

Stock code : 6277



ATEN INTERNATIONAL CO., LTD

# 2016 Annual Report

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

ATEN annual report is available at: <http://www.aten.com>

Printed on May 15, 2017

Spokesperson : Alex Chen

Title : Senior AVP of General Management Division

Telephone : +886-2-8692-6789

E-mail Address : [ir@aten.com.tw](mailto:ir@aten.com.tw)

Acting Spokesperson : Michelle Chueh

Title : Director of Accounting Department

Telephone : +886-2-8692-6789

E-mail Address : [ir@aten.com.tw](mailto:ir@aten.com.tw)

Headquarter : 3F, No. 125, Sec. 2, Datung Rd., Sijhih District, New Taipei City, Taiwan  
221, ROC

Telephone : +886-2-8692-6789

Factory : No.17, Ln. 30, Xinjiang N. Rd., Sijhih Dist., New Taipei City, Taiwan 221,  
ROC

Telephone : +886-2-2643-2270

Common Share Transfer Agent and Registrar : China Trust Commercial Bank

Address : 5F, No 83, Sec. 1, Chung-Ching S. Rd., Taipei. Taiwan 100, ROC

Website : <https://ecorp.chinatrust.com.tw/cts/en/index.jsp>

Telephone : +886-2-6636-5566

Auditors : KPMG

Address : 68F, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Road, Taipei, Taiwan 110, ROC

Website : <http://www.kpmg.com.tw>

Telephone : +886-2-8101-6666

ATEN's Website : <http://www.aten.com>

#### Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

## Contents

<b>I</b>	<b>Report to Shareholders</b>	1
<b>II</b>	<b>Company Profile</b>	5
<b>III</b>	<b>Corporate Governance Report</b>	11
	1、Company Organization	11
	2、Corporate Governance	13
<b>IV</b>	<b>Operational Highlights</b>	27
	1、Business Activities	27
	2、Market and Sales Overview	45
	3、Employees	52
<b>V</b>	<b>Financial Information</b>	53
	1、Abbreviated Consolidated Balance Sheet and Income Statement for the last 5 years	53
	2、Financial Ratios for the last 5 years	55
<b>VI</b>	<b>Analysis of Risk Management</b>	56
<b>VII</b>	<b>Affiliated Enterprises</b>	61
	1、Organization Chart of Affiliated Enterprises	61
	2、Basic Information of Affiliated Enterprises	62
	3、Operation Performance of Affiliated Enterprises	63

## I. Report to Shareholders

Dear Shareholders,

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

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

Taipei exhibition in 2016, using a “sports bar” style display scenario to demonstrate the full range of ATEN’s Professional Audio & Video solution, Control System solutions, Data Center and IT Management Integration solutions; ATEN’s display attracted a great deal of positive comment.

In its product strategy, ATEN has been focusing on system integrators and value-added resellers as its main target customer group, introducing innovative thinking and user scenario experience approaches to develop a better understanding of users’ needs and of what users find irritating. This research has provided the basis for developing five specific implementation strategies: establishing a digital learning website, optimizing ATEN’s collaborative partner planning for cooperation with distributors, expanding the scope of ATEN’s touring seminar program, establishing a pre-sales planning team, and providing a solution guide. Through these strategies, ATEN will be able to focus more effectively on product innovation, bring across the ATEN brand philosophy, develop ATEN’s core technological capabilities to maximum effect, create new added value, and lead the ATEN Group as a whole in the development of a diversified range of new “blue ocean” business opportunities.

With regard to product development planning for the high-end Professional Audio & Video Product segment, ATEN will be focusing on the video wall, conference center, interactive education and restaurant markets, launching even more advanced modularized array-type and control system solutions. The main focus in ATEN’s design efforts will be on creating intuitive, user-friendly interfaces, simplifying control system switchover procedures and integrating seamless switching technology into ATEN’s core products, to strengthen the company’s competitive advantage. In the IT infrastructure management segment, ATEN will be focusing mainly on data center and control room applications, placing particular emphasis on the development of high-performance KVM switch and serial control server products, developing product lines with different interfaces and specifications, and realizing meaningful product differentiation through the incorporation of mouse port switching function and a human-centered user experience; ATEN is also rolling out a new series of high-resolution, high-pixel-count DisplayPort switches, to meet the needs of users in demanding specialist markets. In the green energy management solutions segment, ATEN will continue to provide data center power application products and “smart” power distribution units (PDUs) to enhance the efficiency and safety of electric power usage, and realize the goal of improving control room energy conservation; ATEN is also paying serious attention to power product requirements in the “smart home” and automation control segments, working to

integrate Professional Audio & Video and “smart energy” devices to enhance system functionality and convenience.

In its strategies for developing overseas markets, ATEN is focusing on building up localized marketing teams that are familiar with the local market and local customer needs, on integrating the resources of ATEN’s subsidiaries and distributors to create product application demo rooms that can enhance the effectiveness of user experience based marketing, and on establishing regional logistics centers to optimize the distribution network, building operational synergy through the linking together of different resources. ATEN will continue to identify countries with significant market development potential and carefully evaluate the feasibility of setting up new overseas business locations, to realize ATEN’s strategic objective of expanding globally while maintaining firm roots in Taiwan.

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

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.

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

Chairman and President – Kevin Chen

## **II. Company Profile**

**1. Date of Incorporation : July 6<sup>th</sup>, 1979**

**2. Key Milestone in the Company History :**

**1979**

- Initial establishment and registration of the Company as HOZN Automation Co. Ltd.

**1982**

- Introduced the first product – a central control series for home appliances to monitor and operate security sensors, lighting and power switches remotely.

**1984**

- Introduced DATA Switch BOX products.

**1986**

- Introduced MP series Auto Switch and Converter Series.

**1987**

- Introduced INDATA industrial Computer Series.

**1988**

- HOZN Automation Co. Ltd. renamed as ATEN International Co. Ltd.
- Started manufacturing of power supplies for computers.

**1991**

- Introduced ATEN Brand Products.
- Introduced ATEN ASIC CHIP.

**1992**

- Launched world's smallest printer buffer.
- Launched the first ATEN product AS251P.
- Launched AS-248 product series, printer switch - controlled via LAN.

**1996**

- Obtained the ISO-9002 quality certification.
- Established U.S. subsidiary "ATEN TECHNOLOGY INC."

**1999**

- Registered as a public company.
- Invested in Topmost International Co., Ltd., a British Cayman Islands entity.
- Invested in Expand International Co., Ltd, a Niue entity, through subsidiary Topmost International Co., Ltd.

**2000**

- CS182/124/1016 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- Developed the first 4-port USB 2.0 hub, and received the world's first USB 2.0 hub



certification. USB Association uses ATEN's creation as USB testing standard.

- Moved the Company's headquarters to 3rd floor, No. 125 Section 2, Datung Road, Sijhih City, Taipei, R.O.C.
- Established Belgium subsidiary "ATEN INFOTECH N.V."

#### **2001**

- CS428/9138 Matrix KVM Switch received "Taiwan Excellence" award from Ministry of Economic Affairs.
- Construction of new factory in Sijhih was completed and factory commenced operations.

#### **2002**

- ACS1714 and ACS1808 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- Obtained the ISO-9001 quality certification.
- GreTai Securities Market approved the registration of the Company's shares under the classification of "Emerging Stock".

#### **2003**

- Listed in the Taiwan Stock Exchange.
- CEO Mr. Kevin Chen was recognized through the 2003 "Golden Merchant Award" given by the Ministry of Economic Affairs.

#### **2004**

- ATEN received "Industrial Technology Advancement" award from the Ministry of Economic Affairs.
- The Company was conferred the 2nd "Golden Root Award" by the Taiwan Industrial Technology Association.
- Established Japan subsidiary "ATEN JAPAN Co., Ltd."

#### **2005**

- KM0432 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- Acquired "Wellsyn Technology Inc." and obtained the key IPMI technology, enabling ATEN to enter the embedded solutions market.
- Launched the first wireless KVM solution – KW1000.

#### **2006**

- KL1116, KM0832 and KA9233 received "2006 Good Design Product Mark Award" (GD-Mark Award) from the Ministry of Economics.
- ATEN Named One of Asia's Best 200 under a Billion by Forbes.
- SMART magazine chose ATEN's CEO for inclusion in its "Three CEOs who will be Making Waves Over the Next Three Years."
- KL1116, KN2116 and CS1774 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- Awarded ISO-14001 certification.

- Established ATEN Europe Ltd.
- Established U.K. subsidiary “ATEN UK Ltd.”
- Established New Jersey - U.S. subsidiary “ATEN New Jersey Inc.”
- Established ATEN US Holdings Inc.

## **2007**

- ATEN received “2007 Taiwan's Excellence in Corporate Social Responsibility” award from Common Wealth magazine.
- Established Korea subsidiary “ATEN ADVANCE CO.,LTD.”, later renamed “ATEN KOREA CO., LTD.” in 2009.
- KH98, KL9108/9116, CS52 Series and CS62DU & CS62D received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- ATEN Opened New R&D Headquarters, Expanded its R&D Team Scale.
- The KVM Switches CS62D/CS62DU and CS52 Series received ”2006 Good Design Product Mark Award” (GD-Mark Award) from the Ministry of Economics.
- Launched world’s first KVM Switch with IPMI-enabled function – KH98.
- The product KVM Switch KL9116 was given the "iF China Award".
- Launched world’s first DVI cable KVM Switch with audio - CS62DU/CS62D.
- Launched world's first 19-inch CAT5 Dual Rail Integrated LCD KVM Switch - KL1508 / KL1516.
- Established Foremost International Co., Ltd.
- Established Beijing - China subsidiary “ATEN China Co., Ltd.”

## **2008**

- KE8220, CL5708/5716 and CS1782/1784 received "Taiwan Excellence" award from the Ministry of Economic Affairs.
- Launched the first USB KVM Switch for Notebooks – CS661.
- Promote enterprise core value – Integrity, Caring, Ambition and Novelty.
- Established manufacturing factory in China “ATEN Foremost Co., Ltd”.

