



ATEN INTERNATIONAL CO., LTD

2019 Annual Report

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 and Chinese versions, the Chinese version shall prevail.

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I. Report to Shareholders

Dear Shareholders,

Due to the impact of the US-China trade dispute and other aspects of the international geopolitical and business environment, ATEN's consolidated net sales revenue in FY2019 fell to NT\$5,033 million, down 2.7% on the previous year, and slightly below our target for the year. However, ATEN maintained a steady performance in terms of gross profit, with consolidated gross profit of NT\$3,038 million, and a consolidated gross profit margin of 60.4%. Consolidated earnings after tax came to NT\$727 million, representing after-tax earnings per share (EPS) of NT\$6.05.

In regards product development, in the Professional Audio/Video (Pro-AV) Solutions segment, ATEN expanded the scope of its product line-up in order to meet demand for multi-view videoconferencing control and responded to current trends in the development of AV over IP technology; ATEN integrated its Pro-AV networking systems to provide high-quality videoconferencing solutions and rolled out a new centralized management platform. There has also been a comprehensive upgrading of the ATEN Control System to facilitate easy, convenient deployment across a wide variety of complex medium-sized and large commercial and educational environments while supporting multi-tasking, providing even more powerful control and management functions to meet users' needs. In addition, ATEN has expanded its product development from "backstage" products to also include "front-of-house" devices, bringing us into direct contact with the consumer. In this way, we are able to obtain a clearer picture of the market's response to our products, which in turn will help us to further enhance the competitiveness of ATEN products. In the IT Infrastructure Access Management Solution segment, ATEN has responded to the comprehensive shift over to IP technology in the broadcasting sector, and to the intensification of edge computing utilization, by continuing to strengthen over-IP operation management and the 4K ultra-HD operation experience in ATEN's broadcasting solutions. Furthermore, in order to meet the application requirements of air traffic control centers, ATEN has launched new, high-end, zero-error solutions that support specific resolution requirements and provide back-up systems and an authorization locking mechanism. The ATEN RCM (Remote Control and Monitoring) solution provides remote, centralized management and priority setting functions, and is also equipped with an automated application program interface to effectively meet the challenges presented by Industry 4.0. ATEN is also working actively to develop the industrial controller market, and is planning the introduction of new high-end Serial over-IP products that will constitute a new growth driver. In the green energy management solutions segment, ATEN is focusing on small and medium-sized server room management, and Internet data center (IDC) and semiconductor production facility customer segments. Responding to demand for both basic and "smart" power distribution units (PDUs), ATEN provides customers with solutions that enhance their electric power usage monitoring capabilities and power use efficiency, facilitating the achieving of energy-saving goals. In the consumer products segment, ATEN has worked to identify the types of value that customers really need, and is using a strategy based on differentiation to develop new market opportunities. Focusing on usage scenarios and user applications, ATEN is creating individualized tools that combine practical functionality with aesthetically pleasing design to appeal to consumers.

Regarding sales strategy, ATEN has adopted an approach that is oriented towards meeting the needs of customers in target industries and application markets. ATEN has built up a first-class sales team and has integrated its marketing resources to generate

synergy, while working to strengthen localized management and regional sales development, and establishing a symbiotic relationship with system integrators to generate high-value sales and realize sales excellence. In this way, ATEN is developing more wide-ranging market competitiveness that will facilitate the gaining of greater market share in the high-end market. ATEN has also achieved impressive results in its R&D and brand development. The awards that the company has won include the following: Good Design Award; Taiwan Excellence Award; inclusion in the Interbrand Top 35 Best Taiwan Global Brands; COMPUTEX Best Choice Award. ATEN has won the COMPUTEX Best Choice Award for three years in a row, reflecting not only ATEN's long-standing focus on the user experience and commitment to developing human-centric, innovative new products, but also the company's unceasing striving for excellence over the past four decades.

Besides constantly demonstrating its “hard power” in various aspects of business performance such as branding, R&D and profitability, ATEN has for many years now also to use the integration of the company's core values with corporate social responsibility (CSR) to gradually incorporate proactive, ethical “soft power” into ATEN's corporate culture. It is anticipated that ATEN's sincere implementation of CSR will create an even more positive impression on employees, shareholders, customers, suppliers, members of disadvantaged groups, social welfare organizations and other stakeholders, and will make a positive contribution to the environment, society, and the global community as a whole. Over the past year, ATEN has sought to achieve further improvement in the four key areas of corporate governance, corporate commitments, social engagement and environmental sustainability. In August 2019, ATEN placed third in the Medium-sized Enterprises section of CommonWealth magazine's Corporate Citizen Award, marking the eleventh time that ATEN has won this award, which represents valued external recognition of ATEN's CSR efforts. In the future, ATEN will maintain its commitment to the principles of sustainable corporate development and of realizing a mutually-beneficial relationship with stakeholders. While developing its core business areas to achieve outstanding operational performance, ATEN will also continue to implement CSR measures so as to bring about the ongoing extension of this “virtuous cycle,” and to help build a better future.

In the current era of rapid evolution of information technology and of the Internet, besides continuing to grow its core business and develop innovative new products and technologies, ATEN is also constantly monitoring political and economic developments, both domestic and international. Through its involvement in industry associations, attendance at trade fairs and exhibitions, and participation in conferences and seminars, ATEN is able to stay up-to-date with the latest industry news and keep pace with market trends. This in turn makes it possible for ATEN to respond appropriately to changes in the legal and regulatory environment and in the overall business environment, while also taking concrete steps to combat intellectual property piracy so as to protect ATEN's rights in relation to the sale of its patented products.

ATEN attaches great importance to its C2B (Customer to Business) business model, taking the customer value proposition as the starting point for its operations. ATEN's customer-centric philosophy has been the company's most important asset over the past 40 years. Last year, ATEN was a recipient of the Best Companies to Work for in Asia 2019 Awards, which constituted recognition of ATEN's long-standing awareness of how a commitment to the company's employees has a key role to play in realizing sustainable corporate development; this award will also act as a driver spurring us to realize ongoing improvement in the future. Looking ahead to the coming year, in the

future ATEN will continue to expand its global network of business locations, implementing a management philosophy that builds on the strengths of being a Taiwanese brand while realizing effectively-localized management, so that ATEN can continue to create even more sustainable value for shareholders, employees, society as a whole, and the global environment.

Chairman and President: Sun-Chung Chen

II. Company Profile

2.1 Date of Incorporation: July 6th, 1979

2.2 Key Milestone in the Company History:

1979

- Initial establishment and registration of the Company as HOZN Automation Co. Ltd. with total paid-in capital NT\$2,000,000.

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/MS 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.

1995

- Implemented Free Flow to increase the product capacity.

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.
- Construction of factory in Shenzhen.

2000

- CS182/124/1016 received "Taiwan Excellence" award from the Ministry of Economic Affairs.

- Launched world's first USB KVM Switch at Comdex Fall exhibition in USA.
- 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.
- Established Ching-Tang Education Foundation.
- 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 Economic Affairs.
- 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.

- Implemented ROHS production process.
- 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 ”2007 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 Economic Affairs.
- 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 3rd 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 1st 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 16th Golden Peak Awards
- Received the Corporate Award for Standardization in the 15th 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 3rd 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 2nd in the Medium-sized Enterprises section)
- ATEN released 2014 "ATEN Corporate Social Responsibility Report"

2016

- KN8164V and VM6404H received the “Taiwan Excellence” award from the Ministry of Economic Affairs.
- 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 4th in the Medium-sized Enterprises section)
- Established Turkey subsidiary (ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY)

2017

- CS782DP and VK2100 received the “Taiwan Excellence” award from the Ministry of Economic Affairs.
- Released the 2016 ATEN Corporate Social Responsibility Report.
- CS1924 and VM3200 received the Best Choice Award at Computex 2017.
- CV211 and VM3200 both received Best of Show Award at Interop Japan 2017.
- Received the Corporate Citizenship Award from CommonWealth magazine (placing second in the Medium-sized Enterprises category)
- KE8952 received Best of Show Award at IBC 2017 in the Netherlands.
- ATEN was ranked among the 35 most valuable Taiwanese brands in the Interbrand 2017 Taiwan Top Global Brands.
- Established a new subsidiary in Poland, and new representative offices in India.

2018

- CS1924, CV211, US7220 and VM3200 received the "Taiwan Excellence" award from the Ministry of Economic Affairs.
- VE8950 received Germany's Red Dot Design Award
- VE8950 received the Best Choice Award at Computex 2018.
- Released the 2017 ATEN Corporate Social Responsibility Report.
- Received the Corporate Citizenship Award from CommonWealth magazine (placing first in the Medium-sized Enterprises category)
- Received “Fitness-oriented Enterprise” certification from the Sports Administration, Ministry of Education
- ATEN was ranked among the 35 most valuable Taiwanese brands in the Interbrand 2018 Taiwan Top Global Brands.

2019

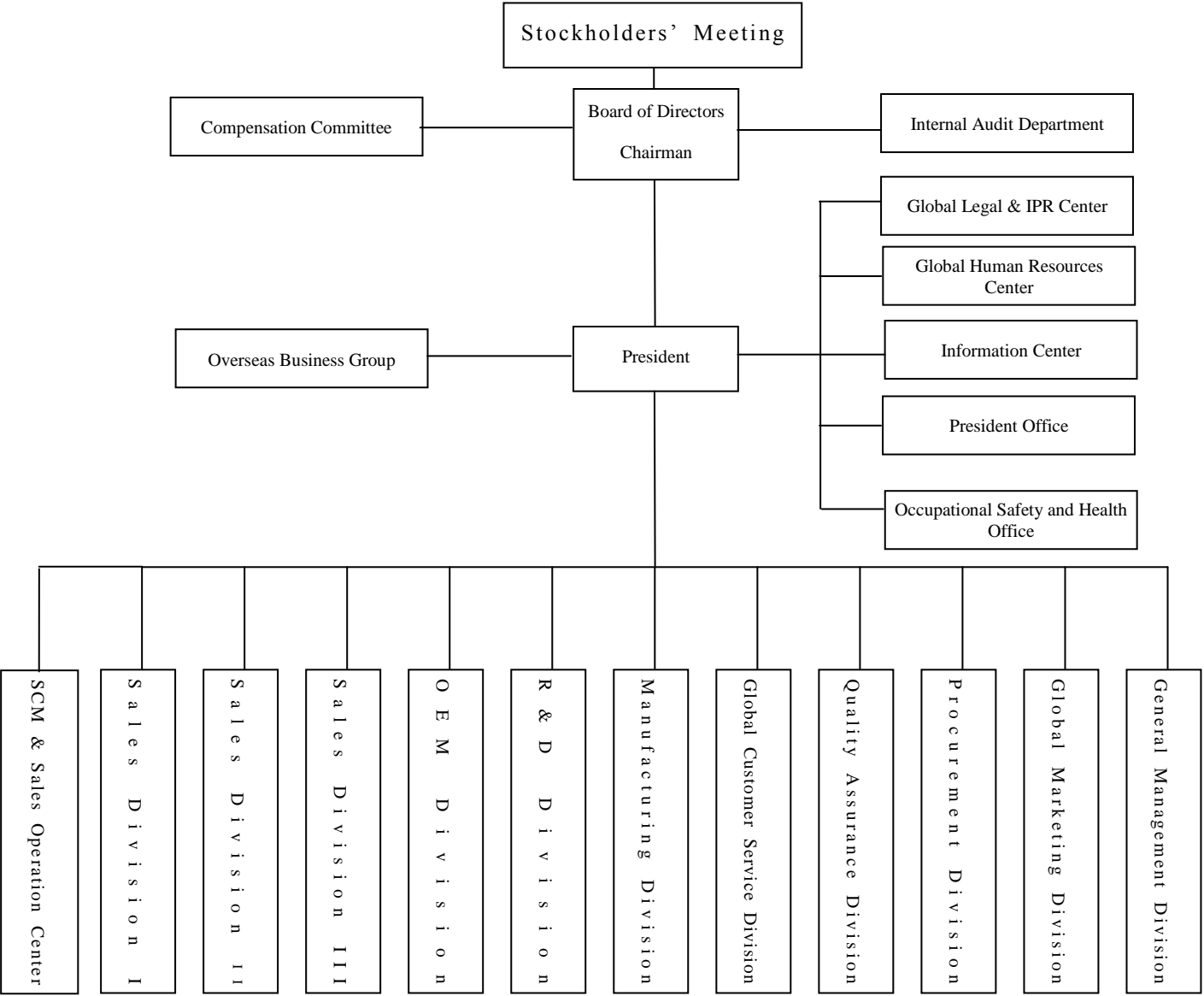
- CL3800 and VE8950 product series received the “Taiwan Excellence” award from the Ministry of Economic Affairs
- UH3234 received the Netherlands’ Hardware.Info Excellent Choice Award
- Established a new subsidiary in Romania

- UC9020 received the Best Choice Award at Computex 2019.
- CM1284 and CS724KM both received Japan's Interop Best of Show Award 2019
- Released the 2018 ATEN Corporate Social Responsibility Report.
- Received the Corporate Citizenship Award from CommonWealth magazine (placing third in the Medium-sized Enterprises category)
- Awarded Best Companies to Work For award by HR Asia
- UC9020 received Good Design Award of Japan
- ATEN was ranked among the 35 most valuable Taiwanese brands in the Interbrand 2019 Taiwan Top Global Brands.

III. Corporate Governance Report

3.1 Company Organization

3.1.1 Organization Chart



3.1.2 Responsibilities of Individual Divisions and Departments

Unit	Responsibilities
President Office	Business plan implementation and integration; overall business strategy planning for ATEN and its subsidiaries; establishment and implementation of internal control systems.
Global Legal & IPR Center	Contract review and management, IP and litigation strategy and other legal matters.
Information Center	<ul style="list-style-type: none"> • MIS system planning, deployment and management. • Information system program development and maintenance. • Database and information security maintenance and management. • Software and hardware equipment appraisal, deployment and troubleshooting. • Provision of training and guidance for IT personnel. • Document flow management, and data maintenance and management.
Global Human Resources Center	<ul style="list-style-type: none"> • Formulation of human resources strategy; personnel system establishment and promotion. • Recruitment, appointments and dismissals, learning and development, compensation and benefit, performance review, promotion and transfer, incentives and punishments, etc. • Implementation and management of employee relationship operations (including labor-management consultative meetings, EAPs employee assistance project, etc.) • Compliance of labor law regulation, industry-wide human resources analysis and formulation of response strategies.
Internal Audit Department	Internal control systems and implementation of auditing operations for ATEN and its subsidiaries.
Occupational Safety and Health office	<ul style="list-style-type: none"> • Formulation of occupational injury prevention plans and emergency response plans, and provision of guidance to relevant departments with regard to plan implementation. • Employee health examination planning and employee health management. • Implementation of occupational health and safety education and training, supervision of occupational accident investigations, and processing of occupational accident statistics.
Overseas Business Group	Supervision of overseas subsidiaries; plan and implementation of overseas sales configuration.
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 Central America, South America, 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.
Global Customer Service Division	Customer service, RMA maintenance, e-support platform, technique support, technique training and verification and solution consultation and execution.

Unit	Responsibilities
Quality Assurance Division	Handling of quality assurance, quality system etc.
SCM & Sales Operation Center	Import/export, logistic, payments and receipts, and inventory management etc.
Procurement Division	<ul style="list-style-type: none"> • Purchasing of raw materials and components. • Identification of potential new suppliers, and supplier appraisal. • Purchasing monitoring and documentation management. • Production facility goods inward and billing operations.
Global Marketing Division	<ul style="list-style-type: none"> • Corporate image building, product marketing and brand development. • Brand and product strategy planning, market trends analysis and distribution channel strategy planning.
General Management Division	<ul style="list-style-type: none"> • General affairs, fixed asset purchasing, etc. • Cash flow management and financing planning, bank transactions, receipts and expenses, and short- and long-term investment management and consultation. • Compilation of managerial reports, compilation and analysis of financial statements, budget planning and analysis, tax and transfer pricing planning and implementation, and provision of advisory and planning support for accounting issues of subsidiaries. • Information disclosure, investor relations management, matters relating to board meetings and shareholders' meetings, and capital market operations. • Overall planning and implementing general affairs of overseas locations and subsidiaries.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

2020.4.18

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Sun-Chung Chen	Male	06/15, 2017	3	07/06, 1979	4,049,087	3.39%	4,049,087	3.39%	629,446	0.53%	0	0%	EMBA, Business Administration, National Taiwan University Electronic Engineer Department, Vanung University Factory Director, ATEN International R&D Manager, ATEN International	Note 1	Vice President Assistant Vice President	Shang-Jen Chen Sherry Tung	Sibling Spouse
Vice Chairman	ROC	Shang-Jen Chen	Male	06/15, 2017	3	07/06, 1979	6,779,342	5.67%	6,789,342	5.68%	2,390,970	2.00%	0	0%	Bachelor, Computer Science Department, National Chiao Tung University Director and President, ATECH Peripherals INC.	Note 2	Chairman and President Assistant Vice President	Sun-Chung Chen Sherry Tung	Sibling Sibling in law
Director	ROC	Yung-Da Lin	Male	06/15, 2017	3	06/17, 2014	0	0%	0	0%	0	0%	0	0%	EMBA, International Business Management, National Taiwan University Master, Electronic Engineering Department, National Taiwan University Bachelor, Electronic Engineering Department, National Taiwan University Product Director, Aver Media R&D Director, Aver media	Note 3	None	None	None
Director	ROC	CDIB Capital Management Co. Representative : Shu-Shan Lin	Female	06/15, 2017	3	04/29, 2003	65,660	0.05%	65,660	0.05%	0	0%	0	0%	Master, Institute of Technology Management, National Chiao Tung University Product Manager, Philips in Taiwan Vice President, CDIB Capital Management Co.	Note 4	None	None	None
					3	08/11, 2006	1,506	0.00%	1,506	0.00%	0	0%	0	0%	Director President, CDIB Capital Growth Partners				

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	ROC	Wei-Jen Chu	Male	06/15, 2017	3	06/14, 2005	0	0%	0	0%	0	0%	0	0%	Master, Accounting Department, National Chengchi University PhD, Management of Jinan University in Guangzhou Commissioner, CPA Professional Liability of Auditing Examination Committee, National Federation of CPA Associations of the R.O.C. Executive Director, National Federation of CPA Association of the R.O.C. Senior Partner of Candor Taiwan CPAs Executive Director, Taipei CPA Association Executive Supervisor, Taipei CPA Association Commissioner, Discipline Committee, Taiwan Provincial CPA Association Adjunct Instructor, Fu Jen Catholic University Adjunct Instructor, Chinese Culture University	Note 5	None	None	None
Independent Director	ROC	Chung-Jen Chen	Male	06/15, 2017	3	06/17, 2013	0	0%	0	0%	0	0%	0	0%	PhD, Rensselaer Polytechnic Institute Associate Dean, Office of Research and Development, National Taiwan University Associate Professor, Business Administration Department, National Taiwan University Associate Professor, Business Administration Department, National Cheng Kung University Assistant Professor, Business Administration Department, National Cheng Kung University Vice Engineer, CTCI	Note 6	None	None	None

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	ROC	Chun-Chung Chen	Male	06/15, 2017	3	06/15, 2017	0	0%	0	0%	0	0%	0	0%	PhD, International Business Administration, University of Texas at Dallas Associate Professor, International Business Department, National Taiwan University Associate Professor, International Business Department, Yuan Ze University Assistant Professor, International Business Department, National Chi Nan University	Note 7	None	None	None
Supervisor	ROC	Shiu-Ta Liao	Male	06/15, 2017	3	05/17, 2002	1,807,897	1.51%	1,807,897	1.51%	2,216,879	1.86%	0	0%	Bachelor, Business Administration Department, Feng Chia University	Note 8	None	None	None
Supervisor	ROC	Se-Se Chen	Female	06/15, 2017	3	10/15, 1990	1,261,416	1.06%	1,261,416	1.06%	0	0%	0	0%	Kai Ping Senior High School	None	None	None	None
Supervisor	ROC	Chen-Lin Kuo	Male	06/15, 2017	3	05/17, 2002	0	0%	0	0%	0	0%	0	0%	Bachelor, Business Department, National Taiwan University Master, Business Management Department, New Mexico Highlands University Specialist, Tax Reform Committee, Executive Yuan Deputy Director, Fiscal Information Agency, Ministry of Finance Adjunct Associate Professor, Management Sciences Department, Tamkang University	None	None	None	None

Note 1: Simultaneously act as the Chairman and President of the following companies: ATEN TECHNOLOGY, INC., ATEN NEW JERSEY INC., I/O MASTER INC., ATEN RESEARCH INC., IOGEAR INC., ATEN CANADA TECHNOLOGIES INC.

Chairman and Secretary of FOREMOST INTERNATIONAL CO., LTD.

Simultaneously act as the Chairman of the following companies: Xiufeng Elementary School Education Foundation, ATEN US HOLDING INC., ATEN EUROPE LTD., ATEN UK LTD., ATEN INFOTECH N.V., ATEN JAPAN CO., LTD., ATEN KOREA CO., LTD, ATEN ANZ PTY. LTD., ATEN Poland Sp. z o.o., TOPMOST INTERNATIONAL CO., LTD., EXPAND INTERNATIONAL CO., LTD., ATEN COMPUTER PRODUCTS CO., LTD., ATEN CHINA CO., LTD, ATECH PERIPHERALS INC., HONG YUAN CO., LTD. HONG ZHENG CO., LTD.

Simultaneously act as the Director of the following companies: VISION FACTORY CO., LTD, RCM FULLY AUTOMATION CO., LTD.

Representative of ATEN INFO COMMUNICATION LLC.

Note 2: Chairman and President of VISION FACTORY CO., LTD, Director of ATECH PERIPHERALS INC., Chairman of the Ching-Tang Education Foundation

Note 3: Senior Vice President of ATEN International Co. Ltd, Chairman of RCM FULLY AUTOMATION CO., LTD., Director of ATEN CHINA CO., LTD.

Note 4: Director of M2COMM, Supervisor of General Life Biotechnology Co., Ltd., Director of iCHEF Co. Ltd., Director of Lightel technologies Inc., Director of Wendell Industrial Co., Ltd.

Note 5: Partner of Candor Taiwan CPAs, Independent Director of International Games System Co., Ltd.

Note 6: Professor of Business Administration Department at National Taiwan University, Director of Center for Technology Policy and Industry Development at National Taiwan University, Independent Director of USUN

TECHNOLOGY CO., LTD., Independent Director of Solteam Incorporation

Note 7: Associate Professor of International Business Department at National Taiwan University, Independent Director of Alcor Micro Corporation Ltd.

