	325,953	11.64%
Other products	306,031	10.45%	315,317	11.25%
Total	2,928,587	100.00%	2,801,272	100.00%

C Products and Services Provided by the Company

ATEN provides total solutions for the connection and control management of computer, server, data center and peripheral equipment. Aside from the core products – KVM switches (for simultaneous control of multiple computers from a single or multiple sets of keyboard, video monitor and mouse), ATEN also supplies products for power distribution management and signal management as well as total solutions for centralized remote control of large server or data center. ATEN offers in addition USB (universal serial bus) hubs, USB cards, interface converters and extenders.

ATEN has been endeavored in the development of professional A/V solutions- VanCryst since 2008, including video switches, splitters, extenders and converters for medium and high-end AV applications, which, coupling with multi-port matrix switch products, long-distance extender and compensation function, offers a simple and innovative solution.

Announced the launch of NRGence™, a brand new “green energy” line of eco PDUs (Power Distribution Units), eco Sensors, and energy boxes. With the core concept of “Energy Intelligence”, a complete green data center solution designed to optimize energy efficiency.

D New Products and Services Currently Being Developed

Integration and Application of Over-the-Net solutions for Server Room Management.	<ul style="list-style-type: none"> (1) Development of integrated over-IP networking products. (2) Deepening and broadening the development of high-end CAT5 multi-platform, multi-user and multi-port KVM products. (3) Strengthening the depth and breadth of ATEN's development of Combo KVM products. (4) Integration of different LCD KVM interfaces. (5) Development of control room environment and power supply monitoring products.
Integration and Application of SOHO and Consumer KVM Series.	<ul style="list-style-type: none"> (1) Development of high-definition, high-resolution, high-audio-quality SOHO KVM products. (2) Integration of SOHO KVM products. (3) Development of USB 3.0 products. (4) Development of USB and Bluetooth products.
Integration and Application of Video and Data Communication Series.	<ul style="list-style-type: none"> (1) Development of high-end professional video products. (2) Development of matrix video products. (3) Development of multi-interface video switch and split products.
Integration and Application of Embedded Server Management Series products and ATCA.	<ul style="list-style-type: none"> (1) Development of integrated over-IP networking products. (2) Development of IPMI and over-IP integrated solutions, and related service.
Integrated solution for Audio& Video broadcasting	<ul style="list-style-type: none"> (1) High image and long-distance video broadcasting product. (2) Fiberoptic interface.
Integrated solution for Wireless Audio& Video	Products using wireless technology.
Integrated solution for Industrial Control	Remote control solutions that can withstand rigorous industrial control environment.
Integrated solution for Electric Power and Green Energy of PE products	<ul style="list-style-type: none"> (1) New-generation smart power distribution unit and green energy based sensor. (2) Research of Effective use of energy. (3) Development of green data center with respect to the overall efficiency of cooling, air volume, power and energy.

(2). An Overview of the Industry

A The Current Status and Future Development of the Industry

The KVM industry emerged in response to the steady increase in usage of computers and networking technologies. Demand in the KVM market is relatively stable, as there are very few substitute products available. Data compiled by market research firm VDC indicates that annual shipment volume in the global KVM market, as a whole will continue to rise steadily. Growth will be particularly high in the over-IP KVM segment. The key factors contributing to market growth are outlined below:

- (a) Convenience : KVM products make it easy and convenient for IT managers to implement centralized control of multiple PCs and servers. KVM products facilitate the sharing of resources, help to save space, are easy to operate and reduce management costs, making for improved work efficiency.
- (b) A global market : With business enterprises continuing to expand their global networks and establish new sites overseas, KVM products can be used to resolve issues affecting servers and related equipment on a real-time basis.
- (c) Continuing investment in IT hardware : Companies all over the world continue to deploy new IT hardware; KVM products facilitate efficient management of corporate IT infrastructure.
- (d) The growth in the server market and the integration of server platforms : KVM products can be used to manage large numbers of servers. With the continued growth of the server market and the trend for companies to multiple entry-level servers instead of on powerful but very expensive sever, KVM products provide a way for firms to connect these multiple cost-effective servers, and facilitate more efficient server management.
- (e) Economic growth in Asia and in other emerging markets : The strong economic growth in Asia and in emerging markets in other parts of the world has led to a steady increase in demand for data management solutions both in the private sector and in government. KVM products can help both government agencies and business enterprises to implement efficient data management; as a result, demand for KVM products has been growing rapidly in Asia and in emerging economies elsewhere.
- (f) Demand deriving from the growth of the Internet : The emergence of the Internet has made it possible for IT personnel to manage servers remotely from any location. At the same time, falling product prices have made medium-sized enterprises more willing to purchase over-IP KVM products, which in turn has created higher profit margins for KVM product vendors.
- (g) Low-price personal computers : The prices of personal computers have been dropping fast following the Moore's law. Nowadays it is common for a person to own more than one computer, which indirectly boosts the demands for SOHO KVM switch. The A/V interface also shifts gradually from VGA analog interface to DVI/HDMI digital interface.
- (h) Emergence of cloud computing : Cloud computing provides a brand new computational framework and enables users to enjoy convenient services anytime and anywhere. The emergence of cloud computing service is a major trend in recent years along with maturing software, hardware and transmission technology. The cloud computing infrastructure is essentially a large data center, which will have high demands for IP-based remote control products.
- (i) The Growing Importance of Information Security: With the dramatic growth of the Internet, exchanging information has become steadily more convenient. However, from the point of view of IT managers, protecting data security has become much more challenging. The restricted connectivity characteristic of KVM switch products means that adopting KVM devices can substantially enhance information security, preventing unnecessary online connections and reducing the risk of data leaks.

The professional Audio/Video equipment market is a new market that ATEN has been avidly developing since 2008. According to market research reports, the industry will maintain steady growth at compound annual growth rate of 10% even though it has seen robust market growth. For emerging markets in particular, the growth rate is expected to reach more than 15%. The major growth trends are as follows:

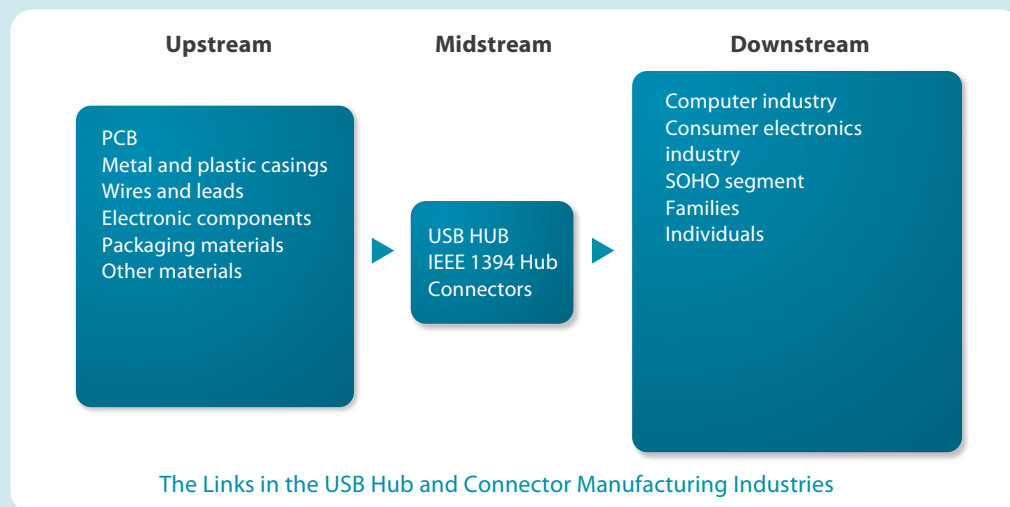
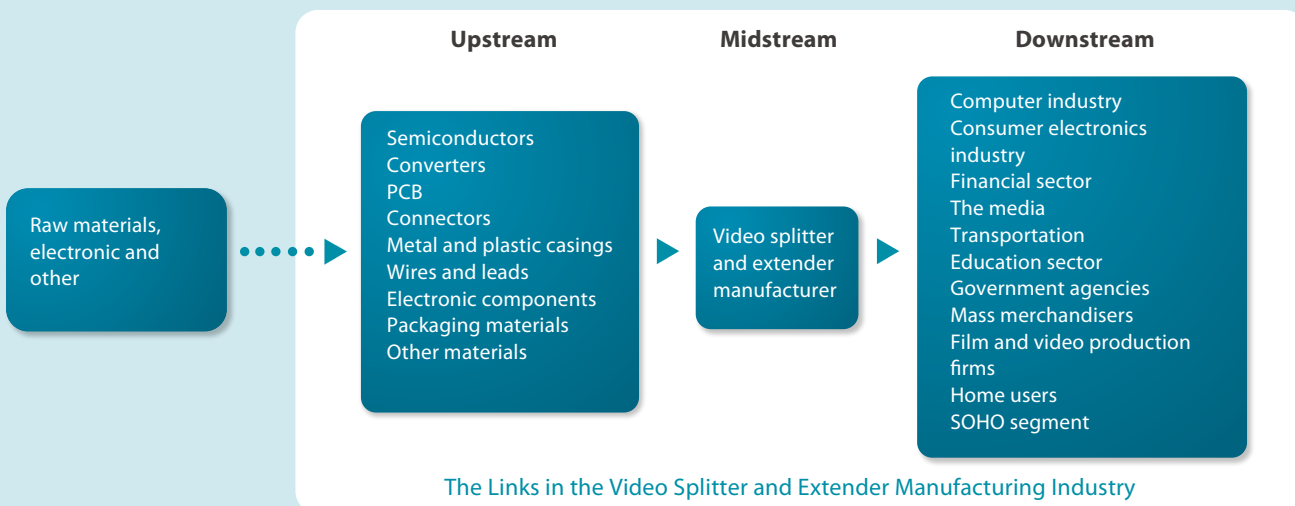
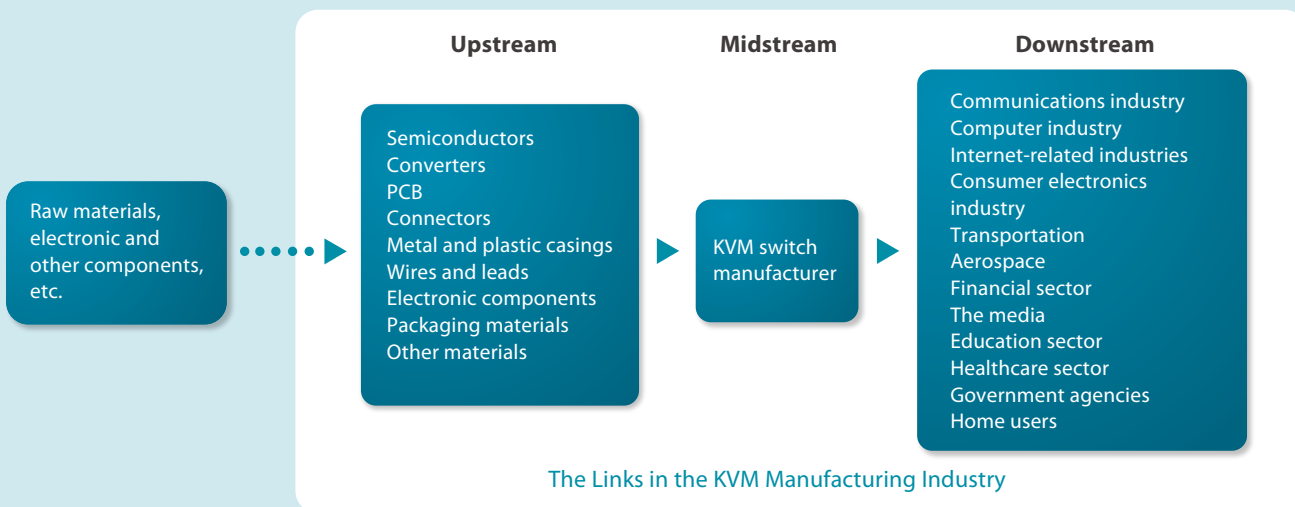
- (a) The growth of professional AV applications : Demand for professional audiovisual equipment for different applications and environments has been rising across a wide range of industries and sectors. Examples include public information systems for public transport operators, display systems for financial institutions, video-conferencing systems for all kinds of business enterprises, display systems for exhibition venues, medical imaging and public information systems for hospitals and clinics, display systems for sporting events, monitoring and information management systems for industrial environments, teaching systems for academic institutions, special systems for research institutes, and home movie theater systems. The adoption of professional audiovisual equipment can lead to dramatic improvements in efficiency; this trend has created significant new business opportunities for manufacturers of video products, such as ATEN.
- (b) The growth of digital advertising : With the growth of the Internet, digital signage has come to play an increasingly important role in the advertising industry. This trend has created new opportunities for video products.
- (c) Digitization of A/V contents and interface : The digitization of A/V contents and interface greatly enhances the quality of images and sound, and at the same time, increases user demands. As a result, A/V equipment suppliers are under the pressure to replace the recoding, processing, storage, transmission and playing components every year, which however opens an excellent window of opportunity for new players to enter the market.

Since 2010, as mobile broadband network technology has reached maturity, smart-phones and tablet PCs have brought a wave of change – in terms of communications, business and entertainment – that has spread throughout the world like an irresistible force. As a result of this major new trend, the information devices used by individuals and by business enterprises are no longer limited to traditional PCs; there is now an extremely wide range of different devices in use, giving rise to customer demand for effective “multiple-device management.” Up until now, meeting this demand for smooth, synchronized management has proved rather challenging, because of the pronounced disparities between devices in terms of hardware and software. As a leading provider of multi-computer management solutions, ATEN has already allocated considerable resources to the development of the technologies needed for effective multiple-device management, and, starting in FY2012, ATEN is launching a series of new products to meet the new demand that has emerged in today's mobile era.

The continuing evolution of the IT and electronics industry and of its peripheral industries has helped to drive the development of the global economy as a whole. ATEN's products and solutions have an extremely wide range of applications, including the communications sector, the computer industry, the Internet sector, consumer electronics, transportation and logistics, aerospace, the financial sector, the media, education, healthcare, government administration and defense, and the residential sector. The existence of this huge market is the main reason why the industry to which ATEN belongs has been able to maintain double-digit compound annual growth rates year after year.

B The Links between the Up-, Mid- and Downstream Segments of the Industry Supply Chain

ATEN is engaged in the development, manufacturing and sale of KVM switches, professional A/V products - VanCryst, USB hubs, IEEE 1394 hubs, and various types of cross-platform converter and extender. Within the IT hardware industry as a whole, ATEN is located in the midstream segment. The upstream segment comprises suppliers of raw materials and components, including semiconductors, converters, connectors, PCB, metal and plastic casings, packaging materials etc. With its positioning in the midstream segment, ATEN provides KVM switches, video splitters and converters, USB hubs, IEEE 1394 hubs, and cross-platform converters and extenders to meet the different needs of customers in various different fields. The downstream segment includes the communications industry, the computer industry, Internet-related industries, consumer electronics, transportation, aerospace, the financial sector, the media, education, healthcare, government administration, military applications, and home users. The relationship between the up-, mid- and downstream segments are shown in the figures below.



C The Development Trend of Products

(a) High-end products as the main source of earnings

High-end products enjoy higher profit margins because technical and other barriers limit the number of players in this segment. In the future, ATEN's high-end product lines will constitute the most important source of profits for the company.

(b) Developing ATEN's "VanCryst" professional audiovisual product line

ATEN has leveraged the outstanding video technology that the company has built up over the last three decades to develop first-class specialist video solutions, expanding ATEN's target market to include not only control room applications but a much wider range of potential applications and customers. It is anticipated that, over the next few years, the new VanCryst product line will become a major revenue source for ATEN, alongside the company's existing high-end product lines.