## **2009**

- HDMI KVMP 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 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**

- 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**

- 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**

- 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**

- 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 3<sup>rd</sup> among top 50.

### **2014**

- VE892 and CCVSR received the “Taiwan Excellence” award from the Ministry of Economic Affairs.
- ATEN released 2013 “ATEN Corporate Social Responsibility Report”
- ATEN received a rating of A++ (the highest level) in 2013 Information Disclosure and Transparency Ranking conducted by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX)
- Received *CommonWealth* magazine’s “Excellence in Corporate Social Responsibility” award (ranking 1<sup>st</sup> in the Medium-sized Enterprises section)
- Received a Gold Medal in New Taipei City Government’s “Awards for Best Companies to Work For”
- Received awards as one of the “Top 10 Outstanding Enterprises” and “Top 10 Enterprises for Innovation and R&D” in the 16<sup>th</sup> Golden Peak Awards
- Received the Corporate Award for Standardization in the 15<sup>th</sup> National Standardization Awards organized by the Bureau of Standards, Metrology & Inspection, Ministry of Economic Affairs

### **2015**

- Established Australia and New Zealand subsidiary (ATEN ANZ PTY Ltd.) in Sydney, Australia
- KE6940 received “Taiwan Excellence” award from the Ministry of Economic

## Affairs

- Included in the “2014 Best Taiwan Global Brands” list compiled by Interbrand
- Honored in the 3<sup>rd</sup> Taiwan Mittelstand Awards organized by the Ministry of Economic Affairs
- Received an A++ rating (the highest level) in the 2014 Information Disclosure and Transparency Ranking compiled by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX)
- The ATEN Video Matrix Seamless Switch Series won the Communication Design Award at the Red Dot 2015 design awards
- Received *CommonWealth* magazine’s “Excellence in Corporate Social Responsibility” award (ranking 2<sup>nd</sup> in the Medium-sized Enterprises section)
- ATEN released 2014 “ATEN Corporate Social Responsibility Report”

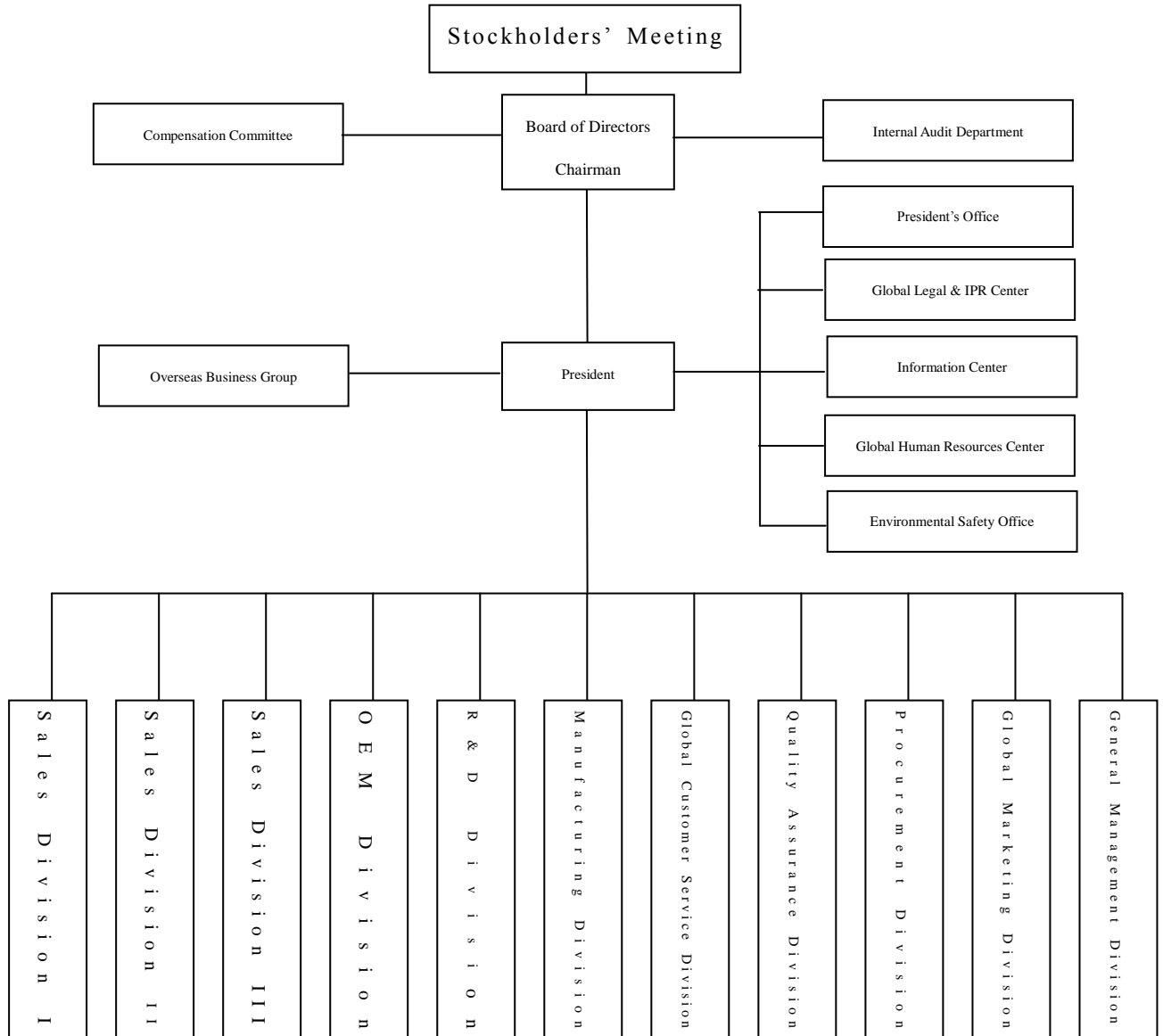
## 2016

- CS782DP and VK2100 received the “Taiwan Excellence” award from the Ministry of Economic Affairs.
- ATEN ranked number one in global KVM market in accordance with the industry research report
- ATEN released the 2015 “ATEN Corporate Social Responsibility Report.”
- The 2015 “ATEN Corporate Social Responsibility Report” was examined and certified by the British Standards Institution (BSI), an independent certification body; this marked the first time that the ATEN CSR Report had received BSI certification.
- ATEN received *CommonWealth* magazine’s “Excellence in Corporate Social Responsibility” award (ranking 4<sup>th</sup> in the Medium-sized Enterprises section)
- Established Turkey subsidiary (ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY)

### III. Corporate Governance Report

#### 1. 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"> <li>• MIS system planning, deployment and management.</li> <li>• Information system program development and maintenance.</li> <li>• Database and information security maintenance and management.</li> <li>• Software and hardware equipment appraisal, deployment and troubleshooting.</li> <li>• Provision of training and guidance for IT personnel.</li> <li>• Document flow management, and data maintenance and management.</li> </ul>
Global Human Resources Center	<ul style="list-style-type: none"> <li>• Formulation of human resources strategy; personnel system establishment and promotion.</li> <li>• Recruitment, appointments and dismissals, training, compensation, performance review, promotion and transfer, incentives and punishments, etc.</li> <li>• Implementation and management of employee relationship operations (including labor-management consultative meetings, guidance, etc.)</li> <li>• Industry-wide human resources analysis and formulation of response strategies.</li> </ul>
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"> <li>• Formulation of occupational injury prevention plans and emergency response plans, and provision of guidance to relevant departments with regard to plan implementation.</li> <li>• Employee health examination planning and employee health management.</li> <li>• Other matters relating to health, safety and environmental management.</li> </ul>
Overseas Business Group	Supervision of overseas subsidiaries.
Sales Division I	Market development for Pan-Asian markets.
Sales Division II	Market development for Eastern European, Russia, and Turkey markets.
Sales Division III	Market development for Australia, New Zealand, 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"> <li>• Purchasing of raw materials and components.</li> <li>• Identification of potential new suppliers, and supplier appraisal.</li> <li>• Purchasing monitoring and documentation management.</li> <li>• Production facility goods inward and billing operations.</li> </ul>
Global Marketing Division	<ul style="list-style-type: none"> <li>• Corporate image building, product marketing and brand development.</li> <li>• Brand and product strategy planning, market trends analysis and distribution channel strategy planning.</li> </ul>
Global Customer Service Division	Customer service, RMA maintenance, e-support platform, technique support, technique training and verification and solution consultation and execution.
General Management Division	<ul style="list-style-type: none"> <li>• General affairs, fixed asset purchasing, etc.</li> <li>• Cash flow management and financing planning, bank transactions, receipts and expenses, and short- and long-term investment management and consultation.</li> <li>• 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.</li> <li>• Information disclosure, investor relations management, matters relating to board meetings and shareholders' meetings, and capital market operations.</li> <li>• Overall planning and implementing general affairs of subsidiaries.</li> </ul>

## 2. Corporate Governance

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
(1). Has the Company formulated and disclosed corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	■		The Company has formulated Corporate Governance Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has disclosed these Corporate Governance Principles for the benefit of related parties on the Market Observation Post System (MOPS) and on the Company's official website: <a href="http://www.aten.com.tw/">http://www.aten.com.tw/</a> .	No significant departure.
(2). Shareholder structure and shareholders' rights				
A. Has the Company formulated internal operating procedures for handling shareholder suggestions, complaints, disputes and lawsuits, and are such matters handled in accordance with these internal operating procedures?		■	Internal operating procedures are under discussion.	Internal operating procedures are under discussion.
B. Maintenance of the list of major shareholders who exercise effective	■		Handled by the Company's shareholder affairs personnel.	No significant departure.



Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
<p>control over the Company, including details of who has final ownership over these major shareholders.</p> <p><b>C.</b> Establishment by the Company of risk control methods and firewalls with respect to affiliates.</p> <p><b>D.</b> Has the Company formulated internal rules that prohibit Company personnel from using market information that is not yet in the public domain for the purpose of buying or selling securities?</p>	<p>■</p> <p>■</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>The Company has formulated Operational Procedures for the Management of Important Internal Information and the Prevention of Insider Trading, and prohibits Company personnel from using market information that is not yet in the public domain for the purpose of buying or selling securities; the rules in question have been disclosed for the benefit of related parties on the Company’s official website: <a href="http://www.aten.com.tw/">http://www.aten.com.tw/</a></p>	<p>No significant departure.</p> <p>No significant departure.</p>
(3) Organization and responsibilities of the				

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
<p>Board of Directors</p> <p>A. Has the Board of Directors formulated a diversity policy regarding its composition, and is this diversity policy being implemented?</p> <p>B. In addition to the compensation committee and audit committee that are required by law, has the Company voluntarily established any other type of functional committee?</p>	<p>■</p> <p>■</p>		<p>The Company has formulated Corporate Governance Principles, which specify a diversity policy according to which the Company should ensure that the Board of Directors includes members with different professional backgrounds, of different genders, and with different work experience. Currently, Susan Lin, the Institutional Director Representative, and Se-Se Chen, the supervisor, are female. All members have varying professional backgrounds in finance, accounting, etc.</p> <p>The Company's Board of Directors approved a proposal to establish a corporate social responsibility (CSR) committee, to exercise oversight over the formulation of the Company's CSR and sustainable development strategies and goals. The Company's Chairman will serve as Chair of the CSR committee, and will appoint eight senior managers (selected in accordance with the key objectives of the Company's CSR promotion strategy) to serve as committee members. Adopting a committee meeting model, the CSR committee will formulate</p>	<p>No significant departure.</p> <p>No significant departure.</p>

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
C. Has the Company formulated Board of Directors performance appraisal rules and appraisal methods, and is performance appraisal implemented on a regular basis every year?	■		<p>annual objectives for every aspect of the Company's CSR activities and will oversee the achievement of these objectives; the CSR committee will report regularly to the Board of Directors.</p> <p>The Company has formulated Rules Governing the Calculation and Disbursement of Directors' and Supervisors' Compensation, and performance appraisal is implemented regularly every year.</p>	No significant departure.
D. Regular appraisal of the independence of the Company auditor.	■		<p>The Company implements appraisal of the independence of the Company auditor on an annual basis; the results of the most recent appraisal were reviewed and approved by the Board of Directors on November 9, 2016. The Company received an Auditor's Independence Declaration signed by the Company auditor and the auditing team, confirming that the Company auditor has no financial or business interests in relation to the Company that might affect the Company auditor's independence. This was all in conformity with the Company's</p>	No significant departure.

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			independence appraisal standards.	
(4). If the Company is listed on the stock market or an OTC exchange, has the Company designated a department or appointed personnel to be responsible (on either a full-time or part-time basis) for matters relating to corporate governance (including, but not limited to, providing directors and supervisors with the information they need to perform their duties, carrying out matters relating to board meetings and shareholders meetings in accordance with the requirements of the law, implementing company registration and change of registration tasks, and recording the minutes of board meetings and shareholders meetings, etc.)?	■		The Company has designated the Department of Investor Relations and Capital Market to be responsible for matters relating to corporate governance. In accordance with the OECD's Principles of Corporate Governance, with regard to protecting the rights of shareholders, the Department's main responsibilities include handling matters relating to the annual general shareholders' meeting, etc.; in regard to the equitable treatment of shareholders, the Department's key responsibilities include the compilation of English-language versions of shareholders meeting materials, the provision of contact window services for shareholders, the adoption of electronic voting for shareholders meetings (which was a decision made voluntarily by ATEN), etc.; with respect to enhancing the structure and operation of the board of directors, the Department's main responsibilities include handling matters relating to the holding of board meetings, etc.; regarding the enhancement of disclosure and transparency, major	No significant departure.

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			responsibilities include the provision of English-language versions of various materials, the holding of presentations for institutional investors, investor communication activities, etc.	
(5). Has the Company established channels for communication with stakeholders, and has the Company established a dedicated section for stakeholders on its corporate website, and does the Company respond appropriately to stakeholders' concerns regarding the Company's CSR activities?	■		The Company has established channels for communication with stakeholders via its corporate website, providing customers, consumers, investors, suppliers and other stakeholders with methods for communicating with the Company, so as to be able to gain a better understanding of stakeholders' expectations and needs; the Company also provides appropriate response mechanisms for handling issues of concern to stakeholders.	No significant departure.
(6). Has the Company appointed a dedicated shareholder affairs agent to handle shareholder affairs?	■		The Company has appointed CTBC transfer agency division to handle shareholder affairs on the Company's behalf.	No significant departure.
(7). Information Disclosure A. Establishment of a Company website, and disclosure of financial and corporate governance information.	■		The Company already discloses relevant information on its website.	No significant departure.

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
B. Other methods of disclosure adopted by the Company.	■		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.	
(8). Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	■		<p>A. Employees' rights: ATEN implements protection of employees' rights in accordance with the provisions of the <i>Labor Standards Law</i> 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</p>	No significant departure.

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			<p>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. ATEN would evaluate and audit suppliers' qualification irregularly. 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</p>	

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			<p>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 FY2016 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</p>	



Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
			<p>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: ATEN has purchased liability insurance on behalf of its directors and supervisors.</p>	
<p>(9). Please outline the improvements that the Company has made in regard to the most recent Corporate Governance Evaluation Results published by the Taiwan Stock Exchange Corporate Governance Center, along with details of the priority items and measures to implement in regard to areas where improvements have not yet been made.</p> <p>The FY2016 Corporate Governance Evaluation Results showed that the Company ranked among the best-performing 6% - 20% of TSE-listed companies. In FY2017, the Company will give priority to strengthening measures in regard to the continued implementation of electronic voting, the</p>				

Item	Status			Any Departure of such Implementation from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	YES	NO	Summary	
implementation of the candidate nomination system for all positions on the board of directors and board of supervisors, the assessment of the Company auditor's independence by the board of directors, etc.				

#### Continuing Education /Training of Directors and Supervisors in 2016

Title	Name	Date	Host	Training Title	Duration
Chairman	Kevin Chen	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3
Vice-President	Shang-Jen Chen	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Dec. 19		Money Laundering and Compliance – Lessons from the Mega Financial Holding Company Case	3
Institutional Director Representative	Susan Lin	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Jul. 29		Seminar on Insider Trading Compliance for Listed	3

Title	Name	Date	Host	Training Title	Duration
				Companies	
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3
Director	Nicolas Lin	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3
Independent Director	Wei-Jen Chu	Apr. 8	Taiwan CPA Association, ROC	Key Points to Note Regarding Compliance with the Enterprise Accounting Standards (EAS) During the Transition Period	3
		Jun. 1		Analysis of Practical Issues Relating to Statement of Auditing Standards (SAS) Nos. 58 and 59	3
		Jun. 3		Analysis of Practical Issues Relating to the Statement of Enterprise Accounting Standards	3
		Jun. 16		Analysis of Practical Issues Relating to the Statement of Enterprise Accounting Standards (2)	3
		Sep.23		Practical Issues Relating to Inheritance Tax – Lessons from an Inheritance Tax Case Involving a Particular Business Group	3

Title	Name	Date	Host	Training Title	Duration
		Oct.21		Communication in Regard to Key Audit Items in the Audit Report	3
Independent Director	Chung-Jen Chen	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Aug. 11	Taiwan Corporate Governance Association	Business Mergers and Acquisitions and Insider Trading	3
		Nov. 11		Responsibilities of Directors and Supervisors in Regard to Disclosure of Major Events Affecting a Company	3
Supervisor	Chen-Lin Kuo	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3
Supervisor	Shiu-Ta Liao	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3
Supervisor	Se-Se Chen	May 10	Taiwan Securities & Futures Institute	Responsibilities of Directors and Supervisors in Regard to Mergers and Acquisitions	3
		Nov. 9		What Directors and Supervisors Need to Know About Protection of Business Secrets and Non-compete Regulations	3

Continuing Education /Training of Management in 2016

Title	Name	Date	Host	Training Title	Duration
CFO, and AVP of General Management Division	Stephen Chen	Aug. 22	Taiwan Securities & Futures Institute	The Main Types of False Statements that Appear in Financial Statements, and How This Relates to Auditing Practice – Focusing in Particular on Legal Responsibility	3
		Dec. 8		Analysis of IFRS-related Financial Tools	3
		Dec. 22	Accounting Research and Development Foundation	Practical Training Seminar in the Preparation of Consolidated Financial Statements	6

## IV. Operational Highlights

### 1. Business Activities

#### (1). Scope of Business

##### A. Main Activities

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

##### B. Major Product Lines and Contributions to Total Consolidated Sales

Unit : NT\$ thousands

Item	Year	2015		2016	
		Amount	Ratio (%)	Amount	Ratio (%)
IT Infrastructure Access Management Solution Products		3,193,559	65.34%	3,149,083	63.80%
Video Products		837,236	17.13%	891,413	18.06%
Other Products		857,084	17.53%	895,251	18.14%
Total		4,887,879	100.00%	4,935,747	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 addition, over the past few years ATEN has been working actively to secure participation in international certification and technology alliances, so as to ensure that ATEN products provide a high level of compatibility with other world-leading brands, thereby helping ATEN itself to confirm its position as a leading player in the global professional audio/video solutions market. Having rolled out a series of high-end, modularized matrix solutions and control systems, ATEN has become one of only a handful of Taiwanese companies to establish itself within the high-end professional audio/video solutions segment, competing on an equal footing with leading international corporations.

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.