Note 8: Consultant of Tatung Chinaware

Table 1:Major shareholders of the institutional shareholders

2019.12.31

Name of Institutional Shareholders	Major Shareholders
CDIB Capital Management Co.	CDIB Capital Group (100%)

Table 2 : Major shareholders of the Company's major institutional shareholders

2019.12.31

Name of Institutional Shareholders	Major Shareholders
CDIB Capital Group	China Development Financial Holding Corporation(100%)

Professional qualifications and independence analysis of directors and supervisors

Name \ Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Sun-Chung Chen			✓					✓			✓	✓		✓	✓	0
Shang-Jen Chen			✓					✓				✓		✓	✓	0
Yung-Da Lin			✓			✓		✓			✓	✓	✓	✓	✓	0
CDIB Capital Management Co. Representative: Shu-Shan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Wei-Jen Chu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chung-Jen Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chun-Chung Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shiu-Ta Liao			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Se-Se Chen			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Chen-Lin Kuo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: **not** a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: **not** a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

2020.4.18

Title	National ity	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	ROC	Sun-Chung Chen	Male	09/15, 1982	4,049,087	3.39%	629,446	0.53%	0	0%	EMBA, Business Administration, National Taiwan University Electronic Engineer Department, Vanung University Factory Director, ATEN International R&D Manager, ATEN International	Note 1	Assistant Vice President	Sherry Tung	Spouse
Sr. Vice President, Research & Development Division	ROC	Yung-Da Lin	Male	10/01, 2018	0	0%	0	0%	0	0%	EMBA, International Business Management, National Taiwan University Master, Electronic Engineering Department, National Taiwan University Bachelor, Electronic Engineering Department, National Taiwan University Product Director, Aver Media R&D Director, Aver media	Note 2	None	None	None
Sr. Vice President, Global Marketing Division															
Vice President, President Office	ROC	William Kao	Male	01/16, 2018	0	0%	0	0%	0	0%	EMBA, Business Administration, National Taiwan University Chemical Engineering Department, National Taiwan University of Science and Technology Chemical Engineering Department, Ming Chi University of Technology Senior Director, Oracle(HK/TW) Executive Director, AREC Inc. CEO, NUUO Inc. GM, Software Group, HP(China)	Note 3	None	None	None
Vice President, Manufacturing Division	ROC	Tim Chiang	Male	02/13, 2019	0	0%	0	0%	0	0%	Master, Mechanical Engineering Department, National Taiwan University Bachelor, Mechanical Engineering Department, National Taiwan University Vice President, Technology Manufacture Center, Advantech Manufacturing Director, ADLINK /ASUS	Note 4	None	None	None
Sr. Assistant Vice President, Global Human Resources Center	ROC	Elizabeth Anlen Wang	Female	03/01, 2016	154,524	0.13%	0	0%	0	0%	Master, Institute of Industrial Engineering, National Taiwan University PMLBA, National Taiwan University EMBA, Business Administration, National Taiwan University HR Director/ Manager, ATEN International Aske HR D. Manager/ TI-US / NBC-US National Youth Commission, Executive Yuan, overseas talent with a master's degree or higher: Practical training course for human resources management	None	None	None	None

Title	National ity	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Sr. Assistant Vice President, General Management Division	ROC	Alex Chen	Male	05/15, 2017	9,000	0.01%	0	0%	0	0%	EMBA, National Cheng Chi University Bachelor, Economic Department, National Cheng Chi University Assistant Vice President, Finance Division, Unitech Deputy Manager, Finance department, Wan Hai Lines LTD. Manager and HQ representative, Finance Department, Wan Hai Lines LTD.(Germany / USA)	Note 5	None	None	None
Sr. Assistant Vice President, Sales Division 2	ROC	Lanie Chen	Male	07/01, 2019	0	0%	45,000	0.04%	0	0%	Bachelor, Computer Science Department, National Chiao Tung University President, Interactive Sensing LTD. President, Russia and CIS Region, Advantech Sales Manager, Europe/America/Africa/India Market, Advantech Sales Manager, East China and South China Market, Advantech	None	None	None	None
Sr. Assistant Vice President, R&D Center-1	ROC	Sean Huang	Male	10/01, 2019	10,330	0.01%	0	0%	0	0%	Master, Computer Science and Information Engineering, National Chung Cheng University Project Manager, Sampo Ya Kai Information Assistant Manager, Wellsyn Senior Manager, R&D Center-1, ATEN International	None	None	None	None
Assistant Vice President, Procurement Division	ROC	Sherry Tung	Female	08/01, 2001	629,446	0.53%	4,049,087	3.39%	0	0%	Electronic Engineer Department, Vanung University Manager, Procurement Division, ATEN International	Note 6	President	Sun-Chung Chen	Spous
Assistant Vice President, Overseas Business Group	ROC	Jack Chen	Male	03/01, 2010	0	0%	0	0%	0	0%	Bachelor, Business Management Department, Chinese Culture University Managing Director, ATEN Infotech N.V. Sales Supervisor, Kou Feng Industrial British Subsidiary	Note 7	None	None	None
Assistant Vice President, Sales Division 1	ROC	Mike Chiang	Male	05/16, 2018	0	0%	0	0%	0	0%	EMBA, National Cheng Chi University Bachelor, International Business Department, Tamkang University Director, Platform Application Development Division, Aopen President, Asia Pacific and Middle East Region, Aopen Director, Asia Pacific Sales Department, Acer Supervisor, Electronic Sales Section, Sampo	None	None	None	None
Assistant Vice President, Global Customer Service Division	ROC	MH Yang	Male	02/13, 2012	0	0%	0	0%	0	0%	Master, Business Management Department, Chung Yuan Christian University Electronic Department, National Taipei University of Technology Assistant Vice President, Global Quality and Service Support Center, D-Link Vice President, Customer Service Support and Plan	None	None	None	None

Title	National ity	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
											Execution Department, HP (Taiwan) President, Customer Service Business Group, Compaq Vice President, Multi-brand Customer Service Business Division, Digital Equipment Corporation				
Assistant Vice President, Pro AV Product Center	ROC	Frank Chang	Male	06/01, 2014	6,000	0.01%	8,000	0.01%	0	0%	MBA, The City University of New York Bachelor, Electrical Engineering Department, National Tsing Hua University Senior Product Manager, MAGNETOX (TAIWAN) INC. Product Manager, Acer/Wistron Engineer, HP (Taiwan) Engineer, Twinhead International Corp.	None	None	None	None
Assistant Vice President, System Application Design Center	ROC	Thomas Chang	Male	09/21, 2015	0	0%	15,000	0.01%	0	0%	EMBA, Information Management, National Taiwan University Bachelor, Statistics Department, Tamkang University Chief Technology Officer, RD Center, AREC Inc Director, Network Television Business Center, AverMedia	Note 8	None	None	None
Assistant Vice President, Marketing & Promotion Center	ROC	Bowei Lai	Male	11/14, 2016	0	0%	0	0%	0	0%	MBA, Leeds University Bachelor, Mass Communication Department, Fu Jen Catholic University Director, Electrical Marketing, Posiflex Senior Manager, Marketing Department, PChome Manager, Technology Development Department, NewSoft Technology Corporation	None	None	None	None
Assistant Vice President, Quality Assurance & Logistics Division	ROC	Michael Tseng	Male	03/21, 2017	0	0%	0	0%	0	0%	Master, Business Management Department, Fu Jen Catholic University Bachelor, Electrical Engineering Department, National Taiwan University Director, PQM, Asus Office director of the general manager's office at Starpro in Thailand, part of the Ting Hsin International Group Senior Manager, QA, AmTRAN Manager, OA, BenQ	None	None	None	None
Assistant Vice President, OEM Division	ROC	George Lee	Male	05/27, 2019	0	0%	0	0%	0	0%	Master, Computer Information Systems , Southern Hampshire University Bachelor, Computer Information Systems , Southern Hampshire University Civil Engineering Department, Minghsin University of Science and Technology Sales Manager, Askey Computer Corp. Manager, Marine Harvest Manager, CED/ODM/BD, Aver Media	None	None	None	None
Assistant Vice President, Global Legal & IPR Center	ROC	Hank Kwuo	Male	10/01, 2019	0	0%	0	0%	0	0%	Master of Law, Boston University Bachelor, Law Department, Chinese Culture University Textile Engineering Department, Vanung University Assistant Vice President, Legal Division, Foxlink	None	None	None	None

Title	National ity	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
											Sevior Manager, Legal Department, LITE-ON Technology Director, Corporate Affairs Unit, Microsoft Taiwan CEO, Movie and Recording Copyright Protection Foundation				

Note 1: Simultaneously act as the Chairman and President of the following companies: ATEN INTERNATIONAL CO. LTD, ATEN TECHNOLOGY, INC., ATEN NEW JERSEY INC., I/O MASTER INC., ATEN RESEARCH INC.,

IOGEAR INC., ATEN CANADA TECHNOLOGIES INC.

Chairman and Secretary of FOREMOST INTERNATIONAL CO., LTD.

Simultaneously act as the Chairman of the following companies: Xiufeng Elementary School Education Foundation, ATEN US HOLDING INC., ATEN EUROPE LTD., ATEN UK LTD., ATEN INFOTECH N.V., ATEN JAPAN CO., LTD., ATEN KOREA CO., LTD, ATEN ANZ PTY. LTD., ATEN Poland Sp. z o.o., TOPMOST INTERNATIONAL CO., LTD., EXPAND INTERNATIONAL CO., LTD., ATEN COMPUTER PRODUCTS CO., LTD., ATEN CHINA CO., LTD, ATECH PERIPHERALS INC., HONG YUAN CO., LTD. HONG ZHENG CO., LTD.

Simultaneously act as the Director of the following companies: VISION FACTORY CO., LTD, RCM FULLY AUTOMATION CO., LTD.

Representative of ATEN INFO COMMUNICATION LLC.

Note 2: Chairman of RCM FULLY AUTOMATION CO., LTD., Director of ATEN CHINA CO., LTD.

Note 3: Simultaneously act as the Director of the following companies: HONG YUAN CO., LTD., HONG ZHENG CO., LTD., ATECH PERIPHERALS INC., ATEN CHINA CO., LTD, ATEN TECHNOLOGY, INC., ATEN NEW JERSEY INC., ATEN JAPAN CO., LTD, ATEN KOREA CO., LTD, ATEN ANZ PTY. LTD.

Director and Secretary of ATEN UK LTD.

Secretary of ATEN EUROPE LTD.

Note 4: Executive Director of EXPAND ELECTRONICS CO., LTD

Note 5: Simultaneously act as the Director and CFO of the following companies: ATEN TECHNOLOGY, INC., ATEN NEW JERSEY INC.

Simultaneously act as the Director of the following companies: ATEN UK LTD., ATEN JAPAN CO., LTD., ATEN KOREA CO., LTD., ATEN CHINA CO., LTD., HONG YUAN CO., LTD., HONG ZHENG CO., LTD.

Simultaneously act as the Supervisor of the following companies: EXPAND ELECTRONICS CO., LTD, RCM FULLY AUTOMATION CO., LTD.

CFO of IOGEAR INC.

Note 6: Chairman of Xiufeng High School Education Foundation and LEADCOM TECHNOLOGY CO., LTD.

Director of VISION FACTORY CO., LTD and The Ching-Tang Education Foundation

Note 7: Secretary and Director of ATEN INFOTECH N.V.

Note 8: Executive Director of ATEN FOREMOST CO., LTD.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

A. Remuneration of Directors

2019.12.31; Unit: NTD thousand

Title	Name	Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees			Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary			
		Base Compensation (A)	Severance Pay (B)	Directors Compensation(C)	Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay (F)	Employee Compensation (G)					
		The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements		The company/All companies in the consolidated financial statements		
									Cash	Stock				
Chairman	Sun-Chung Chen	0/0	0/0	7,672/	2,400/	1.39%/	15,377/	270/	10,788/	0/0	5.05%/	0		
Vice Chairman	Shang-Jen Chen													
Director	Yung-Da Lin					7,672	2,400	1.39%	15,377		270		10,788	5.05%
Director	CDIB Capital Management Co. Representative: Shu-Shan Lin													
Independent Director	Wei-Jen Chu	0/0	0/0	1,953/	1,800/	0.52%/	0/0	0/0	0/0	0/0	0.52%/	0		
Independent Director	Chung-Jen Chen			1,953	1,800	0.52%								
Independent Director	Chun-Chung Chen													

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,001 ~ NT\$2,000,000	Yung-Da Lin, CDIB Capital Management Co., Wei-Jen Chu, Chung-Jen Chen, Chun-Chung Chen	Yung-Da Lin, CDIB Capital Management Co., Wei-Jen Chu, Chung-Jen Chen, Chun-Chung Chen	CDIB Capital Management Co., Wei-Jen Chu, Chung-Jen Chen, Chun-Chung Chen	CDIB Capital Management Co., Wei-Jen Chu, Chung-Jen Chen, Chun-Chung Chen
NT\$2,000,001 ~ NT\$3,500,000	Shang-Jen Chen	Shang-Jen Chen	-	-
NT\$3,500,001 ~ NT\$5,000,000	Sun-Chung Chen	Sun-Chung Chen	-	-
NT\$5,000,001 ~ NT\$10,000,000	-	-	Shang-Jen Chen, Yung-Da Lin	Shang-Jen Chen, Yung-Da Lin
NT\$10,000,001 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-	Sun-Chung Chen	Sun-Chung Chen
Total	7	7	7	7

B. Remuneration of Supervisors

Title	Name	Remuneration			Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)	Severance Pay (B)	Allowances (D)		
		The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements		
Supervisor	Shiu-Ta Liao	0/ 0	2,775/ 2,775	1,800/ 1,800	0.63%/ 0.63%	0
Supervisor	Se-Se Chen					
Supervisor	Chen-Lin Kuo					

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,001 ~ NT\$2,000,000	Shiu-Ta Liao, Se-Se Chen, Chen-Lin Kuo	Shiu-Ta Liao, Se-Se Chen, Chen-Lin Kuo	Shiu-Ta Liao, Se-Se Chen, Chen-Lin Kuo	Shiu-Ta Liao, Se-Se Chen, Chen-Lin Kuo

NT\$2,000,001 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,001 ~ NT\$5,000,000	-	-	-	-
Total	3	3	3	3

C. Remuneration of the President and Vice Presidents

Title	Name	Salary(A)	Severance Pay (B)	Bonuses and Allowances (C)	Employee Compensation (D)		Ratio of total compensation (A+B+C+D) to net income (%)	Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements	The company/All companies in the consolidated financial statements		The company/All companies in the consolidated financial statements	
					Cash	Stock		
President	Sun-Chung Chen	13,399/	135/	8,468/	13,724/	0/0	4.94%/	0
Senior Vice President	Yung-Da Lin							
Vice President	William Kao							
Vice President	Tim Chiang							

Range of Remuneration

Range of Remuneration	Name of the President and Vice Presidents			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,001 ~ NT\$2,000,000	-	-	-	-
NT\$2,000,001 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,001 ~ NT\$5,000,000	Tim Chiang	Tim Chiang	Tim Chiang	Tim Chiang
NT\$5,000,001 ~ NT\$10,000,000	Yung-Da Lin, William Kao	Yung-Da Lin, William Kao	Yung-Da Lin, William Kao	Yung-Da Lin, William Kao
NT\$10,000,001 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,001 ~ NT\$30,000,000	Sun-Chung Chen	Sun-Chung Chen	Sun-Chung Chen	Sun-Chung Chen
Total	4	4	4	4

D. Employee Compensation Paid to Managers

2019.12.31 ; Unit: NTD thousand

	Title	Name	Stock Compensation Amount	Cash Compensation Amount	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Sun-Chung Chen	0	28,154	28,154	3.89%
	Senior Vice President	Yung-Da Lin				
	Vice President	William Kao				
	Vice President	Tim Chiang				
	Senior Assistant Vice President	Elizabeth Anlen Wang				
	Senior Assistant Vice President	Alex Chen				
	Senior Assistant Vice President	Lanie Chen				
	Senior Assistant Vice President	Sean Huang				
	Assistant Vice President	Sherry Tung				
	Assistant Vice President	Jack Chen				
	Assistant Vice President	MH Yang				
	Assistant Vice President	Frank Chang				
	Assistant Vice President	Thomas Chang				
	Assistant Vice President	Bowei Lai				
	Assistant Vice President	Michael Tseng				
	Assistant Vice President	Mike Chiang				
	Assistant Vice President	George Lee				
	Assistant Vice President	Hank Kwuo				

3.2.4 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

A. The ratio of total remuneration paid by the Company in the parent company during the past 2 fiscal years to directors, supervisors, president, and vice president:

	Ratio of remuneration to net income (%)			
	2019		2018	
	Parent company	All consolidated subsidiaries	Parent company	All consolidated subsidiaries
Directors	1.91%	1.91%	1.41%	1.41%
Supervisors	0.63%	0.63%	0.46%	0.46%
President and Vice president	4.94%	4.94%	2.02%	2.02%

Note: 2019 profit proposal which will be paid in 2020 is proposed and approved by the BOD. The ratio of remuneration to net income is estimated.

3.3 Implementation of Corporate Governance

3.3.1 Operation of Board of Directors

In 2019, the Board of Directors had held 6 meetings (A), the attendance of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Sun-Chung Chen	6	0	100%	-
Vice Chairman	Shang-Jen Chen	4	0	66.67%	-
Director	Yung-Da Lin	6	0	100%	-
Director	CDIB Capital Management Co. Representative: Shu-Shan Lin	6	0	100%	-
Independent Director	Wei-Jen Chu	6	0	100%	-
Independent Director	Chung-Jen Chen	5	1	83.33%	-
Independent Director	Chun-Chung Chen	6	0	100%	
Supervisor	Shiu-Ta Liao	6	0	100%	
Supervisor	Se-Se Chen	6	0	100%	
Supervisor	Chen-Lin Kuo	5	0	83.33%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Meeting date and Session	Agenda and Later procedure	Matters referred to in Article 14-3 of the Securities and Exchange Act	Independent directors have object or other opinions
2019.1.22 1 st time of Year 2019	1. Change of certified public accountant (CPA) for the internal adjustments within the certifying accounting firm. 2. Approved to revise the internal control system.	✓	None
	Opinions of independent directors : NA. The Company's means of processing the opinions of independent directors : NA. Resolution result : Approved by all independent directors.		
2019.3.12 2 nd time of Year 2019	1. Approved 2018 internal control system statement. 2. Amendments to Procedures of Acquisition or Disposal of Assets. 3. Approved the distribution of 2018 directors and supervisors remuneration.	✓	None
	Opinions of independent directors : NA. The Company's means of processing the opinions of independent directors : NA. Resolution result : Approved by all independent directors.		
2019.5.3 3 rd time of Year 2019	1. Amendments to Procedures of Acquisition or Disposal of Assets. 2. Amendment to the Operational Procedures for Loaning of Company Funds and the Operational Procedures for Endorsements and Guarantees. 3. Approved to revise the internal control system.	✓	None
	Opinions of independent directors : NA. The Company's means of processing the opinions of independent directors : NA. Resolution result : Approved by all independent directors.		

2019.7.9 4 th time of Year 2019	1. Approved to revise the internal control system.	✓	None
	Opinions of independent directors : NA. The Company's means of processing the opinions of independent directors : NA. Resolution result : Approved by all independent directors.		
2019.11.7 6 th time of Year 2019	1. Approved to revise 2019 annual audit plans.	✓	None
	2. Approved 2020 annual audit plans. Opinions of independent directors : NA. The Company's means of processing the opinions of independent directors : NA. Resolution result : Approved by all independent directors.		

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors:
None.

2. Directors' implementation on the avoidance of interest-related motions:

- (1) On January 22, 2019, the board of directors passed proposals for a bonus for managers, a performance bonus for the second half of the year, a performance appraisal, and salary adjustments for the year. Directors with a conflict of interest recused themselves, and the chair passed the proposals by consulting the rest of the attending directors.
- (2) On August 7, 2019, the board of directors passed proposals for employee compensation and a performance bonus for the first half of the year. Directors with a conflict of interest recused themselves, and the chair passed the proposals by consulting the rest of the attending directors.

3. Measures taken to strengthen the functionality of the board:

- (1) ATEN evaluates the level of independence of the company auditor on an annual basis. The evaluation items include: Confirming that the auditor does not have any relationship of financial interest or business relationship with the Company that might affect his or her independence; confirming that the auditor has not, within the last two years, served as a director, supervisor or managerial officer of the Company or in any position that would enable him or her to exercise significant influence over auditing matters; confirming that the auditor has not held a managerial position relating to Company decision-making; confirming that the auditor has not been employed by the Company in another role on a regular basis and in receipt of a fixed salary; confirming that the auditor has not been pressured by the Company's management to make inappropriate decisions in regard to auditing policy or make inappropriate disclosure; confirming that the auditor has no borrower or lender relationship with any of the Company's affiliates; confirming that the auditor has not provided auditing services to the Company for more than seven consecutive years; confirming that the auditor and the auditing team have submitted an auditor's independence certificate. The auditor's independent appraisal report for FY2019 was approved by the Board of Directors on March 12, 2020.
- (2) Set up Audit Committee in order to reinforce the implementation of board of directors.
- (3) Formulate Self-Evaluation or Peer Evaluation of the Board of Directors.
- (4) Establish a tip-off mailbox for reporting misbehavior by supervisors.
- (5) Enhance information disclosure transparency and timely disclosure: The Company announces important news in both Chinese and English at the same time and voluntarily prepares English versions of the shareholders' meeting notice, the meeting agenda, meeting minutes, and the annual report, and uploads relevant information to the Market Observation Post System to further protect the interests of foreign investors. In addition, in order to enhance information disclosure transparency, the Company has disclosed the minutes of board of directors' meetings for the year on its official website for investors to reference.
- (6) ATEN has purchased liability insurance on behalf of its directors and supervisors to strengthen operation and protect directors and supervisors.

3.3.2 Operation of Audit Committee or Supervisors

A. Audit committee of the Company will be established in 2020.

B. Operation of Supervisors

In 2019, the Board of Directors had held 6 meetings (A), the attendance of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【 B / A 】	Remarks
Supervisor	Shiu-Ta Liao	6	100%	6	
Supervisor	Se-Se Chen	6	100%	6	
Supervisor	Chen-Lin Kuo	5	83.33%	5	

3.3.3 Operation of Remuneration Committee

A. Remuneration Committee members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wei-Jen Chu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Chen-En Ko	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	
Others	Yen-Jung Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chung-Jen Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Chun-Chung Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

Note1: Please indicate the identity as directors, independent directors, and others.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the

remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

10. Not been a person of any conditions defined in Article 30 of the Company Law.

B. The operation of Remuneration Committee

There are 5 members in the Remuneration Committee. The committee term begins from 2017/06/15 to 2020/06/14. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Wei-Jen Chu	2	0	100%	
Committee Member	Chen-En Ko	2	0	100%	
Committee Member	Yen-Jung Lee	2	0	100%	
Committee Member	Chung-Jen Chen	1	0	100%	New appointment on 2019/05/03
Committee Member	Chun-Chung Chen	1	0	100%	New appointment on 2019/05/03

Other mentionable items:

1. The discussion of the remuneration committee and the handling of the company's opinions:

Meeting date and Session	Agenda and Later procedure	Resolution Result	The handling of the Company's opinion
2019.1.22 1 st time of Year 2019	1. Approved the amendments to "Regulation of Remuneration Management." 2. Approved the proposed ratio for the distribution of remuneration for directors and supervisors and the distribution of remuneration for employees of 2019. 3. Approved 2018 year-end bonus paid to managers. 4. Approved the proposed performance bonus for managers for the second half of 2018. 5. Approved the 2018 performance appraisal result for managers and the proposed changes to the salaries of managers for 2019.	Approved by all committee members.	Proposed to BOD and approved by all attendant directors
2019.7.23 2 nd time of Year 2019	1. Approved the "Rules Governing the Calculation and Distribution of Remunerations for Directors and Supervisors" and compensation amount for directors and supervisors.	Approved by all committee members.	Proposed to BOD and approved by all attendant

	2. Approved the proposed performance bonus for managers for the first half of 2019. 3. Approved employee compensation paid to managers in 2018.		directors
<p>2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.</p> <p>3. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</p> <p>4. Scope of duties:</p> <p>(1) Periodically reviewing this Charter and making recommendations for amendments.</p> <p>(2) Establishing and periodically reviewing the performance assessment standards, the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers of this Corporation.</p> <p>(3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved and setting the contents and amounts of their individual compensation.</p>			

3.3.4 Corporate Governance

Item	Implementation 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	■		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	No significant departure.

Item	Implementation 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	
Principles for TWSE/GTSM Listed Companies?			the Market Observation Post System (MOPS) and on the Company's official website: http://www.aten.com.tw/ .	
(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?	■		The Company has established a spokesperson system and an investor relations department, which is responsible for handling shareholders' queries and suggestions; the Company's website also has an investor relations contact window which can be used by shareholders to submit queries or search for relevant information.	No significant departure.
B. Maintenance of the list of major shareholders who exercise effective control over the Company, including details of who has final ownership over these major shareholders.	■		Handled by the Company's shareholder affairs personnel. In accordance with the requirements of Article 25 of the Securities and Exchange Act, the Company reports to the Market Observation Post System (MOPS) on a monthly basis any changes in the number of shares held by the Company's directors, supervisors, managerial officers and shareholders holding more than ten percent of the total shares of the Company.	No significant departure.
C. Establishment by the Company of risk control methods and firewalls with respect to affiliates.	■		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.	No significant departure.