(c) Marketing focus

Whether in the high-end, mid-range or entry-level segments, manufacturers will be allocating more marketing resources to strengthen the distribution of their products. Whereas in the past product specifications and functions were the main focus of competition, in the future companies will be focusing more on intensive marketing, promotion and technical support.

(d) Developing a wider range of distribution channels

For a variety of reasons – including changes in consumer purchasing behavior, the growth of the Internet, the expansion of the target market, etc. – the competition in IT hardware distribution has grown steadily more intense. At the same time, a wider range of distribution channels has emerged.

(e) Integrating networking and communications into product development strategy

With the rapid pace of change in information technology and networking, Internet and communications technology will be closely integrated into future product development strategies. ATEN will be working actively to keep pace with new trends in this area, and to achieve efficient integration of information security technology, etc.

(f) ATEN will be working actively to grow its market share in the entry-level and mid-range product segments, while continue to develop the core technologies that underlie the company's development of high-end products. We will continue to make our products' user interfaces more user-friendly, and to strengthen product compatibility and stability, which will contribute to improved profitability.

(g) Developing emerging markets

In the data center central management solution industry, the rapidly growing emerging markets have a vital role to play in every manufacturer's global expansion plans. Currently, the fastest growth is being seen in the Asian and European markets. In the future, both long-established manufacturers and new entrants will need to focus heavily on developing the emerging markets, concentrating resources on these markets to grow market share.

(h) Stepping up the promotion of smart power distribution units

In high-end applications, such as large data center, smart power distribution unit is also an important subsystem component in addition to the remote KVM management system, particularly under the current trend of energy saving and carbon reduction. ATEN's capability to provide those two important subsystems will be its competitive edge in the future.

(i) Expanding into the industrial controller and production automation application segments

KVM products on the market are comprehensive in conventional IT applications, be it in the arena of SOHO, SMB, enterprise or data center. But KVM also has enormous potential in more specialized fields, such as industrial control and production automation. The capability to provide complete product line and custom-made service will be a huge advantage for launching into those new fields of application.

(j) New demand in today's mobile era

In the period since the global financial crisis of 2008, innovation efforts in the information and communications technology (ICT) sector have mainly been concentrated in the mobile segment. Mobile applications have already evolved from simple communications tools into the business sphere and now into personal entertainment. New products and services are appearing all the time, creating new business opportunities; the biggest single challenge facing the IT sector today is to keep pace with this major trend towards mobility. As a leading provider of multi-computer management solutions, ATEN has allocated considerable resources towards exploiting this important trend.

D The Competition for the Products

Compared to other computer product industry, the competitive situation for KVM market is rather stable. ATEN's main competitors in the KVM switch market include Avocent, Raritan and Belkin. The leading vendors, which possess extensive high-end KVM switch product technology, have tended to focus on the enterprise and networking segments of the market, while the smaller firms product mainly mid-range and entry-level products. Intense competition and the continued expansion of the leading vendors have created a situation where the top three vendors hold combined global market share of over 70%. The remainder is divided between a multitude of smaller vendors. The most important change of KVM competitors is that Avocent became a wholly-owned subsidiary of Emerson Electric Corporation.

(3). A Review of the Company's Technology and its Research and Development Work

A R&D Expenditures

(Unit : NT\$ thousands)

Year	2011	2012	Jan. to Mar. 2013
Amount	348,725	344,169	87,471
Percentage of Sales	11.91%	12.29%	12.49%

B Technology and Products Successfully Developed during the most Recent Fiscal Year.

ATEN has always attached great emphasis to research and development, allocating a sizeable budget to R&D each year. A dedicated R&D division has overall responsibility for R&D operations, working actively to develop new products for the company and help it to strengthen and diversify its product line. ATEN's core technologies – including IPMI, iKVM and wireless transfer – have been successfully integrated into all of the company's product lines. Some of the key achievements in R&D include:

- (a) Development, integration and application of Over the Net solutions for Server Room Management.
- (b) Development, integration and application of SOHO and Consumer KVM.
- (c) Development, integration and application of Video and Data Communication.
- (d) Development, integration and application of Embedded Server Management and ATCA.
- (e) Development, integration and application of Audio& Video Broadcasting.
- (f) Development, integration and application of Wireless Audio& Video.
- (g) Development, integration and application of Industrial Control.
- (h) Development, integration and application of Smart Power Distribution Units (eco PDU) and Green Energy products (eco Sensors).

(4). Long- and Short-term Business Development Plans

A Short-term plans

(a) Marketing

- ATEN International's new European Operations Center and warehouse was formally opened in November 2009. The establishment of this new Center will help ATEN to implement logistics, technical support and after-sales services, and information sharing functions more effectively, with a higher level of logistics service professionalism and more efficient use of resources, which in turn will help to create new business opportunities for ATEN International.
- Responding to the growth in demand for video applications in all sectors, in the first quarter of 2010 ATEN International launched a new video solution product line –VanCryst. The VanCryst professional audiovisual solutions bring ATEN's expertise in high-quality video transmission and management technology into a new market segment: video applications. The new products leverage ATEN's many years of experience in the KVM switch market, where, despite allocating relatively limited R&D resources, ATEN has succeeded in developing many high-margin products. The VanCryst range is expected to develop into an important new product line for ATEN, and will help to drive sales growth for the company as a whole.
- ATEN will be adopting different sales strategies and distribution strategies to achieve segmentation between the high-end market, mid-range/low-end market, and professional audiovisual equipment market. In the high-end segment, the emphasis will be on enhancing product knowledge and technical service provision. The mid-range and low-end markets, ATEN will be working actively to increase the breadth and depth of its distribution channels, while in the professional audiovisual equipment market ATEN will be attending more exhibitions and trade fairs, while also working to develop new distribution channels.

- ATEN is working to strengthen its collaboration with agents and distributors in different regional markets, with the aim of building a reputation as a first-class supplier for international system integrators and leading global brands, thereby achieving both a rapid increase in ATEN's market share and an improvement in the quality of ATEN's customer portfolio.
- While strengthening its existing marketing networks, ATEN will also be working actively to develop emerging markets in Central and South America (particularly Brazil), Eastern Europe (especially Russia), China, and India, etc.

(b) Production strategy

- Strengthening ATEN's TQM quality assurance system, and enhancing the level of customer satisfaction with the quality aspect of PLCS (Product Life Cycle Service).
- Improving production processes through further automation, thereby reducing product lead-time, cutting costs, and enhancing overall competitiveness.
- Implementation of a new employee education system to shorten the learning curve when volume production of new products begins.
- Continued leveraging of the international division of labor in line with the principle of comparative advantage.
- In response to the introduction by the Chinese government of new tariff-exemption measures relating to foreign-invested enterprises operating in China, ATEN's Board of Directors approved a proposal to restructure Expand, the assembly plant that ATEN established in Shenzhen, China through indirect investment, into a wholly-owned subsidiary named Expand Electronics Co., Ltd. The new, wholly-owned factory received its operating permit on January 6, 2011, and will continue to play an important role in helping ATEN to reduce production costs and reduce risk through the operation of multiple production sites in different locations.

(c) New product R&D strategy

- ATEN will be stepping up development of new products in the Applied Video for SI segment.
- Strengthening both the depth and breadth of ATEN's over-IP product development activities.
- Developing new, modular, multi-platform, many-to-many, multi-port high-end products.
- Stepping up ATEN's wireless (IEEE 802.11 series, BlueTooth, UPnP etc.) application technology research.
- Make headway into industrial control applications based on existing core technology.
- Develop energy-saving applications with targets set on medium and high-end enterprise customers.
- Develop new star products in line with market demands.
- ATEN remains committed to helping protect the environment, and has been working actively to develop new "green data center" products. Recently, ATEN launched its new NRGence™ range of smart energy products. These "green energy solutions" for data centers make it possible for users to upgrade their existing IT resources rapidly, cheaply and easily to obtain real-time control of power management and achieve effective energy conservation.