### C. New Products and Services Currently Being Developed

<p>Integration and applications of IT Infrastructure Management solutions for Data Center.</p>	<ol style="list-style-type: none"> <li>(1). Development of integrated over-IP networking products.</li> <li>(2). Development of Over-IP high –definition matrix KVM products</li> <li>(3). Deepening and broadening the development of high-end CAT5 multi-platform, multi-user and multi-port matrix KVM products.</li> <li>(4). Strengthening the depth and breadth of ATEN’s development of multi-interface KVM products.</li> </ol>
--	---

	<p>(5). Development and Integration of crystal display KVM products.</p> <p>(6). Development and Security reinforcement of control room environment, server, and virtual server management software.</p>
Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game peripheral products.	<p>(1). Development of high-definition, high-resolution, high-audio-quality Prosumer KVM products.</p> <p>(2). Deepening and broadening the development of Prosumer matrix KVM products.</p> <p>(3). Development of USB 3.0/3.1 products.</p> <p>(4). Development of USB and Bluetooth products.</p> <p>(5). Development of game controller switch products.</p> <p>(6). Coordinated development of DisplayPort/Thunderbolt/Type C products.</p>
Integration and applications of Audio/ Video connector management products.	<p>(1) Development of high-definition, long-range broadcasting transmission products.</p> <p>(2) Development of fiber-optic interface products.</p> <p>(3) Development of medium-sized and large modular array products.</p> <p>(4) Development of TV wall processor products.</p> <p>(5) Development of Over IP online video management products.</p> <p>(6) Development of 4K/True 4K/HDBaseT products.</p> <p>(7) IP / physical signal hybrid switching.</p> <p>(8) High-definition image rotation and overlay.</p>
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 Control System.	<p>(1) Development of centralized control boxes.</p> <p>(2) Development of user interface software for control applications.</p> <p>(3) Development of design integration software tools.</p> <p>(4) Development of distributed control extension box</p>



	<p>products.</p> <p>(5) Development of software modules for environmental control applications.</p> <p>(6) Creation of an extensive equipment control database.</p>
PE series electric power and green energy integration and applications.	<p>(1) Development of new-generation intelligence PDU and “green energy” sensors.</p> <p>(2) Undertaking R&amp;D work relating to the efficient use of energy.</p> <p>(3) Undertaking R&amp;D work relating to “green data center” overall cooling, ventilation, electric power and energy efficiency.</p>
EC series electric power and green energy integration and applications.	Development of data center environment monitoring and measurement tools for improving energy conservation.

## (2). An Overview of the Industry

### A. The Current Status and Future Development of the Industry

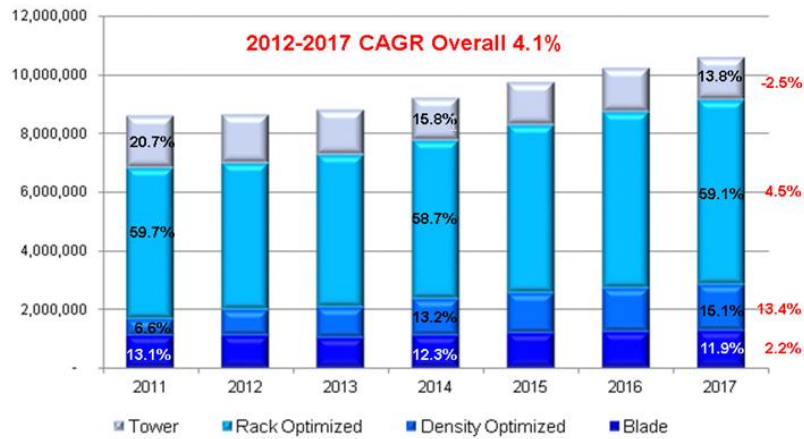
As regards the current state of the IT infrastructure management industry, with the steady increase in computer and Internet usage, IT infrastructure has tended to become larger and more complex, leading to the emergence of an entire industry dedicated to meeting IT infrastructure management needs. From 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. Recently the A/V interface even tends to upgrade to DisplayPort, Thunderbolt, and Type C.
  - 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.
  - j. Demand for isolation of Intranets from the Internet: Due to information security considerations, government agencies increasingly need to run two sets of servers in order to ensure that their internal networks are isolated from the Internet; this trend has stimulated demand for new KVM applications.
  - k. Emergence of Industry 4.0 and the Internet of Things (IoT): The "Industry 4.0" concept was first introduced in Germany in 2012, and has since become a major new trend in the advanced nations. The idea behind Industry 4.0 is to

achieve seamless integration of IT technology, communications, operating systems and manufacturing facilities, so as to stimulate the development of industrial automation and “smart” decision-making, thereby providing a safe, efficient, fast, highly-automated manufacturing environment that meets production and sales requirements. The growth of Industry 4.0 will create a whole new wave of demand for IT architecture management solutions.

Worldwide Server 2012-2017 Shipment Forecast



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 12% 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 4Kx2K & True 4K, 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.
- e. The global video wall market has continued to post double-digit annual growth rates. The Asia Pacific is the biggest regional market, and is the region forecast to have the highest growth in the future. China is the single biggest market within the Asia Pacific region, accounting for nearly 40% of the total regional market, and demand for video wall applications in China will constitute an important driver of growth for ATEN's professional audio/video product line in the future.
- f. Besides their use in control centers, video walls are now also widely used for the display of public information. Within the Asia Pacific region, the biggest segments within the video wall market are, in order: public information display, control centers, corporate / exhibition use, commercial display, and broadcasting. Video walls are already in widespread use in many aspects of our daily lives, and can be seen around us in airports, public spaces, shopping malls, etc.
- g. Mobile devices are coming into increasingly widespread use, and their functionality has become more powerful and more wide-ranging; the ability to use mobile devices such as iPads, iPhones or Android Phones to control or operate complex professional audiovisual systems has become a major new driver of growth in the Audio/Video market. Besides substantially reducing overall cost, it can also provide a whole new user experience, with the potential to create new, expanded markets.
- h. A report published by InfoComm in 2014 noted a steady increase in the degree of integration between the global Professional Audio/Video equipment market and the IT hardware market; the report forecast that the global Professional

Audio/Video equipment market would see a compound annual growth rate (CAGR) of 12% over the period 2014 – 2016. An IHS report compiled in 2016 forecast that, by 2025, there would be over 75 billion devices connected to the Internet worldwide, reflecting the strong growth in the Internet of Things (IoT) sector. The growing integration of Audio/Video with IT hardware is a product of these two trends; the combining of Audio/Video equipment with the Internet not only provides more flexible extensibility, it also overcomes the constraints of distance, making it easier for users to control their equipment remotely using the Internet.

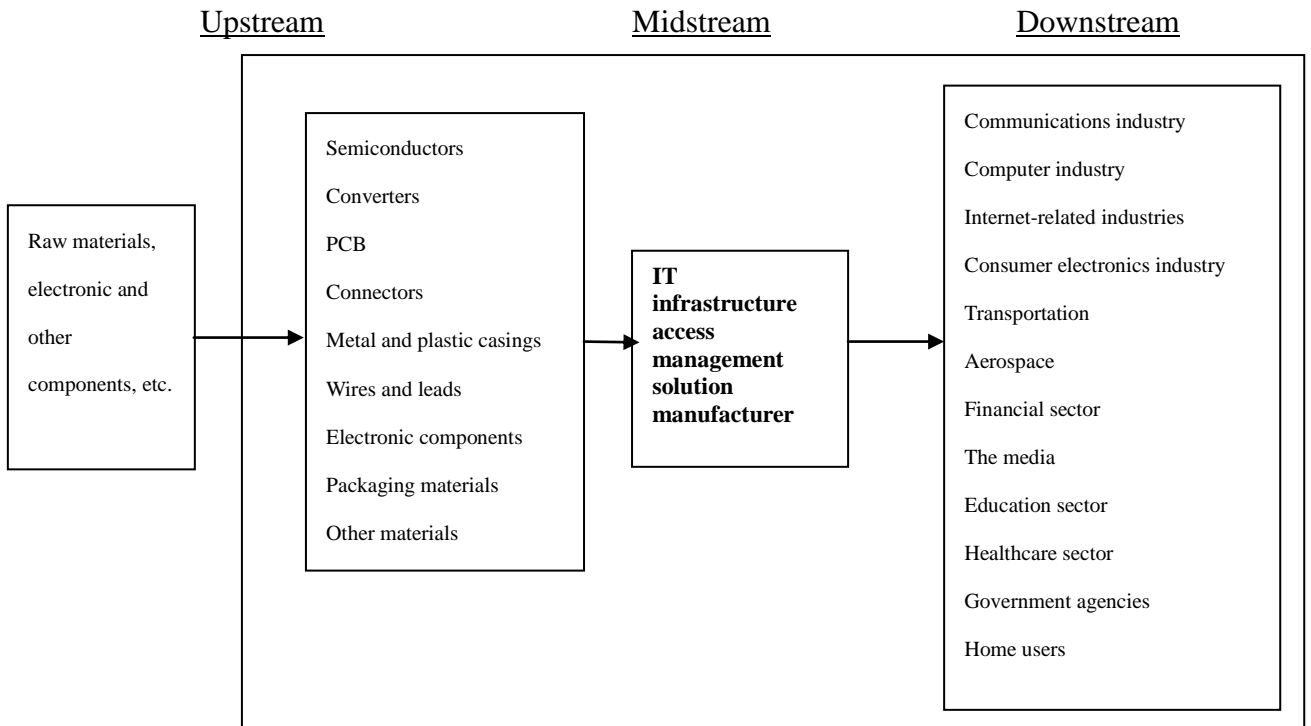
The continuing evolution of the IT and electronics industry and of its peripheral industries has helped to drive the development of the global economy as a whole. ATEN's products and solutions have an extremely wide range of applications, including the communications sector, the computer industry, the 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