Item	Implementation 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	
D. 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?	■		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: http://www.aten.com.tw/	No significant departure.
(3) Organization and responsibilities of the Board of Directors A. Has the Board of Directors formulated a diversity policy regarding its composition, and is this diversity policy being implemented?	■		Article 20 of ATEN's Corporate Governance Principles specifies a diversity policy in relation to the members of the Board of Directors, stipulating that the Board should include members with different professional backgrounds, of different genders, and with different work experience, etc. All Board members are required to have a specialist background in different areas, such as finance, accounting, industry-specific expertise, etc. ATEN's Board of Directors consists of seven directors. There are three independent directors, accounting for 43% of all directors. Female directors account for 14% of all directors; there are six directors aged 50 or over, and one director in the 30 - 49 age range. Directors with industry-specific expertise, business management expertise, operational decision-making skills and extensive knowledge of international markets include Chairman Sun-Chung Chen (Kevin Chen), Vice Chairman Shang-Jen Chen, Director Yung-Da Lin and Director Shu-Shan Lin. Independent Director Wei-Jen Chu is	No significant departure.

Item	Implementation 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	
			a Partner and Honorary Director at Candor Taiwan CPAs, with a strong specialist background in accounting. Independent Director Chung-Jen Chen is a Visiting Professor at the College of Management, National Taiwan University, as well as holding the positions of Director of the Center for Technology Policy and Industry Development at National Taiwan University, while Independent Director Chun-Chung Chen is Associate Professor at the Graduate Institute of International Business at National Taiwan University. Both of them have a strong specialist background in business and finance. In order to reinforce the corporate governance the audit committee will be set up in 2020. The number of independent directors will be increased from three members to four members.	
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?	■		In April 2012, ATEN's Corporate Social Responsibility (CSR) Policy Statement and Institution and Management System were approved by the Board of Directors, with the Corporate Social Responsibility Management Committee being designated as the highest CSR management body within the company. Every year, project implementation results and future forecasts and plans are submitted to the CSR Management Committee for review, with the CSR Management Committee in turn reporting to the Board of Directors	No significant departure.
C. Has the Company formulated Board of Directors performance appraisal rules and appraisal methods, and is	■		The Company has stipulated "Self-Evaluation or Peer Evaluation of the Board of Directors", and conducts performance appraisal regularly each year. The items subject to evaluation for the members of the board (either self-evaluation or peer-review) include:	No significant departure.

Item	Implementation 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	
performance appraisal implemented on a regular basis every year? Has the Company submitted the results of performance assessments to the board of directors and used them as reference in determining compensation for individual directors, their nomination and additional office term?			Understanding of the Company's goals and missions, acknowledgment of the directors of their duties, the degree of participation in the operations of the company, management and communication within the company, the professional skills and continued education of the directors, internal control, etc. The results of the performance evaluation shall be submitted to the board of directors for reference in considering the salary and compensation for each individual director and nomination for continued service as a director.	
D. Regular appraisal of the independence of the Company auditor.	■		ATEN evaluates the level of independence of the company auditor on an annual basis. The evaluation items include: Confirming that the auditor does not have any relationship of financial interest or business relationship with the Company that might affect his or her independence; confirming that the auditor has not, within the last two years, served as a director, supervisor or managerial officer of the Company or in any position that would enable him or her to exercise significant influence over auditing matters; confirming that the auditor has not held a managerial position relating to Company decision-making; confirming that the auditor has not been employed by the Company in another role on a regular basis and in receipt of a fixed salary; confirming that the auditor has not been pressured by the Company's management to make inappropriate decisions in regard to auditing policy or make inappropriate disclosure; confirming that the auditor	No significant departure.

Item	Implementation 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	
			has no borrower or lender relationship with any of the Company's affiliates; confirming that the auditor has not provided auditing services to the Company for more than seven consecutive years; confirming that the auditor and the auditing team have submitted an auditor's independence certificate. The auditor's independent appraisal report for FY2019 was approved by the Board of Directors on March 10, 2020.	
(4). Has the TWSE/TPEX listed company been equipped with competent and appropriate numbers of corporate governance personnel, and designated a CGO responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with the information required for business execution, assisting directors and supervisors with legal compliance, handling matters related to board meetings and shareholders meetings in accordance with the law, and producing meeting minutes for board of directors meetings and	■		The dedicated unit responsible for corporate governance in this Company is the general management division, which is chaired by the spokesperson / senior assistant vice president of the general management division. The chairman is the financial and accounting supervisor of this Company with over three years of experience in financial management in public companies. The Company will establish a corporate governance officer in 2020. The main responsibilities of corporate governance personnel are to protect shareholders' interests and treat shareholders fairly, provide directors and supervisors the information needed to carry out their duties, provide assistance to ensure compliance with laws and regulations, handle matters related to board of directors' meetings and shareholders' meetings in accordance with the law (since 2019, 6 board of directors' meetings and 1 annual general meeting have been held), handle company registrations and amendments to such registrations, prepare the minutes for the board of directors' meetings and shareholders' meetings, arrange trainings for directors and supervisors (2 courses were arranged in 2019), hold investor conferences (4 online	No significant departure.

Item	Implementation 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	
shareholders meetings)?			conferences were held in 2019) and participate in investment forums on an ad hoc basis (were invited to 2 investment forums in 2019), at which financial information is distributed and investors can receive non-financial information, and which establishes a diverse communication channel with investors, 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. The company's website: http://www.aten.com/tw/zh/aten-info/csr/page-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.
B. Other methods of disclosure adopted by	■		The Company has appointed dedicated personnel to be responsible for the collection and	No significant departure.

Item	Implementation 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	
the Company.			disclosure of relevant information, and has established a spokesperson system. The information disclosed at investor presentations is also disclosed on the Company website: http://www.aten.com/tw/zh/aten-info/investor-relations/investor-event/ .	
C. Does the Company announce and report the annual financial report as early as possible within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operating status of each month as early as possible before the required deadlines?	■		The Company has already announced its interim financial reports and information on the revenue for each month. For details on the operation status of each month, the revenue announcement calendar has been disclosed in the financial information section of the investor relations section on the company's website: https://www.aten.com/tw/zh/aten-info/investor-relations/financial-information/	No significant departure.
(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	■		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. 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. ATEN organizes health promotion activities and education and training activities on a	No significant departure.

Item	Implementation 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	
policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>regular basis, implements health management, and arranges various types of health consulting services, including special clinics.</p> <p>C. Investor relations: Besides making public announcements of the company's important operational and financial information on the Market Observation Post System (MOPS) as required by law, ATEN has also established an Investor Relations Contact Window to handle matters relating to disclosure and investor relations, etc., thereby enhancing overall transparency. The ATEN corporate website also includes an Investor Relations section where information relating to corporate governance, company finances and operations is posted for the reference of investors.</p> <p>D. Supplier relations and stakeholder relations: Supplier relations and stakeholder relations are handled in accordance with the relevant regulations. Purchasing agreements are signed with suppliers, to safeguard the legal rights of both parties. The Company undertakes supplier assessment, and implements occasional supplier audits, as well as arranging supplier meetings to help build consensus regarding collaboration between the Company and its suppliers. In accordance with customers' requirements and with international regulations, the Company requires that suppliers do not use or manufacture materials that contain restricted, environmentally-harmful substances, and strives to realize "green" production, in line with the principles of environmental protection.</p>	

Item	Implementation 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>E. Development and training for directors, supervisors: Besides encouraging directors and supervisors to undergo training programs provided by relevant organizations, ATEN also proactively arranges lectures, held after the conclusion of board meetings, at which specially invited experts discuss issues relating to corporate governance. Directors' and supervisors' record of attendance at board meetings is made public on MOPS, as are the development and training activities undertaken by directors and supervisors. Details of the development and training activities undertaken by ATEN's directors and supervisors in FY2018 are shown in the appended table.</p> <p>F. Risk management policy and risk measurement criteria implementation status: ATEN has formulated a risk management policy and risk assessment criteria, and has drawn up relevant systems and control mechanisms with respect to the major types of operational risk, including financial and accounting controls, and risk evaluation and control measures for sales operations, production operations, computerized data management etc., with the aim of strengthening overall risk control capability.</p> <p>G. Customer feedback strategy implementation status: Through global customer satisfaction survey once a year, after-sales service satisfaction survey once a week, quality control, and audit system, ATEN collects customers' responses, analyzes demand, upgrade service quality, and provide excellent solutions. ATEN has also established communication channels like e-support platform into its corporate website</p>	

Item	Implementation 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	
			and eService APP, to make it easy for customers to submit queries and comments. H. Purchasing of insurance for directors and supervisors: ATEN has purchased liability insurance on behalf of its directors and supervisors.	
<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>In the FY2019 Corporate Governance Evaluation Results, ATEN ranked in the top 6% - 20% band of TSE-listed companies. Recent improvements implemented include: Revision of the Company's Articles of Incorporation to introduce a comprehensive candidate proposal system for directors and supervisors, the appointment of the third independent directors, the establishment of a tip-off mailbox for reporting misbehavior by directors and supervisors, the formulation of ethical management procedures and behavioral guidelines, and appraisal by the board of directors of the independence of the Company's auditor and implementation of related disclosure in the annual report. The Company will set up Audit Committee in 2020 and has established the regulation of Self-Evaluation or Peer Evaluation of the Board of Directors. The board performance evaluation shall be conducted and reported to BOD regularly every year. The Company shall determinate an individual director's remuneration based on the evaluation results of his or her performance.</p>				

Continuing Education /Training of Directors and Supervisors in 2019

Title	Name	Date	Host	Training Title	Duration
Chairman	Sun-Chung Chen	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3

Title	Name	Date	Host	Training Title	Duration
Vice Chairman	Shang-Jen Chen	Nov. 7	Taiwan Securities & Futures Institute		3
		Dec. 17	Taiwan Corporate Governance Association	Economic Sanctions, Export Restricting Laws and the US-China Trade War	3
Director	Yung-Da Lin	Feb. 22	Taiwan Corporate Governance Association	Conference on Aiming for Sustainable Governance to Increase the Long-term Value of the Company	3
		May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
Institutional Director Representative	Shu-Shan Lin	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
Independent Director	Wei-Jen Chu	Mar. 29	Taiwan CPA Association	Taxation Laws, Interpretations and Success Stories of Overseas Taiwanese Businesses Transferring Funds Back to Taiwan	3
		Apr. 15	Taiwan CPA Association	Strategies for Enterprises Towards the Labor Incident Act - from the Perspective of Labor Contracts and Work Regulations	3
		Jul. 31	Taiwan CPA Association	Practices Regarding Business Taxes for Enterprises Engaged in Cross-border E-commerce and Payment of Income Taxes	6
		Nov. 6	Taiwan CPA Association	Differentiation and Analysis between EAS and IFRS	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
		Nov. 21	Taiwan CPA Association	Practical Operation Analysis of Independent Directors and Audit	3

Title	Name	Date	Host	Training Title	Duration
				Committee	
		Nov. 27	Taiwan CPA Association	Corporate Merger and Acquisition	3
Independent Director	Chung-Jen Chen	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
		Nov. 8	Taiwan Corporate Governance Association	Adjustments to Market Deployment in China - Moving Factories / Withdrawing Funds / Increase Revenue from Real Estate Properties	3
		Nov. 8	Taiwan Corporate Governance Association	The Impacts of the US-China Trade War on Taiwanese Enterprises and Mitigation Methods	3
Independent Director	Chun-Chung Chen	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		May 17	Taiwan Corporate Governance Association	Multinational Management and Sustainable Operation	3
		Sep. 6	Taiwan Corporate Governance Association	Trends and Risk Management regarding Digital Technology and AI	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
Supervisor	Chen-Lin Kuo	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 21	Taiwan CPA Association	Practical Operation Analysis of Independent Directors and Audit Committee	3
Supervisor	Shiu-Ta Liao	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3
Supervisor	Se-Se Chen	May 3	Taiwan Securities & Futures Institute	Computer Crimes and Information Security	3

Title	Name	Date	Host	Training Title	Duration
		Nov. 7	Taiwan Securities & Futures Institute	How to Effectively Plan and Implement Enterprise Mergers as well as an Introduction on the Terms and Conditions of Merger Transactions and their Framework	3

3.3.5 Disclose the inquiry methods if the company has established a Corporate Governance Code of Conduct and other relevant regulations.

About the regulations that set up by the Company, please refer to the Company's official website:

<http://www.aten.com/tw/zh/aten-info/investor-relations/corporate-governance/company-rules/>

3.3.6 Other important information which is sufficient to understand corporate governance operation status must also be disclosed

In order to enhance corporate governance and facilitate compliance with amendments to the law, we have completed the formulation and amendments to the “Shareholders’ Meeting Procedure Rules”, “Board Meeting Procedure Rules”, “Rules Governing the Election of Directors and Supervisors”, “Rules Governing the Scope of Powers of Independent Directors”, “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Social Responsibility Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”. This Company also formulated the “Code of Ethical Conduct” to govern the ethics of the stakeholders of the Company. In addition, in order to establish a strong mechanism for the handling and disclosure of material inside information, this Company formulated the “Procedures for Handling Material Inside Information” and management procedures for the prevention of insider trading. The above rules have been announced on the Company's website and the internal website of the Company for reference by investors and employees.

3.3.7 Statement of Declaration of Internal Control

Date: March 10, 2020

Based on the findings of a self-assessment, ATEN INTERNATIONAL CO., LTD. (ATEN) states the following with regard to its internal control system during the year 2019:

1. ATEN's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and ATEN takes immediate remedial actions in response to any identified deficiencies.
3. ATEN evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criteria further contains several items. For more information on the abovementioned items, please refer to the Regulations.
4. ATEN has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of such evaluation, ATEN believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness and transparency in financial reporting, and compliance with relevant regulatory requirements, have reasonably and efficiently achieved the aforementioned objectives.
6. This statement is an integral part of ATEN's annual report for the year 2019 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed by the Board of Directors Meeting of the Company held on March 10, 2020, with none of the 7 attending Directors expressed dissenting opinions, and the remainder all affirming the content of this Statement.

ATEN INTERNATIONAL CO., LTD.

Chairman: Sun-Chung Chen

President: Sun-Chung Chen

3.3.8 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements.

None

3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Board Meetings

Meeting date and Session	Major Resolution
2019.1.22 1 st time of Year 2019	<ol style="list-style-type: none"> 1. Approved bank credit for HQ. 2. Approved 2019 business plan. 3. Approved the change of certified public accountant (CPA) due to the internal adjustments within the certifying accounting firm. 4. Approved the amendments to "Internal Control System" and "Regulation of Remuneration Management." 5. Approved the proposed ratio for the distribution of remuneration for directors and supervisors and the distribution of remuneration for employees of 2019. 6. Approved 2018 year-end bonus paid to managers in January, 2019. 7. Approved the proposed performance bonus for managers for the second half of 2018 to be distributed in 2019. 8. Approved the 2018 performance appraisal result for managers and the proposed changes to the salaries of managers for 2019.
2019.3.12 2 nd time of Year 2019	<ol style="list-style-type: none"> 1. Reported the communication between the accountant and the corporate governance units. 2. Approved 2018 Business Report and Financial Statements. 3. Approved assessments regarding the independence of the certifying accountant for this Company. 4. Approved 2018 Statement of Declaration of Internal Control. 5. Approved the amendments to "Articles of Incorporation," "Procedures of Acquisition or Disposal of Assets," "Rules of Procedure for Board of Directors Meetings." 6. Resolved to hold 2019 annual general shareholders' meeting. 7. Approved the matters related to the acceptance of agenda item proposals by the shareholders for the 2019 annual general meeting. 8. Approved the distribution of 2018 compensation for directors, supervisors, and employees. 9. Approved the Fiscal 2018 Earnings Distribution Proposal. 10. Approved "Articles of Association of Special Committee on Mergers and Acquisitions." 11. Appointed the members of Special Committee on Mergers and Acquisitions.

Meeting date and Session	Major Resolution
2019.5.3 3 rd time of Year 2019	<ol style="list-style-type: none"> 1. Approved 2019 Q1 consolidated financial statements. 2. Report for the launch of Romania subsidiary. 3. Approved the bank credit for subsidiaries. 4. Approved the amendments to “Articles of Incorporation,” “Internal Control System,” “Procedures of Acquisition or Disposal of Assets,” “The Operational Procedures for Loaning of Company Funds,” “The Operational Procedures for Endorsements and Guarantees,” and “Remuneration Committee Charter.” 5. Appointed the members of Remuneration Committee.
2019.7.9 4 th time of Year 2019	<ol style="list-style-type: none"> 1. Reported liability insurance on behalf of its directors, supervisors, and significant staffs. 2. Approved the bank credit for HQ and subsidiaries. 3. Approved the amendments to “Internal Control System.” 4. Approved the record date for the distribution of cash dividends.
2019.8.7 5 th time of Year 2019	<ol style="list-style-type: none"> 1. Approved 2019 Q2 consolidated financial statements. 2. Approved the bank credit for subsidiaries. 3. Approved the earning distribution proposal for 2019 Q1 and 2019 Q2. 4. Approved the “Rules Governing the Calculation and Distribution of Remunerations for Directors and Supervisors.” 5. Approved the proposed performance bonus for managers for the first half of 2019. 6. Approved 2018 employee compensation paid to managers in 2019.
2019.11.7 6 th time of Year 2019	<ol style="list-style-type: none"> 1. Approved 2019 Q3 consolidated financial statements. 2. 2019 CSR work report. 3. Approved to revise 2019 annual audit plan. 4. Approved 2020 annual audit plan. 5. Approved the earning distribution proposal for 2019 Q3. 6. Approved the amendments to “Ethical Corporate Management Best Practice Principles,” “Guidelines for the Adoption of Codes of Ethical Conduct,” “Corporate Governance Best Practice Principles.” 7. Approved the bank credit for subsidiaries.

Meeting date and Session	Major Resolution
<p>2020.1.16 1st time of Year 2020</p>	<ol style="list-style-type: none"> 1. Approved to change India office representative. 2. Approved the bank credit for HQ and subsidiaries. 3. Approved subsidiary endorsement procedure. 4. Approved 2020 business plan. 5. Approved to release the prohibition on the managerial officer from participation in competitive business. 6. Approved the use of the retained earnings from 2018 on investments 7. Approved the proposed ratio for the distribution of remuneration for directors and supervisors and the distribution of remuneration for employees of 2020. 8. Approved the amendments to “Self-Evaluation or Peer Evaluation of the Board of Directors,” “Remuneration Committee Charter,” “Work Regulation,” and “Regulation for Employee Remuneration Management.” 9. Approved the proposed performance bonus for managers for the second half of 2019 to be distributed in 2020. 10. Approved 2019 year-end bonus paid to managers in January, 2020. 11. Approved the 2019 performance appraisal result for managers and the proposed changes to the salaries of managers for 2020.
<p>2020.3.10 2nd time for Year 2020</p>	<ol style="list-style-type: none"> 1. Reported the communication between the accountant and the corporate governance units. 2. Approved 2019 Business Report and Financial Statements. 3. Approved assessments regarding the independence of the certifying accountant for this Company. 4. Approved the change of certified public accountant (CPA) due to the internal adjustments within the certifying accounting firm. 5. Approved 2019 Statement of Declaration of Internal Control. 6. Approved the distribution of 2019 compensation for directors, supervisors, and employees. 7. Resolved to hold 2020 annual general shareholders’ meeting. 8. Approved the matters related to the acceptance of agenda item proposals by the shareholders for the 2020 annual general meeting. 9. Resolved to elect all directors in 2020 annual general shareholders’ meeting. 10. Approved to release the prohibition on directors from participation in competitive business. 11. Approved the amendments to “Articles of Incorporation,” “Regulation for Directors and Supervisors’ Election,” “Rules of Procedure for Shareholders Meetings,” “Procedures of Acquisition or Disposal of Assets,” “The Operational Procedures for Loaning of Company Funds,” and “The Operational Procedures for Endorsements and Guarantees.” 12. Approved the amendment to “Internal Control System.” 13. Approved the Fiscal 2019 Earnings Distribution Proposal. 14. Approved to dispose securities.

B. Important Resolutions of the 2019 Shareholders' General Meeting

(1) Recognize 2018 business report and financial statement.

Resolution: Approved by the 2019 shareholders' meeting.

(2) Recognize the Fiscal 2018 Earnings Distribution Proposal.

Resolution: Approved by the 2019 shareholders' meeting. Ex-dividend record date is on July 31, 2019.

The amount of cash dividend totaled NTD 955,769,328 (NT\$8.0 per share) The dividend payment date is on August 21, 2019.

(3) Amendment to "Articles of Incorporation."

Plan implementation status: Passed resolution, implemented in accordance with the amended "Articles of Incorporation" and disclosed on the company website after the amendment of the "Articles of Incorporation".

(4) Amendment to "Procedures of Acquisition or Disposal of Assets."

Plan implementation status: Passed resolution, implemented in accordance with the amended "Procedures of Acquisition or Disposal of Assets" and disclosed on the company website after the amendment of "Procedures of Acquisition or Disposal of Assets".

(5) Amendment to "The Operational Procedures for Loaning of Company Funds."

Plan implementation status: Passed resolution, implemented in accordance with the amended "The Operational Procedures for Loaning of Company Funds" and disclosed on the company website after the amendment of "The Operational Procedures for Loaning of Company Funds".

(6) Amendment to "The Operational Procedures for Endorsements and Guarantees."

Plan implementation status: Passed resolution, implemented in accordance with the amended "The Operational Procedures for Endorsements and Guarantees" and disclosed on the company website after the amendment of "The Operational Procedures for Endorsements and Guarantees".

3.3.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.

None.

3.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance personnel, and principal research and development officer.

None.

3.4 Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Po-Shu Huang	Yong-Sheng Wang	2019.01.01~2019.12.31	-

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000				
2	NT\$2,000,001 ~ NT\$4,000,000		3,460,000	30,000	3,490,000
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Po-Shu Huang	3,460	-	-	-	30	30	2019.01.01~2019.12.31	Review annual report
	Yong-Sheng Wang								

3.4.1 When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.

3.4.2 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

3.4.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: None.

3.5 Replacement of CPA

3.5.1 Regarding the former CPA

Replacement Date	March 10, 2020		
Replacement reasons and explanations	Change of certified public accountant(CPA) due to internal adjustments within the certifying accountant firm.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-

Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Po-Shu Huang and Chung-Shun Wu
Date of appointment	March 10, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 The company shall mail to the former certified public accountant a copy of the disclosures it is making pursuant to item A and to (c) of the here preceding item: None.

3.6 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:
None

3.7 Changes in shares held, transferred, and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report:

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019	As of Apr. 18, 2020
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		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Sun-Chung Chen	-	-	-	-
Vice Chairman	Shang-Jen Chen	-	-	10,000	-
Director/ Sr. Vice President	Yung-Da Lin	-	-	-	-
Director	CDIB Capital Management Co.	-	-	-	-
	Representative: Shu-Shan Lin	-	-	-	-
Independent Director	Wei-Jen Chu	-	-	-	-
Independent Director	Chung-Jen Chen	-	-	-	-
Independent Director	Chun-Chung Chen	-	-	-	-
Supervisor	Shiu-Ta Liao	-	-	-	-
Supervisor	Se-Se Chen	-	-	-	-
Supervisor	Chen-Lin Kuo	-	-	-	-
Vice President	William Kao	-	-	-	-
Vice President	Tim Chiang	-	-	-	-
Sr. Assistant Vice President	Elizabeth Anlen Wang	-	-	-	-
Sr. Assistant Vice President	Alex Chen	-	-	-	-
Sr. Assistant Vice President	Lanie Chen	-	-	-	-
Sr. Assistant Vice President	Sean Huang	-	-	-	-
Assistant Vice President	Sherry Tung	-	-	-	-
Assistant Vice President	Jack Chen	(21,000)	-	-	-
Assistant Vice President	Mike Chiang	-	-	-	-
Assistant Vice President	MH Yang	-	-	-	-
Assistant Vice President	Frank Chang	-	-	-	-
Assistant Vice President	Thomas Chang	-	-	-	-
Assistant Vice President	Bowei Lai	-	-	-	-
Assistant Vice President	Michael Tseng	-	-	-	-
Assistant Vice President	George Lee	-	-	-	-
Assistant Vice President	Hank Kwuo	-	-	-	-

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders.