(d) Management strategy

- Achieving the right balance between R&D, marketing, manufacturing and administration.
- Establishment and maintenance of comprehensive back-up systems to minimize loss in the event of natural or man-made disasters.
- Comprehensive employee welfare planning to care for ATEN employees and their dependents; this will also help to attract outstanding human talent to join the company.
- Development of globalized e-enablement systems to integrate group resources and enhance overall operational efficiency.
- Implementing ongoing process improvement to enhance overall managerial efficiency.
- Emphasizing effective implementation of the internal control system, giving due weight to both the pursuit of earnings growth and the prevention of improper activity.
- Implementing more rigorous cost control in response to the global economic downturn.



B Long-term plans

(a) Marketing strategy

- ATEN will be stepping up promotion of the VanCryst product line, building on its sales channels by identifying suitable new channels that can help to strengthen brand visibility and boost market share. It is anticipated that ATEN will be able to develop VanCryst into another major product line, to add to ATEN's existing ATEN and ALTUSEN brands.
- Establishment of a new customer relationship management (CRM) system to strengthen relations with customers.
- Securing new ODM/OEM customers to develop this segment of the market.
- Branded manufacturing : Aggressive deployment of new global distribution channels for ATEN's branded products to boost own-brand sales and ensure a suitable balance between branded and ODM/OEM manufacturing.
- Reducing the number of levels of distributors to improve the level of service that can be provided to the end user.
- Providing efficient, timely online and on-site service in all regions 24 hours a day.

(b) Production strategy

- Systematic, efficient expansion of production lines, to ensure that ATEN has sufficient production capacity to support the company's growth plans.
- Working closely with partner companies to plan materials supply systems, shorten procurement time and reduce inventories.
- Cultivate middle managers to strengthen the company's ability to instruct production line employees in the use of new production technology.
- Development of flexible manufacturing to enhance ATEN's ability to undertake small-volume production of a wide range of different product types, reduce unit production cost, and strengthen the company's overall competitiveness.
- Ensuring that the TQM (Total Quality Management) and JIT (Just In Time) concepts are deeply embedded in the company's operations; this will be supported by the purchasing of new production line automation equipment to enhance production efficiency and improve quality.

(c) New product R&D strategy

- Ongoing development of core video technologies.
- Development and deployment of embedded software.
- Aggressive development of new ASIC materials.
- Introduction of new wireless and fiber-optic interface products.
- An ongoing drive to develop new, higher-end products.
- Applying for patents (for ATEN's independently developed technologies) both in Taiwan and overseas, to build ATEN's competitive advantage for the future.
- Development of green data center with respect to the overall efficiency of cooling, air volume, power and energy. Application extension from data center to green building and energy-saving.

(d) Management strategy

- Leveraging globalized accounting and networking systems to develop a business model in which efficient management of ATEN's global network can be achieved from the company's headquarters in Taiwan. This globalized, efficient management will be supported by further synchronization and integration of data between ATEN, its suppliers and its customers.
- Ongoing efforts to acquire cutting-edge technologies from external sources, while continuing to build up the capabilities of ATEN's own in-house R&D personnel.
- Provision of employee career planning support, profit sharing, and community welfare activities.
- Effective product positioning. ATEN will not allow its position as market leader to result in complacency; the company will continue to strive for innovation and growth.

Market and Sales Overview

(1) Market Analysis

A Shipment Destinations for Products

(Unit : %)

Shipment Destinations	2011	2012
Americas	31	26
Asia	35	39
Europe	27	28
Other regions	1	2
Domestic sales	6	5

B Market Share

When seeking to calculate market share, it can be difficult to find an objective basis for comparison. However, judging from the market data that ATEN has been able to collect, it appears that ATEN's share of the global consumer KVM switch market, by shipment volume, is around 60%; ATEN has for many years been the leading player in this market segment. In the enterprise-class KVM switch and network application KVM switch segment, ATEN has market share (by shipment volume) of nearly 20%, making ATEN the third largest player in this market segment, but still with plenty of room for further growth.

C The Outlook for Market Supply and Demand and Growth

Judging from the current state of the global KVM switch market, data center central management solution still constitute the KVM market mainstream, and represent the main driver of growth. In the past, North America was by far the largest market for data center central management solution. However, with the rapid pace of development of the Internet and the advances that have been achieved in technology, there has recently been significant growth in demand for KVM switches in Asia and Europe, particularly from government agencies and financial institutions. With the consumer and enterprise-class KVM markets more or less saturated, demand for replacement of existing KVM switches is derived mainly from the upgrading of interface specifications. There has been a gradual shift away from analog VGA interface towards DVI (Digital Visual Interface) or DisplayPort interface, which can provide users with better, more stable image quality.

Traditionally, the main source of demand for KVM switch vendors has been for the use of KVM switches in control rooms and data centers, where they are used in server connection and management solutions. This market segment will continue to grow steadily over the next few years, but the growth will be relatively slow. Given the expected trends in terms of technology development and markets, there are two areas where stronger growth is likely to be seen. From the point of view of individual technology users, the dawning of the mobile era has brought pronounced demand for multiple-device management. At the same time, there is also clear demand for operational technology management solutions among telecommunications operators, financial institutions, factories, business enterprises and other organizations. In targeting these two potential growth areas, ATEN has already allocated considerable resources towards technology and product development, and will be rolling out a series of related products and solutions.

According to data compiled by market research firm InfoComm, the global market for professional audiovisual equipment is now a very large one, with an extremely wide range of applications, including exhibitions and trade shows, corporate applications, radio and TV broadcasting, government administration, defense, education, training, marketing, retail outlet operation, home applications, entertainment, rental, performance venue operation, etc. Currently, North America is still the largest regional market, followed by Europe and the Asia Pacific region. Infocomm forecasts a global CAGR of 14% over the period 2012 – 2015. Growth will be even higher in some emerging markets, particularly in the Asia Pacific region, Latin America, the Middle East, and Eastern Europe. The application markets that are projected to post the highest growth include education, corporate, entertainment, and digital signage.

D The Company's Competitive Niche

- (a) An outstanding R&D team whose constant innovation and technological breakthroughs enable ATEN to enjoy the advantage of being the market leader.
- (b) The ability to offer total solutions for remote management, backed up by a comprehensive high-end, mid-range and entry-level product line, enabling ATEN to meet the needs of different customers and different market segments.
- (c) First-class international marketing personnel, superior distribution channels and a comprehensive global marketing network, enabling ATEN to respond rapidly to changes in market demand.
- (d) A strong brand; ATEN products are renowned for their high quality and reliability.
- (e) An effective IP strategy that makes it difficult for new entrants to challenge ATEN's leading position in the market.
- (f) A dominant position as the leading manufacturer of mid-range and entry-level KVM products.

E Positive and Negative Factors for the Future Development, and the Company's Response to Such Factors.

(a) Positive factors

- ATEN has been developing its KVM product line for over 10 years, and the "ATEN" brand enjoys a first-class reputation throughout the global market.
- Outstanding, consistent product quality.
- A systematically-developed global sales network covering all major regions, providing a solid foundation for future revenue growth.
- Steadily expanding product application scope, with a gradual expansion from KVM products towards A/V and intelligent PDU product lines, creating the foundation needed to drive revenue and earnings growth in the future.
- First-class, highly-experienced R&D and production technology teams.
- High-end core technology capabilities that include IC design, hardware, monitoring software / firmware, video networked communications, etc., and effective use of patents to maintain competitive advantage.
- A business philosophy based on integrity and practical, down-to-earth management.
- Ongoing corporate social responsibility (CSR) initiatives that are helping to strengthen the company's public image.
- Harmonious collaborative relationships with partner companies.
- Ongoing cultivation and recruitment of outstanding human talent.
- Sound financial underpinnings.

(b) **Negative factors**

- The global economic downturn.
- Exchange rate fluctuations.
- The emergence of new competitors.
- Consumers' lack of product knowledge.
- Piracy and intellectual property violations.

