

Annual Report

2013

ATEN INTERNATIONAL CO., LTD
Stock Code : 6277



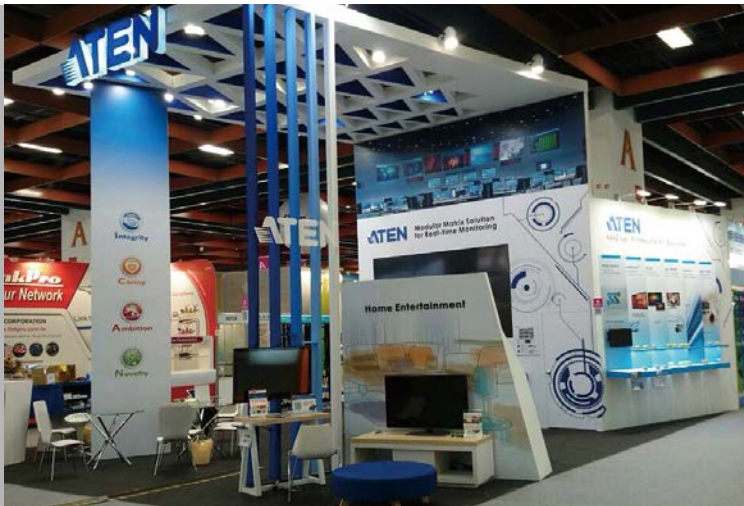
The background of the entire page is a grayscale photograph showing several hands working together to assemble white puzzle pieces. The puzzle pieces are interlocking, and the hands are positioned around them, some holding them in place. The image is slightly out of focus, emphasizing the hands and the puzzle pieces. A solid blue rectangular area is overlaid on the left side of the image, containing the 'About ATEN' text.

About ATEN

For 35 years ATEN International Co., Ltd. (TAIEX: 6277) has been the world's leading manufacturer of connectivity and access management solutions. Offering integrated IT Infrastructure Access Management, Professional Audio/Video, and Energy Intelligence Power & Cooling Distribution System. ATEN solutions streamline the management of electronics in home, office, commercial, industrial, and enterprise environments with a portfolio of 320+ products distributed worldwide. ATEN has 400+ issued patents and an international R&D team that produces a steady stream of innovative solutions every year. ATEN's consolidated sales for 2013 came to NT\$4,572 million. Headquartered in Taiwan, ATEN International Co., Ltd. has subsidiaries in China, Japan, Korea, Belgium, the U.S., the U.K., and Russia; with R&D centers in Taiwan, China and Canada. For more information about ATEN, please visit <http://www.aten.com>

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Report to Shareholders

Dear Shareholders,

FY2013 saw a gradual improvement in the state of the global economy. Thanks to the combined efforts of all ATEN employees, both in Taiwan and overseas, ATEN posted impressive earnings performance in FY2013, with consolidated net sales revenue rising to a record high. Consolidated net sales revenue for the whole of FY2013 was NT\$4,571 million, 6.9% up on FY2012. ATEN's operating margin for the full year was NT\$2,652 million, giving a gross profit margin of 58%. Operating expenses fell by 11% (compared to FY2012) to NT\$1,751 million. Consolidated earnings after tax in FY2013 came to NT\$741 million, representing an annual increase of 54.8%; ATEN's after-tax earnings per share (EPS) in FY2013 were NT\$6.20 per share.

The past year has seen impressive achievements in the development of all three of ATEN's main product lines: IT Infrastructure Access Management Solutions, Professional Audio & Video Product Solutions, and Green Energy Business. In the IT Infrastructure Access Management Solutions segment, besides developing remote management devices that are compatible with new types of video interface and which support a larger number of ports, ATEN has also been developing centralized management software that enables IT personnel to implement centralized management of multiple different devices that are in different locations and operating on different platforms, while also handling user authorization and incident recording. In addition, ATEN has been developing CCVSR (Control Center Video Session Recorder) software solutions that make it possible for business enterprises to perform follow-up on IT incidents and monitor users' accessing of servers, while also supporting compliance management and auditing operations. Benefiting from the trends towards integrated hardware/software management, process automation, IP-based remote management, more rigorous separation of internal networks from the public Internet on the part of corporate customers, etc., ATEN has continued to grow its market share in both the enterprise-class and consumer market segments. In the Professional Audio & Video Product Solution segment, in response to the shift from analog to digital interfaces in recent years, the growing market for digital electronic signage, rising demand for long-distance transmission, and the growth in HDMI and "4k2k" ultra-high-definition multimedia transmission, etc., ATEN has rolled out new HDMI matrix switch solutions, 4k2k video splitters, fiber optic signal

extenders, etc., which are able to provide superior image quality in a wide range of different usage environments, including government offices, airports, military facilities, schools and colleges, factories (for monitoring purposes), and large-scale convention centers. ATEN has already established itself as a leading provider of Professional Audio & Video Product Solutions in the corporate and educational market segments; in the future, ATEN will continue to expand into other industry sectors. In its Green Energy Business product line, ATEN provides a full range of energy-saving solutions, including a comprehensive range of "green energy" PDUs (Power Distribution Units) and energy-saving "eco-PDU" sensor solutions, which can help to optimize energy usage, enhance overall operating performance, and create environmentally-friendly control rooms. Besides energy intelligence rack PDU and eco sensor software, ATEN also produces "Energy Boxes" that make it possible for business enterprises to rapidly upgrade their existing IT resources, thereby cutting costs and achieving efficient, energy-saving power management.

As regards ATEN's future product strategy and product development planning, in the Professional Audio & Video Product Solutions segment, having joined the HDBaseT Alliance and rolled out new products that support the "4k2k" Ultra HD standard, in the coming year ATEN will be introducing a new, high-end modular matrix system, emphasizing high flexibility and support for multiple interfaces, in order to support a wider range of videoconferencing room, control center, trading center and video wall applications. In the IT Infrastructure Access Management Solutions segment, ATEN will continue to implement the DCCMS (Data Center Centralized Management Solution) concept, working to achieve maximum control room equipment management coverage, and to keep pace with the major trends affecting data centers (including the shift towards cloud computing and virtualization). In the Green Energy Business solutions segment, besides our current main products – which include energy intelligence rack PDU, eco sensor software and Energy Boxes – ATEN will also be responding to the new trends towards energy-saving control rooms and the related business opportunities by working to develop new energy allocation, energy conversion and communications technology, focusing on the energy control market. With regard to product sales and market development, over the past year



Kevin Chen, Chairman
and President



ATEN has achieved impressive results in its global sales network; sales of ATEN products in the U.K., China, Japan and South Korea have risen to record levels. In FY2014, ATEN will continue to strengthen its collaborative partnerships with system integrators and distributors, providing first-class support service in individual markets, while also working to develop the bid market and to grow ATEN's market share in each regional market. At the same time, ATEN will also continue to establish new business locations throughout the world. For example, ATEN has been particularly impressed by the growth potential of the Russian market. ATEN has already opened a representative office in Russia and has been recruiting local talent; it is anticipated that sales in the Russian market will continue to grow in the coming year. ATEN is also considering establishing new service facilities in the Middle East and in Eastern Europe in FY2014, to facilitate direct communication with end-users in these markets, which in turn would help ATEN to flesh out its global network. In the area of logistics management, ATEN will be utilizing the adoption of new IT systems and production technology to achieve ongoing improvement of internal management processes and to enhance factory production efficiency, thereby strengthening overall organizational efficiency and bringing costs down, which in turn will help to further improve ATEN's earnings performance.