As of Apr. 18, 2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shang-Jen Chen	6,789,342	5.68%	2,390,970	2.00%	0	0%	Li-Yue Pan Jin-Tang Chen Ren Liao Sun-Chung Chen	Spouse Father Mother Brother	-
Jin-Tang Chen	6,449,352	5.40%	4,131,796	3.46%	0	0%	Ren Liao Shang-Jen Chen Sun-Chung Chen Li-Yue Pan	Spouse Son Son Daughter in Law	-
Capital Securities Nominee Limited	4,519,277	3.78%	0	0%	0	0%	None	None	-
Ren Liao	4,131,796	3.46%	6,449,352	5.40%	0	0%	Jin-Tang Chen Sun-Chung Chen Shang-Jen Chen Li-Yue Pan	Spouse Son Son Daughter in Law	-
Sun-Chung Chen	4,049,087	3.39%	629,446	0.53%	0	0%	Jin-Tang Chen Ren Liao Shang-Jen Chen Li-Yue Pan	Father Mother Brother Sister in Law	-
Yuan-Qiao Co., Ltd.	4,000,000	3.35%	0	0%	0	0%	None	None	-
Representative: Qing-Qing Lin	0	0%	0	0%	0	0%	None	None	-
Huei-Jyuan Liao	3,326,331	2.78%	0	0%	0	0%	-	-	-
Norges Bank	2,938,813	2.46%	0	0%	0	0%	None	None	-
Yu-Li Liao	2,638,097	2.21%	0	0%	0	0%	None	None	-
Li-Yue Pan	2,390,970	2.00%	6,789,342	5.68%	0	0%	Shang-Jen Chen Jin-Tang Chen Ren Liao Sun-Chung Chen	Spouse Father in Law Mother in Law Brother in Law	-

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its proxy separately.

Note 2: The calculation of the shareholding percentage refers to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under twenty (20) years of age, or others.

Note 3: The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial reports of the issuer.

3.9 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company.

As of Dec. 31, 2019; Unit: Shares/%

Affiliated Enterprises Note 1	Ownership by the Company	Direct or Indirect Ownership by Directors/Supervisors/Managers	Total Ownership
----------------------------------	--------------------------	---	-----------------

	Shares	%	Shares	%	Shares	%
ATEN COMPUTER PRODUCTS CO., LTD.	299,998	99.999%	2	0.001%	300,000	100%
ATEN RESEARCH INC.	2,840	95%	0	0%	2,840	95%
VISION FACTORY CO., LTD	6,472,066	59.58%	2,203,392	20.28%	8,675,458	79.87%
ATECH PERIPHERALS INC.	2,500,000	100%	0	0%	2,500,000	100%
TOPMOST INTERNATIONAL CO., LTD.	700,000	100%	0	0%	700,000	100%
ATEN TECHNOLOGY, INC.	0	0%	2,672,084.37	97.18%	2,672,084.37	97.18%
ATEN INFOTECH N.V.	58,343	99.998%	1	0.002%	58,344	100%
ATEN JAPAN CO. LTD.	1,600	100%	0	0%	1,600	100%
ATEN US HOLDINGS INC.	3,380,000	100%	0	0%	3,380,000	100%
FOREMOST INTERNATIONAL CO. LTD.	2,180,628	100%	0	0%	2,180,628	100%
ASPEED Technology Inc.	1,043,770	3.065%	0	0%	1,043,770	3.065%
EXPAND INTERNATIONAL CO., LTD.	0	0%	689,965	100%	689,965	100%
ATEN EUROPE LTD.	0	0%	1,069,000	100%	1,069,000	100%
ATEN NEW JERSEY INC.	0	0%	800,000	100%	800,000	100%
ATEN UK LTD.	0	0%	650,000	100%	650,000	100%
ATEN KOREA CO., LTD.	0	0%	102,000	85%	102,000	85%
ATEN CHINA CO., LTD	—	—	Note 2	70%	Note 2	70%
ATEN FOREMOST CO., LTD	—	—	Note 2	100%	Note 2	100%
I/O MASTER INC.	0	0%	700,000	100%	700,000	100%
ATEN CANADA TECHNOLOGIES INC.	0	0%	300	100%	300	100%
IOGEAR INC.	0	0%	10	100%	10	100%
EXPAND	—	—	Note 2	100%	Note 2	100%

Affiliated Enterprises Note 1	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
ELECTRONICS CO., LTD						
HONG ZHENG CO., LTD.	1,600,000	100%	0	0%	1,600,000	100%
HONG YUAN CO., LTD.	1,600,000	100%	0	0%	1,600,000	100%
ATEN ANZ Pty. Ltd.	1,750,000	100%	0	0%	1,750,000	100%
RCM FULLY AUTOMATION CO., LTD.	780,000	26%	2,220,000	74%	3,000,000	100%
ATEN INFO COMMUNICATION LLC.	2,000	100%	0	0%	2,000	100%
ATEN Poland Sp. z o.o.	20,000	100%	0	0%	20,000	100%
ATEN Romania S.R.L.	80,000	100%	0	0%	80,000	100%

Note 1: The Company's long-term investment under equity method.

Note 2: ATEN CHINA CO., LTD, ATEN FOREMOST CO., LTD, and EXPAND ELECTRONICS CO., LTD are limited liability Companies which do not issue stocks.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of Apr. 18, 2020

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1979.06	10	200,000	2,000,000	200,000	2,000,000	Capitalization by cash	-	
1982.04	10	400,000	4,000,000	400,000	4,000,000	Capitalization by cash	-	
1983.01	10	800,000	8,000,000	800,000	8,000,000	Capitalization by cash	-	
2984.06	10	1,500,000	15,000,000	1,500,000	15,000,000	Capitalization by cash	-	
1987.09	10	3,000,000	30,000,000	3,000,000	30,000,000	Capitalization by cash	-	
1988.10	10	4,000,000	40,000,000	4,000,000	40,000,000	Capitalization by cash	-	
1990.05	13	10,000,000	100,000,000	10,000,000	100,000,000	Capitalization by cash	-	
1990.08	13	15,097,360	150,973,600	15,097,360	150,973,600	Capitalization by cash	-	
1996.08	15	19,871,700	198,717,000	19,871,700	198,717,000	Capitalization by cash 10,000,000 Capitalization by earning 37,743,400	-	
1999.09	10	25,833,210	258,332,100	25,833,210	258,332,100	Capitalization by earning 59,615,100	-	
2000.09	10	40,000,000	400,000,000	33,889,173	338,891,730	Capitalization by earning 77,499,630 Capitalization by employee stock bonus 3,060,000	-	Note 1
2001.09	10	40,000,000	400,000,000	39,423,549	394,235,490	Capitalization by earning 50,833,760 Capitalization by employee stock bonus 4,510,000	-	Note 2
2002.08	65	120,000,000	1,200,000,000	62,272,571	622,725,710	Capitalization by cash 39,884,250 Capitalization by earning 177,405,970 Capitalization by employee stock bonus 11,200,000	-	Note 3
2003.07	10	120,000,000	1,200,000,000	73,113,457	731,134,570	Capitalization by earning 93,408,860 Capitalization by employee stock bonus 15,000,000	-	Note 4
2004.07	10	120,000,000	1,200,000,000	81,974,803	819,748,030	Capitalization by earning 73,113,460 Capitalization by employee stock bonus 15,500,000	-	Note 5
2005.07	10	120,000,000	1,200,000,000	87,497,694	874,976,940	Capitalization by earning 40,228,910 Capitalization by employee stock bonus 15,000,000	-	Note 6
2005.09	10	120,000,000	1,200,000,000	88,021,194	880,211,940	Exercise of employee stock options 5,235,000	-	
2005.12	10	120,000,000	1,200,000,000	88,074,694	880,746,940	Exercise of employee stock options 535,000	-	
2006.03	10	120,000,000	1,200,000,000	88,097,194	880,971,940	Exercise of employee stock options 225,000	-	

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2006.06	10	120,000,000	1,200,000,000	88,102,194	881,021,940	Exercise of employee stock options 50,000	-	
2006.07	10	120,000,000	1,200,000,000	96,229,806	962,298,060	Capitalization by earning 51,948,120 Capitalization by employee stock bonus 29,328,000	-	Note 7
2006.09	10	120,000,000	1,200,000,000	96,420,556	964,205,560	Exercise of employee stock options 1,907,500	-	
2007.01	10	120,000,000	1,200,000,000	96,490,306	964,903,060	Exercise of employee stock options 697,500	-	
2007.04	10	120,000,000	1,200,000,000	96,521,056	965,210,560	Exercise of employee stock options 307,500	-	
2007.04	10	120,000,000	1,200,000,000	96,526,056	965,260,560	Exercise of employee stock options 50,000	-	
2007.07	10	120,000,000	1,200,000,000	96,586,056	965,860,560	Exercise of employee stock options 600,000	-	
2007.09	10	120,000,000	1,200,000,000	104,856,859	1,048,568,590	Capitalization by earning 48,263,030 Capitalization by employee stock bonus 31,000,000 Exercise of employee stock options 3,445,000	-	Note 8
2008.02	10	120,000,000	1,200,000,000	104,935,609	1,049,356,090	Exercise of employee stock options 787,500	-	
2008.05	10	120,000,000	1,200,000,000	104,991,359	1,049,913,590	Exercise of employee stock options 557,500	-	
2008.07	10	150,000,000	1,500,000,000	105,013,609	1,050,136,090	Exercise of employee stock options 222,500	-	
2008.08	10	150,000,000	1,500,000,000	112,291,190	1,122,911,900	Capitalization by earning 52,775,810 Capitalization by employee stock bonus 20,000,000	-	Note 9
2008.10	10	150,000,000	1,500,000,000	112,320,940	1,123,209,400	Exercise of employee stock options 297,500	-	
2009.01	10	150,000,000	1,500,000,000	110,320,940	1,103,209,400	Cancellation of treasury stock 20,000,000	-	
2009.08	10	150,000,000	1,500,000,000	119,471,166	1,194,711,660	Capitalization by earning 77,224,660 Capitalization by employee stock bonus 52,969,930	-	Note 10

Note 1: Tai. Chai. Chen. I. Tzi. No. 47783 Letter dated June 5, 2000

Note 2: Tai. Chai. Chen. I. Tzi. No. 131089 Letter dated May 21, 2001

Note 3: Tai. Chai. Chen. I. Tzi. No. 0910131615 Letter dated June 11, 2002

Note 4: Tai. Chai. Chen. I. Tzi. No. 0920121869 Letter dated May 19, 2003

Note 5: Tai. Chai. Chen. I. Tzi. No. 0930118821 Letter dated May 11, 2004

Note 6: FSC. S. I. Tzi No. 0940125412 Letter dated June 24, 2005

Note 7: FSC. S. I. Tzi No. 0950127657 Letter dated June 30, 2006

Note 8: FSC. S. I. Tzi No. 0960034407 Letter dated July 5, 2007

Note 9: FSC. S. I. Tzi No. 0970033039 Letter dated July 2, 2008

Note 10: FSC. S. Far. Tzi No. 0980033254 Letter dated July 3, 2009

B. Type of Stock

As of Apr. 18, 2020; Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	119,471,166	30,528,834	150,000,000	-

C. Shelf Registration Related Information: Not applicable.

4.1.2 Status of Shareholders

As of Apr. 18, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	0	6	50	129	9,474	9,659
Shareholding (shares)	0	1,107,000	8,111,861	19,706,445	90,545,860	119,471,166
Percentage	0.00%	0.93%	6.79%	16.49%	75.79%	100.00%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of Apr. 18, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	1,816	341,247	0.29%
1,000-5,000	6,284	12,166,026	10.18%
5,001-10,000	746	5,708,740	4.78%
10,001-15,000	252	3,178,785	2.66%
15,001-20,000	139	2,501,442	2.09%
20,001-30,000	137	3,407,101	2.85%
30,001-40,000	65	2,287,470	1.91%
40,001-50,000	45	2,043,972	1.71%
50,001-100,000	79	5,359,317	4.49%
100,001-200,000	34	4,989,726	4.18%
200,001-400,000	18	4,896,155	4.10%
400,001-600,000	9	4,488,236	3.76%
600,001-800,000	10	6,949,111	5.82%
800,001-1,000,000	4	3,613,742	3.02%
1,000,001 or over	21	57,540,096	48.16%
Total	9,659	119,471,166	100.00%

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

As of Apr. 18, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Shang-Jen Chen	6,789,342	5.68%
Jin-Tang Chen	6,449,352	5.40%
Capital Securities Nominee Limited	4,519,277	3.78%
Ren Liao	4,131,796	3.46%

Sun-Chung Chen	4,049,087	3.39%
Yuan-Qiao Co., Ltd.	4,000,000	3.35%
Huei-Jyuan Liao	3,326,331	2.78%
Norges Bank	2,938,813	2.46%
Yu-Li Liao	2,638,097	2.21%
Li-Yue Pan	2,390,970	2.00%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item		2020Q1	2019	2018
Market Price per Share (Note 1)	Highest	87.30	103.00	102.00
	Lowest	71.00	74.50	82.00
	Average	80.91	86.56	89.62
Net Worth per Share (Note 2)	Before Distribution	32.60	35.55	37.64
	After Distribution	-	-	-
Earnings per Share	Weighted Average Shares (thousand shares)	119,471	119,471	119,471
	Earnings Per Share (Note 3)	2.53	6.05	13.19
Dividend Per Share	Cash Dividend	-	5.30	8.00
	Stock dividend without compensation	From retain earnings	0	0
		From capital surplus	0	0
	Accrued undistributed dividend (Note 4)		-	0
Return on Investment	Price / Earnings Ratio (Note 5)	-	14.81	6.56
	Price / Dividend Ratio (Note 6)	-	16.91	10.82
	Cash Dividend Yield Rate (Note 7)	-	5.91	9.24

Note 1 : List the highest and lowest price of the common stocks in that year, and the average market price for that year is calculated based on the transaction values and transaction amounts.

Note 2 : Use the number of circulated shares at the end of the year as the base, then the dividend distributed determined in the coming year's stockholders' meeting.

Note 3 : If there is any retroactive adjustment from the stock dividend without compensation, then it should list earning per share on before and after adjustment.

Note 4 : If the equity investment has constraint that limits the undistributed dividend for that year and it is cumulated until to later profitable year. Then it should disclose the cumulative undistributed dividend up to that year.

Note 5 : $P/E = \text{current year average share price at closing} / \text{earnings per share}$.

Note 6 : $P/C = \text{current year average share price at closing} / \text{cash dividend per share}$.

Note 7 : $C/P = \text{cash dividend per share} / \text{current year average share price}$.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

Article 25 of "the Articles of Incorporation":

The Company will consider the business environment and stage of growth for the Company, respond to future financing needs and long-term financial planning and satisfy shareholders' needs for cash flow and distribution. The Company will distribute 30% of the distributable surplus as dividends for shareholders, among which, the Company shall distribute no less than 10% of its current dividends in cash. These ratios

may be raised in the future where earnings and available capital are higher.

B. Dividend distributions proposed at the most recent shareholders' meeting

The board meeting on March 10, 2020 approved of proposals to distribute cash dividends of NT\$5.3. In the case where the Company subsequently makes a stock repurchase, affecting the number of outstanding shares, thus changing the stock dividend ratio for shareholders, it is proposed that the board of directors be fully authorized to handle relevant matters. However, such a distribution proposal has yet to be approved by the shareholders' meeting.

C. If a material change in dividend policy is expected, provide an explanation: None.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

4.1.8 Compensation of Employees, Directors and Supervisors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

Article 24 of "the Articles of Incorporation":

For this year, the Company's net income before tax before deducting remuneration to employees, directors and supervisors and after making up for aggregated losses should be applied to pay remuneration to employees for an amount of 10-16% of the balance, and to directors and supervisors for an amount not more than 2% of the balance.

Employees' remuneration and directors' and supervisors' remuneration may be distributed in the form of cash or stocks, subject to a resolution adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Those receiving employee remuneration in stocks or cash include employees of subordinate companies meeting certain criteria.

The Company's annual earnings at the end of the fiscal year shall be first subject to taxation, reimbursement of previous losses, followed by a 10% provision for statutory earnings reserve and special reserve by law or reversal. The board of directors shall draft distribution proposals for any remainder and submit such proposals for approval at the shareholders' meeting.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: None.

C. Distribution of Compensation of Employees, Directors and Supervisors for 2019 Approved in the Board of Directors Meeting

(1) Recommended Distribution of Compensation of Employees, Directors and Supervisors:

The estimated amount for employee compensation and directors and supervisors compensation is NTD 139,497,799 and NTD 12,399,804, respectively, which is all distributed in cash. There is no discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

D. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year:

(1) Compensation for employee: The actual distribution compensation amount for employee for the previous fiscal year 2018 is NTD 194,939,676, which is identical with the amount that BOD approved.

(2) Compensation for director and supervisor: The actual distribution compensation amount for director and supervisor for the previous fiscal year 2018 is NTD 23,392,761, which is identical with the amount that BOD approved.

4.1.9 Buyback of Treasury Stock: None.

- 4.2 Bonds: None.**
- 4.3 Preferred Shares: None.**
- 4.4 Global Depository Receipts: None.**
- 4.5 Employee Stock Options: None.**
- 4.6 New Restricted Employee Shares: None.**
- 4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**
- 4.8 Financing Plans and Implementation: None.**

V. Operational Highlights

5.1 Business Activities

5.1.1 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	2019		2018	
	Amount	Ratio (%)	Amount	Ratio (%)
IT Infrastructure Access Management Solution Products	3,174,828	63.08%	3,146,094	60.82%
Video Products	942,642	18.73%	1,004,650	19.42%
Other Products	915,249	18.19%	1,022,266	19.76%
Total	5,032,719	100.00%	5,173,010	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. ATEN products support the latest interfaces, including USB Type-C and Thunderbolt 3, etc., meeting users' needs for high-speed data transmission.

In 2019, the UC9020 StreamLIVE™ HD multipurpose live streaming machine was officially launched. This product is a simple multipurpose live streaming solution mainly targeting professional live streaming, commercial promotions, video conferences, small-scale exhibitions, lectures and academic conferences. Apart from receiving the COMPUTEX 2019 Best Choice Award, it went on to receive the Good Design Award of Japan, which is considered a world-class design award, thus symbolizing ATEN International's first successful move into the live streaming equipment business.

D. New Products and Services Currently Being Developed

Development of a range of high-performance KVM matrix system products for use in the management and integration of KVM equipment for control room applications.	<ul style="list-style-type: none"> (1) Integration of KVM-over-IP extender and matrix management software. (2) Flexible extension and control for independent network computer access, using Cat 5e/6 network cabling or SPF fiber optic receiver module connection to Ethernet, to support remote management over long distances. (3) Provision of highest 4096x2160 @ 60 Hz high-resolution imaging, ensuring vivid colors and sharp images even with "dense" static images. (4) Intuitive, easy-to-use multifunction video walls. (5) Unique rapid switching technology that is exclusive to ATEN, allowing immediate switching between different resolutions to support video surveillance and other surveillance applications. (6) Provision of powerful user authorization functions and interconnected device centralized management functions for enterprises and government agencies that need high levels of security, along with the provision of long-distance transmission solutions for encrypted data.
Development of the new-generation	(1) In-depth and wide-ranging research to support the development of

Prosumer KVM series of products, targeting True 4K resolution, mixed-signal and multi-screen office applications.	<p>Prosumer KVM series products with True 4K high-resolution, superior image quality and superior sound quality.</p> <p>(2) Coordinated development of mixed-signal solutions for computers using the USB-C interface and computers using the DisplayPort interface.</p> <p>(3) Coordinated development of power delivery technology to support the USB-C interface.</p> <p>(4) Coordinated development of Gen. 1 peripheral devices and audio devices for USB 3.1.</p> <p>(5) In-depth and wide-ranging research on multi-screen output.</p>
Technical integration and application of consumer electronics on desktops and peripheral products for gaming consoles.	<p>(1). Development of USB 3.0/3.1 products.</p> <p>(2). Development of USB and Bluetooth products.</p> <p>(3). Development of computer/mobile phone/game controller switch products.</p> <p>(4). Coordinated development of DisplayPort/Thunderbolt/Type C products.</p> <p>(5). Research and development into the integration of applications for video capturing on computers and phones and live streaming.</p>
Integration and applications of Audio/ Video connector management products.	<p>(1) Development of 4K ultra high-definition, long-range broadcasting transmission products.</p> <p>(2) Development of 4K fiber-optic interface products.</p> <p>(3) Development of True 4K standard, medium-sized and large modular array products.</p> <p>(4) Development of 4K TV wall processor products.</p> <p>(5) Development of 4K Over IP online video management products.</p> <p>(6) Development of 4K / True 4K / HDBaseT products, including standard and wall plate equipped transmitter products.</p> <p>(7) 4K high-definition image rotation and overlay.</p> <p>(8) Optimization of operating and management software, including Web GUI enhancement and apps.</p> <p>(9) Development of a multi-function presentation matrix switch system.</p> <p>(10) Development of new types of presentation switches that integrate streaming functions.</p>
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 products.</p> <p>(5) Development of software modules for environmental control applications.</p> <p>(6) Ongoing establishment of a device control database.</p> <p>(7) Development of wall plate equipped streamlined controller products.</p>

	(8) Development of a platform for centralized global management of Audio/Video devices.
PE series electric power and green energy integration and applications.	(1) Development of new-generation intelligence PDU and “green energy” sensors. (2) Undertaking R&D work relating to the efficient use of energy. (3) Undertaking R&D work relating to “green data center” overall cooling, ventilation, electric power and energy efficiency.
EC series electric power and green energy integration and applications.	Development of data center environment monitoring and measurement tools for improving energy conservation.

5.1.2 An Overview of the Industry

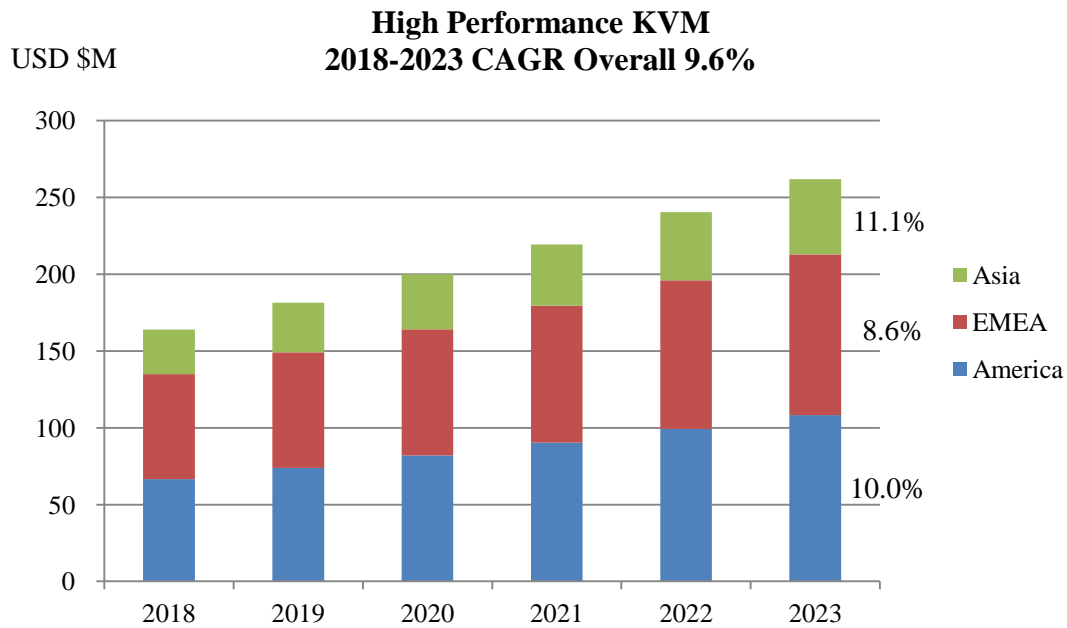
A. The Current Status and Future Development of the Industry

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 one 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 need both Intranet servers and external Internet servers, to ensure the required separation between physical devices; this has stimulated the emergence of market demand for new applications in the Secure KVM market.
- 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.
- l. The widespread adoption of large-sized, high-resolution displays has stimulated growth in demand for High Performance KVM Switches: In the past, broadcasting and media firms - particularly in North America and Western Europe - have been the main customers for High Performance KVM Switches. Recently, however, there has been new growth in demand in the transportation sector, for example control room applications for airports and underground railway stations, and there has also been a shift away from analog switches towards Digital High Performance KVM Switches. This has stimulated rapid growth in demand in the High Performance KVM Switch market throughout the world.
- m. Remote working and teaching demands: Under the impact of climate change, globalization, unpredictable nature disasters are increasing day by day (such as wild fires, typhoons, epidemics, etc.). Adopting remote technology that is both convenient and safe have become a task and trend faced by governments and industries in various countries. Remote working and teaching technology can satisfy such demands anytime and anywhere, and it is also safe and cost-efficient.