(c) **Measures that can be adopted to address the negative factors**

- While continuing to rely on KVM products as the main source of sales revenue and profits, ATEN can actively develop its Audio/Video and Intelligent PDU (Power Distribution Unit) product lines to avoid becoming too heavily dependent on a single product line in a period of economic uncertainty, thereby helping to ensure consistent earnings performance.
- Having the finance and accounting department implement ongoing monitoring of exchange rate fluctuations in all receivables currencies, to strengthen the company's ability to forecast price trends, while using financial tools to implement effective hedging against exchange risk. In addition, U.S. Dollar denominated debt and net asset positions can be adjusted on an ongoing basis in response to U.S. Dollar exchange rate fluctuations.
- In response to the continuing increase in the number of competitor firms in the medium- and low-end segment of the KVM market, ATEN will be leveraging its first-class product development and R&D capabilities to achieve a higher level of differentiation and enhanced product quality, thereby avoiding being dragged into vicious price competition. Providing efficient maintenance and repair service, and superior customer service in general, will also help ATEN to differentiate itself from price-slashing competitors. ATEN will also be taking legal action against firms that violate ATEN's trademarks and patents, to protect the company's interests.
- By marketing "solutions" rather than products, and by making effective use of other marketing and promotional techniques, ATEN can make it easier for potential customers – including system integrators, ordinary business enterprises, government agencies and individual consumers – to gain a greater understanding of KVM products, while spreading awareness of the benefits that KVM devices offer in terms of being energy-saving, environmentally-friendly, space-saving, and enhancing overall control room performance.
- Efforts can be made to step up investigation of the pirating of ATEN products, with concrete measures being taken to protect ATEN's exclusive rights to the sale of its patented products.

(2) Suppliers and Customers that Have Accounted for 10% or More of ATEN's Total Purchasing or Total Sales during Either of the Last Two Years

A Suppliers that have accounted for 10% or more of ATEN's total consolidated purchasing during either of the last two years:

(Unit : NT\$ thousands)

2011			2012		
Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)
NA			NA		
Total Purchasing	1,558,574	—	Total Purchasing	1,330,674	—

The Company's consolidated suppliers(excluding ATEN manufacturing subsidiaries) scattered around the world. There is no single supplier that has accounted for 10% or more of ATEN's total consolidated purchasing during either of the last two year.



B Customers that have accounted for 10% or more of ATEN's total consolidated sales during either of the last two years:

(Unit : NT\$ thousands)

2011			2012		
Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)
NA			NA		
Total Net Sales	4,403,940	—	Total Net Sales	4,275,862	—

The Company's consolidated customers(excluding ATEN subsidiaries) scattered around the world. There is no single customer that has accounted for 10% or more of ATEN's total consolidated customer during either of the last two year.

(3) Production Volume and Production Value for the Last Two Years

(Units : pieces / NT\$ thousands)

Product Line \ Year	2011			2012		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
KVM switches	323,138	254,453	427,974	263,189	222,997	393,332
Video Products	110,639	87,122	52,451	111,614	94,569	72,838
Other	29,922	23,562	5,642	23,916	20,264	10,012
Total	463,699	365,137	486,067	398,719	337,830	476,182

(4) Sales Volume and Value for the Last Two Years

(Units : pieces / NT\$ thousands)

Product Line \ Year	2011				2012			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
KVM switches	72,127	118,496	1,003,341	2,230,387	56,531	92,914	1,018,830	2,067,088
Video Products	11,791	10,189	249,705	263,484	12,795	10,999	274,095	314,954
Other	180,897	40,492	1,219,187	265,539	180,039	46,694	1,054,681	268,623
Total	264,815	169,177	2,472,233	2,759,410	249,365	150,607	2,347,606	2,650,665

Employees

The number of ATEN International employees, their average years of service, average age and education levels

Year		2011	2012	As of March 31, 2013
Numbers of employees	Managerial and sales personnel	335	344	334
	R&D personnel	162	155	152
	Production line workers	105	105	109
	Total	602	604	595
Average age		37	37.73	37.82
Average length of service		7.48	7.80	7.92
Education	Ph.D.	0.66%	0.49%	0.5%
	Masters	21.60%	22.30%	22.88%
	Bachelor's Degree	53.65%	51.14%	50.75%
	Senior High School	14.29%	15.90%	15.92%
	Below Senior High School	9.80%	10.17%	9.95%

V. Financial Information

Abbreviated Balance Sheet and Income Statement for the Last Five Years

► A. Non-consolidated Abbreviated Balance Sheet

(Unit: NT\$ thousands)

(Unit: RY thousand)

Financial Data for the Past Five Years ¹						
Item		2012	2011	2010	2009	2008
Current assets		1,251,726	1,333,029	1,257,805	1,030,136	1,428,514
Long-term investments		1,042,808	912,479	772,753	612,113	476,928
Fixed assets		1,229,769	1,310,830	1,323,965	1,673,035	1,026,012
Intangible assets		46,159	53,467	71,879	109,725	119,725
Other assets		575,916	533,859	558,107	186,778	167,827
Total assets		4,146,378	4,143,664	3,984,509	3,611,787	3,219,006
Current liabilities	Before distribution	1,039,512	1,101,229	1,022,444	879,961	655,716
	After distribution	Note 2	1,519,378	1,512,277	1,238,374	931,518
Long-term liabilities		—	—	—	—	—
Other liabilities		157,330	136,206	85,732	51,679	57,186
Total liabilities	Before distribution	1,196,842	1,237,435	1,108,176	931,640	712,902
	After distribution	Note 2	1,655,584	1,598,009	1,290,053	988,704
Common Stock		1,194,711	1,194,711	1,194,711	1,194,711	1,103,209
Capital Surplus		325,628	325,735	319,288	319,294	280,287
Retained Earnings	Before distribution	1,462,287	1,400,363	1,374,357	1,160,130	1,120,475
	After distribution	Note 2	982,214	884,524	801,717	767,448
Unrealized loss on financial instruments		(4,565)	(6,309)	(2,825)	(4,463)	(9,040)
Cumulative foreign currency translation adjustments		(30,825)	(15,478)	(26,384)	(6,711)	(6,013)
Unrealized gain on revaluation (long-term investments under equity method)		17,186	17,186	17,186	17,186	17,186
Treasury stock		—	—	—	—	—
Net loss not recognized as pension cost		(14,886)	(9,979)	—	—	—
Shareholders' equity	Before distribution	2,949,536	2,906,229	2,876,333	2,680,147	2,506,104
	After distribution	Note 2	2,488,080	2,386,500	2,321,734	2,230,302

Notes: 1. Data for 2008 – 2012 has all been audited by a certified public accountant.

2. Pending for shareholders' meeting resolution.

► **Non-consolidated Abbreviated Income Statement**

(Unit: NT\$ thousands)

Financial Data for the Past Five Years ¹						
		2012	2011	2010	2009	2008
Net Sales		2,801,272	2,928,587	2,862,665	2,276,896	2,842,835
Gross profit		1,394,405	1,353,315	1,216,776	995,768	1,260,557
Net Gross profit		1,410,051	1,304,113	1,212,708	1,012,790	1,289,525
Operating income		417,180	448,192	420,666	266,774	444,089
Non-operating Income and Gain		165,296	226,090	310,455	175,587	89,766
Non-operating Expense and Loss		24,035	36,531	91,924	45,478	110,708
Continuing Operating Income before Tax		558,441	637,751	639,197	396,883	423,147
Continuing Operating Income after Tax		481,776	515,839	572,640	392,682	392,370
Cumulative Effect of Change in Account Principles		—	—	—	—	—
Net Income		481,776	515,839	572,640	392,682	392,370
EPS (NT\$)	Before prior period adjustment	4.03	4.32	4.79	3.30	3.51
	After prior period adjustment	Note 2	—	—	—	3.28

Notes: 1.The data for 2008 – 2012 has all been audited by a certified public accountant.
2.Pending for shareholders' meeting resolution.