ATEN received numerous awards and honors in FY2013 in recognition of its achievements in R&D and in the promotion of sustainable operation. Having been awarded Taiwan Excellence in a row, last year ATEN was also the recipient of the Best Choice Award gold medal and of the d&i (Design & Innovation) award at the Computex exhibition in Taipei; these awards have helped to showcase ATEN's outstanding technology innovation and industrial design capabilities. As regards our company's commitment to protecting the environment, ATEN recently "adopted" a stretch of beach, and encourages company employees to participate in beach clean-up activities. For Earth Day, ATEN took part in a "Green Arts and Crafts Fair," the purpose of which was to educate the public about the importance of environmental sustainability. As part of its corporate social responsibility (CSR) activities, ATEN was involved in a charity walk activity organized by the Syin-Lu Social Welfare Foundation, helping the Foundation to achieve its fund-raising goals. ATEN has also been involved in helping to improve the quality of education in disadvantaged areas, for example by donating equipment to Gukeng Elementary School in Taiwan's

Yunlin County to improve the school's learning environment. Last year, ATEN ranked third in CommonWealth magazine's Corporate Citizenship Awards list of the best corporate citizens in Taiwan. All of these activities and awards are a reflection of ATEN's commitment to sustainable, responsible operation. In the current era of rapid evolution of information technology and of the Internet, besides continuing to grow its core business and develop innovative new products and technologies, ATEN is also constantly monitoring political and economic developments, both domestic and international. Through its involvement in industry associations, attendance at trade fairs and exhibitions, and participation in conferences and seminars, ATEN is able to stay up-to-date with the latest industry news and keep pace with market trends. This in turn makes it possible for ATEN to respond appropriately to changes in the legal and regulatory environment and in the overall business environment, while also taking concrete steps to combat intellectual property piracy so as to protect ATEN's rights in relation to the sale of its patented products. ATEN's impressive sales performance, financial performance, and CSR achievements in FY2013 reflected the valued support that ATEN has received from customers, investors, shareholders and the general public. In the future, ATEN will continue to adhere to its corporate philosophy, which emphasizes putting the customer first, developing innovative technologies, and providing high-quality service. Besides achieving and maintaining the status of a world-leading provider of connector and management solutions, ATEN will also be maintaining rigorous corporate governance through efficiency enhancement and cost control, while participating in corporate social responsibility 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	<ul style="list-style-type: none"> Initial establishment and registration of the Company as HOZN Automation Co. Ltd.
1982	<ul style="list-style-type: none"> Introduced the first product – a central control series for home appliances to monitor and operate security sensors, lighting and power switches remotely.
1984	<ul style="list-style-type: none"> Introduced DATA Switch BOX products.
1986	<ul style="list-style-type: none"> Introduced MP series Auto Switch and Converter Series.
1987	<ul style="list-style-type: none"> Introduced INDATA industrial Computer Series.
1988	<ul style="list-style-type: none"> HOZN Automation Co. Ltd. renamed as ATEN International Co. Ltd. Started manufacturing of power supplies for computers.
1991	<ul style="list-style-type: none"> Introduced ATEN Brand Products. Introduced ATEN ASIC CHIP.
1992	<ul style="list-style-type: none"> Launched world's smallest printer buffer. Launched the first ATEN product AS251P. Launched AS-248 product series, printer switch - controlled via LAN.
1996	<ul style="list-style-type: none"> Obtained the ISO-9002 quality certification. Established U.S. subsidiary "ATEN TECHNOLOGY INC."
1999	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 / KL9116, CS52 Series and CS62DU & CS62D received "Taiwan Excellence" award from the Ministry of Economic Affairs. 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".