Worldwide High performance KVM switches 2018-2023 Revenue Forecast



Source: 2019 KVM switches and serial consoles report, IHS Market

The professional Audio/Video equipment market is a new market that ATEN has been avidly developing since 2008. The major growth trends are as follows:

- a. The growth of professional AV applications: Demand for professional audiovisual equipment for different applications and environments has been rising across a wide range of industries and sectors. Examples include public information systems for public transport operators, display systems for financial institutions, video-conferencing systems for all kinds of business enterprises, display systems for exhibition venues, medical imaging and public information systems for hospitals and clinics, display systems for sporting events, monitoring and information management systems for industrial environments, teaching systems for academic institutions, special systems for research institutes, and home movie theater systems. The adoption of professional audiovisual equipment can lead to dramatic improvements in efficiency; this trend has created significant new business opportunities for manufacturers of video products, such as ATEN.
- b. The growth of digital advertising: With the growth of the Internet, digital signage has come to play an increasingly important role in the advertising industry. This trend has created new opportunities for video products.
- c. Digitization of A/V contents and interface: The digitization of A/V contents and interface greatly enhances the quality of images and sound, and at the same time, increases user demands. As a result, A/V equipment suppliers are under 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 & 4K HDR, 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. In Japan, it has already been announced that the 2020 Tokyo Olympics will be broadcast in 8K ultra-high definition (UHD). To realize this national goal, companies in related industries in Japan have been mobilizing their personnel to upgrade many different types of device. The HDMI Forum has formally announced the new HDMI 2.1 specification, which supports 8K UHD; this is currently a major driver of market growth.

- 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 forecasted 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 AV Industry Outlook and Trends Analysis (IOTA) in 2017 noted a steady increase in the degree of integration between the global Professional Audio/Video equipment market and the IT hardware market; The 2017 IOTA report forecast that the Professional Audio/Video segment would post a CAGR of 4.7% over the period 2017 - 2022, and that overall market size would grow by an additional US\$52 billion during this period. An IHS report compiled in 2015 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.
- i. According to the 2019 Lifesize Report, 78% of the enterprises conduct team meetings in the form of video conferences. Futuresource Consulting (2018) also pointed out that enterprises are looking for new ways to create attractive and flexible physical and virtual working spaces to enhance interactions and collaborations between departments, as well as productivity and creativity. The technical importance of IT systems, interactive displays, video conferences, bring your own device (BYOD)

presentation solutions, professional sound and environmental control systems are becoming more prominent. Traditional conference venues and classrooms also need updating and renovation, which would demand brand-new types of presentation switches.

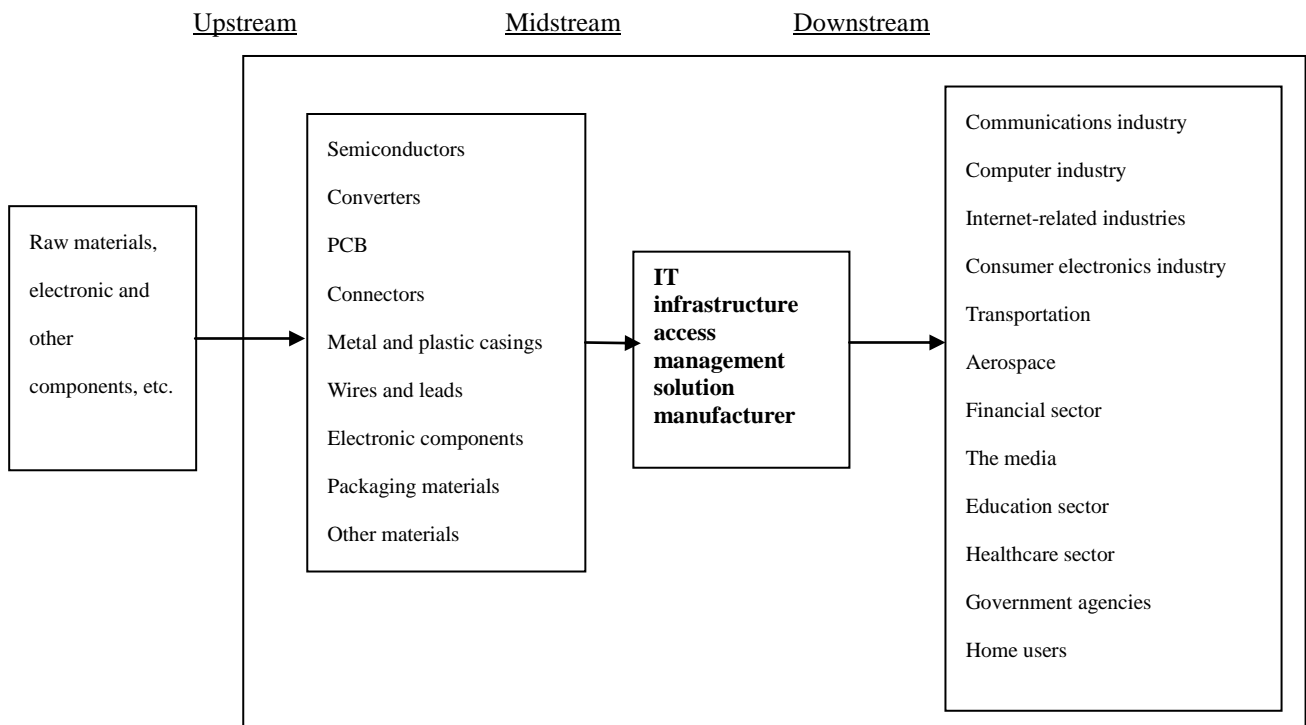
- j. Traditional professional video and audio systems are restricted by their transmission technology and are often unable to connect with one another. They become independent systems, which creates difficulties in terms of maintenance and management. After the introduction of IT transmission and management technology, a unified remote management platform becomes more feasible. For large enterprises or organizations, such solutions are becoming essential standards. For traditional professional video and audio equipment suppliers, the integration of video, audio and IT is a tough challenge but also presents new opportunities.

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.

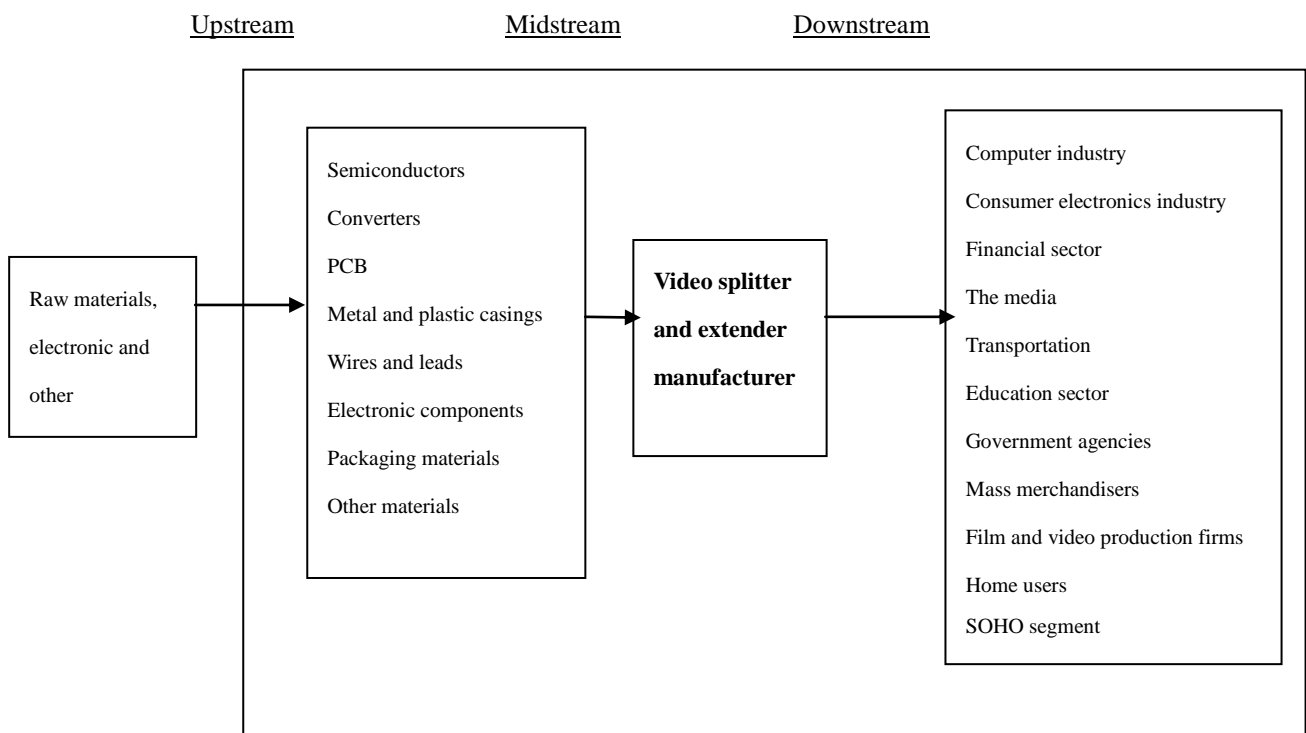
B. The Links between the Up-, Mid- and Downstream Segments of the Industry Supply Chain

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, 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

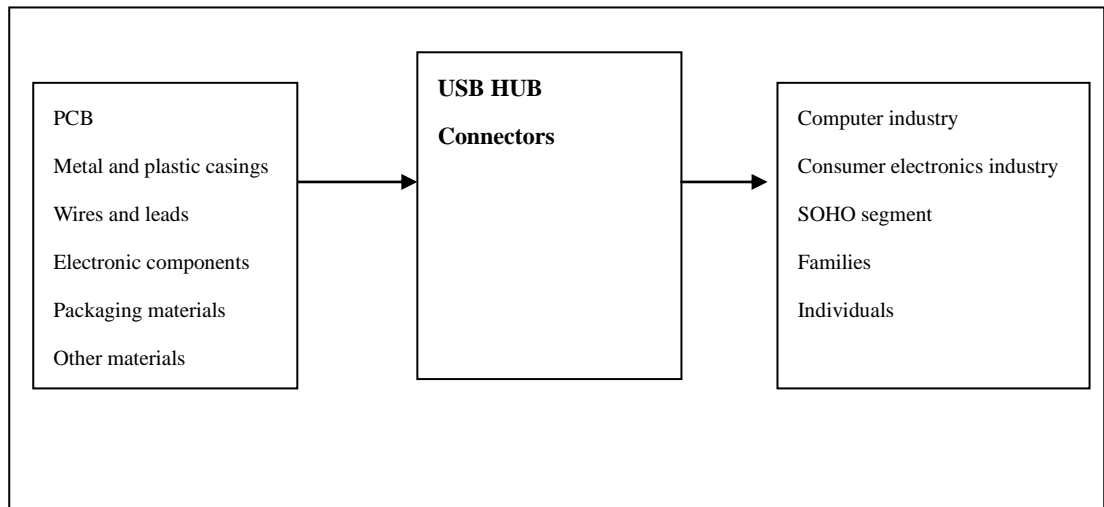


The Links in the USB Hub and Connector Manufacturing Industries

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 higher technical factors 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 AV meets IT 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.

- l. Opening Showrooms all over the worlds that provide an opportunity to experience the outstanding integration capabilities of ATEN products.

ATEN has been leading the way in the industry trend towards "AV meets IT." Besides launching integrated solutions, in 2017 ATEN's subsidiaries and partners began opening new Showrooms all over the world, to give potential customers the opportunity to experience the application environment of ATEN products for themselves. ATEN has already opened Showrooms in 28 countries, and will continue to add new locations in the future, so as to extend the company's sales footprint.

- m. Media and live streaming platforms are expanding quickly, and therefore the business opportunities for equipment suppliers are endless:

ATEN International taps into the market of content creation with its multipurpose live streaming device and video capturing device to satisfy the various content creation and live streaming demands of individual streamers, professional streamers, promotion for companies, small-scale exhibitions, lectures, academic conferences, etc, thus leading to new business opportunities.

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.

5.1.3 A Review of the Company's Technology and its Research and Development Work:

A. Research & Development expense:

Unit: NT\$ thousands

Year	2020Q1	2019	2018
R & D expense	132,911	475,938	491,571
R & D expense/Net Revenue(%)	12%	9.4%	9.5%

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

ATEN has always attached great emphasis to research and development, allocating a sizable 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 Over-IP server management and digital audio/video signal management – 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. Integration and applications of air traffic and control center.
- c. Development of Prosumer KVM Series products.
- d. Integration and applications of live stream products, computer peripheral products and video game peripheral products.
- e. Integration and applications of Audio& Video signal extending, switch, streaming, format conversion, compression, and recognition.
- f. Integration and applications of multifunction presentation switch products: business presentation/distance conference/interactive learning environment.
- g. Industrial Control and Data Communication series product integration and applications.
- h. Smart control system.
- i. Development, integration and application of Intelligence Power Distribution Units (eco PDU) and Green Energy management software.
- j. Solution of automation product line.

k. Development of core software, firmware, hardware, and intellectual property core.

5.1.4 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 and dig out 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 integrated solution 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 also launched its uninterruptible power system (UPS) product line in 2019, further satisfying the demands of customers with server rooms.
- 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 and reduce the systematic risk of single country, supported by the effective integration of regional logistics hubs, in order to strengthen overall service provision capability.
- ATEN will be coordinating its global marketing resources, strengthening both above-the-line (ATL) and below-the-line (BTL) marketing content, working to enhance brand recognition, expanding marketing impact, and helping ATEN subsidiaries to develop their local markets.
- New showrooms will be established through collaboration with ATEN's subsidiaries and distributors, and ATEN will step up its implementation of regional conferences and training programs, so as to enhance the competitive advantage that ATEN products enjoy, raise the level of brand recognition, 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.
- ATEN will also be working to strengthen its online marketing. Besides continuing to expand its online stores, ATEN will also be working to strengthen its social media presence, and will be utilizing scenario-based video content, video content, and influencer unboxing video showing how to use ATEN products, and video content featuring key opinion leaders (KOLs), to enhance consumers' and business partners' awareness of ATEN's product applications and the ATEN brand.
- ATEN will be using webinars to strengthen training provision for business partners, and

- using scenario-based product presentations to attract potential customers.
- Through strategic PR campaigns with regional and inter-regional news releases, distribution of devices for testing, and release of feature articles targeting specific industries through the marketing team, the PR team, and our agents in various regions, we hope to increase the popularity of our brand and our products.

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).
- Working actively to improve production processes, adding new automated testing and inspection equipment and reducing lead times, so as to cut costs and boost competitiveness.
- Implementing enhanced employee education to develop multi-skilled employees, so as to shorten the learning curve when ramping up to volume production of new products.
- 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 and outsourcing capacity; this will enable ATEN both to reduce its production costs and spread risk more effectively.

c. New product R&D strategy:

- Stepping up development and integration of Pro-AV products: True 4K technique development.
- Development of presentation switch products: multi-in-one presentation matrix switch and new presentation products with live stream function.
- Strengthening both the depth and breadth of ATEN's over-IP product development activities: 4K Over-IP.
- Developing new, modular, multi-platform, many-to-many, multi-port high-end products.
- Make headway into industrial control applications based on existing core technology.
- Large-size video management software to provide users with reliable management tool; Developing new management software for large-sized Audio/Video equipment, to provide equipment managers with reliable management tools; developing video central management platform.
- Development of new generation smart PDU and sensors.
- 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.
- 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 IT systems to integrate group resources and enhance overall operational efficiency.
- Implementing ongoing process improvement to enhance global collaboration and managerial efficiency.
- Emphasizing effective implementation of the internal control system, giving due weight to both the pursuit of earnings growth and the prevention of improper activity.
- Implementing matrix-type management and optimizing global logistics architecture and warehousing management so as to reduce operating costs and operating risk, while improving inventory turnover and being able to respond more rapidly to changing markets and customer needs.

B. Long-term plans:

a. Marketing

- ATEN will be paying close attention to market development trends and focusing on product innovation, working actively to develop robust, specialized technology in line with ATEN's positioning as a specialist provider of total solutions. In the future, ATEN will continue to strengthen the combination of product customization capabilities supporting small volume production of a wide variety of different products with highly flexible manufacturing capabilities, so as to enhance both the depth and breadth of the industry segments and applications that ATEN caters to, thereby enabling ATEN to provide customers with optimal solutions characterized by enhanced value.

- ATEN will be making effective use of customer relationship management (CRM) system data to provide customized services and enhance customer satisfaction and loyalty, strengthening overall service quality and building long-term partnership relationships 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 know end-user' needs to expand sales of ATEN's own-brand products and strengthen ATEN's overall marketing and sales model.
- To meet the diverse needs of different customer segments, ATEN will be making effective use of digital marketing and the integration of global e-commerce service resources, providing e-tailer partners with rich content for product promotion on online platforms, and strengthening targeted marketing and advertising campaigns tailored to specific market segments to enhance ATEN's overall marketing performance; ATEN will also be working to boost brand recognition in individual regional markets and establish convenient transaction channels, as well as effective platforms for communication with consumers, in order to realize synergy from the integration of physical and virtual 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 be using product seminars to train its internal sales personnel, working to strengthen pre-sales techniques, and utilizing comprehensive pre-sales, sales and post-sales services to enhance the quality of service that customers receive.
- ATEN will be creating a unified partner portal that integrates the three key functions of the downloads center, B2B online services and the support center, so as to further speed up the bi-directional flow of information.
- With C2B (Customer to Business) marketing strategies in mind, we conducted surveys to understand the potential demand and unmet requirements of our customers, and we promoted our brand and product value through precise marketing channels (such as solution pamphlets, conferences, exhibitions, etc.).

b. Production strategy

- ATEN plans to add additional outsourced production capacity and bought-in products, to ensure that overall production capacity increases in line with the company's development in a mutually-reinforcing way.
- ATEN will be drawing up work order production plans to meet order requirements and implementing batch production, order request handling and delivery from stock, while also boosting production capacity, in order to ensure customer satisfaction with regard to delivery times.
- ATEN will be working to cultivate multi-skilled factory operatives and implementing rotation of mid-level managers, so as to strengthen the development of specialist skills and management capabilities.
- ATEN will be strengthening its flexible manufacturing capabilities and production line scheduling, enhancing its ability to manufacture a wide range of products in small volumes, and reducing unit production costs, to strengthen overall competitiveness.
- Advancing the concept of the TQM (Total Quality Management) and JIT (Just In Time); this will be supported by the purchasing of new production line automation equipment to enhance production efficiency and improve quality.
- ATEN will be implementing visual management, using kanban board visualization tools and transparent, timely Shop Floor Information System (SFIS) messaging to realize quality objectives and efficient management goals.
- The new plant in Thailand is expected to start mass production in 2021. Apart from increased productivity, the new plant also diversifies the risk of production, which was previously concentrated in Taiwan and Mainland China.

c. New product R&D strategy:

- Ongoing development of core video technologies.
- Development and deployment of embedded software.

- Aggressive development of FPGA module and 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 protect intellectual property rights.

d. Management strategy:

- Utilizing continuous improvement of internal management processes and of production efficiency to achieve an enhancement of overall organizational efficiency and reduction of costs and expenses, committing to maintaining core advantage, thereby enhancing ATEN's earnings performance and creating maximum value for society, customers, employees and shareholders.
- Integrating key product technologies in different fields, while working tirelessly to further enhance the technical capabilities of R&D personnel, so as to be able to respond effectively to the growing demand for small-volume production of a wide range of highly-customized products.
- Implementing steady, ongoing expansion of global operations and service facilities, enhancing market competitiveness and providing localized service, 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.
- Not being complacent about ATEN's status as an industry leader in both technology and products, and continuing to tap into new industries and markets with new applications to stimulate overall operational growth, in line with the product application needs of individual industries.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Shipment Destinations for Products

unit: %

Shipment Destinations	2019	2018
America	28	30
Asia	37	35
Europe	23	22
Other regions	5	4
Domestic sales	7	8

B. Market Share

According to data presented in a survey of the global KVM market, ATEN is a market leader in the networked KVM switch market for data center applications, and has developed many innovative new products for the High Performance KVM switch and Secure KVM switch markets, which are forecast to have high growth in the future. There is thus considerable scope for a further increase in ATEN's overall market share.

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

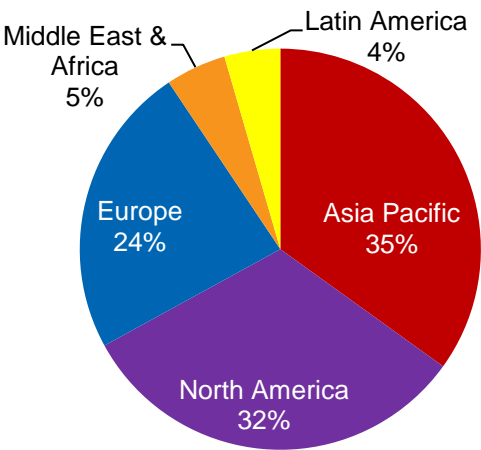
advances that have been achieved in technology, there has recently been significant growth in demand for KVM switches in Asia and Europe, particularly from government agencies and financial institutions. With the consumer and enterprise-class KVM markets more or less saturated, demand for replacement 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. Due to the integration of Pro AV and Infrastructure access management solution products and the widespread of large-sized, high-resolution displays, high performance KVM brings strong demand in the application such as broadcasting TV industry and transportation control room. Also, European and America government and defense agencies request the demand of secure KVM with international certification because of the information security and privacy protection. For these two potential sales momentums, 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 IOTA 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 Asia Pacific market is the largest regional market, accounting for 35% of the total global market, followed by the North America region with 32%. 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 20% of the total, followed by venues and events, media and entertainment, and governmental and military. IOTA also forecast that the Professional Audio/Video segment would post a CAGR of 4.7% over the period 2017 - 2022, and that overall market size would grow by an additional US\$52 billion during this period.

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.