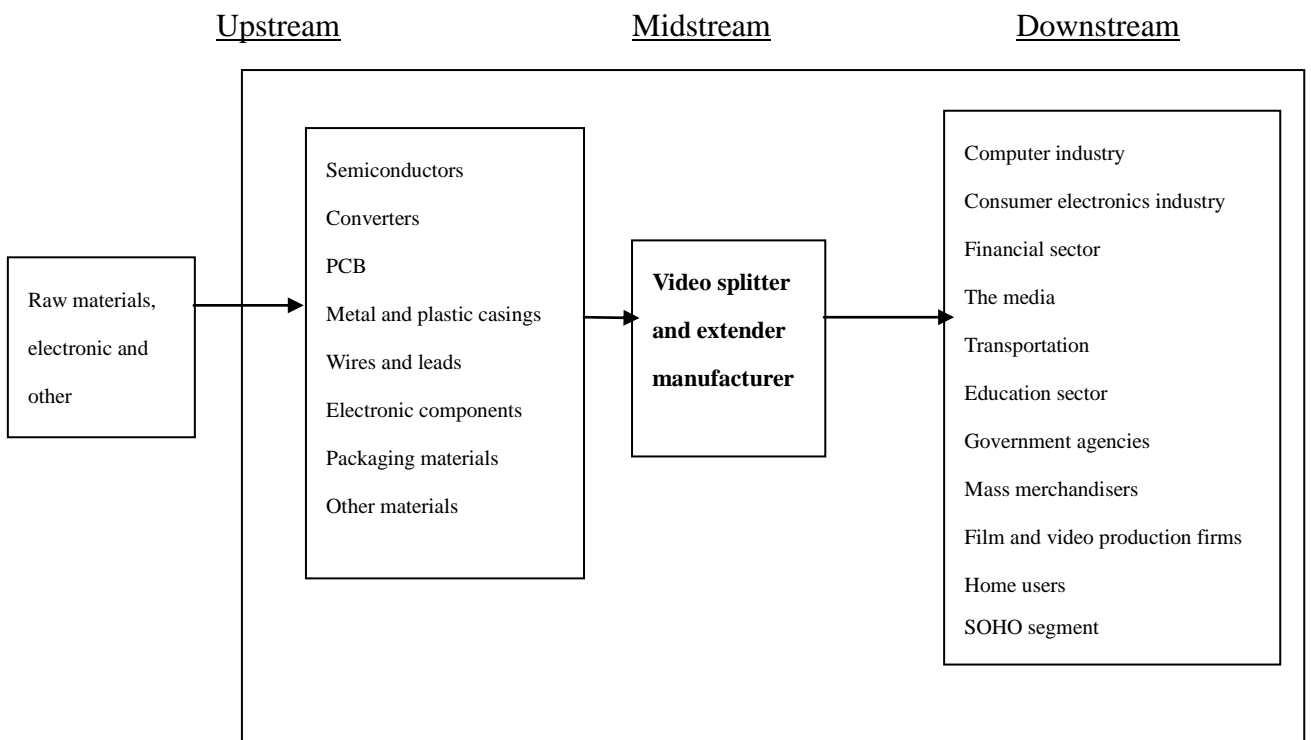
ATEN is engaged in the development, manufacturing and sale of It infrastructure access management solution products, professional audio/video products, green energy products and related products. Within the IT hardware industry as a whole, ATEN is located in the midstream segment. The upstream segment 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 Links in the IT Infrastructure Access Management Solution

Manufacturing Industry



The Links in the Video Splitter and Extender Manufacturing Industry

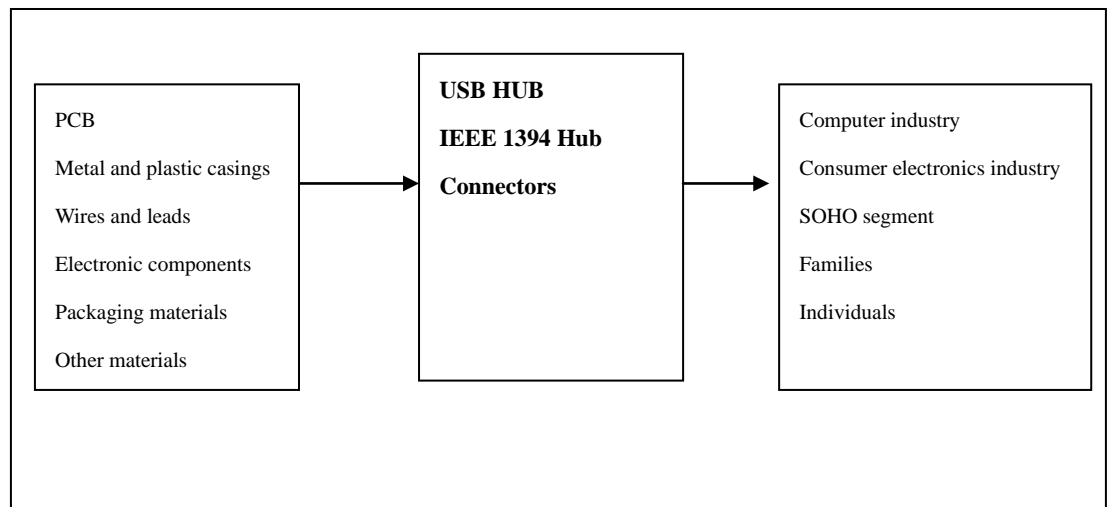


## The Links in the USB Hub and Connector Manufacturing Industries

Upstream

Midstream

Downstream



### C. The Development Trend of Products

#### a. High-end products as the main source of earnings

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

#### b. Developing ATEN's "VanCryst" professional audiovisual product line

ATEN has leveraged the outstanding video technology that the company has built up almost four 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. Besides

continuing to use our existing network of distributors, in the future ATEN will also be focusing on in-depth development of the system integrator segment, and will be striving to provide timely, efficient pre-sales and after-sales service.

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.

k. Using ATEN's unique sales model to develop new business opportunities

Responding to the emergence of new types of market demand, ATEN has stepped up the integration of the three main product categories in which the company enjoys significant competitive advantages (KVM, professional audio/video solutions, and green energy solutions) to introduce unique cross-product-line integrated solutions that can meet all of a customer's needs in one solution. These solutions can be tailored to meet the usage scenario needs of different industries, with an ability to create large-scale, diversified, hybrid solutions that reflects ATEN's solid, flexible solution integration capabilities.

D. 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 VERTIV, 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 almost 50%. 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, the department of Emerson Network Power became own new brand called VERTIV in 2016, and Raritan was merged by Legrand in mid-2015.

The Professional Audio/Video industry is somewhat conservative; most of ATEN's competitors in this market segment have adopted a very low-key approach. There are a handful of larger European and American companies, such as Extron, Crestron and Kramer, which have decades of experience in the Professional Audio/Video industry, and which have a comprehensive product line. These companies enjoy a high reputation in the system integrator (SI) and value-added retailer (VAR) channels, and are able to charge high prices for their products; they have established a solid leading position within the industry. One point worth noting is that in 2016 Harman, the parent company of leading manufacturer AMX,

was acquired by Samsung; it remains to be seen how this will affect the sector's development.

The Professional Audio/Video industry is characterized by a high concentration level, with a handful of first-tier manufacturers dominating the lion's share of the market; overall, competition is not particularly intense. Individual manufacturers emphasize different aspects in their products, so there is a significant degree of differentiation between the various manufacturers' products. This differentiation reduces the potential for competing on price, and as a result, there is relatively little price competition between the first-tier manufacturers.

Besides the first-tier manufacturers, there are also many medium-sized and smaller firms in the Professional Audio/Video industry, many of which are strong in a particular region or a particular industry segment niche. As these medium-sized and small manufacturers generally have relatively low technology and service capabilities, and often lack marketing experience, they are forced to rely on selling their products via distributors (as opposed to supplying SIs and VARs directly). The degree of differentiation between the medium-sized and smaller firms is significantly less pronounced, and price competition is consequently more intense.

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

A.R&D Expenditures :

Unit : NT\$ thousands

Year	2015	2016	Jan. to Mar. 2017
Amount	383,868	404,310	109,002
Percentage of Sales	7.85%	8.19%	9.15%

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:

- a. Integration and applications of IT Infrastructure Management solutions for Data Center.
- b. Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game

peripheral products.

- c. Integration and applications of Audio& Video signal extending, switch, streaming, format conversion, compression, and recognition.
- d. Industrial Control and Data Communication series product integration and applications.
- e. Smart control system.
- f. Development, integration and application of Intelligence Power Distribution Units (eco PDU) and Green Energy management software.
- g. Solution of automation product line.
- h. Development of core software, firmware, hardware, and intellectual property core.

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

##### A. Short-term plans:

###### a. Marketing

- In the enterprise-class segment, ATEN will continue to provide reliable, streamlined, high-performance solutions that offer high value for money, developing an expanded range of applications for many different industry environments, and building on the competitiveness that ATEN already enjoys in its three main product lines to meet the needs of business enterprises and vertically-integrated markets in an in-depth manner. In the consumer product segment, ATEN will be focusing on understanding users' needs, strengthening user feedback and the user experience, achieving product differentiation, and incorporating unique innovation into new products to enhance value-added, while at the same time working to raise the barriers to replication and imitation of ATEN's products by rival firms, and striving to build brand value.
- In the Professional Audio/Video product solutions market, product specifications are constantly evolving. ATEN will be working to meet demand for switching between different interfaces and for interoperability, providing intuitive, user-friendly graphical user interfaces (GUIs), and making the simplification of complex controller operating systems a core element in product design. In the IT infrastructure management segment, ATEN will continue to develop and launch new products that have higher resolution, higher efficiency and higher port density, while also optimizing

the user experience. At the same time, ATEN will also be allocating resources to the development of low-cost, high-value “defensive products,” to ensure its continued competitiveness.

- As regards green energy management solutions, ATEN will be focusing on the development of products for data center electric power applications, providing a wide range of slim, “smart” power distribution unit (PDU) products to help customers improve the safety and efficiency of their electric power usage, and realize the goal of enhancing control room energy-saving performance. ATEN will also be providing flexible, customized services to meet the specific needs of medium-sized and large corporate customers.
- ATEN will be working actively to establish localized marketing teams that can achieve greater proximity to the market and closely monitor customers’ needs. ATEN will carefully evaluate the potential for establishing new service locations in countries with a large economy and strong growth potential, so as to be able to develop direct communication links with these markets; ATEN will be working to develop a more comprehensive globalized network, supported by the effective integration of regional logistics hubs, in order to strengthen overall service provision capability.
- ATEN will be integrating the resources of its subsidiaries and distributors to establish product application Demo Rooms, and will be undertaking coordinated planning of touring seminars around the world to help enhance ATEN’s brand visibility and boost sales of high-end products.
- ATEN will be cultivating teams of pre-sales consultants, and will be establishing a database of case studies of successful pre-sales implementation, with the aim of enhancing ATEN’s solution selling capabilities.
- ATEN will be planning the introduction of a distribution partner loyalty scheme and a brand-new online product training platform to facilitate the building up of a network of first-rate distribution partner, which in turn will help to enhance customer satisfaction and customer loyalty.
- As regards efforts to strengthen online marketing, besides continuing to expand marketing efforts via existing online stores, ATEN will also be

strengthening its social media marketing, increasing the frequency with which new material is posted, and creating more video content to deepen awareness of ATEN products and the ATEN brand among both consumers and partner firms.