Financial Ratios for the Last Five Years

Financial Data for the Past Five Years						
Item		2012	2011	2010	2009	2008
Financial structure	Debt ratio (%)	29	30	28	26	22
	Ratio of Long-term fund to fixed asset (%)	240	222	217	160	244
Liquidity Ratios	Current ratio (%)	120	121	123	117	218
	Quick ratio (%)	92	96	100	96	181
	Times interest earned (times)	513	377	861	828	2,075
Operating ratios	Receivables turnover (turns)	4.82	4.59	4.69	3.66	4.19
	Receivables turnover days	76	80	78	100	87
	Inventory turnover (turns)	5.53	6.61	8.67	6.52	6.94
	Inventory turnover days	66	55	42	56	53
	Payables turnover (turns)	4.27	3.47	3.98	4.11	5.67
	Fixed asset turnover (turns)	2.28	2.23	2.16	1.36	2.77
	Total assets turnover (turns)	0.68	0.71	0.72	0.63	0.88
Profitability ratios	Return on assets (%)		12	13	15	12
	Return on equity (%)		16	18	21	15
	As share of paid-in capital (%)	Operating profit	35	38	35	22
		Net income before tax	47	53	54	33
	Profit ratio (%)		17	18	20	17
	Earnings per share (NT\$)		4.03	4.32	4.79	3.30
Cash flow	Cash flow ratio (%)		41	54	49	89
	Cash flow adequacy ratio (%)		97	92	108	108
	Cash flow reinvestment ratio (%)		0.30	3	5	18
Leverage	Degree of operating leverage		2.68	2.59	2.46	3.13
	Degree of financial leverage		1	1	1	1

VI. Analysis of Risk Management

1. The effect upon the company's profit (loss) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

(1). The effect of interest rate fluctuations

(Unit : NT\$ thousands)

Item \ Year	2012	2011
Interest Income	1,382	839
Interest Expense	1,091	1,694
Net Income	481,776	515,839
(Interest Income-Interest Expense) / Net Income	0.06%	-0.17%

ATEN has consistently maintained a healthy financial structure, with dedicated personnel responsible for close interaction with ATEN's banks. The company makes effective use of a range of financial tools to reduce the risk associated with interest rate fluctuations. For the last two years, ATEN's net interest income amounted to less than 1.0% of the company's net income; the impact of interest rate fluctuations on the company has thus been very limited.

(2). The effect of exchange rate fluctuations

A ATEN's products are heavily oriented towards the export market, with exports accounting for over 90% of total sales in 2011 and 2012. Prices for export sales are normally calculated in U.S. dollars, and as imported materials account for only a small share of total materials costs, ATEN does not benefit from the "natural hedging" effect. Exchange rate fluctuations can thus have a significant impact on the company's operations. The impact of exchange rate loss on the company's sales revenue and profits in 2011 and 2012 are outlined below :

(Unit : NT\$ thousands)

Item	2012	2011
Gain on foreign Exchange, Net (1)	-9,546	6,869
Net Income before Tax (2)	558,441	637,751
Net Income (3)	2,801,272	2,928,587
(1)/(2)	-1.71%	1.08%
(1)/(3)	-0.34%	0.23%



B The response measures to be taken

- (a) Careful recording the exchange rate at the time which receivables and payments are made into the account, and using forward contracts for hedging purposes. ATEN maintains close contacts with its banks, and collects information relating to exchange rate movements, enabling the company to keep its finger on the pulse of exchange rate movements, thereby avoiding, or at least minimizing, exchange rate risk.
- (b) In accordance with ATEN's Procedures for the Acquisition and Disposal of Assets, the company reviews its foreign exchange positions twice a month. ATEN is constantly monitoring market fluctuations, so as to be able to adjust its hedging strategy as necessary.

(3). The effect of changes in the inflation rate

ATEN constantly monitors market price movements, and maintains close relations with both suppliers and customers. As a result, in 2011 and 2012, ATEN has not suffered any serious impact from inflation.

2. The company's policy regarding high-risk investments, highly leveraged investments, loan to other parties, endorsement, guarantees, and derivatives transactions; the main reasons for the profit/losses generated thereby; and response measures to be taken in the future.

- (1). The Company did not engage in high-risk, high-leverage investment or make loans to others in 2012.
- (2). The great majority of the Company's business transactions are denominated in foreign currency. To hedge against exchange rate risk, the Company engaged in forward exchange transactions with banks with good credit ratings for hedging purpose so as to minimize our exchange rate exposure.

3. R&D work to be carried out in the future, and future expenditures expected for R&D work.

(Unit : NT\$ thousands)

R&D Plans	Current Progress	Further Expenditure Required	Anticipated Date of Commencement of Volume Production
Over the Net solutions for Server Room Management Solutions	Ongoing	84,000	Q4, 2013
SOHO and Consumer KVM Solutions	Ongoing	20,000	Q3, 2013
Video and Data Communication Solutions	Ongoing	59,000	Q4, 2013
Embedded Server Management Solutions and ATCA Products	Ongoing	14,900	Q3, 2013
KVM ASIC	Ongoing	20,000	Q1, 2014
Audio& Video Broadcasting Solutions	Ongoing	50,000	Q1, 2014
Wireless Audio& Video Solutions	Ongoing	24,000	Q2, 2013
Industrial Control Solutions	Ongoing	10,500	Q2, 2013
PE and Green Energy Solutions	Ongoing	23,952	Q3, 2013
EC and Green Energy Solutions	Ongoing	6,843	Q4, 2013
HV and Green Energy Solutions	Ongoing	3,422	Q3, 2014

4. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

ATEN undertakes ongoing monitoring of the political and economic situation both in Taiwan and overseas, and of changes in the legal and regulatory environment, and takes appropriate measures in response as necessary. The changes in government policy in Taiwan (and overseas) in the last few years, and the changes in the legal environment, have not had any significant impact on the company's financial health.

5. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

ATEN specializes in the development, manufacturing and sale of network management and computer peripheral devices. The company uses its participation in exhibitions, trade shows and conferences to obtain information about the industry of which it is part and to keep up-to-date with the latest market news. Today, when the pace of change in technology is so rapid, demand for computer networking and monitoring equipment is rising steadily, which has helped to boost demand for ATEN's KVM switches and industrial controller products. ATEN's outstanding technology and high competitiveness, coupled with a business development strategy that emphasizes innovation, will help ATEN to achieve even more impressive results in the future.

6. Effect on the company's crisis management of changes in the company's corporation image, and measures to be taken in the future.

ATEN adhere product quality and customer service and has always enjoyed a high reputation within the industry. The company was chosen to be a recipient of Commonwealth magazine's Top 10 Corporate citizen Award in Medium-Sized Enterprises in 2012. This is the fourth time that ATEN received the reward in Medium-Sized Enterprises since Commonwealth magazine began the event six years ago, reflecting ATEN's commitment to developing high-quality, high-value-added products that can contribute to the raising of Taiwan's overall national competitiveness, while providing a stable return on investment for shareholders. At the same time, ATEN has continued to donate money for local educational, cultural, and community development activities, which has had a significant positive impact on the company's corporate image.



7. Expected benefits and possible risk associated with any merger and acquisitions, and mitigation measures being or to be taken.

ATEN has not undertaken any merger or acquisition activity in 2012, or in 2013 (up until the present time).

8. Expected benefits and possible risk associated with any plant expansion and mitigation measures being or to be taken.

In response to the introduction by the Chinese government of new tariff-exemption measures relating to foreign-invested enterprises operating in China, ATEN's Board of Directors approved a proposal to restructure Expand, the assembly plant that ATEN established in Shenzhen, China through indirect investment, into a wholly-owned subsidiary named Expand Electronics Co., Ltd. The new, wholly-owned factory received its operating permit on January 6, 2011, and will continue to play an important role in helping ATEN to reduce production costs and reduce risk through the operation of multiple production sites in different locations.