Milestones

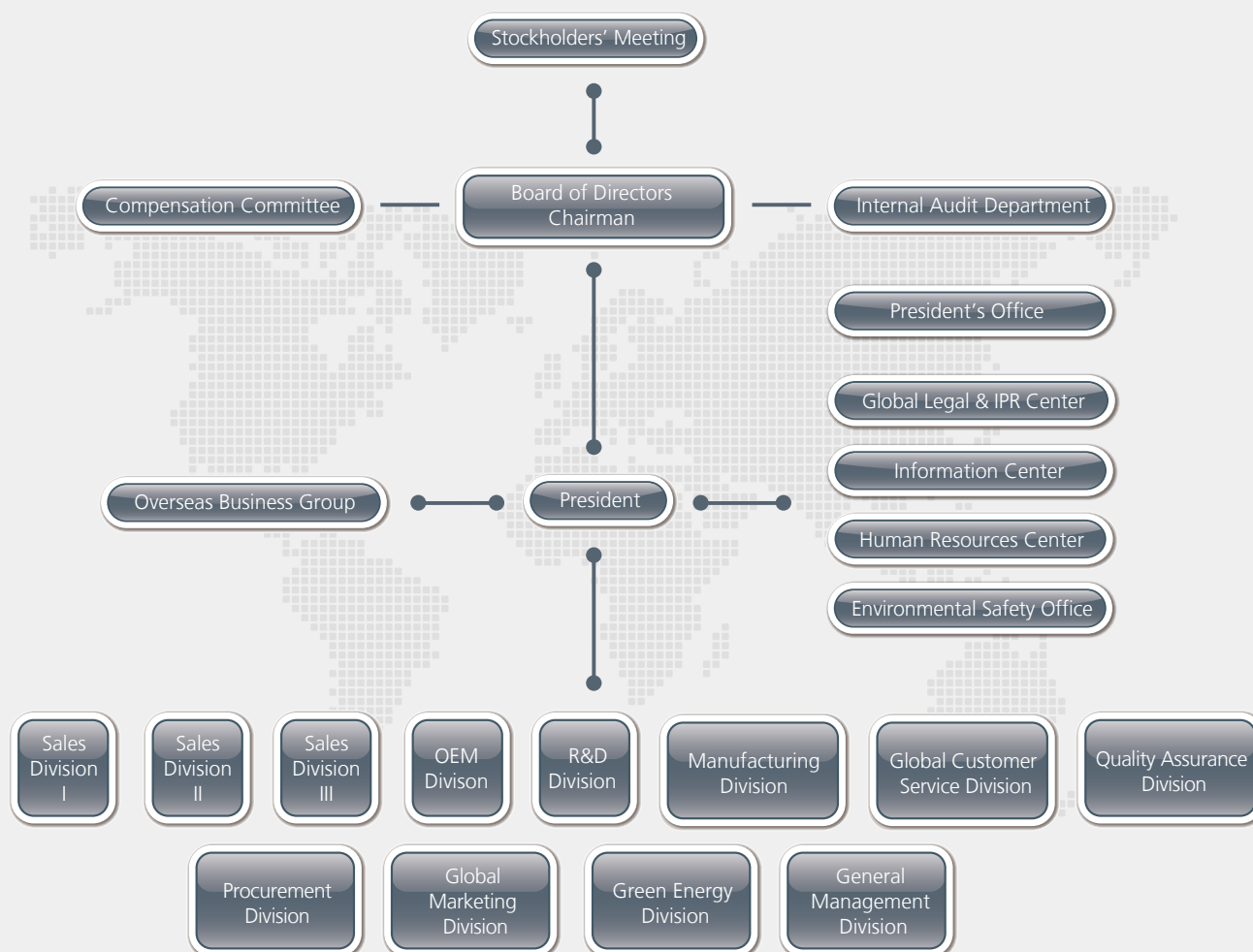
Key Milestones in the Company History

	<ul style="list-style-type: none"> • 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 / CL5716 and CS1782 / CS1784 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. • Established Moscow office in Russia.
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. • EC2004 energy box won Computex 2013 "Best Choice Award" gold medal. • KL1516Ai Over IP LCD KVM won Computex 2013 "d&i Award." • ATEN released 2012 "ATEN Corporate Social Responsibility Report" • ATEN received the "2013 Taiwan's Excellence in Corporate Social Responsibility" award from Common Wealth magazine, placing 3rd among top 50.
2014	<ul style="list-style-type: none"> • VE892 and CCVSR 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.
Sales Division III	Market development for Middle Africa and South Africa 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. • 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 two independent directors.</p> <p>Board of directors regularly evaluates the independence of external auditors.</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>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</p>	<p>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</p>	<p>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. Following customers' and national regulation, ATEN would not use and produce items which are forbidden by law.</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: Through global customer satisfaction survey once a year, after-sales service satisfaction survey once a week, quality control, and audit system, ATEN collects customers' responses, analyzes demand, upgrade service quality, and provide excellent solutions. ATEN has also established communication channels like e-support platform into its corporate website and eService APP, to make it easy for customers to submit queries and comments.</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</p>	<p>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:</p> <p>The Company has implemented a self corporate governance evaluation and disclosed on MOPS for reference.</p>

Continuing Education/Training of Directors and Supervisors in 2013

Title	Name	Date	Host	Training Title	Duration
Director	LUNG-CHI TSAI	9/3	Taiwan Securities & Futures Institute	Recent Revisions to the Company Act and the Challenge to the Concept of Corporate Juristic Person Status	3
		9/24	Taiwan Securities & Futures Institute	Practical Aspects of the Work of Audit Committees in Taiwan	3
		9/26	Taiwan Securities & Futures Institute	Combating New Types of Insider Trading	3
Supervisor	SHIU-TA LIAO	9/24	Taiwan Securities & Futures Institute	Practical Aspects of the Work of Audit Committees in Taiwan	3
Supervisor	SE-SE CHEN	9/24	Taiwan Securities & Futures Institute	Practical Aspects of the Work of Audit Committees in Taiwan	3

Continuing Education/Training of Management in 2013

Title	Name	Date	Host	Training Title	Duration
CFO	Stephen Chen	9/27	Taiwan Securities & Futures Institute	Seminar on Preventing Insider Trading	3
		10/30	Taiwan Securities & Futures Institute	Methods for Controlling Costs and Expenses, and Techniques for Strengthening Implementation	6
		12/6	Taiwan Securities & Futures Institute	How to Read Financial Statements Compiled According to the IFRSs	4

IV. Operational Highlights



Business Activities

(1). Scope of Business

A Main Activities

- Designing, manufacturing and selling of IT infrastructure access management solution products.
- Designing, manufacturing and selling of professional A/V products.
- Designing, manufacturing and selling of intelligence energy management solution products.
- Designing, manufacturing and selling of various types of resource sharing devices.
- Designing, manufacturing and selling of interface converters, extenders and splitters.

B Major Product Lines and Contributions to Total Sales

(Unit : NT\$ thousands)

Item \ Year	2012		2013	
	Amount	Ratio (%)	Amount	Ratio (%)
IT Infrastructure Access Management Solution Products	2,927,174	68.46%	3,065,481	67.06%
Video products	453,861	10.61%	626,267	13.70%
Other products	894,827	20.93%	879,264	19.24%
Total	4,275,862	100.00%	4,571,012	100.00%

C Products and Services Provided by the Company

Since its establishment in 1979, ATEN has dedicated itself to the development of different types of connector, controller and management devices, in line with our vision of "Simply Better Connections" and our goal of creating value for industry and for society as a whole. Thanks to many years of hard work, ATEN is now able to provide a comprehensive range of "total solutions" that encompass IT Infrastructure Access Management Solutions, Professional Audio & Video Product Solutions, and Green Energy Solutions. In the IT Infrastructure Access Management Solutions segment, ATEN provides comprehensive solutions that help customers to manage PCs, servers, networking equipment, data storage devices, power splitters and other IT equipment more efficiently. Besides our core KVM switch (for simultaneous control of multiple computers from a single or multiple sets of keyboard, video monitor and mouse) product line, ATEN also offers LCD KVM switches, multi-port matrix switch products and video extenders. ATEN is thus able to provide total solutions for the remote, centralized management of large control rooms and data centers. ATEN's IP based KVM, Over-IP PDU and IP based serial signal management devices are integrated using centralized management software with freeze screen management function; ATEN's solutions are both powerful and easy to use.

Since 2008, ATEN has been developing its VanCryst professional audio/video systems product line. The VanCryst product range includes video switches, video splitters, video extenders and video converters that support a variety of different interfaces. For large-scale medium- and high-end audio and video applications, the VanCryst range offers multi-port matrix switches and long-range extenders. With superb image quality enhancement function and easy-to-use remote management software, ATEN's VanCryst products constitute a simple, innovative solution.

In 2012, ATEN launched its NRGence™ "green energy" product line, with "Energy Intelligence" as its core vision. NRGence comprises a series of environmentally-friendly control room solutions that help to optimize energy usage.