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.
- Make headway into industrial control applications based on existing core technology.
- Developing new management software for large-sized Audio/Video equipment, to provide equipment managers with reliable management tools.
- Continuing to optimize product user interfaces on the basis of consumers' views and user experience.
- Develop new star products in line with market demands.

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.
- Reinforcement 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.
- Planning the establishment of a globalized logistics architecture, reducing operating costs and operational risk, improving inventory turnover and responding rapidly to changes in the market environment and in customer needs.

B. Long-term plans:

a. Marketing

- ATEN will be focusing its attention on important market trends, emphasizing product innovation and working actively to develop core technologies for specialist applications to support the company's development as a provider of comprehensive "total solutions." In addition, ATEN will continue to strengthen its product customization capabilities, expanding both the depth and breadth of the industries and applications that its products support, and providing the most competitive product and service quality to meet customers' needs and expectations.
- ATEN will be making effective use of customer relationship management (CRM) system data, utilizing segmentation based on end-user industries to achieve greater insight into market needs, and moving away from a transaction-focused approach towards a relationship- and customer-focused approach, with the aim of building long-term partnerships with customers.
- ATEN will be expanding its ODM/OEM business, striving to keep its finger on the pulse of the market, and helping to guide the development and adoption of innovative new technologies.

- In the area of brand management, ATEN will be simultaneously optimizing its distribution network and working actively to develop the system integrator market, aiming to use direct monitoring of customer needs to expand sales of ATEN's own-brand products and strengthen ATEN's overall marketing and sales model.
- ATEN will be moving more aggressively into digital marketing and integrating global e-commerce service resources, working to strengthen brand awareness among end-user customers all over the world and building convenient transaction channels, with the goal of building synergy through the integration of virtual and physical marketing channels.
- ATEN will be developing comprehensive localized product marketing, distribution channel management, logistical services and sales promotion capabilities at all ATEN business locations throughout the world, so as to maximize ATEN's brand value.
- ATEN will be striving constantly for excellence in service quality, providing timely advanced replacement services for specific models, which can effectively reduce the amount of time and money lost as a result of equipment breakdown.
- ATEN will continue to implement thorough training of in-house sales personnel, working to strengthen pre-sales skills, and aiming to enhance the overall quality of service that customers receive at each stage in the sales process, from pre-sales through mid-sales through to post-sales.

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.
- An ongoing drive to develop new, higher-end products.
- Adoption of User-centered Design to help ensure the best possible customer experience.
- Applying for patents (for ATEN's independently developed technologies) both in Taiwan and overseas, to build ATEN's competitive advantage for the future.

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.
- Strengthening corporate governance to fulfill ATEN's responsibilities to stakeholders, and continuing to strengthen ATEN's CSR efforts, so that we can "give back" to society.
- 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.

## 2. Market and Sales Overview

### (1) Market Analysis

#### A. Shipment Destinations for Products

unit : %

Shipment Destinations	2015	2016
America	31	29
Asia	37	38
Europe	22	22



Other regions	2	3
Domestic sales	8	8

## 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 IT infrastructure access management solution 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

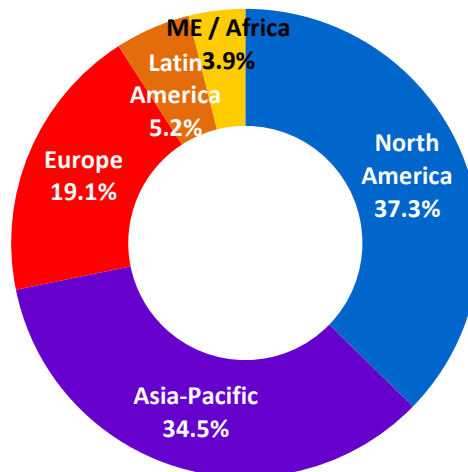
targeting these two potential growth areas, ATEN has already allocated considerable resources towards technology and product development, and will be rolling out a series of related products and solutions.

Data compiled by leading market research firm Infocomm shows that the global Professional Audio/Video equipment market is an extremely large one, and covers a very wide range of different product and applications. Examination of the shares of the total global Professional Audio/Video equipment market held by individual regions (Table 1) shows that the North American market is the largest regional market, accounting for 37.3% of the total global market, followed by the Asia region with 34.5%. As regards the shares of the market held by different types of customer (Table 2), corporate customers account for the largest share of the overall Professional Audio/Video market with 30% of the total, followed by exhibition venues and performance halls, governmental and military organizations, and educational and healthcare institutions.

The Professional Audio/Video sector encompasses a wide range of sub-industries (see Table 3), but can be broadly divided into two main categories: products and services. The main product types include: Display devices, projectors, monitors, control systems, signal management and transmission equipment, lighting equipment, etc. Services include: design, installation, customization, stage installation, etc. Currently, the main focus in ATEN’s VanCryst Professional Audio/Video product line is on two broad areas: Signal Management & Processing, and Control Systems.

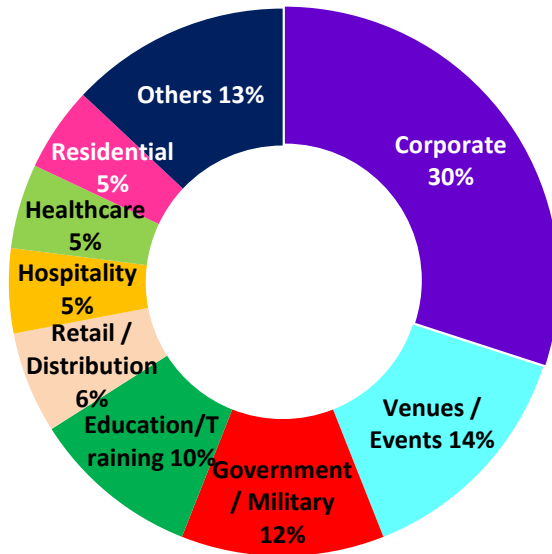
Infocomm forecasts that, over the period 2014 – 2016, the global Professional Audio/Video equipment market will expand at a compound average annual growth rate (CAGR) of 12%.

Table 1 : 2014 Global Pro-A/V Market Category by Region



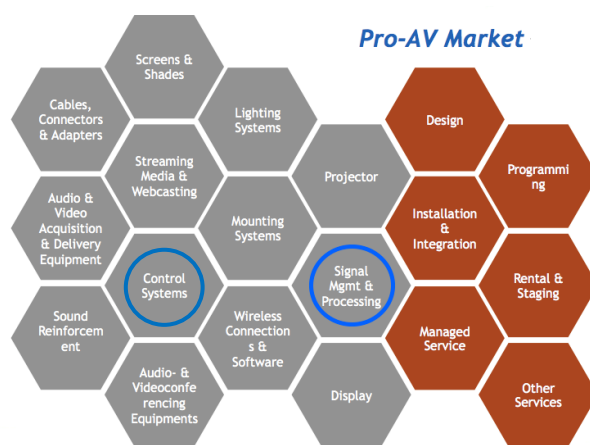
Source : Infocomm report 2014

Table 2 : 2014 Global Pro-A/V Market Category by Customers



Source : Infocomm report 2014

Table 3 : Global Pro-A/V Market Category by Product and Service



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:

- (a). 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.
- (b). ATEN has won numerous major awards, and has established a strong international brand.
- (c). A systematically-developed global sales network covering all major regions, providing a solid foundation for future revenue growth.
- (d). Focusing on niche market and steadily expanding product application scope, with a gradual expansion from KVM products towards A/V and intelligent PDU product lines, creating the foundation needed to drive revenue and earnings growth in the future.
- (e). First-class, highly-experienced R&D and production technology teams.
- (f). 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.
- (g). A business philosophy based on integrity and practical, down-to-earth management.
- (h). Ongoing corporate social responsibility (CSR) initiatives that are helping to strengthen the company's public image.
- (i). Harmonious collaborative relationships with partner companies.
- (j). Ongoing cultivation and recruitment of outstanding human talent.
- (k). Sound financial underpinnings.

b. Negative factors:

- (a). Uneven economic growth between regions.
- (b). Exchange rate fluctuations.