9. Risk associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

ATEN's consolidated suppliers and customers (excluding ATEN subsidiaries) scatter around the world. No single supplier and customer accounted for 10% or more of total consolidated purchases and sales, respectively. There is therefore no serious risk due to excessive customer concentration.

10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

Not applicable.

11. Effects of, risks relating to and response to changes in control over the Company.

Not applicable.

12. Litigious and non-litigious matters. List major litigious or administrative disputes that : (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the price of the company's securities.

- (1) ATEN sued a former employee on behalf of ATEN RESEARCH INC. In November 2005, the district court ordered the accused to pay compensation to ATEN RESEARCH INC. In addition, because the former employee sold a part of a provisional attachment in the form of stock to third parties, ATEN sued and requested the former employee to restore the related stock. In March 2009, ATEN lost the lawsuit against its former employee in the Taoyuan District Court. As a result, ATEN filed an appeal with the Taiwan High Court. ATEN won the lawsuit in the High Court, and the decision has been appealed to the Supreme Court. The Supreme Court overruled the decision made by the High Court because there were certain issues that were not clearly investigated and returned the case to the High Court for further investigation. On November 20, 2012, the high court ruled in favor of ATEN, but the defendant appealed to the Supreme Court against the ruling. As such, it is difficult at this stage to determine the final outcome of the case. Even if the final adjudication is unfavorable to ATEN, ATEN will not have any compensatory loss other than the stock and its corresponding dividends.

As of December 31, 2012 and 2011, ATEN had pledged cash and time deposits of \$23,106 and \$25,506, respectively, for an injunction.

- (2) As of December 31, 2012 and 2011, ATEN had sued certain competitors for infringing ATEN's patents. In order to request the court to proceed with the provisional attachment and seizure procedures, ATEN pledged cash and time deposits of \$105,400 and \$124,000 as of December 31, 2012 and 2011, respectively. One competitor filed suit against ATEN in the Intellectual Property Court and the Supreme Court. Another two competitors have reached an agreement with ATEN. Two other competitors lost the lawsuits and has compensate ATEN accordance to the ruling of the court. Other competitors still have certain lawsuits against ATEN in several courts. As of December 31, 2012, these lawsuits were still in progress, and the results cannot be determined.

- (3) In 2006, due to infringement of ATEN's patent by Belkin Corporation, Belkin Logistics Inc., JustCom Tech Inc., RATOC System International Inc., RATOC Systems, Inc., and Emine Technology Co., Ltd., ATEN filed a claim with the US International Trade Commission (ITC) seeking a ban on the importation of the infringed products into the USA. JustCom Tech Inc., RATOC System International Inc., and RATOC Systems admitted the infringement of ATEN's patent. However, the ITC ruled that Belkin Corporation, Belkin Logistics Inc., and Emine Technology Co., Ltd. did not infringe the patent, and ATEN appealed the case to the United States District Court for the Eastern District of Texas. The Eastern District of Texas considered the case should be under the jurisdiction of California, therefore the case was transferred to the United States District Court of California. Belkin Corporation and Belkin Logistics Inc. agreed to settle with ATEN, and ATEN withdrew the claim on December 2, 2011. The US court issued a default judgment against Emine Technology Co., Ltd. because Emine Technology Co., Ltd. did not plea according to US legal procedures. The adjudication is certain for sure.

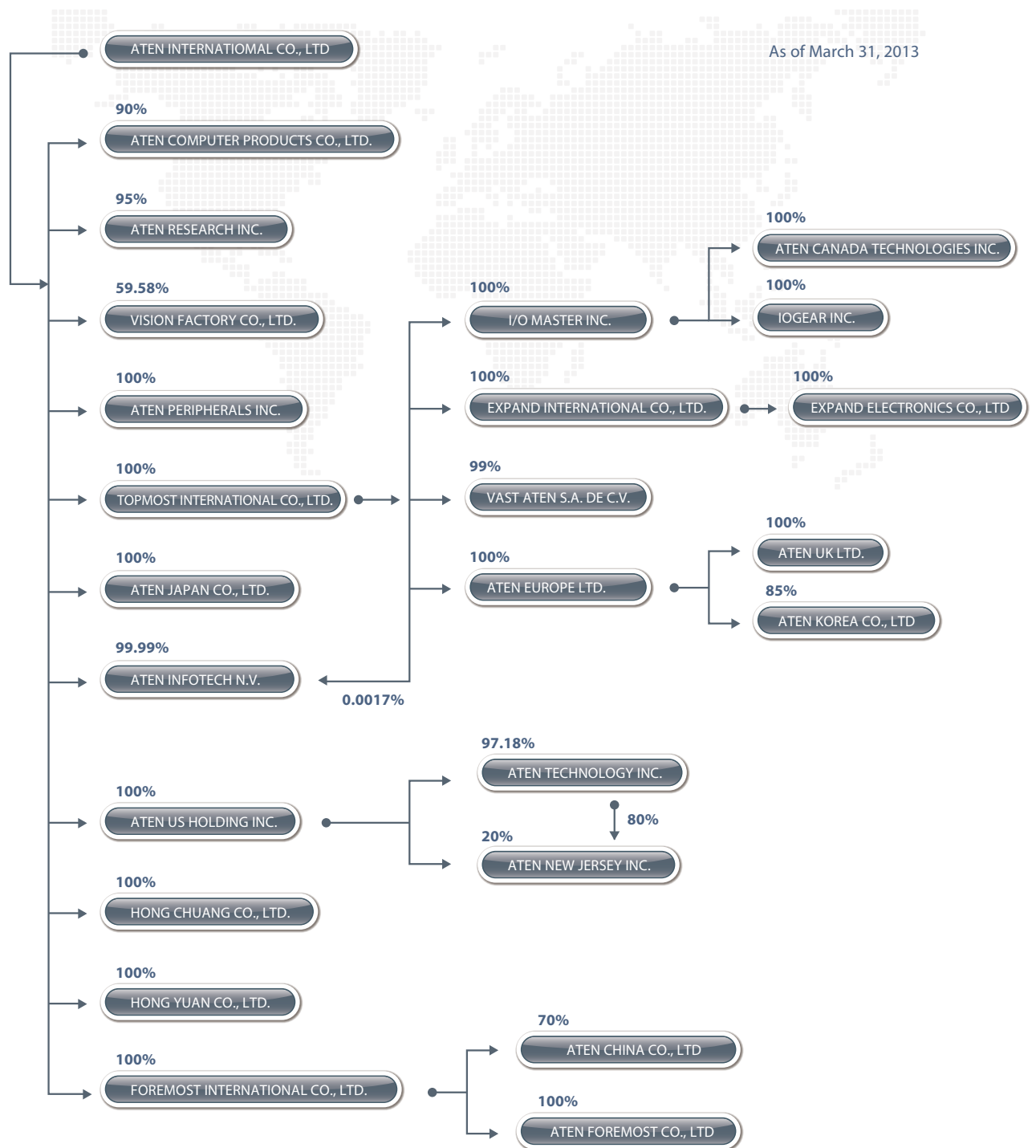
- (4) In 2007, Avocent Redmond Corp. sued ATEN, ATEN TECHNOLOGY, and other competitors for allegedly infringing its patent. In September 2012, Avocent Redmond Corp. agreed to settle with ATEN, and a patent licensing deed was signed between both parties, with ATEN paying related royalties.

13. Other important risks, and mitigation measures being or to be taken.

None.