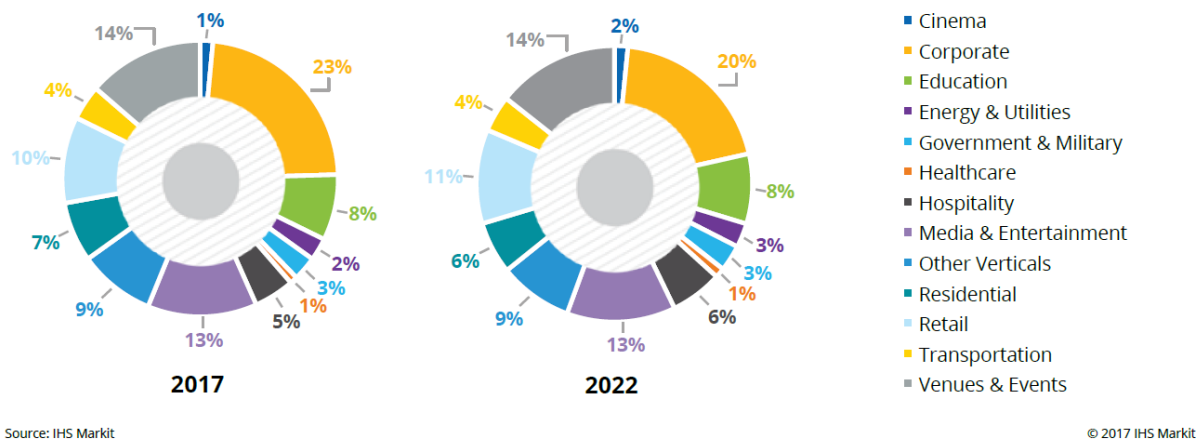
Table 1:Global Pro-A/V Market Category by Region



Source:IOTA report 2017

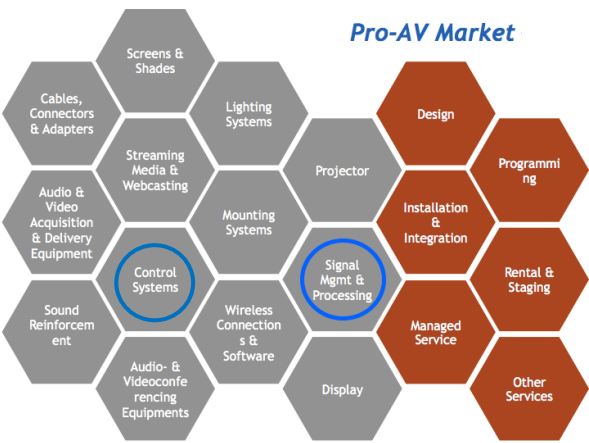
Table 2: Global Pro-A/V Market Category by Industry

Global Sales Revenue Share by Industry - 2017 vs. 2022



Source:IOTA report 2017

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, along with the ability to implement customized production of a wide range of different products in small volumes, enabling ATEN to meet the needs of different customers and different market segments.
- c. A global marketing and sales strategy supported by expert international marketing talent and comprehensive, localized distribution networks, along with mechanisms to facilitate rapid response to changes in the market.
- d. Manage our self-owned brand, the quality, reliability, excellent user experience and the standard of the overall service have widely received good reviews from the market.
- e. A global patent strategy, with aggressive action against piracy to safeguard the company's intellectual property rights.
- f. Using "AV meets IT" integrated solutions to meet the needs of the global IT management and Professional Audio/Video markets.

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, has established a strong international brand, and strengthens the brand identification.
- (c). ATEN has been refining its sales and localized service strategies for individual regions, establishing a solid foundation for achieving further revenue growth in the future.
- (d). Focusing on niche market and steadily expanding diversified product application scope, with a gradual expansion from KVM products towards A/V, intelligent PDU product solution, USB products, handheld devices, 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 applying for patent to protect intellectual property.
- (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 and outstanding

customer quality.

(j). Ongoing cultivation and recruitment of outstanding human talent.

(k). Sound financial underpinnings.

b. Negative factors:

(a). Economic growth in various regions differs and geopolitical risks exist

(b). Fluctuations in the exchange rates of various currencies have profound impacts on sales and profits.

(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). ATEN's globalized market development strategy will ensure that ATEN will not be unduly affected by fluctuations in any given market or single country, thereby reducing systematic risk. At the same time, developing products for a wider range of industries and applications will help to spread systemic risk relating to the business cycle in individual industries, and will facilitate the optimization of production and sales management, thereby reducing the generation of idle inventory.

(b). ATEN's finance and strategy departments will undertake ongoing monitoring of exchange rate fluctuations for the main currencies in which ATEN receives payment, and will evaluate how market prices can be expected to move, thereby making it possible to adjust product prices as needed; in addition, ATEN will make effective use of financial tools to hedge against the risk of foreign exchange loss.

(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 enhance product quality and customer experience, 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. In addition, an enhanced ability to provide solutions and create added value can prevent price competition.

(d). By establishing showrooms in major cities throughout the world, and by utilizing marketing and sales promotion methods that include the use of case studies of successful adoption of ATEN products in particular industries, 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 company products and application environment, while spreading awareness of the benefits that ATEN devices offer in terms of being energy-saving, environmentally-friendly, space-saving, and enhancing overall control room performance.

(e). Strengthen inspections for counterfeit products and prevent infringements, in order to

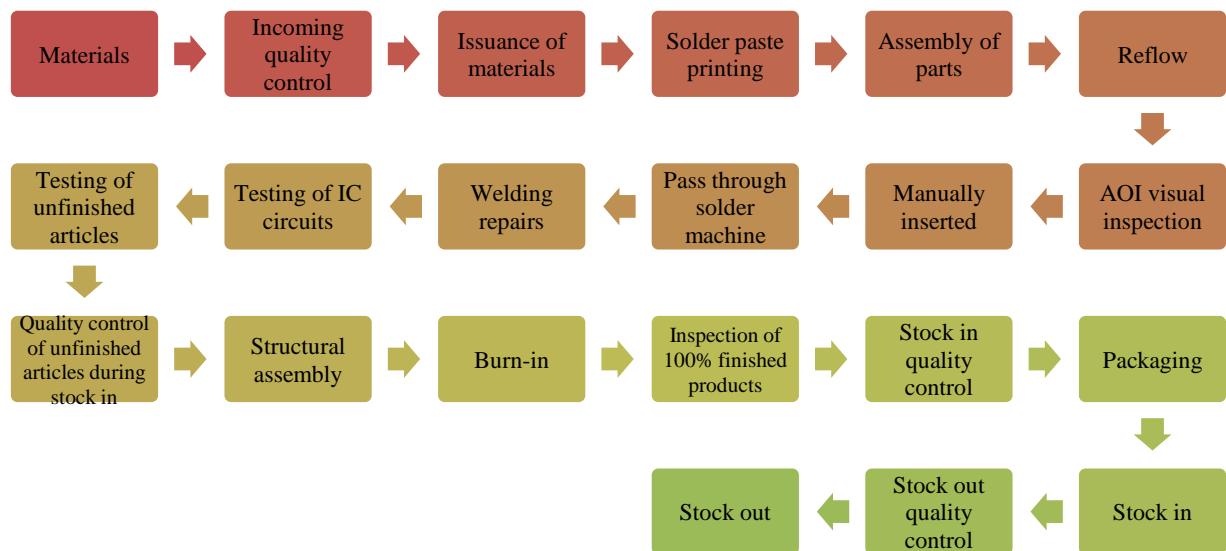
actively protect the sales rights of patented products.

5.2.2 Major products' important applications and their manufacturing process

A. Major products' important applications

- (a). KVM switch: Use a set of terminal equipment to control multiple computers, multiple terminals controlled by one computer, and signal extension and conversion functions for terminal equipment.
- (b). Professional video and audio products: Include video switches, splitters, extenders, matrix switches and converters: Used to display multiple high resolution images on one high resolution display, or transmit the image from one or multiple displays to the corresponding application solutions in multiple locations.
- (c). USB SERIES: Can be used with any equipment that has universal serial bus (USB) functionality, to connect more equipment that have USB interfaces.

B. Manufacturing Process:



5.2.3 State of the major materials suppliers

Material Item	Supplier	Supply Status
IC	ANSTEK	Normal
LCD Panel	ACMEPOINT	Normal
Cable Accessories	YIH FONE	Normal

5.2.4 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

2020Q1			2019			2018		
Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)	Name	Amount	Percentage of total annual purchasing (%)
NA			NA			NA		
Total Purchasing	326,848	-	Total Purchasing	1,384,981	-	Total Purchasing	1,840,074	-

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

2020Q1			2019			2018		
Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)	Name	Amount	Percentage of total annual sales (%)
NA			NA			NA		
Total Net Sales	1,153,345	-	Total Net Sales	5,032,719	-	Total Net Sales	5,173,010	-

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.

5.2.5 Production Volume and Production Value for the Last Two Years

Units: pieces / NT\$ thousands

Product Line \ Year	2019			2018		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
IT Infrastructure Access Management Solution Products	1,248,098	1,071,402	1,008,162	1,448,060	1,210,665	1,070,357
Video Products	379,527	353,155	253,044	458,431	405,025	275,824

Other	1,320,718	1,070,685	150,172	1,589,024	1,288,428	169,595
Total	2,948,343	2,495,242	1,411,378	3,495,515	2,904,118	1,515,776

5.2.6 Sales Volume and Value for the Last Two Years

Units: pieces / NT\$ thousands

Year Product Line	2019				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
IT Infrastructure Access Management Solution Products	38,298	137,414	901,982	3,037,414	48,864	180,242	916,300	2,965,851
Video Products	17,951	54,934	317,736	887,708	18,475	49,005	366,106	955,645
Other	75,880	186,862	1,431,756	728,387	102,840	188,060	1,577,238	834,207
Total	132,129	379,210	2,651,474	4,653,509	170,179	417,307	2,859,644	4,755,703

5.3 Employees

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

Year		As of March 31, 2020	2019	2018
Numbers of employees	Managerial and sales personnel	901	919	925
	R&D personnel	266	270	268
	Production line workers	379	392	504
	Total	1546	1581	1697
Average age		37.20	36.87	35.66
Average length of service		6.12	5.96	5.48
Education	Ph.D.	0.3%	0.3%	0.3%
	Masters	18.8%	18.7%	16.2%
	Bachelor's Degree	45.0%	44.4%	36.9%
	Senior High School	14.7%	14.4%	15.9%
	Below Senior High School	21.3%	22.3%	30.7%

Note: The number of overseas and local product line workers accounted for 24.51% of total group employee.

5.4 Disbursements for environmental protection:

5.4.1 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The Company produces products such as KVM switches, professional audio/video products, and USB series products. The Company is focused on product design, development, processing, quality control, etc. The processes do not generate environmental pollution, thus there are no pollution-related environmental issues. As of the printing date of the annual report, in 2020 there were no incidents where the company incurred losses from or paid compensation for pollution incidents.

5.5 Labor relations:

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

A. Employee benefit plan:

Labor insurance, health insurance and regular health inspections

3 holiday bonus and performance bonus

Employee Welfare Committee

Bonus system stipulated in the Articles of Incorporation

Employee trips

Employee meals

Employee breastfeeding room and first aid

Maternity subsidy: NT\$100,000 for one child

Maternity pension

Volunteer leaves

B. Retirement systems:

The Company established a retirement system and Business Entity Supervisory Committee of Labor Retirement Reserve in accordance with the Labor Standards Act, and in accordance with the Labor Standards Act, for the older system, 2% of the total monthly salary is reserved as a labor pension; furthermore, in accordance with Article 56 of the Labor Standards Act, the difference is allocated and deposited into designated accounts with the Bank of Taiwan. For the new labor retirement system, from July 1, 2005, in accordance with the provisions of the Labor Pension Act, 6% of the total wages insured will be reserved for the labor pension.

C. Labor-management agreements:

The Company will regularly convene labor-management meetings to maintain the channels of communication between labor and management.

5.5.2 List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The relationships between labor and management had always been harmonious. In recent years, no losses have been incurred from disputes between labor and management. Furthermore, since the acquisition of Wellsyn in 2005, its technical teams joined ATEN, and their work performance had been excellent.

5.6 Important Contracts: None.

VI. Financial Information

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

6.1.1 Abbreviated Consolidated Balance Sheet – IFRS

Unit: NT\$ thousands

Item		2020Q1	2019	2018	2017	2016	2015
Current assets		4,392,721	4,052,847	4,638,222	3,445,070	3,206,670	3,046,467
Property, plant and equipment		2,002,192	2,000,424	1,994,459	2,024,879	2,026,920	2,058,046
Goodwill		2,756	2,756	2,756	2,756	2,756	2,756
Other assets		606,951	599,938	409,627	479,542	514,324	470,451
Total assets		7,004,620	6,655,965	7,045,064	5,952,247	5,750,670	5,577,720
Current liabilities	Before distribution	2,622,980	1,897,008	2,074,856	1,882,630	1,647,471	1,608,563
	After distribution		Note 2	3,038,303	2,546,914	2,348,346	2,242,340
Non-Current liabilities		424,691	428,812	383,789	350,619	392,834	419,132
Total liabilities	Before distribution	3,047,671	2,325,820	2,458,645	2,233,249	2,040,305	2,027,695
	After distribution		Note 2	3,422,092	2,897,533	2,741,180	2,661,472
Total Equity attributable to shareholders of the parent company	Before distribution	3,894,587	4,246,888	4,496,883	3,617,887	3,612,942	3,458,339
	After distribution		Note 2	3,541,114	2,960,796	2,920,009	2,837,089
Common Stock		1,194,711	1,194,711	1,194,711	1,194,711	1,194,711	1,194,711
Capital Surplus		340,859	345,634	343,149	387,157	383,026	336,527
Retained Earnings	Before distribution	2,501,940	2,833,688	3,066,318	2,130,064	2,100,537	1,927,978
	After distribution		Note 2	2,110,549	1,472,973	1,407,604	1,306,728
Other equity		(142,923)	(127,145)	(107,295)	(94,045)	(65,332)	(877)
Treasury stock		-	-	-	-	-	-
Non-controlling interests	Before distribution	62,362	83,257	89,536	101,111	97,423	91,686
	After distribution		Note 2	81,858	93,918	89,481	79,159
Total equity	Before distribution	3,956,949	4,330,145	4,586,419	3,718,998	3,710,365	3,550,025
	After distribution		Note 2	3,622,972	3,054,714	3,009,490	2,916,248

Notes: 1.Data for 2015 – 2019 has all been audited by a certified public accountant.

2. Pending for BOD resolution.

6.1.2 Abbreviated Balance Sheet – IFRS

Unit: NT\$ thousands

Item	2019	2018	2017	2016	2015
Current assets	3,046,607	2,364,224	2,243,798	2,065,587	1,829,714
Property, plant and equipment	1,606,811	1,589,054	1,599,341	1,607,673	1,607,872
Goodwill	-	-	-	-	-
Other assets	1,083,664	2,164,131	1,284,233	1,499,174	1,420,883

Total assets		5,737,082	6,117,409	5,127,372	5,172,434	4,858,469
Current liabilities	Before distribution	1,272,815	1,351,246	1,266,561	1,291,878	1,124,116
	After distribution	Note 2	2,307,015	1,923,652	1,984,811	1,745,366
Non-Current liabilities		217,379	269,280	242,924	267,614	276,014
Total liabilities	Before distribution	1,490,194	1,620,526	1,509,485	1,559,492	1,400,130
	After distribution	Note 2	2,576,295	2,166,576	2,252,425	2,021,380
Common Stock		1,194,711	1,194,711	1,194,711	1,194,711	1,194,711
Capital Surplus		345,634	343,149	387,157	383,026	336,527
Retained Earnings	Before distribution	2,833,688	3,066,318	2,130,064	2,100,537	1,927,978
	After distribution	Note 2	2,110,549	1,472,973	1,407,604	1,306,728
Other equity		(127,145)	(107,295)	(94,045)	(65,332)	(877)
Total equity	Before distribution	4,246,888	4,496,883	3,617,887	3,612,942	3,458,339
	After distribution	Note 2	3,541,114	2,960,796	2,920,009	2,837,089

Notes: 1.Data for 2015 – 2019 has all been audited by a certified public accountant.

2. Pending for BOD resolution.

6.2 Abbreviated Consolidated Income Statement - IFRS

6.2.1 Abbreviated Consolidated Balance Sheet – IFRS

Unit: NT\$ thousands

Item	2020Q1	2019	2018	2017	2016	2015
Net Sales	1,153,345	5,032,719	5,173,010	4,947,321	4,935,747	4,887,879
Gross profit	697,918	3,038,461	3,043,680	2,924,660	2,962,576	2,850,171
Operating profit	131,559	776,334	830,114	886,183	939,912	883,929
Non-operating income and expenses	204,712	121,410	1,026,856	60,798	68,306	47,573
Net income before tax	336,271	897,744	1,856,970	946,981	1,008,218	931,502
Income from Continuing Operations	336,271	726,620	1,587,751	738,194	795,533	719,337
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Net income	301,040	726,620	1,587,751	738,194	795,533	719,337
Other comprehensive income (loss), net of tax	(17,018)	(21,932)	3,471	(32,817)	(62,615)	(29,823)
Total comprehensive income	284,022	704,688	1,591,222	705,377	732,918	689,514
Net income attributable to shareholders of the parent company	302,324	723,133	1,576,132	726,748	788,320	704,711
Net income attributable to non-controlling interests	(1,284)	3,487	11,619	11,446	7,213	14,626
Total comprehensive income attributable to shareholders of the parent company	286,546	703,289	1,580,030	693,747	729,354	676,109
Total comprehensive income attributable to non-controlling interests	(2,524)	1,399	11,192	11,630	3,564	13,405
EPS (NT\$)	2.53	6.05	13.19	6.08	6.60	5.90

Notes: 1.The data for 2014 – 2018 has all been audited by a certified public accountant.

6.2.2 Abbreviated Balance Sheet – IFRS

Unit: NT\$ thousands

Item	2019	2018	2017	2016	2015
Net Sales	3,478,432	3,589,610	3,365,672	3,255,671	3,164,612
Gross profit	1,918,158	1,908,890	1,799,248	1,729,249	1,607,519
Operating profit	726,469	636,753	687,550	684,685	603,524
Non-operating income and expenses	154,950	1,094,311	194,319	246,392	237,289
Net income before tax	881,419	1,731,064	881,869	931,077	840,813
Income from Continuing Operations	723,133	1,576,132	726,748	788,320	704,711
Income (Loss) from Discontinued	-	-	-	-	-

Operations					
Net income	723,133	1,576,132	726,748	788,320	704,711
Other comprehensive income (loss), net of tax	(19,844)	3,898	(33,001)	(58,966)	(28,602)
Total comprehensive income	703,289	1,580,030	693,747	729,354	676,109
EPS (NT\$)	6.05	13.19	6.08	6.60	5.90

Notes: 1.The data for 2015 – 2019 has all been audited by a certified public accountant.

6.3 Name and audit opinions of the Certified Public Accountant during the past 5 years

Year	Name of CPA Firm	Name of CPAs	Auditor's opinions
2019	KPMG	Po-Shu Huang / Yong-Sheng Wang	Unqualified opinion
2018	KPMG	Lin Wu / Yong-Sheng Wang	Unqualified opinion
2017	KPMG	Lin Wu / Yong-Sheng Wang	Unqualified opinion
2016	KPMG	Po-Shu Huang / Lin Wu	Unqualified opinion
2015	KPMG	Po-Shu Huang / Lin Wu	Modified Unqualified opinion

6.4 Consolidated Financial Ratios for the last 5 years – IFRS

6.4.1 Consolidated Financial Ratios for the last 5 years – IFRS

Item		2020Q1	2019	2018	2017	2016	2015
Financial structure	Debt ratio (%)	44	35	35	38	35	36
	Ratio of Long-term fund to Property, plant and equipment asset (%)	219	238	249	201	202	193
Liquidity Ratios	Current ratio (%)	167	214	224	183	195	189
	Quick ratio (%)	126	157	169	135	144	133
	Times interest earned (times)	54	31	102	66	82	84
Operating ratios	Receivables turnover (turns)	7.21	7.41	7.18	7.48	8.39	8.19
	Receivables turnover days	51	49	51	49	44	45
	Inventory turnover (turns)	1.84	1.95	2.27	2.55	2.46	2.64
	Payables turnover (turns)	4.95	4.66	4.51	4.79	4.84	4.86
	Inventory turnover days	198	187	161	143	148	138
	Property, plant and equipment asset turnover (turns)	2.32	2.52	2.57	2.44	2.42	2.36
	Total assets turnover (turns)	0.68	0.73	0.80	0.85	0.87	0.87
Profitability ratios	Return on assets (%)	17.93	10.96	24.66	12.82	14.23	12.92
	Return on equity (%)	29.06	16.30	38.23	19.87	21.91	20.25
	Pre-tax Income to Paid-in Capital Ratio (%)	112.59	75.14	155.43	79.26	84.39	77.97
	Profit ratio (%)	26.10	14.44	30.69	14.92	16.12	14.72
	Earnings per share (NT\$)	2.53	6.05	13.19	6.08	6.60	5.90
Cash flow	Cash flow ratio (%)	-7	37	7	44	25	49
	Cash flow adequacy ratio (%)	53	65	76	90	90	99
	Cash flow reinvestment ratio (%)	-3.80	-4.67	-9.25	2.58	-4.80	2.04
Leverage	Degree of operating leverage	3.25	2.51	2.44	2.16	2.11	2.16
	Degree of financial leverage	1	1	1	1	1	1
Please explain the reasons of changes in financial ratio for the past two years (No needs for analysis if change of financial ratio is less than 20%)		<p>1. Liquidity Ratios: In 2018, the disposals of long-term investments were profitable, thus the profit in 2019 decreased in comparison to 2018 and caused a decrease in the interest coverage ratio.</p> <p>2. Profitability ratios: The disposals of long-term investments were profitable in 2018, thus the profit in 2019 decreased in comparison to 2018, causing decreases in the return on assets ratio, rate of return on equity, profit before tax to paid-in capital ratio, net profit margin and EPS.</p> <p>3. Cash flow: In 2019, due to dividends from funds transferred from overseas, the cash flow from operating activities increased from the previous year, causing increases in the cash flow ratio and cash reinvestment ratio.</p>					

6.4.2 Financial Ratios for the last 5 years – IFRS

Item		2019	2018	2017	2016	2015
Financial structure	Debt ratio (%)	26	26	29	30	29
	Ratio of Long-term fund to Property, plant and equipment asset (%)	278	300	241	241	232
Liquidity Ratios	Current ratio (%)	239	175	177	160	163
	Quick ratio (%)	200	140	149	132	131
	Times interest earned (times)	193	345	191	294	450
Operating ratios	Receivables turnover (turns)	4.78	5.93	6.14	5.55	5.20
	Receivables turnover days	76	62	59	66	70
	Inventory turnover (turns)	3.39	4.20	4.52	4.42	5.12
	Payables turnover (turns)	5.36	5.94	5.76	5.39	5.43
	Inventory turnover days	108	87	81	83	71
	Property, plant and equipment asset turnover (turns)	2.18	2.25	2.10	2.02	1.96
	Total assets turnover (turns)	0.59	0.64	0.65	0.65	0.65
Profitability ratios	Return on assets (%)	12.26	28.10	14.19	15.77	14.43
	Return on equity (%)	16.54	38.85	20.10	22.30	20.37
	Pre-tax Income to Paid-in Capital Ratio (%)	73.78	144.89	73.81	77.93	70.38
	Profit ratio (%)	20.79	43.91	21.59	24.21	22.27
	Earnings per share (NT\$)	6.05	13.19	6.08	6.60	5.90
Cash flow	Cash flow ratio (%)	98	37	79	26	64
	Cash flow adequacy ratio (%)	95	91	98	88	99
	Cash flow reinvestment ratio (%)	6.15	-3.11	7.34	-7.06	1.07
Leverage	Degree of operating leverage	2.09	2.39	2.12	2.08	2.23
	Degree of financial leverage	1	1	1	1	1

Please explain the reasons of changes in financial ratio for the past two years (No needs for analysis if change of financial ratio is less than 20%)

1. Liquidity Ratios: Due to profits from non-operating disposals in the fourth quarter of 2018, after the amount is recorded in the books for purchasing funds in the first quarter of 2019, the current ratio and quick ratio both increased for current assets in 2019. In 2018, the disposals of long-term investments were profitable, thus the profit in 2019 decreased in comparison to 2018 and caused a decrease in the interest coverage ratio.
2. Operating ratios: Accounts receivable increased in 2019, leading to an increase on the average collection days. Due to increases in the inventory of the parent company in 2019, the average inventory turnover (days) also increased.
3. Profitability ratios: The disposals of long-term investments were profitable in 2018, thus the profit in 2019 decreased in comparison to 2018, causing decreases in the return on assets ratio, rate of return on equity, profit before tax to paid-in capital ratio, net profit margin and EPS.
4. Cash flow: In 2019, due to dividends transferred from overseas, the cash flow from operating activities increased from the previous year, causing increases in the cash flow ratio and cash reinvestment ratio.

6.5 Supervisors Review Report

ATEN International Co., LTD

Supervisors Review Report

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

ATEN International Co., LTD

Supervisor : Se-Se Chen

Shiu-Ta Liao

Chen- Lin Kuo

March 10, 2020

6.6 Consolidated Financial statement in the most recent year.

Refer to the attachment.