Other ATEN product lines include USB hubs, USB extenders, and many different types of interface converters, extenders, splitters, switches, etc.

D New Products and Services Currently Being Developed

Integration and applications 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.
SOHO and Consumer KVM Series product integration and applications	<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. (5) Development of game controller switch products.
Audio & Video Broadcasting series product integration and applications	<ul style="list-style-type: none"> (1) Development of high-definition, long-range video transmission products. (2) Development of fiber optic interface products.
Wireless Audio & Video series product integration and applications	Development of wireless technology applications and products.
Industrial Control and Data Communication series product integration and applications	Development of products suited to the challenging environmental conditions that characterize industrial control environments, and development of remote management solutions.
"Smart" centralized control of audio/video devices and other products	<ul style="list-style-type: none"> (1) Development of centralized control boxes. (2) Development of user interface software for control applications. (3) Development of design integration software tools.
PE series electric power and green energy integration and applications	<ul style="list-style-type: none"> (1) Development of new-generation intelligence PDU and "green energy" sensors. (2) Undertaking R&D work relating to the efficient use of energy. (3) Undertaking R&D work relating to "green data center" overall cooling, ventilation, electric power and energy efficiency.
EC series electric power and green energy integration and applications	Development of data center environment monitoring and measurement tools for improving energy conservation.
HV series electric power and green energy integration and applications	Development of third-generation, high-efficiency cooling systems for data centers.

(2). An Overview of the Industry

A The Current Status and Future Development of the Industry

As regards the current state of the IT infrastructure management industry, with the steady increase in computer and Internet usage, IT infrastructure has tended to become larger and more complex, leading to the emergence of an entire industry dedicated to meeting IT infrastructure management needs. From the point of view of the end user, the number of alternative products available is limited, so market demand has continued to grow steadily. The key factors affecting market growth can be summarized as follows:

- 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 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.

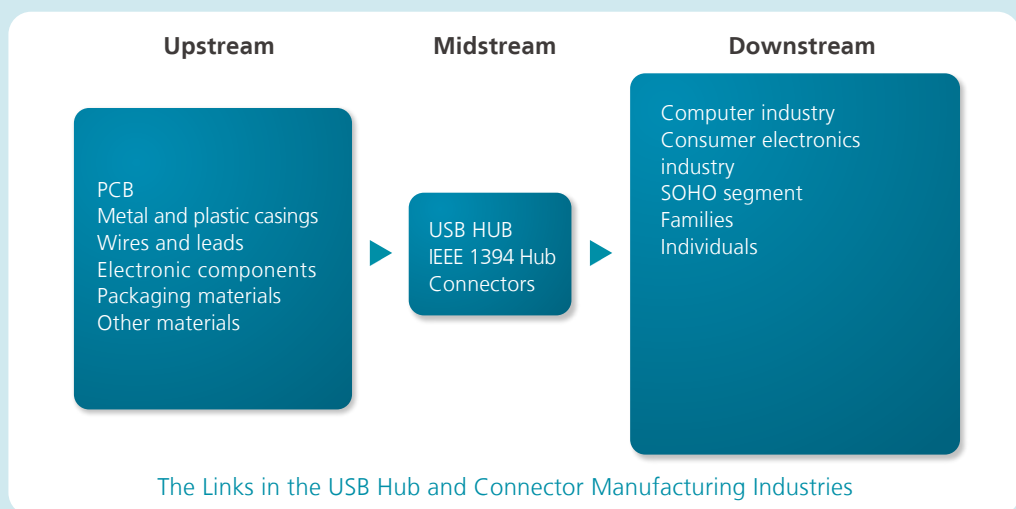
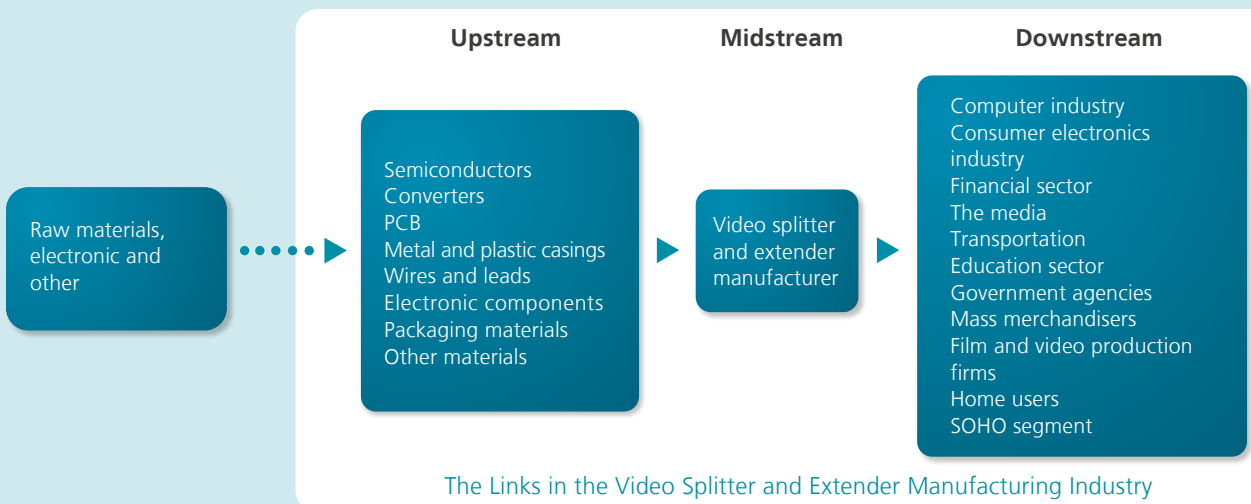
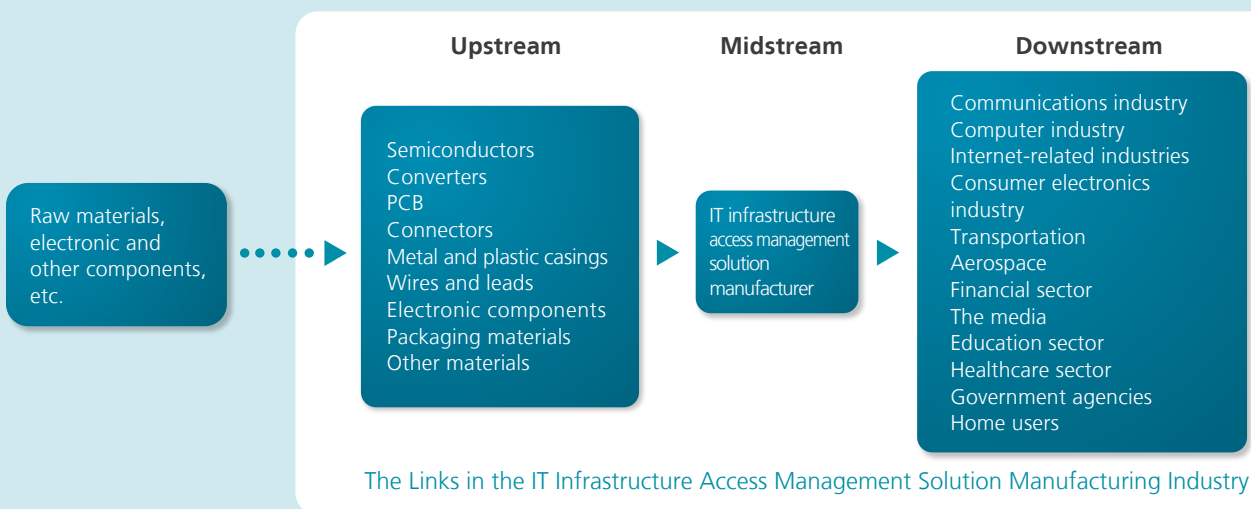
The professional Audio/Video equipment market is a new market that ATEN has been avidly developing since 2008. According to market research reports, the industry will maintain steady growth at compound annual growth rate of 10% even though it has seen robust market growth. For emerging markets in particular,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