- (c). The emergence of new competitors.
  - (d). Consumers' lack of product knowledge.
  - (e). Piracy and intellectual property violations.
- c. Measures that can be adopted to address the negative factors:
- (a). A policy of working steadily to develop the global market as a whole will ensure that the company is protected from market fluctuations in any one regional market; ATEN will not be excessively dependent on any one given market. At the same time, by developing products for new industries and new applications, ATEN can spread risk and minimize the impact of the business cycle in individual industries.
  - (b). 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.
  - (c). 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.
  - (d). 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.
  - (e). 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

2015			2016		
Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)
NA			NA		
Total Purchasing	1,574,903	-	Total Purchasing	1,452,390	-

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

2015			2016		
Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)
NA			NA		
Total Net Sales	4,887,879	-	Total Net Sales	4,935,747	-

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	2015			2016		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
IT Infrastructure Access Management Solution Products		1,270,104	1,040,508	1,004,942	1,316,163	1,064,642	942,825

Video Products	350,097	291,275	208,489	339,362	281,183	209,376
Other	1,755,278	1,278,714	179,068	1,435,306	1,152,724	174,147
Total	3,375,479	2,610,497	1,392,499	3,090,831	2,498,549	1,326,348

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

Units: pieces / NT\$ thousands

Year Product Line	2015				2016			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
IT Infrastructure Access Management Solution Products	44,631	155,827	969,542	3,037,732	49,311	209,010	926,836	2,940,073
Video Products	14,962	29,727	381,937	807,509	17,061	34,912	391,297	856,501
Other	82,534	195,020	1,642,233	662,064	79,514	177,259	1,586,716	717,992
Total	142,127	380,574	2,993,712	4,507,305	145,886	421,181	2,904,849	4,514,566

### 3. Employees

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

Year		2015	2016	As of March 31, 2017
Numbers of employees	Managerial and sales personnel	848	798	807
	R&D personnel	240	247	253
	Production line workers	495	488	498
	Total	1,583	1,533	1,558
Average age		34.88	34.22	34.43
Average length of service		5.25	5.43	5.39
Education	Ph.D.	0.4%	0.4%	0.4%
	Masters	12.8%	14.5%	14.6%
	Bachelor's Degree	38.3%	37.4%	37.6%
	Senior High School	16.5%	17.0%	15.5%
	Below Senior High School	31.9%	30.7%	31.9%

## V. Financial Information

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

#### (1). Abbreviated Consolidated Balance Sheet – IFRS

Unit: NT\$ thousands

Item		2016	2015	2014	2013	2012
Current assets		3,206,670	3,046,467	3,155,232	2,871,572	2,234,370
Property, plant and equipment		2,026,920	2,058,046	2,075,749	2,102,103	2,120,865
Goodwill		2,756	2,756	2,756	2,756	47,060
Other assets		514,324	470,451	465,822	457,551	456,388
Total assets		5,750,670	5,577,720	5,699,559	5,433,982	4,858,683
Current liabilities	Before distribution	1,647,471	1,608,563	1,678,125	1,587,050	1,409,272
	After distribution	Note 2	2,242,340	2,374,709	2,197,250	1,814,973
Non-Current liabilities		392,834	419,132	467,506	465,548	447,856
Total liabilities	Before distribution	2,040,305	2,027,695	2,145,631	2,052,598	1,857,128
	After distribution	Note 2	2,661,472	2,842,215	2,662,798	2,262,829
Total Equity attributable to shareholders of the parent company	Before distribution	3,612,942	3,458,339	3,460,048	3,292,690	2,918,686
	After distribution	Note 2	2,837,089	2,779,063	2,695,334	2,524,431
Common Stock		1,194,711	1,194,711	1,194,711	1,194,711	1,194,711
Capital Surplus		383,026	336,527	333,360	333,120	316,963
Retained Earnings	Before distribution	2,100,537	1,927,978	1,923,703	1,764,310	1,426,924
	After distribution	Note 2	1,306,728	1,242,718	1,166,954	1,032,669
Other equity		(65,332)	(877)	8,274	549	(19,912)
Treasury stock		-	-	-	-	-
Non-controlling interests	Before distribution	97,423	91,686	93,880	88,694	82,869
	After distribution	Note 2	79,159	78,281	75,850	71,423
Total equity	Before distribution	3,710,365	3,550,025	3,553,928	3,381,384	3,001,555
	After distribution	Note 2	2,916,248	2,857,344	2,771,184	2,595,854

Notes: 1.Data for 2012 – 2016 has all been audited by a certified public accountant.

2. Pending for shareholders' meeting resolution.



## (2). Abbreviated Consolidated Income Statement - IFRS

Unit: NT\$ thousands

Item	2016	2015	2014	2013	2012
Net Sales	4,935,747	4,887,879	4,897,935	4,571,012	4,275,862
Gross profit	2,962,576	2,850,171	2,877,840	2,651,810	2,452,716
Operating profit	939,912	883,929	1,012,933	900,529	483,823
Non-operating income and expenses	68,306	47,573	39,857	38,903	150,042
Net income before tax	1,008,218	931,502	1,052,790	939,432	633,865
Income from Continuing Operations	795,533	719,337	776,632	756,205	484,659
Income (Loss) from Discontinued Operations	-	-	-	-	-
Net income	795,533	719,337	776,632	756,205	484,659
Other comprehensive income (loss), net of tax	(62,615)	(29,823)	5,872	13,178	(20,556)
Total comprehensive income	732,918	689,514	782,504	769,383	464,103
Net income attributable to shareholders of the parent company	788,320	704,711	760,474	741,273	478,840
Net income attributable to non-controlling interests	7,213	14,626	16,158	14,932	5,819
Total comprehensive income attributable to shareholders of the parent company	729,354	676,109	764,474	752,102	459,500
Total comprehensive income attributable to non-controlling interests	3,564	13,405	18,030	17,281	4,603
EPS (NT\$)	6.60	5.90	6.37	6.20	4.01

Notes: 1.The data for 2012 – 2016 has all been audited by a certified public accountant.

## 2. Consolidated Financial Ratios - IFRS

Item		2016	2015	2014	2013	2012
Financial structure	Debt ratio (%)	35	36	38	38	38
	Ratio of Long-term fund to Property, plant and equipment asset (%)	202	193	194	183	163
Liquidity Ratios	Current ratio (%)	195	189	188	181	159
	Quick ratio (%)	144	133	140	129	108
	Times interest earned (times)	82	84	70	66	40
Operating ratios	Receivables turnover (turns)	8.39	8.19	8.40	8.95	8.37
	Receivables turnover days	44	45	43	41	44
	Inventory turnover (turns)	2.46	2.64	2.83	2.87	2.83
	Payables turnover (turns)	4.84	4.86	4.94	5.02	4.81
	Inventory turnover days	148	138	129	127	129
	Property, plant and equipment asset turnover (turns)	2.42	2.36	2.34	2.16	1.99
	Total assets turnover (turns)	0.87	0.87	0.88	0.89	0.89
Profitability ratios	Return on assets (%)	14.23	12.92	14.18	14.93	10.33
	Return on equity (%)	21.91	20.25	22.40	23.69	16.24
	Pre-tax Income to Paid-in Capital Ratio (%)	84.39	77.97	88.12	78.63	53.06
	Profit ratio (%)	16.12	14.72	15.86	16.54	11.33
	Earnings per share (NT\$)	6.60	5.90	6.37	6.20	4.01
Cash flow	Cash flow ratio (%)	25	49	54	21	37
	Cash flow adequacy ratio (%)	90	99	104	84	108
	Cash flow reinvestment ratio (%)	-4.80	2.04	6.50	-1.6	2.21
Leverage	Degree of operating leverage	2.11	2.16	1.92	2.01	3.00
	Degree of financial leverage	1	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

Year	2016	2015
Item		
Interest Income	2,544	4,175
Interest Expense	12,445	11,279
Net Income	795,533	719,337
(Interest Income-Interest Expense) / Net Income	-1.24%	-0.99%

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 2.0% 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

- A. ATEN's products are heavily oriented towards the export market, with exports accounting for over 90% of total sales in 2015 and 2016. 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 2015 and 2016 are outlined below :

Unit : NT thousands

Item	2016	2015
Gain on foreign Exchange, Net (1)	28,279	12,115
Net Income before Tax (2)	1,008,218	931,502
Net Income (3)	4,935,747	4,887,879
(1)/(2)	2.80%	1.30%
(1)/(3)	0.57%	0.25%

- 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 2015 and 2016, 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 2016.
  - (2). The great majority of the Company's business transactions are denominated in foreign currency. To hedge against exchange rate risk, the Company engaged in forward exchange transactions with banks with good credit ratings for hedging purpose so as to minimize our exchange rate exposure.
3. R&D work to be carried out in the future, and future expenditures expected for R&D work.

Unit : NT thousands

R&D Plans	Current Progress	Further Expenditure Required	Expected completion schedule
Integration and applications of IT Infrastructure Management solutions for Data Center.	Ongoing	110,000	4Q, 2017
Development of Prosumer KVM Series products. Integration and applications of New SOHO peripheral products and video game peripheral products.	Ongoing	53,000	3Q, 2017

R&D Plans	Current Progress	Further Expenditure Required	Expected completion schedule
Integration and applications of Audio/Video connector management products.	Ongoing	116,000	3Q, 2017
Industrial Control and Data Communication series product integration and applications	Ongoing	40,000	4Q, 2017
Smart control system	Ongoing	38,000	3Q, 2017
PE series electric power and green energy integration and applications	Ongoing	38,000	3Q, 2017
EC series electric power and green energy integration and applications	Ongoing	13,000	3Q, 2017

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's core values – Integrity, Caring, Ambition, and Novelty – continue to guide the actions of both the management team and ordinary ATEN employees.

We take into account the issues that are important to our stakeholders (including our shareholders, our employees, customers, suppliers, the government, the local community, etc.) in every aspect of our business operations, viewing these issues as areas where we need to make a real effort and where there is always room for improvement. Besides continuing to maintain a high level of profitability in our core business, so that we can share this success with our shareholders and our employees, we also hope that ATEN can use the influence that it exerts as a corporation to provide positive benefits to an even wider range of stakeholders.

Over the years, the importance that ATEN attaches to its corporate image and the efforts that have been made in this regard have won recognition in the form of numerous awards of various kinds, including the “Taiwan Mittelstand Award,” CommonWealth magazine’s “Excellence in Corporate Social Responsibility” award, the “Stock Market and OTC Listed Companies Disclosure Assessment” award, the “Award for Best Companies to Work For,” the “Taiwan Excellence Award,” Germany’s “Red Dot Design Award,” etc. This recognition has given us further encouragement to continue to make sustainable development our goal in every aspect of our business operations, and to strive to ensure that the strategies we follow benefit not only our company but also the global community as a whole.

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 2016, or in 2017 (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 had filed patent infringement suits against YiFeng Technology Co., Ltd. (Yi-Feng), Weiqi Technology Co., Ltd. (Wei-qi), Heoya Technology Corp., Ltd. (Heoya) and Ziqun Technology Co., Ltd (Zi-qun). As of May 15, 2017, the Company had pledged cash and time deposits. The lawsuits against Yi-Feng and Wei-qi have been handed over to the Supreme Court. As of May 15, 2017, except for the case that has already been decided, the rests are still in progress.