6.7 Financial statement of the Parent Company in the most recent year.

Refer to the attachment.

6.8 If the Company or its affiliates have experienced financial difficulties in the most recent year and up to the publication of the annual report, the annual report shall explain how the difficulties affected the Company's financial situation: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2019	2018	Difference	
				Amount	%
Current Assets		4,052,847	4,638,222	(585,375)	(12.62)
Property, Plant and Equipment		2,000,424	1,994,459	5,965	0.30
Goodwill		2,756	2,756	0	0.00
Other Assets		599,938	409,627	190,311	46.46
Total Assets		6,655,965	7,045,064	(389,099)	(5.52)
Current Liabilities		1,897,008	2,074,856	(177,848)	(8.57)
Non Current Liabilities		428,812	383,789	45,023	11.73
Liabilities		2,325,820	2,458,645	(132,825)	(5.40)
Equity attributable to Shareholders of the Company		4,246,888	4,496,883	(249,995)	(5.56)
Common Stock		1,194,711	1,194,711	0	0.00
Capital Surplus		345,634	343,149	2,485	0.72
Retained Earnings		2,833,688	3,066,318	(232,630)	(7.59)
Other Equity Interest		(127,145)	(107,295)	(19,850)	18.50
Treasure Stock		0	0	0	0.00
Non-Controlling Interests		83,257	89,536	(6,279)	(7.01)
Total Equity		4,330,145	4,586,419	(256,274)	(5.59)

Analysis on changes:

1. Other assets have increased from the previous year, mainly due to the adoption of IFRS 16 leases for the first time in 2019 and recognition of right-of-use assets.

7.2 Analysis of Operation Results

Unit: NT\$ thousands

Item	Year	2019	2018	Difference	
				Amount	%
Operating Revenue		5,032,719	5,173,010	(140,291)	(2.71)
Operating Costs		1,994,258	2,129,330	(135,072)	(6.34)
Operating Profit		3,038,461	3,043,680	(5,219)	(0.17)
Operating Expenses		2,262,127	2,213,566	48,561	2.19
Operating Profit		776,334	830,114	(53,780)	(6.48)
Non- Operating Income and Expenses		121,410	1,026,856	(905,446)	(88.18)
Net Income Before Tax		897,744	1,856,970	(959,226)	(51.66)
Less: Income Tax Expense		171,124	269,219	(98,095)	(36.44)
Net Income After Tax		726,620	1,587,751	(861,131)	(54.24)

Analysis on changes:

1. The disposals of long-term investments were profitable in 2018, therefore the non-operating income, net income before tax and net income after taxes have all decreased in 2019.
2. The decrease in income tax expenses is mainly due to the funds transferred from overseas in 2019 and the income tax benefits from the recognition of intelligent machinery investments.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis within the last 2 years

Unit: NT\$ thousands

Item	Year	2019	2018	YoY %
Cash flow ratio (%)		37	7	428.6%
Cash flow adequacy ratio (%)		65	76	-14.5%
Cash flow reinvestment ratio (%)		-4.67	-9.25	49.5%

Analysis on change:

In 2019, due to dividends from funds transferred from overseas, the cash flow from operating activities increased from the previous year, causing increases in the cash flow ratio and cash reinvestment ratio.

7.3.2 Cash Liquidity Analysis for Next Year

Cash Balance-Beginning	Estimated Annual Net Cash Flow from Operating Activities	Estimated Annual Cash Outflow	Cash Balance(Deficit)	Contingency plans for Insufficient cash	
				Investment Plan	Financial Plan
741,720	300,516	1,359,117	2,401,353	-	-

Analysis on changes:

Operating activities: In consideration of profitability and operating expenses, for the cash flow from operating activities, it is expected that an incoming cash flow of NT\$300,516 thousand will be generated.

Investing activities: Including investment income and fixed asset procurement.

Financing activities: Including paying cash dividend, employee remuneration, and director remuneration.

7.4 Major Capital Expenditure Items

7.4.1 The impact of material capital expenditure on financial business in the most recent year.

Unit: NT\$ thousands

Project	Actual or intended financing	Actual or intended completion date	Total funds needed	Actual or intended use of funds		
				2020	2021	2022
Fixed Assets	Operating fund	2020	179,108	179,108	-	-
Reinvestment	Operating fund	2021	368,000	-	368,000	-

7.4.2 Expected benefits:

In recent years, the investments of the fixed assets of the Company mainly include the expenses used for molds and research and development of the equipment, which effectively increase the Company's research and development abilities and productivity technology. Furthermore, there will also be the new plant in Thailand and investments in strategic partners, which are expected to expand the operation scale of the Company and allow comprehensive development of the Group.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

ATEN's cross-investment strategy is carefully implemented in line with the key guiding principles of ensuring the sustainable development of the company's core business and striving for steady growth. Besides continuing to actively establish overseas sales offices and product showrooms, so as to expand the company's markets and develop them more intensely, ATEN is also on the lookout for cross-investment and M&A opportunities that can be integrated with the company's sources of competitive advantage - in terms of existing products, technologies, marketing channels, etc. - through industrial collaboration, strategic alliances, and other methods.

7.6 Analysis of Risk Management

7.6.1 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

A. The effect of interest rate fluctuations

Unit: NT\$ thousands

Item	Year	2019	2018
Interest Income		5,139	2,910
Interest Expense		30,220	18,369
Net Income		726,620	1,587,751
(Interest Income-Interest Expense) / Net Income		-3.45%	-0.97%

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 4.0% of the company's consolidated net income; the impact of interest rate fluctuations on the company has thus been very limited.

B. The effect of exchange rate fluctuations

1. ATEN's products are heavily oriented towards the export market, with exports accounting for over 90% of total sales in 2018 and 2019. 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 2018 and 2019 are outlined below:

Unit: NT thousands

Item	2019	2018
------	------	------

Gain on foreign Exchange, Net (1)	5,738	13,726
Net Income before Tax (2)	897,744	1,856,970
Net Income (3)	5,032,719	5,173,010
(1)/(2)	0.64%	0.74%
(1)/(3)	0.11%	0.27%

2. 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.

C. 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 2018 and 2019, ATEN has not suffered any serious impact from inflation.

7.6.2 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.

- A. The Company did not engage in high-risk, high-leverage investment or make loans to others in 2019.
- B. 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.

7.6.3 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
Development of a range of high-performance KVM matrix system products for use in the management and integration of KVM equipment for control room applications.	Ongoing	130,000	Q4, 2020
Development of the new-generation Prosumer KVM series of products, targeting True 4K resolution, mixed-signal and multi-screen office applications.	Ongoing	46,500	Q4, 2020
Technical integration and application of consumer electronics on desktops and peripheral products for gaming consoles.	Ongoing	79,300	Q3, 2020
Integration and applications of Audio/ Video connector management products.	Ongoing	140,000	Q3, 2020

R&D Plans	Current Progress	Further Expenditure Required	Expected completion schedule
Smart Control System.	Ongoing	50,000	Q3, 2020
PE series electric power and green energy integration and applications.	Ongoing	46,400	Q3, 2020
EC series electric power and green energy integration and applications.	Ongoing	12,600	Q3, 2020

7.6.4 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 constantly monitors domestic and international developments in the political and economic spheres as well as legal and regulatory changes, while maintaining the ability to respond appropriately to such changes. While fulfilling their responsibilities in this regard, relevant units also provide mutual support for one another. For example, in the case of the coronavirus (COVID-19) pandemic of early 2020, which has had a severe impact on the global economy and on the lives of ordinary people throughout the world, as soon as the disease began to spread, ATEN immediately implemented timely, appropriate response measures in line with government policy under the vigorous leadership of the company Chairman, reflecting ATEN's determination to keep the impact on the company's operations to a minimum. As a result, none of the major domestic or international policy decisions and legal and regulatory changes of the past fiscal year had a significant material impact on ATEN's finances or sales.

7.6.5 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.

7.6.6 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 “Best Companies to Work for in Asia 2019 Award,” the “Taiwan Mittelstand Award,” Commonwealth magazine’s “Excellence in Corporate Social Responsibility” award, “Corporate Governance Evaluation System” award, the “Award for Best Companies to Work For,” the “Taiwan Excellence 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.

7.6.7 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 2019, or in 2020 (up until the present time).

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

Not applicable.

7.6.9 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.

7.6.10 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.

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

Not applicable.

7.6.12 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) In September 2019 and March 2020, respectively, Emine Technology Co., Ltd. and Hoeya Technology Inc. filed a lawsuit against the Company for the damage of the product that is under provisional attachment requested by the Company. The Company has appointed the attorney, the above case is still in progress.

7.6.13 Evaluation and Analysis of Information Security Risk.

In order to strengthen information security management, ATEN has adopted the most rigorous information security requirements and established a set of information security protection systems to monitor and support the company's operations. However, ATEN cannot guarantee that its computer systems are entirely free from any risk of a Distributed Denial of Service (DDoS) attack initiated by a third party and aimed at paralyzing the company's systems, or of attack using ransomware or social engineering, etc.

The use of illegal methods by external hackers to penetrate ATEN's internal networks and systems could disrupt the company's day-to-day operations. In the event of an online attack, important corporate data might be lost from the company's systems, which might result in delays or stoppages in sales and service provision, could impact the new product R&D process, and might lead to temporary factory shutdowns, etc.

Malicious hackers might also attempt to infect the company's networks and systems with computer viruses, malware or ransomware in an effort to disrupt the company's operations or obtain control of computer systems with the aim of extorting money from ATEN, or stealing intellectual property or other confidential information, such as customer data or data relating to other stakeholders, or employees' personal data, etc.

Responding to the emerging trends in the information security field, ATEN will continue to refine its governance system and strengthen its defensive capabilities in relation to information security, utilizing annual reviews and evaluations of network security rules and procedures to verify that they are appropriate and effective. However, given the constantly evolving state of information security threats, ATEN cannot guarantee that the company will be safe from the impact of new types of attacks and risks.

For the personal data protection risk, ATEN has implemented the regulation and system in compliance with the General Data Protection Regulation (GDPR), aiming to minimize the risk of collection, handling, and utilizing EU citizen information.

7.7 Other important risks, and mitigation measures being or to be taken: None.

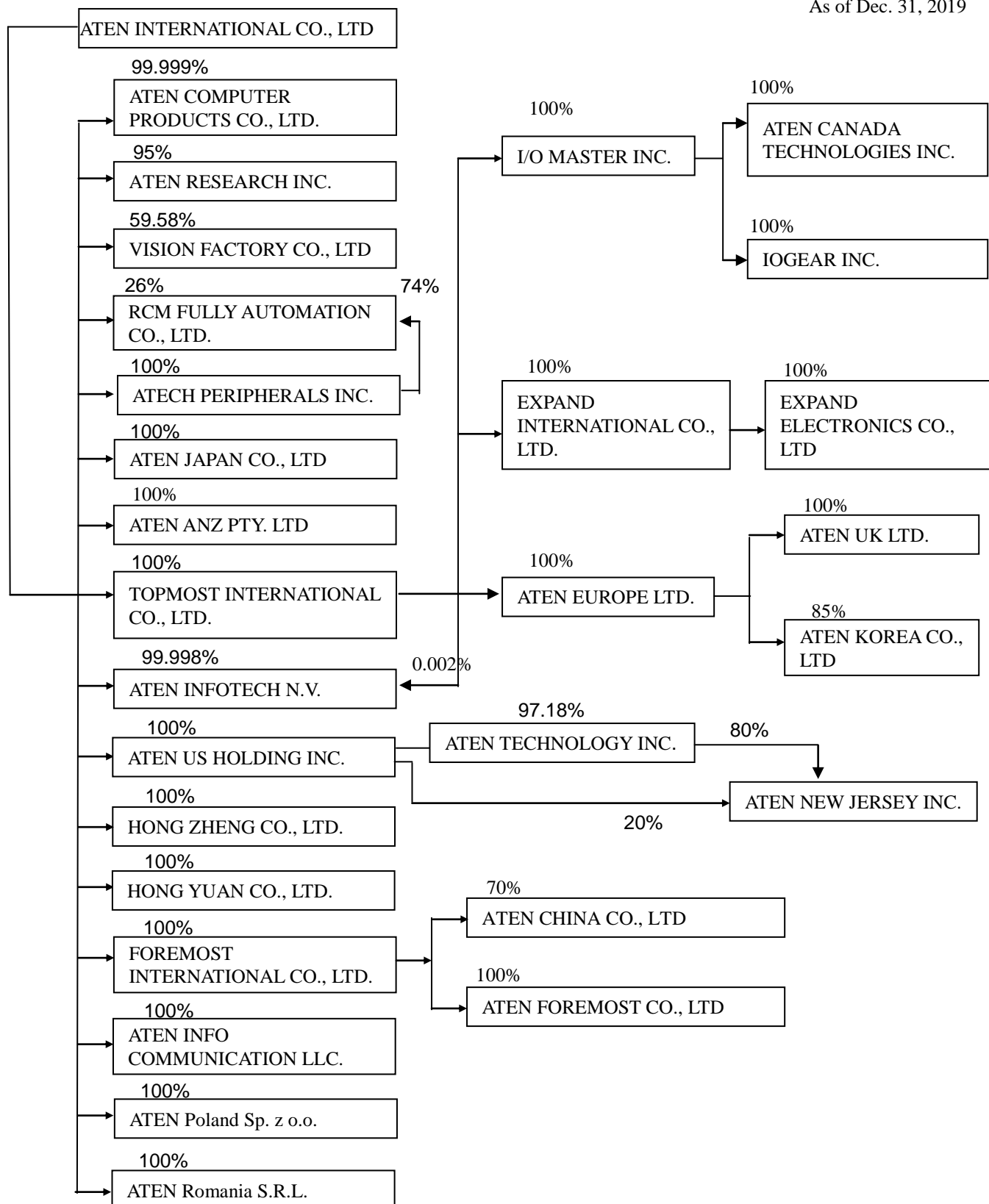
VIII. Other items deserving special mention

8.1 Organization Chart of Affiliated Enterprises

8.1.1 Consolidated business report

A. Affiliated Enterprises

As of Dec. 31, 2019



B. Basic Information of Affiliated Enterprises

As of Dec. 31, 2019

Company Name	Date of Establishment	Address	Paid-in capital	Major businesses or products
ATEN COMPUTER PRODUCTS CO., LTD.	1990.10	No 733, Soi Ladphrao 48 , Ladphrao Rd , Samsen nok Huaykwang , Bangkok, 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

Company Name	Date of Establishment	Address	Paid-in capital	Major businesses or products
FOREMOST INTERNATIONAL CO., LTD.	2007.04	St James Court, Suite 308, St Denis Street, Port Louis, Republic of Mauritius	US\$ 2,180,628	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 and trading of electronic peripheral products
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
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	2F., No. 143, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, 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\$ 2,000,000	Trading of electronic peripheral products
ATEN Poland Sp. z o.o.	2017.10	Libra Business Center ul. Gottlieba Daimlera 2., Warsaw, Poland	PLN\$ 1,000,000	Trading of electronic peripheral products
ATEN Romania S.R.L	2019.4	Voluntari City, 10 Soseaua Bucuresti – Nord Street, Global City Business Park, Building O13, 6th floor, Ilfov County, Bucharest, Romania	RON 800,000	Trading of electronic peripheral products

C. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control: None.

D. The industries covered by the business operated by the affiliates overall.

Company Name	Scope of Business	Business Connection with other Affiliated Enterprises
ATEN COMPUTER PRODUCTS CO., LTD.	Trading of electronic equipment	Not related
ATEN RESEARCH INC.	Trading of electronic equipment	Not related
VISIONTOP CO., LTD.	Specialized printing	Not related
ATECH PERIPHERALS INC.	Trading of electronic equipment	The Company's customer and invest RCM FULLY AUTOMATION CO., LTD.
TOPMOST INTERNATIONAL CO., LTD.	Investing	Invest EXPAND INTERNATIONAL CO., LTD. , I/O MASTER INC., ATEN EUROPE LTD.
EXPAND INTERNATIONAL CO., LTD.	Investing	Invest EXPAND ELECTRONICS CO., LTD.
ATEN TECHNOLOGY INC.	Trading of electronic equipment	The Company's customer and invest ATEN NEW JERSEY INC.
ATEN INFOTECH N.V.	Trading of electronic equipment	The Company's customer.
ATEN JAPAN CO., LTD.	Trading of electronic equipment	The Company's customer.
ATEN EUROPE LTD.	Investing	Invest ATEN UK LTD. and ATEN KOREA CO., LTD.
ATEN UK LTD.	Trading of electronic equipment	The Company's customer.
ATEN US HOLDINGS INC.	Investing	Invest ATEN TECHNOLOGY INC. and ATEN NEW JERSEY INC.
ATEN NEW JERSEY INC.	Trading of electronic equipment	The Company's customer.
ATEN KOREA CO., LTD.	Trading of electronic equipment	The Company's customer.
FOREMOST INTERNATIONAL CO., LTD.	Investing	Invest ATEN CHINA CO., LTD. and ATEN FOREMOST INTERNATIONAL CO., LTD.
ATEN CHINA CO., LTD.	Trading of electronic equipment	The Company's customer.
ATEN FOREMOST INTERNATIONAL CO., LTD.	Trading and manufacturing of electronic equipment	Expand the Company's product line and the Company's customer.
I/O MASTER INC.	Investing	Invest ATEN CANADA TECHNOLOGIES INC. and IOGEAR INC.
ATEN CANADA TECHNOLOGIES INC.	Research and development center	The Company's research and development center
IOGEAR INC.	Trading of electronic equipment	DBA (doing business as) Aten Technology Inc.

Company Name	Scope of Business	Business Connection with other Affiliated Enterprises
EXPAND ELECTRONICS CO., LTD.	Manufacturing of electronic equipment	Expand the Company's product line
HONG ZHENG CO., LTD.	Investing	Not related
HONG YUAN CO., LTD.	Investing	Not related
ATEN ANZ PTY. LTD.	Trading of electronic equipment	The Company's customer.
RCM FULLY AUTOMATION CO., LTD.	Trading of electronic equipment	Customer of ATECH PERIPHERALS INC.
ATEN INFO COMMUNICATION LLC.	Trading of electronic equipment	The Company's customer.
ATEN Poland Sp. z o.o.	Trading of electronic equipment	The Company's customer.
ATEN Romania S.R.L	Trading of electronic equipment	The Company's customer.

E. Directors, supervisors and presidents of affiliates and subsidiaries.

As of Dec. 31, 2019; Unit: share; %

Company Name	Title	Name or Representative	Shareholdings	
			Shares	Shareholdings %
ATEN COMPUTER PRODUCTS CO., LTD.	Chairman	Sun-Chung Chen (ATEN International Representative)	299,998	99.999%
ATEN RESEARCH INC.	Chairman/President	Sun-Chung Chen (ATEN International Representative)	2,840	95%
VISIONTOP CO., LTD.	Chairman/President	Shang-Jen Chen	1,719,592	15.83%
	Director	ATEN International	6,472,066	59.58%
		ATEN International Representative: Sun-Chung Chen	414,600	3.82%
	Director	ATEN International	6,472,066	59.58%
		ATEN International Representative: Sherry Tung	69,200	0.64%
	Supervisor	Candy Liao	58,000	0.53%
ATECH PERIPHERALS INC.	Chairman	Sun-Chung Chen (ATEN International Representative)	2,500,000	100%
	Director	Shang-Jen Chen (ATEN International Representative)		
	Director	William Kao(ATEN International Representative)		
	Supervisor	Candy Liao(ATEN International Representative)		
TOPMOST INTERNATIONAL CO., LTD.	Chairman	Sun-Chung Chen(ATEN International Representative)	700,000	100%
EXPAND INTERNATIONAL CO., LTD.	Chairman	Sun-Chung Chen (TOPMOST INTERNATIONAL CO., LTD. Representative)	689,965	100%
ATEN TECHNOLOGY INC.	Chairman/President	Sun-Chung Chen(ATEN US HOLDINGS INC. Representative)	2,672,084.37	97.18%

Company Name	Title	Name or Representative	Shareholdings	
			Shares	Shareholdings %
	Director	Alex Chen/William Kao(ATEN US HOLDINGS INC. Representative)		
ATEN INFOTECH N.V.	Chairman	Sun-Chung Chen(ATEN International Representative)	58,343	99.998%
	President	Jack Chen(ATEN International Representative)		
ATEN JAPAN CO.,LTD	Chairman/Director	Sun-Chung Chen(ATEN International Representative)	1,600	100%
	President/ Director	Hans Deng(ATEN International Representative)		
	Director	Jovi Jhan/ Tomoyuki Tsuji /Alex Chen/Sean Ho/William Kao(ATEN International Representative)		
	Supervisor	Candy Liao(ATEN International Representative)		
ATEN US HOLDINGS INC.	Chairman	Sun-Chung Chen(ATEN International Representative)	3,380,000	100%
ATEN NEW JERSEY INC.	Chairman/President	Sun-Chung Chen(ATEN US HOLDINGS INC. Representative)	160,000	20%
	Director	Alex Chen/William Kao(ATEN TECHNOLOGY INC. Representative)	640,000	80%
ATEN EUROPE LTD.	Chairman	Sun-Chung Chen(TOPMOST INTERNATIONAL CO., LTD. Representative)	1,069,000	100%
ATEN UK LTD.	Chairman	Sun-Chung Chen(ATEN EUROPE LTD. Representative)	650,000	100%
	Director	Alex Chen(ATEN EUROPE LTD. Representative)		
	Director	William Kao(ATEN EUROPE LTD. Representative)		
FOREMOST INTERNATIONAL CO., LTD.	Director	Sun-Chung Chen(ATEN International Representative)	2,180,628	100%
ATEN KOREA CO., LTD.	Chairman	Sun-Chung Chen(ATEN EUROPE LTD. Representative)	102,000	85%
	Director	William Kao 、 Alex Chen(ATEN EUROPE LTD. Representative)		
	President/Director	Harvy Kao	0	0%
	Director	Hyung-Beom Kim	18,000	15%
	Supervisor	Candy Liao(ATEN EUROPE LTD. Representative)	102,000	85%
ATEN CHINA CO., LTD	Chairman	Sun-Chung Chen(Foremost International Co., Ltd. Representative)	-	70%
	Director	William Kao(Foremost International Co., Ltd. Representative)		

Company Name	Title	Name or Representative	Shareholdings	
			Shares	Shareholdings %
	Director	Yung-Da Lin(Foremost International Co., Ltd. Representative)		
	Director	Alex Chen(Foremost International Co.,Ltd. Representative)		
	Director	MIN-SIAN LIOU	-	12%
	Supervisor	Candy Liao(Foremost International Co., Ltd. Representative)	-	70%
	Supervisor	BO CHEN	-	6%
ATEN FOREMOST CO., LTD	Executive Director /President	Thomas Chang(Foremost International Co., Ltd. Representative)	-	100%
	Supervisor	Candy Liao(Foremost International Co., Ltd. Representative)		
I/O MASTER INC.	Chairman/President	Sun-Chung Chen(TOPMOST INTERNATIONAL CO., LTD. Representative)	700,000	100%
ATEN CANADA TECHNOLOGIES INC.	Chairman/President	Sun-Chung Chen(I/O Master Inc. Representative)	300	100%
IOGEAR INC.	Chairman/President	Sun-Chung Chen(I/O Master Inc. Representative)	10	100%
EXPAND ELECTRONICS CO., LTD	Executive Director	Tim Chiang (Expand International Co., Ltd. Representative)	-	100%
	Supervisor	Alex Chen(Expand International Co., Ltd. Representative)		
HONG ZHENG CO., LTD.	Chairman	Sun-Chung Chen(ATEN International Representative)	1,600,000	100%
	Director	William Kao(ATEN International Representative)		
	Director	Alex Chen(ATEN International Representative)		
	Supervisor	Candy Liao(ATEN International Representative)		
HONG YUAN CO., LTD.	Chairman	Sun-Chung Chen(ATEN International Representative)	1,600,000	100%
	Director	William Kao(ATEN International Representative)		
	Director	Alex Chen(ATEN International Representative)		
	Supervisor	Candy Liao(ATEN International Representative)		
ATEN ANZ PTY. LTD.	Chairman	Sun-Chung Chen	1,750,000	100%
	Director	William Kao		
	Director	Wesley Wong		