- a. The growth of profession 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.
- d. The dramatic improvement in video and audio quality: Digitalization has been followed by a steady improvement in the quality of both audio and video. Video image resolution has evolved from SDTV to HDTV, Full HD, 3D, and now 4k2k (Ultra-HD), while audio quality has seen a progression from 2.1 systems to 5.1 and now to 7.1. The rapid pace of change has created significant business opportunities, in terms of demand for upgrading of existing audio/video equipment.

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 It infrastructure access management solution products, professional audio/video products, green energy products and related products. 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.



© 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 IT infrastructure access 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

IT infrastructure access management solution products on the market are comprehensive in conventional IT applications, be it in the arena of SOHO, SMB, enterprise or data center. But they also have 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.

© The Competition for the Products

Compared to other computer product industry, the competitive situation for IT infrastructure access management solution 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 in 2009.

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

A R&D Expenditures

(Unit : NT\$ thousands)

Year	2012	2013	Jan. to Mar. 2014
Amount	357,927	386,893	100,660
Percentage of Sales	8.37%	8.46%	8.92%

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 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:

- Development, integration and application of Over the Net solutions for Server Room Management.
- Development, integration and application of SOHO and Consumer KVM.
- Development, integration and application of Audio& Video Broadcasting.
- Development, integration and application of Wireless Audio& Video.
- Development, integration and application of Industrial Control and data communication.
- Development, integration and application of Intelligence 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

- In the enterprise-class segment, while continuing to position Professional Audio & Video Product Solutions as the main growth driver, ATEN will be giving an important ancillary role to IT Infrastructure Access Management Solutions and Green Energy Solutions, seeking to achieve effective integration of brand, customer and market resources, so as to be able to offer products and services that provide users with even greater value. In the consumer product segment, ATEN will continue to leverage its strong brand to roll out new products that conform to market needs, while bringing ATEN closer to the end-users of its products.
- Following on from becoming a member of the HDBaseT alliance in FY2013, and from launching new products that support "4k2k" (Ultra-HD), ATEN is also planning to launch new, high-end modularized products, with an emphasis on flexibility and on support for multiple interfaces; these new products will bring ATEN up to a new level in terms of the applications that its products support within the Professional Audio & Video Product Solutions segment. In the IT Infrastructure Access Management Solutions and Green Energy Solutions segments, ATEN will be taking advantage of the new business opportunities presented by the trends towards cloudification, virtualization and energy conservation, etc., and will be working actively to develop new products that can stimulate overall revenue growth for ATEN.
- 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.
- ATEN will be leveraging its new European logistics center and its distribution warehouse in Finland to strengthen the company's global logistics capabilities. ATEN is also planning to expand its network of overseas after-sales service centers, so as to enhance the overall quality and scope of the ATEN after-sales service platform.

(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.
- In line with the principle of comparative advantage, ATEN will be utilizing an international division of labor in its production activities, striving for flexible, efficient coordination of its Taiwan-based and China-based production capacity; this will enable ATEN both to reduce its production costs and spread risk more effectively.

(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.
- ATEN will be establishing a new customer relationship management (CRM) system, strengthening its relationships with its sales partners, and working actively to develop the bid market, with the aim of increasing ATEN's market share across all regional markets.
- Securing new ODM/OEM customers to develop this segment of the market.
- With regard to branded marketing, ATEN will be working actively to establish a global multi-agent network, so as to expand sales of ATEN's own-brand products and achieve a more balanced distribution of sales between own-brand and contract manufacturing.
- ATEN will be fleshing out its network of overseas after-sales service centers, striving for comprehensive globalization and the ability to provide localized support services that will help to maximize brand value.
- 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

- Utilizing continuous improvement of internal management processes and of production efficiency to achieve an enhancement of overall organizational efficiency a reduction of costs and expenses, thereby enhancing ATEN's earnings performance and creating maximum value for society, customers, employees and shareholders.
- 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.
- Implementing steady, ongoing expansion of global operations and service facilities, with the aim of building a more comprehensive global network.
- 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	2012	2013
Americas	34	34
Asia	34	36
Europe	22	23
Other regions	5	3
Domestic sales	5	4

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 AV 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)

2012			2013		
Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)
NA			NA		
Total Purchasing	1,330,674	--	Total Purchasing	1,493,911	--

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)

2012			2013		
Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)
NA			NA		
Total Net Sales	4,275,862	--	Total Net Sales	4,571,012	--

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	2012			2013		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
IT Infrastructure Access Management Solution Products	1,287,661	1,071,220	974,916	1,226,372	1,134,837	1,055,877
Video Products	376,972	322,262	135,837	348,364	326,677	151,762
Other	1,670,015	1,629,257	162,597	1,529,122	1,512,896	172,430
Total	3,334,648	3,022,739	1,273,350	3,103,858	2,974,410	1,380,069

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

(Units : pieces / NT\$ thousands)

Product Line \ Year	2012				2013			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
IT Infrastructure Access Management Solution Products	56,231	137,000	1,004,153	2,790,175	53,804	129,740	1,027,731	2,935,741
Video Products	12,725	15,153	325,978	438,708	12,558	19,755	370,151	606,512
Other	177,666	43,212	1,990,550	851,614	158,921	44,306	1,895,047	834,958
Total	246,622	195,365	3,320,681	4,080,497	225,283	193,801	3,292,929	4,377,211