VII. Affiliated Enterprises

1. Organization Chart of Affiliated Enterprises



2. Basic Information of Affiliated Enterprises

As of March 31, 2013

Name	Date of Establishment	Address	Paid-in capital	Major businesses or products
ATEN COMPUTER PRODUCTS CO., LTD.	1990.10	870 MUNGKORN RD. BANGKOK 10100, THAILAND	12,000,000 baht	Trading of electronic products
ATEN RESEARCH INC.	1990.09	19641 Da Vinci, Foothill Ranch, CA 92610	US\$598,000	Trading of electronic products
VISION FACTORY CO., LTD	1970.12	F1, No. 59, Lane 169, Sec. 1, Hsi-One Road, Sijhih District., New Taipei City 221, Taiwan	NT\$108,624,000	Special printing
ATEN PERIPHERALS INC.	1999.06	6F., No.133, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$15,000,000	Trading of electronic products and equipment
TOPMOST INTERNATIONAL CO., LTD.	1999.07	Scotia Centre, 4th Floor, P.O. Box2804, George Town, Grand Cayman, Cayman Islands.	US\$700,000	General investment
EXPAND INTERNATIONAL CO., LTD.	1999.07	Suite 11, Level 2 Niamall, Saleufi Samoa	US\$689,965	Manufacturing
ATEN TECHNOLOGY, INC.	1996.03	19641 Da Vinci, Foothill Ranch, CA 92610	US\$2,749,562.5	Trading of electronic products and equipment
ATEN INFOTECH N.V.	2000.11	Mijnwerkerslaan 34, 3550Heusden-Zolder, BELGIUM	EUR\$1,250,000	Trading of electronic products and equipment
ATEN JAPAN CO., LTD	2004.03	ATEN Bldg. 8-4, Minami-senju 3-chome, Arakawa-ku, Tokyo 116-0003 Japan	¥80,000,000	Trading of electronic products and equipment
VAST ATEN S.A. DE C.V.	2004.06	Galileo No. 55 1er piso Col. Polanco 11560 México, DF.	US\$100,000	Trading of electronic products and equipment
ATEN EUROPE LTD.	2006.05	229 BERWICK AVENUE, SLOUGH, BERKSHIRE, SL1 4QT	GBP\$1,069,000	General investment
ATEN UK LTD.	2006.05	229 BERWICK AVENUE, SLOUGH, BERKSHIRE, SL1 4QT	GBP\$650,000	Trading of electronic products and equipment
ATEN US HOLDING INC.	2006.11	2711 CENTERVILLE ROAD SUITE400, WILMINGTON, DELAWARE 19808	US\$3,380,000	General investment
ATEN NEW JERSEY INC.	2006.08	155 Pierce Street, Somerset, NJ 08873, U.S.A.	US\$800,000	Trading of electronic products and equipment
ATEN KOREA CO., LTD	2007.03	153-801 B-dong 303 ho, 60-5 Gabeul Grate Valley, Gasan-dong, Geumcheon-gu, Seoul, Korea	Won \$1,200,000,000	Trading of electronic products and equipment
FOREMOST INTERNATIONAL CO., LTD.	2007.04	St James Court, Suite 308, St Denis Street, Port Louis, Republic of Mauritius	US\$2,180,500	General investment
ATEN CHINA CO., LTD	2007.11	18/F, Tower A, Horizon International Tower, No. 6, Zhichun Road, Haidian District Beijing, China 100088	RMB\$12,000,000	Trading of electronic products and equipment
ATEN FOREMOST CO., LTD	2008.01	No.5 Luotian Industrial Park, Songgang Street Baoan District Shenzhen China	HK\$7,500,000	Manufacturing
I/O MASTER INC.	1999.03	OFFSHORE CHAMBERS, P.O. BOX217, APIA, SAMOA	US\$ 1,000,000	General investment
ATEN CANADA TECHNOLOGIES INC.	1998.09	#180-13091 VanierPlace, Richmond, B.C.V6V 2J1,CANADA	CAD\$ 100	Research development
IOGEAR INC.	2001.03	19641 Da Vinci, Foothill Ranch, CA 92610	US\$ 100	Trading of electronic products and equipment
EXPAND ELECTRONICS CO., LTD	2011.11	Building 184, Yanluo Road, Luotian Community, Songgang Subdistrict, Bao'an District, Shenzhen	RMB\$ 15,000,000	Manufacturing
HONG CHUANG CO., LTD.	2011.7	6F., No.137, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$ 16,000,000	General investment
HONG YUAN CO., LTD.	2011.7	6F., No.137, Sec. 2, Datung Rd., Sijhih District., New Taipei City 221, Taiwan	NT\$ 16,000,000	General investment

3. Operational Performance of Affiliated Enterprises

as of December 31, 2012; Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Stockholders' Equity
ATEN COMPUTER PRODUCTS CO., LTD.	12,704	11,585	609	10,975
ATEN RESEARCH INC.	16,307	742	0	742
VISION FACTORY CO., LTD	108,624	182,506	80,611	101,895
ATEN PERIPHERALS INC.	15,000	63,502	31,783	31,719
TOPMOST INTERNATIONAL CO., LTD.	22,183	402,500	0	402,500
EXPAND INTERNATIONAL CO., LTD.	21,414	277,378	16,203	261,175
ATEN TECHNOLOGY, INC.	87,432	469,366	467,066	2,300
ATEN INFOTECH N.V.	53,127	342,180	227,196	114,984
ATEN JAPAN CO., LTD.	25,152	231,523	163,086	68,436
VAST ATEN S.A. DE C.V.	3,342	1,038	0	1,038
ATEN EUROPE LTD.	67,182	110,338	0	110,338
ATEN UK LTD.	30,838	41,377	33,909	7,468
ATEN US HOLDING INC.	107,871	4,782	0	4,782
ATEN NEW JERSEY INC.	26,120	79,128	66,541	12,587
ATEN KOREA CO., LTD	33,686	164,123	78,442	85,681
FOREMOST INTERNATIONAL CO., LTD.	69,731	110,685	0	110,685
ATEN CHINA CO., LTD	56,614	212,102	116,407	95,696
ATEN FOREMOST CO., LTD	29,349	61,606	24,749	36,857
I/O MASTER INC.	20,391	26,805	0	26,805
ATEN CANADA TECHNOLOGIES INC.	3	29,163	2,795	26,368
EXPAND ELECTRONICS CO., LTD	68,086	191,043	114,018	77,025
HONG CHUANG CO., LTD.	16,000	119,159	7,578	111,581
HONG YUAN CO., LTD.	16,000	94,971	5,271	89,700

Note: Limited Company

as of Dec. 31, 2012; Unit: NT\$ thousands

Company Name	Net Sales	Operating Income	Net Income	EPS (NT\$)
ATEN COMPUTER PRODUCTS CO., LTD.	0	-105	-82	-0.27
ATEN RESEARCH INC.	0	-71	-95	-31.71
VISION FACTORY CO., LTD	110,641	-9,292	-7,927	-0.73
ATEN PERIPHERALS INC.	154,631	15,671	13,248	8.83
TOPMOST INTERNATIONAL CO., LTD.	0	-201	20,463	29.23
EXPAND INTERNATIONAL CO., LTD.	0	-95	-2,127	-3.08
ATEN TECHNOLOGY, INC.	1,127,137	-102,661	-104,744	-67.60
ATEN INFOTECH N.V.	613,540	48,678	28,491	488.33
ATEN JAPAN CO., LTD.	303,051	38,922	20,707	12,941.95
VAST ATEN S.A. DE C.V.	0	0	0	0.00
ATEN EUROPE LTD.	0	-1,038	19,171	17.93
ATEN UK LTD.	72,536	1,442	1,080	1.66
ATEN US HOLDING INC.	0	-19	-100,881	-46.28
ATEN NEW JERSEY INC.	327,458	3,006	1,399	1.75
ATEN KOREA CO., LTD	197,400	26,336	23,156	192.97
FOREMOST INTERNATIONAL CO., LTD.	0	-12,346	15,078	6.91
ATEN CHINA CO., LTD	501,918	45,585	34,497	Note
ATEN FOREMOST CO., LTD	199,086	3,208	2,855	Note
I/O MASTER INC.	0	-30	3,292	4.70
ATEN CANADA TECHNOLOGIES INC.	17,682	680	3,322	Note
EXPAND ELECTRONICS CO., LTD	729,627	-4,538	-5,463	Note
HONG CHUANG CO., LTD.	0	-313	75,511	47.19
HONG YUAN CO., LTD.	0	-234	53,630	33.52

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Memo





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