(2) In 2014, the Company has filed patent infringement suits against Uniclass Technology Co., Ltd, Electronic Technology Co., Ltd. Of Dongguan Uniclass, Airlink 101, Pheobe Micro Inc, Broadtech International Co., Ltd, d/b/a Linkskey and Black Box Corporation on Eastern District of Taxes. As of December 31, 2016, the said cases are still in progress. Certain plaintiffs have requested to transferred the motions to the Central District of California. The motions were formally transferred to the Central District of California in June, 2015.

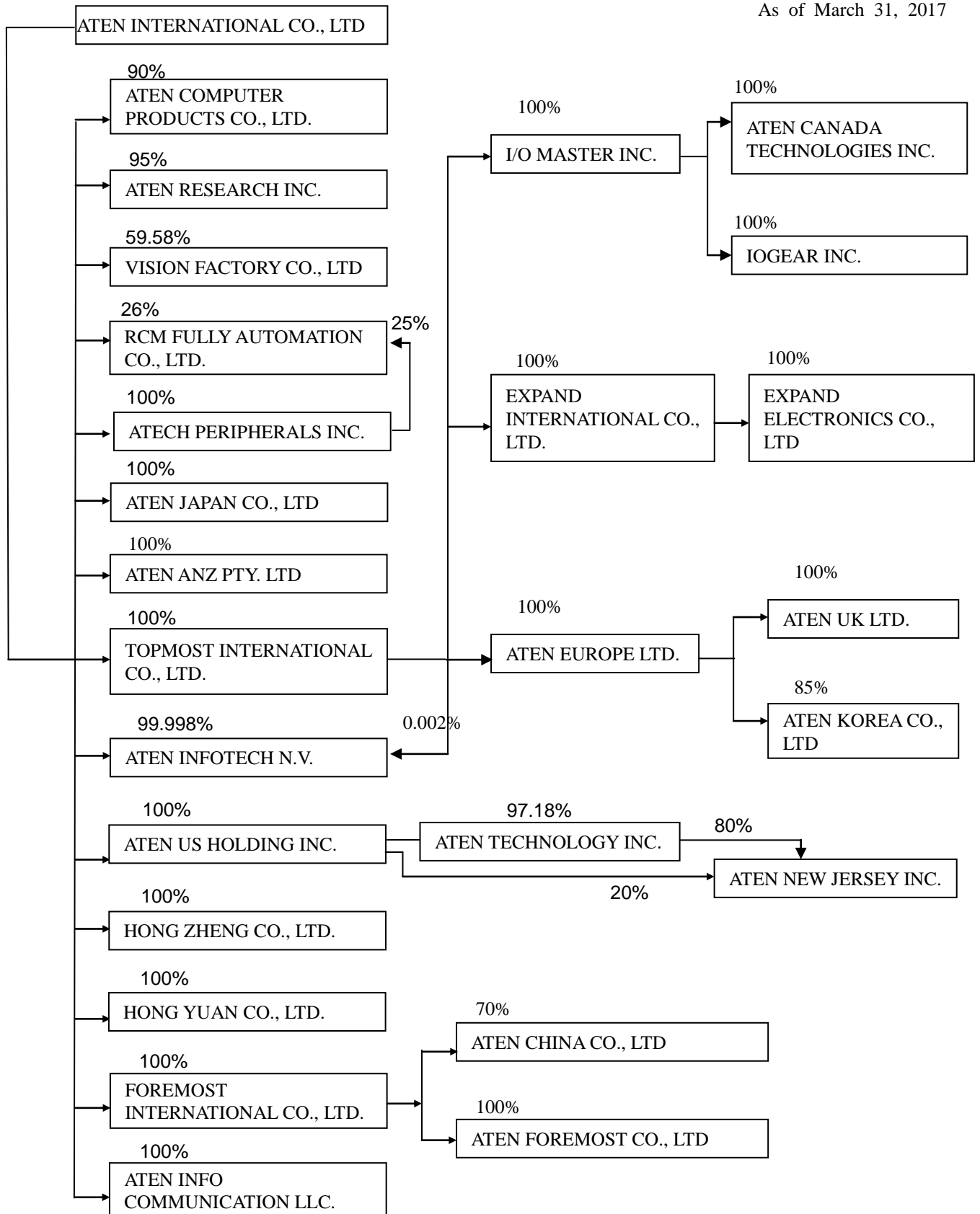
13. Other important risks, and mitigation measures being or to be taken.

None.

## VII. Affiliated Enterprises

### 1. Organization Chart of Affiliated Enterprises

As of March 31, 2017





## 2. Basic Information of Affiliated Enterprises

As of March 31, 2017

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	15365 Barranca Parkway, Irvine, CA 92618, U.S.A.	US\$598,000	Trading of electronic peripheral products
VISION FACTORY CO., LTD	1970.12	No.15, Ln. 30, Xinjiang N. Rd., Sijhih Dist., New Taipei City, Taiwan 221, ROC	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\$25,000,000	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	15365 Barranca Parkway, Irvine, CA 92618, U.S.A.	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	466 Malton Avenue Slough, Berkshire SL1 4QU, UK	GBP\$1,069,000	General investment
ATEN UK LTD.	2006.05	466 Malton Avenue Slough, Berkshire SL1 4QU, UK	GBP\$650,000	Trading of electronic peripheral products
ATEN US HOLDING INC.	2006.11	2711 CENTERVILLE ROAD SUITE400,WILMINGTON,DELAWARE 19808, USA	US\$3,380,000	General investment
ATEN NEW JERSEY INC.	2006.08	220 DAVIDSON AVE, SUITE 404, SOMERSET, NJ 08873, USA	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
I/O MASTER INC.	1999.03	OFFSHORE CHAMBERS, P.O. BOX217, APIA, SAMOA	US\$ 700,000	General investment
ATEN CANADA TECHNOLOGIES INC.	1998.09	#101-11784 Hammersmith Way, Richmond, B.C. V7A 5E3 Canada	CAD\$ 100	Research development

Name	Date of Establishment	Address	Paid-in capital	Major businesses or products
IOGEAR INC.	2001.03	15365 Barranca Parkway, Irvine, CA 92618, U.S.A.	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 ZHENG 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
ATEN ANZ PTY. LTD.	2015.5	Suite 3.19, 32 Delhi Road, North Ryde, NSW, 2113	AUD\$ 1,750,000	Trading of electronic peripheral products
RCM FULLY AUTOMATION CO., LTD.	2016.4	3F., No.1, Baotai 6th Rd., Zhubei City, Hsinchu County 302, Taiwan	NT\$ 30,000,000	Trading of electronic peripheral products
ATEN INFO COMMUNICATION LLC.	2016.10	Bestepe Mah. Yasam Cad., Neorama Is Merkezi 13-A/ 76, Yenimahalle Ankara	TRY\$ 1,111,000	Trading of electronic peripheral products

### 3. Operational Performance of Affiliated Enterprises

As of Dec. 31, 2016; 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.	14,113	10,518	518	10,000	0	-111	-104	-0.35
ATEN RESEARCH INC.	16,309	443	0	443	0	-84	-110	-36.69
VISION FACTORY CO., LTD	108,624	187,345	97,230	90,116	136,473	-6,447	-3,261	-0.30
ATECH PERIPHERALS INC.	15,479	105,649	30,278	75,371	274,055	47,448	39,476	26.32
TOPMOST INTERNATIONAL CO., LTD.	22,183	575,058	0	575,058	0	-177	59,106	84.44
EXPAND INTERNATIONAL CO., LTD.	21,383	309,099	7,300	301,799	0	-29	16,664	24.15
ATEN TECHNOLOGY, INC.	87,993	478,707	364,103	114,603	1,142,981	25,009	21,177	7.70
ATEN INFOTECH N.V.	54,197	315,413	211,961	103,452	702,825	59,871	38,052	652.21
ATEN JAPAN CO., LTD.	25,105	210,434	101,837	108,597	332,580	40,916	26,781	16,738.04
ATEN EUROPE LTD.	67,279	242,697	2,992	239,705	0	-2,404	35,737	33.43
ATEN UK LTD.	37,922	45,400	34,737	10,663	113,729	-7,030	-4,801	-7.39
ATEN US HOLDING INC.	107,872	121,409	0	121,409	0	-65	21,840	6.46

Company Name	Capital	Total Assets	Total Liabilities	Stockholders' Equity	Net Sales	Operating Income	Net Income	EPS (NT\$)
ATEN NEW JERSEY INC.	26,118	82,906	51,408	31,498	330,215	7,462	5,649	7.06
ATEN KOREA CO., LTD	34,811	234,110	111,595	122,515	340,330	47,506	32,315	269.29
FOREMOST INTERNATIONAL CO., LTD.	69,730	178,231	0	178,231	0	-1,367	2,754	1.26
ATEN CHINA CO., LTD	56,924	185,507	106,118	79,389	634,924	12,824	9,517	Note 1
ATEN FOREMOST CO., LTD	29,315	95,942	45,888	50,054	219,669	-3,036	-2,419	Note 1
I/O MASTER INC.	9,782	30,015	0	30,015	0	-36	2,693	3.85
ATEN CANADA TECHNOLOGIES INC.	3	35,350	5,690	29,660	19,072	674	2,729	Note 1
EXPAND ELECTRONICS CO., LTD	67,184	235,372	128,136	107,236	731,881	3,763	7,641	Note 1
HONG ZHENG CO., LTD.	16,000	51,962	0	51,962	0	-47	10,825	6.77
HONG YUAN CO., LTD.	16,000	53,910	0	53,910	0	-47	13,852	8.66
IOGEAR INC.	3	3	0	3	0	0	0	0.00
ATEN ANZ PTY. LTD.	24,082	18,664	1,420	17,244	4,858	-16,089	-15,870	-15.87
RCM FULLY AUTOMATION CO., LTD.	30,000	29,906	100	29,806	0	-196	-195	-0.09
ATEN INFO COMMUNICATION LLC.	6,047	6,997	1,835	5,162	0	-533	-530	-3,652.93

Note : Limited Company