Employees

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

Year		2012	2013	As of March 31, 2014
Numbers of employees	Managerial and sales personnel	839	847	857
	R&D personnel	239	235	229
	Production line workers	549	508	490
	Total	1,627	1,590	1,576
Average age		33.74	33.52	34.15
Average length of service		3.69	4.06	4.02
Education	Ph.D.	0.4%	0.4%	0.4%
	Masters	10.3%	11.5%	11.8%
	Bachelor's Degree	34.2%	34.9%	35.5%
	Senior High School	22.8%	20.5%	20.2%
	Below Senior High School	32.3%	32.7%	32.1%

V. Financial Information

Abbreviated Consolidated Balance Sheet and Income Statement for the last 5 years

Abbreviated Consolidated Balance Sheet - IFRS

(Unit: NT\$ thousands)

Item		2013	2012
Current assets		2,871,572	2,234,370
Property, plant and equipment		2,102,103	2,120,865
Goodwill		2,756	47,060
Other assets		457,551	456,388
Total assets		5,433,982	4,858,683
Current liabilities	Before distribution	1,587,050	1,409,272
	After distribution	Note 2	979,345
Non-Current liabilities		465,548	447,856
Total liabilities	Before distribution	2,052,598	1,857,128
	After distribution	Note 2	1,427,201
Total Equity attributable to shareholders of the parent company	Before distribution	3,292,690	2,918,686
	After distribution	Note 2	2,524,431
Common Stock		1,194,711	1,194,711
Capital Surplus		333,120	316,963
Retained Earnings	Before distribution	1,764,310	1,426,924
	After distribution	Note 2	1,032,669
Other equity		549	(19,912)
Treasury stock		--	--
Non-controlling interests	Before distribution	88,694	82,869
	After distribution	Note 2	71,423
Total equity	Before distribution	3,381,384	3,001,555
	After distribution	Note 2	2,595,854

Notes: 1. Data for 2012 – 2013 has all been audited by a certified public accountant.

Notes: 2. Pending for shareholders' meeting resolution.

► **Abbreviated Consolidated Balance Sheet – ROC GAAP**

(Unit: NT\$ thousands)

Item		2012	2011	2010	2009
Current assets		2,294,298	2,139,851	1,897,203	1,584,638
Long-term investments		66,349	104,433	96,709	78,401
Fixed assets		1,716,850	1,800,712	1,791,948	1,986,546
Intangible assets		48,915	56,223	75,078	113,071
Other assets		668,924	626,474	660,459	271,178
Total assets		4,795,336	4,727,693	4,521,397	4,033,834
Current liabilities	Before distribution	1,393,370	1,377,554	1,258,548	1,080,949
	After distribution	987,669	947,627	768,715	719,869
Long-term liabilities		151,734	159,466	172,679	96,034
Other liabilities		216,745	195,212	139,138	105,589
Total liabilities	Before distribution	1,761,849	1,732,232	1,570,365	1,282,572
	After distribution	1,356,148	1,302,305	1,080,532	921,492
Common Stock		1,194,711	1,194,711	1,194,711	1,194,711
Capital Surplus		325,628	325,735	319,288	317,277
Retained Earnings	Before distribution	1,462,287	1,400,363	1,374,357	1,160,130
	After distribution	1,068,032	982,214	884,524	801,717
Unrealized loss on financial instruments		(4,565)	(6,309)	(2,825)	(4,463)
Cumulative foreign currency translation adjustments		(30,825)	(15,478)	(26,384)	(6,711)
Unrealized gain on revaluation (long-term investments under equity method)		17,186	17,186	17,186	19,203
Treasury stock		0	0	0	0
Net loss not recognized as pension cost		(14,886)	(9,979)	0	0
Non-controlling interests	Before distribution	83,951	89,232	74,699	71,115
	After distribution	72,505	77,454	74,699	68,448
Shareholders' equity	Before distribution	3,033,487	2,995,461	2,951,032	2,751,262
	After distribution	2,627,786	2,565,534	2,461,199	2,390,182

Notes: 1.The data for 2009 – 2012 has all been audited by a certified public accountant.



► Abbreviated Consolidated Income Statement - IFRS

(Unit: NT\$ thousands)

Item	2013	2012
Net Sales	4,571,012	4,275,862
Gross profit	2,651,810	2,452,716
Operating profit	900,529	483,823
Non operating income and expenses	38,903	150,042
Net income before tax	939,432	633,865
Income from Continuing Operations	756,205	484,659
Income (Loss) from Discontinued Operations	--	--
Net income	756,205	484,659
Other comprehensive income (loss), net of tax	13,178	(20,556)
Total comprehensive income	769,383	464,103
Net income attributable to shareholders of the parent company	741,273	478,840
Net income attributable to non controlling interests	14,932	5,819
Total comprehensive income attributable to shareholders of the parent company	752,102	459,500
Total comprehensive income attributable to non controlling interests	17,281	4,603
EPS (NT\$)	6.20	4.01

Notes: 1.The data for 2012 – 2013 has all been audited by a certified public accountant.



► Abbreviated Consolidated Income Statement – ROC GAAP

(Unit: NT\$ thousands)

Item		2012	2011	2010	2009
Net Sales		4,275,862	4,403,940	4,214,144	3,496,712
Gross profit		2,452,716	2,439,134	2,249,573	1,857,490
Net Gross profit		2,452,716	2,439,134	2,249,573	1,857,490
Operating income		482,900	684,115	634,572	326,083
Non-operating Income and Gain		189,194	82,016	102,592	76,227
Non-operating Expense and Loss		39,045	64,612	108,932	62,936
Continuing Operating Income before Tax		633,049	701,519	636,771	339,374
Continuing Operating Income after Tax		487,219	531,088	580,622	390,699
Income (Loss) from Discontinued Operations		--	--	--	--
Cumulative Effect of Change in Account Principles		--	--	--	--
Net Income		487,219	531,088	580,622	390,699
Net Income attributable to	Shareholders of the parent company	481,776	515,839	572,640	392,682
	Non controlling interests	5,443	15,249	7,982	(1,983)
EPS (NT\$)		4.03	4.32	4.79	3.30

Notes: 1.The data for 2009 – 2012 has all been audited by a certified public accountant.

Consolidated Financial Ratios - IFRS

Item		2013	2012
Financial structure	Debt ratio (%)	38	38
	Ratio of Long-term fund to Property, plant and equipment asset (%)	183	163
Liquidity Ratios	Current ratio (%)	181	159
	Quick ratio (%)	129	108
	Times interest earned (times)	66	40
Operating ratios	Receivables turnover (turns)	8.95	8.37
	Receivables turnover days	41	44
	Inventory turnover (turns)	2.87	2.83
	Payables turnover (turns)	5.02	4.81
	Inventory turnover days	127	129
	Property, plant and equipment asset turnover (turns)	2.16	1.99
	Total assets turnover (turns)	0.89	0.89
Profitability ratios	Return on assets (%)	14.93	10.33
	Return on equity (%)	23.69	16.24
	Pre-tax Income to Paid-in Capital Ratio (%)	78.63	53.06
	Profit ratio (%)	16.54	11.33
	Earnings per share (NT\$)	6.20	4.01
Cash flow	Cash flow ratio (%)	21	37
	Cash flow adequacy ratio (%)	84	108
	Cash flow reinvestment ratio (%)	-1.6	2.21
Leverage	Degree of operating leverage	2.01	3.00
	Degree of financial leverage	1	1

Consolidated Financial Ratios – ROC GAAP

Item			2012	2011	2010	2009
Financial structure	Debt ratio (%)		37	37	35	32
	Ratio of Long-term fund to fixed asset (%)		198	186	182	149
Liquidity Ratios	Current ratio (%)		165	155	151	147
	Quick ratio (%)		220	213	209	202
	Times interest earned (times)		40	43	51	30
Operating ratios	Receivables turnover (turns)		8.37	8.11	7.86	6.24
	Receivables turnover days		44	45	46	58
	Inventory turnover (turns)		2.83	3.14	3.65	3.04
	Inventory turnover days		129	116	100	120
	Payables turnover (turns)		5.14	4.61	4.84	4.49
	Fixed asset turnover (turns)		2.43	2.45	2.35	1.76
	Total assets turnover (turns)		0.90	0.95	0.93	0.87
Profitability ratios	Return on assets (%)		10.52	11.79	13.82	10.21
	Return on equity (%)		16.16	17.86	20.36	14.69
	As share of paid-in capital (%)	Operating profit	40.42	57.26	53.12	27.29
		Net income before tax	52.99	58.72	53.30	28.41
	Profit ratio (%)		11.39	12.06	13.78	11.17
	Earnings per share (NT\$)		4.03	4.32	4.79	3.30
Cash flow	Cash flow ratio (%)		36	54	53	76
	Cash flow adequacy ratio (%)		88	81	93	91
	Cash flow reinvestment ratio (%)		1.95	6.73	8.03	16.34
Leverage	Degree of operating leverage		3.00	2.63	2.44	3.63
	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	2013	2012
Interest Income	3,503	3,294
Interest Expense	14,499	16,266
Net Income	756,205	484,659
(Interest Income-Interest Expense) / Net Income	-1.45%	-2.68%

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 3.0% of the company's consolidated net income; the impact of interest rate fluctuations on the company has thus been very limited.

(2) The effect of exchange rate fluctuations

- Ⓐ ATEN's products are heavily oriented towards the export market, with exports accounting for over 90% of total sales in 2012 and 2013. 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 consolidated sales revenue and profits in 2012 and 2013 are outlined below :

(Unit : NT\$ thousands)

Item	2013	2012
Gain on foreign Exchange, Net (1)	10,386	-1,051
Net Income before Tax (2)	939,432	633,865
Net Income (3)	4,571,012	4,275,862
(1)/(2)	1.11%	-0.17%
(1)/(3)	0.23%	-0.02%

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 2012 and 2013, 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 2013.
- (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.

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	90,400	Q4, 2014
SOHO and Consumer KVM Solutions	Ongoing	22,500	Q3, 2014
KVM ASIC	Ongoing	17,190	Q3, 2014
Audio& Video Broadcasting solutions	Ongoing	85,000	Q2, 2014
Wireless Audio& Video Solutions	Ongoing	25,900	Q2, 2014
Industrial Control and Data Communication Solutions	Ongoing	28,700	Q2, 2014
"Smart" centralized control of audio/video devices and other products	Ongoing	24,000	Q3, 2014
PE and Green Energy Solutions	Ongoing	42,200	Q3, 2014
EC and Green Energy Solutions	Ongoing	12,900	Q4, 2014
HV and Green Energy Solutions	Ongoing	6,400	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 seeks to inculcate its core values of integrity and practicality into every aspect of the company's operations, insisting on the highest standards of product quality and customer service. Within the industry, ATEN has enjoyed a consistently high reputation. ATEN is also renowned for its implementation of corporate social responsibility (CSR) activities; in August 2013, ATEN was once again included in CommonWealth magazine's Corporate Citizenship Awards list of the Top 50 best corporate citizens in Taiwan, placing third 3rd among the Top 50. This was the fifth time that ATEN had been ranked in the top ten since CommonWealth magazine launched the Corporate Citizenship Awards seven years ago. It reflects the fact that, besides continuing to develop high-quality, high-value-added products that contribute to the enhancement of Taiwan's overall national competitiveness, ATEN has also continued to dedicate itself to activities that make a positive contribution towards local education, culture, environmental protection, community development, etc. ATEN's commitment to CSR also has a positive impact on the company's brand 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

Not applicable.

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) The Company 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, the Company sued and requested the former employee to restore the related stock. On November 11, 2013, the Supreme Court ruled in favor of the Company.

As of December 31, 2013 and 2012, and January 1, 2012, the Company had pledged cash and negotiable certificate of deposits of \$30,906, \$23,106 and \$25,506, respectively, for an injunction.

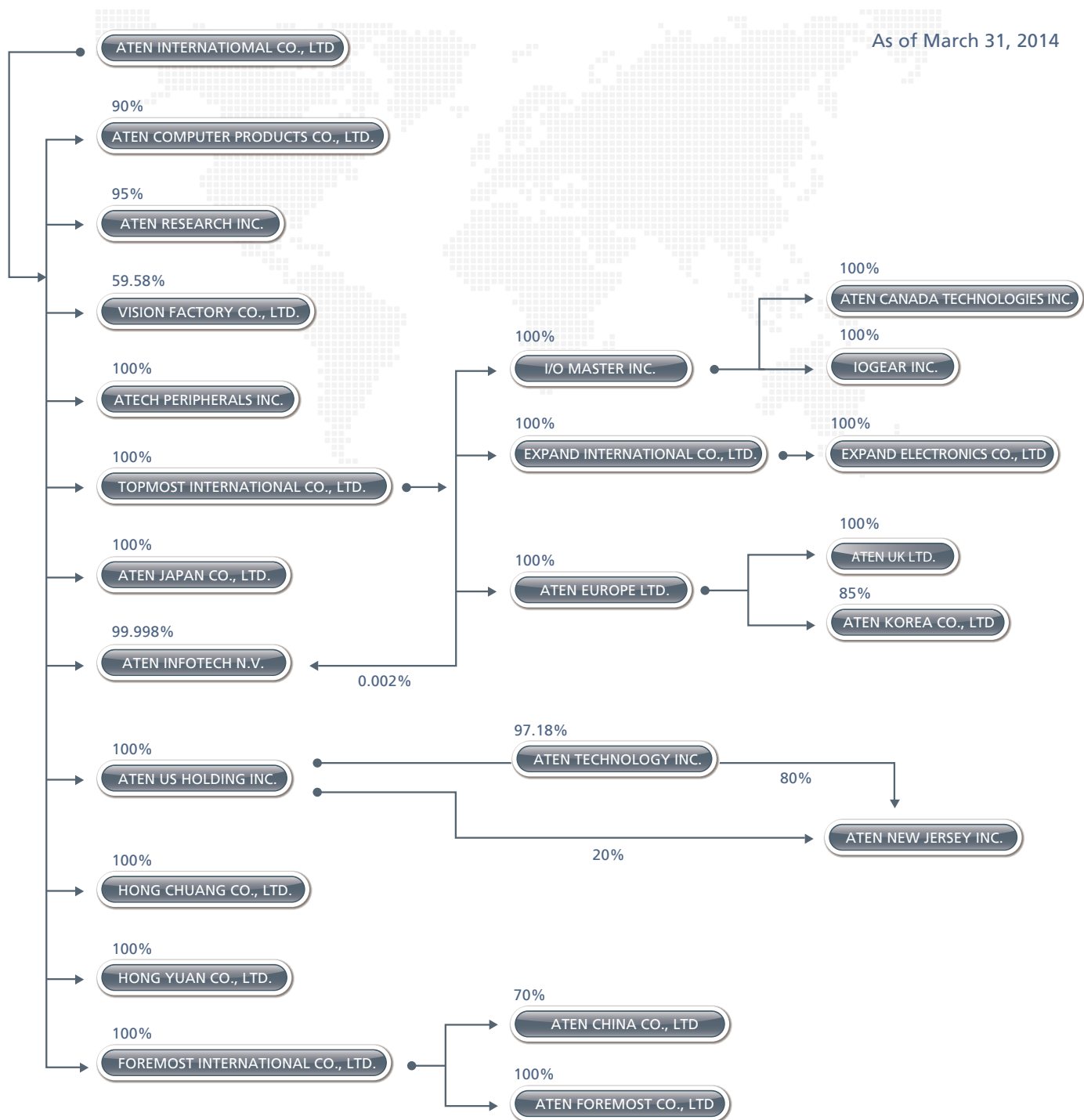
(2) As of December 31, 2013, the Company had sued certain competitors, Yi Feng Technology Co., Ltd, Wei qi Technology Co., Ltd, Heoya Technology Corp., Ltd and Zi qun Technology Co., Ltd for infringing the Company's patents. In order to request the court to proceed with the provisional attachment and seizure procedures, the Company pledged cash and time deposits of \$105,400, \$105,400 and \$124,000 as of December 31, 2013 and 2012, and January 1, 2012, respectively. The Law suits of Yi Feng, Wei qi and Heoya are currently in progress at the Intellectual Property Court. However, Heoya and Zi qun sued the company for abuse of procedural rights. As of December 31, 2013, these lawsuits were still in progress, and the results cannot be determined.

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, 2014

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 peripheral products
ATEN RESEARCH INC.	1990.09	19641 Da Vinci, Foothill Ranch, CA 92610	US\$598,000	Trading of electronic peripheral 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
ATECH 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 peripheral products
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	General investment
ATEN TECHNOLOGY, INC.	1996.03	19641 Da Vinci, Foothill Ranch, CA 92610	US\$2,749,562.5	Trading of electronic peripheral products
ATEN INFOTECH N.V.	2000.11	Mijnwerkerslaan 34, 3550 Heusden-Zolder, BELGIUM	EUR\$1,250,000	Trading of electronic peripheral products
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 peripheral products
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 peripheral products
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 peripheral products
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 peripheral products
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 peripheral products
ATEN FOREMOST CO., LTD	2008.01	No.5 Luotian Industrial Park, Songgang Street Baoan District Shenzhen China	HK\$7,500,000	Manufacturing
VO 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 peripheral products
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 Dec. 31, 2013; Unit: NT\$ thousands

Company Name	Capital	Total Assets	Total Liabilities	Stockholders' Equity	Net Sales	Operating Income	Net Income	EPS (NT\$)
ATEN COMPUTER PRODUCTS CO., LTD.	12,702	11,037	604	10,433	0	-110	-92	-0.31
ATEN RESEARCH INC.	16,310	674	0	674	0	-64	-88	-29.39
VISION FACTORY CO., LTD.	108,624	174,946	83,129	91,817	104,193	-8,088	-7,353	-0.68
ATECH PERIPHERALS INC.	15,000	75,054	41,951	33,103	163,936	15,721	13,106	8.74
TOPMOST INTERNATIONAL CO., LTD.	22,183	454,923	8	454,915	0	-304	36,442	52.06
EXPAND INTERNATIONAL CO., LTD.	21,414	291,108	14,235	276,873	0	-65	5,982	8.67
ATEN TECHNOLOGY, INC.	87,432	537,374	486,854	50,520	1,192,628	57,423	48,155	17.51
ATEN INFOTECH N.V.	53,127	404,745	231,656	173,089	714,825	75,234	48,038	823.36
ATEN JAPAN CO., LTD.	25,152	218,532	136,179	82,353	308,221	44,855	26,202	16,376.16
ATEN EUROPE LTD.	67,182	149,149	0	149,149	0	-569	32,586	30.48
ATEN UK LTD.	30,838	58,602	42,518	16,084	100,412	7,733	8,225	12.65
ATEN US HOLDING INC.	107,872	54,541	0	54,541	0	0	49,327	14.59
ATEN NEW JERSEY INC.	26,120	73,178	45,650	27,528	340,474	21,841	14,576	18.22
ATEN KOREA CO., LTD.	33,686	199,010	86,391	112,618	236,518	38,549	32,036	266.97
FOREMOST INTERNATIONAL CO., LTD.	69,731	140,159	0	140,159	0	-10,547	21,807	10.00
ATEN CHINA CO., LTD.	107,306	577,022	51,878	40,113	107,306	577,022	51,878	Note
ATEN FOREMOST CO., LTD.	44,814	218,348	7,848	5,747	44,814	218,348	7,848	Note
I/O MASTER INC.	20,391	25,138	0	25,138	0	-31	3,309	4.73
ATEN CANADA TECHNOLOGIES INC.	3	30,487	5,775	24,712	18,690	707	3,342	Note
EXPAND ELECTRONICS CO., LTD.	68,086	232,327	142,866	89,461	793,669	17,005	7,871	Note
HONG CHUANG CO., LTD.	16,000	43,938	25	43,913	0	-47	4,155	2.60
HONG YUAN CO., LTD.	16,000	43,052	35	43,017	0	-47	5,447	3.40
IOGEAR INC.	3	3	0	3	0	0	0	0

Note: Limited Company

Spokesperson : Stephen Chen

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