Company Name	Title	Name or Representative	Shareholdings	
			Shares	Shareholdings %
RCM FULLY AUTOMATION CO., LTD.	Chairman	Yung-Da Lin (ATEN International Representative)	780,000	26%
	Director	Sun-Chung Chen(ATEN International Representative)		
	Director	Johnny Wang(ATECH PERIPHERALS INC. Representative)	2,220,000	74%
	Supervisor	Alex Chen	0	0%
ATEN INFO COMMUNICATION LLC.	Legal Representative	Sun-Chung Chen(ATEN International Representative)	2,000	100%
ATEN Poland Sp. z o.o.	Chairman	Sun-Chung Chen(ATEN International Representative)	20,000	100%
ATEN Romania S.R.L	Chairman	Sun-Chung Chen(ATEN International Representative)	80,000	100%

F. Operational Performance of Affiliated Enterprises

As of Dec. 31, 2019; 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	11,082	747	10,335	0	(379)	(379)	(1.26)
ATEN RESEARCH INC.	16,309	274	0	274	0	0	0	0.00
VISION FACTORY CO., LTD	108,624	162,739	63,971	98,768	143,039	2,266	3,602	0.33
ATECH PERIPHERALS INC.	25,000	73,165	17,645	55,520	224,330	21,884	10,666	4.27
TOPMOST INTERNATIONAL CO., LTD.	22,183	463,286	0	463,286	0	(241)	26,738	38.20
EXPAND INTERNATIONAL CO., LTD.	21,383	311,915	5,006	306,909	0	(30)	2,730	3.96
ATEN TECHNOLOGY, INC.	87,993	715,039	693,796	21,243	1,130,083	(63,288)	(59,186)	(21.53)
ATEN INFOTECH N.V.	54,197	292,370	223,953	68,417	627,064	(13,651)	(14,582)	(249.93)

Company Name	Capital	Total Assets	Total Liabilities	Stockholders' Equity	Net Sales	Operating Income	Net Income	EPS (NT\$)
ATEN JAPAN CO., LTD.	25,105	325,473	191,847	133,626	508,062	59,156	38,056	23,785.00
ATEN EUROPE LTD.	67,279	336,979	187,594	149,385	0	32,866	21,502	20.11
ATEN UK LTD.	37,922	50,226	46,219	4,006	113,954	661	265	0.41
ATEN US HOLDING INC.	107,872	30,500	0	30,500	0	(80)	(59,240)	(17.53)
ATEN NEW JERSEY INC.	26,118	33,651	1,283	32,368	314	(1,006)	(495)	(0.62)
ATEN KOREA CO., LTD	34,811	286,125	135,708	150,417	386,351	34,770	28,073	233.94
FOREMOST INTERNATIONAL CO., LTD.	69,730	80,807	0	80,807	0	(52)	(16,916)	(7.76)
ATEN CHINA CO., LTD	56,924	199,158	131,996	67,163	516,420	(134)	(1,488)	Note
ATEN FOREMOST CO., LTD	29,315	77,307	44,119	33,188	282,440	(17,116)	(16,940)	Note
I/O MASTER INC.	9,782	36,411	8,108	28,303	0	(36)	2,296	3.28
ATEN CANADA TECHNOLOGIES INC.	3	63,977	27,781	36,196	98,852	3,134	2,332	7,772.77
EXPAND ELECTRONICS CO., LTD	67,184	247,072	132,860	114,213	686,942	1,508	2,316	Note
HONG ZHENG CO., LTD.	16,000	44,976	40	44,936	0	(46)	1,158	0.72
HONG YUAN CO., LTD.	16,000	49,077	40	49,037	0	(49)	1,259	0.79
IOGEAR INC.	3	3	0	3	0	0	0	0.00
ATEN ANZ PTY. LTD.	42,186	23,995	2,391	21,604	26,981	1,790	1,947	1.11
RCM FULLY AUTOMATION CO., LTD.	30,000	22,089	5,617	16,472	16,876	(9,230)	(9,066)	(3.02)
ATEN INFO COMMUNICATION LLC.	17,683	4,008	1,008	3,000	9,971	(233)	(45)	(22.50)
ATEN POLAND SP. Z O. O.	8,295	9,749	2,355	7,394	14,492	1,552	1,485	74.25
ATEN ROMANIA S.R.L	5,839	12,184	6,272	5,912	4,030	199	296	4.93

Note: Limited Company

8.1.2 Consolidated financial statement

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Company name: ATEN INTERNATIONAL CO., LTD.

Chairman: Sun-Chung Chen

Date: March 10, 2020

8.1.3 Consolidated business report: None.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Matters That Require Additional Description: None.

8.5 Situations Might Materially Affect Shareholders' Equity or the Price of the Company's Securities: None.

Stock Code:6277

**ATEN INTERNATIONAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

**Address: 3rd Floor, No. 125, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City,
Taiwan, R.O.C.**

Telephone: (02)8692-6789

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

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Representation Letter

The entities that are required to be included in the combined financial statements of ATEN INTERNATIONAL CO., LTD. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ATEN INTERNATIONAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ATEN INTERNATIONAL CO., LTD.

Chairman: Sun-Chung Chen

Date: March 10, 2020

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of ATEN INTERNATIONAL CO., LTD. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ATEN INTERNATIONAL CO., LTD. and its subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(o) and 6(q) for disclosure related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue recognition rely on subjective judgment of the management. Hence, we consider it as the key audit matter.

How the matter was addressed in our audit:

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

2. Inventory measurement

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

ATEN INTERNATIONAL CO., LTD. has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the supervisors) are responsible for overseeing ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ATEN INTERNATIONAL CO., LTD. and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ATEN INTERNATIONAL CO., LTD. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause ATEN INTERNATIONAL CO., LTD. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement audit partners issuing this independent auditors' report are Po-Shu Huang and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	Assets					21xx	Liabilities and Equity				
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 741,720	11	692,377	10	2100	Short-term borrowings (notes 6(j) and 8)	\$ 706,466	11	756,907	11
1110	Financial assets at fair value through profit or loss — current (note 6(b))	1,591,007	24	1,417,936	20	2322	Current portion of long-term borrowings (notes 6(j) and 8)	8,822	-	10,200	-
1120	Financial assets at fair value through other comprehensive income — current (note 6(c))	5,375	-	4,642	-	2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	1,369	-	2,247	-
1150	Notes receivable, net (note 6(d))	8,467	-	7,933	-	2150	Notes payable	3,948	-	4,363	-
1170	Accounts receivable, net (note 6(d))	619,952	9	721,109	10	2170	Accounts payable (note 7)	377,411	6	470,081	7
1200	Other receivables (notes 6(e) and (g))	3,125	-	653,669	9	2219	Other payable (notes 6 (m) and (r))	504,050	8	603,288	9
130x	Inventories(note 6(f))	985,248	16	1,058,080	15	2230	Current tax liabilities	150,369	2	142,356	2
1410	Prepayments	65,405	1	52,399	1	2250	Provisions — current (note 6(k))	24,790	-	22,660	-
1470	Other current assets	32,548	-	30,077	1	2280	Current lease liabilities (note 6(l))	55,285	1	-	-
	Total current assets	4,052,847	61	4,638,222	66	2399	Other current liabilities	64,498	1	62,754	1
15xx	Non-current assets:						Total current liabilities	1,897,008	29	2,074,856	30
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(c))	21,780	-	21,780	-	25xx	Non-Current liabilities:				
1550	Investments accounted for under equity method (note 6(g))	84,809	1	75,559	1	2540	Long-term borrowings (notes 6(j) and 8)	26,625	-	25,983	-
1600	Property, plant and equipment (notes 6(h) and 8)	2,000,424	30	1,994,459	28	2570	Deferred income tax liabilities (note 6(n))	174,917	3	220,132	3
1755	Right-of-use assets (note 6(i))	143,751	3	-	-	2580	Non-current lease liabilities (note 6(l))	91,742	1	-	-
1805	Goodwill	2,756	-	2,756	-	2640	Net defined benefit liabilities (note 6(m))	96,369	1	98,977	1
1840	Deferred income tax assets (note 6(n))	207,177	3	175,348	3	2645	Deposits received	1,115	-	1,595	-
1915	Prepayments for equipment	6,906	-	-	-	2670	Other non-current liabilities	38,044	1	37,102	1
1920	Refundable deposits	17,800	-	20,251	-		Total non-current liabilities	428,812	6	383,789	5
1980	Other financial assets — non-current (notes 8 and 9)	117,166	2	116,689	2	2xxx	Total liabilities	2,325,820	35	2,458,645	35
1990	Other non-current assets	549	-	-	-	3110	Equity attributable to shareholders of the company (notes 6(m) and (o)):				
	Total non-current assets	2,603,118	39	2,406,842	34		Common stock	1,194,711	18	1,194,711	17
						3210	Capital surplus:				
							Additional paid-in capital	316,913	5	316,913	4
						3250	Donated assets received	50	-	50	-
						3260	Changes in equity of associates accounted for using equity method	28,671	-	26,186	-
								345,634	5	343,149	4
							Retained earnings:				
						3310	Legal reserve	1,271,617	19	1,114,004	16
						3320	Special reserve	107,295	2	94,045	1
						3350	Unappropriated retained earnings	1,454,776	22	1,858,269	27
								2,833,688	43	3,066,318	44
							Other equity interest:				
						3410	Financial statements translation differences for foreign operations	(110,346)	(2)	(89,763)	(1)
						3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(16,799)	-	(17,532)	-
								(127,145)	(2)	(107,295)	(1)
							Total equity attributable to shareholders of the company	4,246,888	64	4,496,883	64
						36xx	Non-controlling interests	83,257	1	89,536	1
						3xxx	Total equity	4,330,145	65	4,586,419	65
1xxx	Total assets	\$ 6,655,965	100	7,045,064	100	2-3xxx	Total liabilities and equity	\$ 6,655,965	100	7,045,064	100

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 5,032,719	100	5,173,010	100
5000	Operating costs (notes 6(f), (h), (i), (k), (l), (m), (r) and 7)	1,994,258	40	2,129,330	41
5900	Gross profit	3,038,461	60	3,043,680	59
6000	Operating expenses (notes 6(d), (h), (i), (l), (m), (r) and 7):				
6100	Selling expenses	1,238,596	25	1,171,119	23
6200	Administrative expenses	546,764	11	548,523	10
6300	Research and development expenses	475,938	9	491,571	10
6450	Expected credit loss for bad debt expense	829	-	2,353	-
	Total operating expenses	2,262,127	45	2,213,566	43
6900	Operating profit	776,334	15	830,114	16
7000	Non-operating income and expenses (notes 6(g), (l) and (s)):				
7010	Other income	120,632	2	30,171	-
7020	Other gains and losses	5,412	-	958,929	19
7050	Finance costs	(30,220)	(1)	(18,369)	-
7060	Share of profit of associates accounted for under equity method	25,586	1	56,125	1
	Total non-operating income and expenses	121,410	2	1,026,856	20
7900	Profit from continuing operations before tax	897,744	17	1,856,970	36
7950	Less: Income tax expenses (note 6(n))	171,124	3	269,219	5
	Net income	726,620	14	1,587,751	31
8300	Other comprehensive income (notes 6(g), (m), (n) and (o)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	49	-	681	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	733	-	268	-
8320	Share of other comprehensive income of associates accounted for using equity method	-	-	(65)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2)	-	101	-
	Components of other comprehensive income that will not be reclassified to profit or loss	784	-	783	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(22,539)	-	2,736	-
8370	Share of other comprehensive income of associates accounted for using equity method	(177)	-	(48)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(22,716)	-	2,688	-
8300	Other comprehensive income	(21,932)	-	3,471	-
8500	Total comprehensive income	\$ 704,688	14	1,591,222	31
8600	Net income attributable to:				
8610	Shareholders of the parent	\$ 723,133	14	1,576,132	31
8620	Non-controlling interests	3,487	-	11,619	-
		\$ 726,620	14	1,587,751	31
8700	Total comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 703,289	14	1,580,030	31
8720	Non-controlling interests	1,399	-	11,192	-
		\$ 704,688	14	1,591,222	31
	Basic earnings per share (in New Taiwan dollars) (note 6(p))				
9750	Basic earnings per share	\$ 6.05		13.19	
9850	Diluted earnings per share	\$ 5.95		12.92	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest			Total equity		
	Share capital		Retained earnings				Financial statements translation differences for foreign operations	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total	attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total						
Balance at January 1, 2018	\$ 1,194,711	387,157	1,041,329	65,332	1,039,903	2,146,564	(92,885)	(17,660)	(110,545)	3,617,887	101,111	3,718,998
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	72,675	-	(72,675)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	28,713	(28,713)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(657,091)	(657,091)	-	-	-	(657,091)	(7,193)	(664,284)
Changes in equity of associates and joint ventures accounted for using equity method	-	(43,140)	-	-	65	65	-	-	-	(43,075)	-	(43,075)
Net income	-	-	-	-	1,576,132	1,576,132	-	-	-	1,576,132	11,619	1,587,751
Other comprehensive income	-	-	-	-	573	573	3,122	203	3,325	3,898	(427)	3,471
Total comprehensive income	-	-	-	-	1,576,705	1,576,705	3,122	203	3,325	1,580,030	11,192	1,591,222
Changes in non-controlling interests	-	(868)	-	-	-	-	-	-	-	(868)	(15,574)	(16,442)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	75	75	-	(75)	(75)	-	-	-
Balance at December 31, 2018	1,194,711	343,149	1,114,004	94,045	1,858,269	3,066,318	(89,763)	(17,532)	(107,295)	4,496,883	89,536	4,586,419
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	157,613	-	(157,613)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	13,250	(13,250)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(955,769)	(955,769)	-	-	-	(955,769)	(7,678)	(963,447)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,485	-	-	-	-	-	-	-	2,485	-	2,485
Net income	-	-	-	-	723,133	723,133	-	-	-	723,133	3,487	726,620
Other comprehensive income	-	-	-	-	6	6	(20,583)	733	(19,850)	(19,844)	(2,088)	(21,932)
Total comprehensive income	-	-	-	-	723,139	723,139	(20,583)	733	(19,850)	703,289	1,399	704,688
Balance at December 31, 2019	\$ 1,194,711	345,634	1,271,617	107,295	1,454,776	2,833,688	(110,346)	(16,799)	(127,145)	4,246,888	83,257	4,330,145

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
Cash flows from operating activities:		
Net income before tax	\$ 897,744	1,856,970
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	149,781	88,719
Expected credit loss for bad debt expense	829	2,353
Interest expenses	30,220	18,369
Interest income	(5,139)	(2,910)
Dividend income	(158)	(201)
Share of profit of associates accounted for under equity method	(25,586)	(56,125)
Losses on disposal of property, plant and equipment	114	203
Property, plant and equipment transferred to expenses	353	773
Gains on disposal of investments accounted for using equity method	-	(945,838)
Total adjustments to reconcile profit and loss	150,414	(894,657)
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(173,071)	(437,188)
Notes receivable	(534)	647
Notes receivable — related parties	-	7,586
Accounts receivable	100,425	(21,930)
Other receivable	89,566	(90,150)
Inventories	73,773	(242,771)
Prepayments	(13,006)	1,169
Other current assets	(2,318)	(221)
Total changes in operating assets, net	74,835	(782,858)
Net changes in operating liabilities:		
Financial liabilities held for trading	(878)	(200)
Notes payable	(415)	278
Accounts payable	(92,670)	5,008
Other payable	(99,238)	115,184
Provisions	2,130	2,826
Other current liabilities	1,744	33,394
Net defined benefit liabilities	(2,701)	(7,574)
Other non-current liabilities	942	3,776
Total changes in operating liabilities, net	(191,086)	152,692
Total changes in operating assets / liabilities, net	(116,251)	(630,166)
Total adjustments	34,163	(1,524,823)
Cash provided by operating activities	931,907	332,147
Dividends received	18,946	42,047
Payment of income tax	(240,430)	(228,368)
Net cash provided by operating activities	710,423	145,826
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	4,287
Proceeds from disposal of investments accounted for under equity method	560,978	460,509
Acquisition of property, plant and equipment	(102,231)	(56,391)
Proceeds from disposal of property, plant and equipment	1,166	828
Increase (decrease) in refundable deposits	2,451	(4,991)
Increase in other financial assets — non-current	(477)	(3,982)
Decrease (increase) in other non-current assets	(549)	3
Decrease (increase) in prepayments for equipment	(6,906)	8
Interest received	5,139	2,910
Net cash provided by investing activities	459,571	403,181
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(50,441)	22,212
Proceeds from long-term debt	10,433	-
Repayment of long-term borrowings	(9,941)	(13,790)
Decrease in deposits received	(480)	(100)
Payment of lease liabilities	(59,933)	-
Cash dividends paid	(963,447)	(664,284)
Interest paid	(30,220)	(18,369)
Changes in non-controlling interests	-	(16,442)
Net cash used in financing activities	(1,104,029)	(690,773)
Effect of exchange rate changes on cash and cash equivalents	(16,622)	(6,261)
Increase (decrease) in cash and cash equivalents for the period	49,343	(148,027)
Cash and cash equivalents at beginning of period	692,377	840,404
Cash and cash equivalents at end of period	\$ 741,720	692,377

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

ATEN INTERNATIONAL CO., LTD. (the “Company”) was incorporated on July 6, 1979, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, manufacturing of wired and wireless communication equipment, and manufacturing of electronic modules and parts.

(2) Financial Statements Authorization Date and Authorization Process

These consolidated financial statements were approved by the Board of Directors and published on March 10, 2020.

(3) New Standards and Interpretations Not Yet Adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 4(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Group decided to apply the recognition exemptions to the short-term leases of its buildings and leases of transportation equipment.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group both recognized the additional amounts of \$152,214 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.92%.

The explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed is as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ -
Extension and termination options reasonably certain to be exercised	155,280
	<u>\$ 155,280</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 152,214
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<u>\$ 152,214</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) The impact of IFRS endorsed by FSC that will soon take effect

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group assessed that the above IFRSs may not be relevant to the Group.

(4) Significant Accounting Policies

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

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for notes 3 and 4(k), the following accounting policies have been applied consistently throughout the presented periods in the financial statement.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary of the significant accounting policies).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency using the exchange rates on reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries included in the consolidated financial statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership	
			December 31, 2019	December 31, 2018
The Company	TOPMOST INTERNATIONAL CO., LTD. (TOPMOST)	Investing	100%	100%
The Company	ATEN JAPAN CO., LTD. (ATEN JAPAN)	Trading of computer peripheral products	100%	100%
The Company	ATEN US HOLDINGS INC. (ATEN US)	Investing	100%	100%
The Company	FOREMOST INTERNATIONAL CO., LTD. (FOREMOST)	Investing	100%	100%
The Company	ATEN INFOTECH N.V. (ATEN INFOTECH)	Trading of computer peripheral products	100%	100%
The Company	ATECH PERIPHERALS INC. (ATECH PERIPHERALS)	Trading of computer peripheral products	100%	100%
The Company	ATEN RESEARCH INC. (ATEN RESEARCH)	Trading of computer peripheral products	95%	95%

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership	
			December 31, 2019	December 31, 2018
The Company	ATEN COMPUTER PRODUCTS CO., LTD. (ATEN COMPUTER)	Trading of computer peripheral products	100%	100%
The Company	VISIONTOP CO., LTD. (VISIONTOP)	Specialized printing	60%	60%
The Company	HONG JHENG TECHNOLOGY CO., LTD. (HONG JHENG)	Investing	100%	100%
The Company	HONG YUAN CO., LTD. (HONG YUAN)	Investing	100%	100%
The Company	ATEN ANZ PTY LTD. (ATEN ANZ)	Trading of computer peripheral products	100%	100%
The Company	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY) (Note 1)	Trading of computer peripheral products	26%	26%
The Company	ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY (ATEN TURKEY)	Trading of computer peripheral products	100%	100%
The Company	ATEN POLAND SP Z.O. O. (ATEN POLAND)	Trading of computer peripheral products	100%	100%
The Company	ATEN ROMANIA S.R.L. (ATEN ROMANIA) (Note2)	Trading of computer peripheral products	100%	- %
TOPMOST	EXPAND INTERNATIONAL CO., LTD. (EXPAND)	Investing	100%	100%
TOPMOST	ATEN EUROPE LIMITED (ATEN EUROPE)	Investing	100%	100%
TOPMOST	I/O MASTER INC. (I/O MASTER)	Investing	100%	100%
FOREMOST	ATEN CHINA CO., LTD. (ATEN CHINA)	Trading of computer peripheral products	70%	70%
FOREMOST	ATEN FOREMOST INTERNATIONAL CO., LTD. (ATEN FOREMOST)	Manufacturing and trading of computer peripheral products	100%	100%
EXPAND	EXPAND ELECTRONIC CO., LTD. (EXPAND ELECTRONIC)	Manufacturing of computer peripheral products	100%	100%
ATEN EUROPE	ATEN UK LIMITED (ATEN UK)	Trading of computer peripheral products	100%	100%
ATEN EUROPE	ATEN KOREA CO., LTD. (ATEN KOREA)	Trading of computer peripheral products	85%	85%
ATEN US	ATEN TECHNOLOGY INC. (ATEN TECHNOLOGY)	Trading of computer peripheral products	97%	97%
ATEN US & ATEN TECHNOLOGY	ATEN NEW JERSEY INC. (ATEN NEW JERSEY)	Trading of computer peripheral products	98%	98%
I/O MASTER	ATEN CANADA TECHNOLOGIES INC. (ATEN CANADA)	Research and development	100%	100%
I/O MASTER	IOGEAR, INC.(IOGEAR)	Trading of computer peripheral products	100%	100%
ATECH PERIPHERALS	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY)	Trading of computer peripheral products	74%	74%

Note 1: RCM FULLY AUTOMATION CO., LTD (change Chinese company name) has been changed registration in August 15, 2018.

Note 2: The subsidiary was established on April 5, 2019.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose should be recognized as cash equivalent.

(g) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets).

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise borrowings, accounts payable, other payables and deposits received, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expense.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expense.

3) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Subsequent to initial recognition, inventories are measured at the lower of cost or net realizable value and the cost of inventories is based on the standard cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The differences between standard and actual costing are fully classified as operating costs. When the cost of inventories is higher than the net realizable value, the inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for under equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that in significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of its associates and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associates in 'capital surplus' in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Land improvements	3 years
Buildings	2~61 years
Machinery equipment	3~10 years
Other equipment	1~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Leases

Applicable commencing January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group' s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Lessee

Other leases are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases.

Operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Intangible assets — Goodwill

(i) Recognition

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all business combinations that occurred after January 1 2012 (inclusive). For those acquisitions that occurred prior to January 1 2012, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets recognized at the date of acquisition is recognized as goodwill.

(ii) Measurement

Goodwill is measured at cost, less, accumulated impairment losses.

It is tested for impairment annually, or more frequently, when there is an indication that the cash generating unit may be impaired.

(m) Impairment — Non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

The Group is mainly engaged in the manufacture and trading of computer peripheral products. The Group recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of electronic components in the contractual period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(k).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(p) Employee benefits

(i) Defined contribution plans

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

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Income tax

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

When computing diluted earnings per share, all potential share are considered outstanding shares for the current period; therefore, both profit attributable to ordinary shareholders and outstanding shares should be adjusted for the impact of potential shares. Employee bonuses in the form of stock of the Company are accounted for as potential shares.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant Accounting Judgments and Sources of Estimation and Uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows: :

(a) Judgment regarding significant influence of associates

The Group has less than 20% of the voting or potential voting rights in Aspeed Technology Inc. However, the Group has determined that it has significant influence over it because the Group has the authority to assign one of the eight directors on the board of Aspeed Technology Inc., and make decision regarding its financial and operating policies.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 4,255	4,369
Saving deposits and foreign currency deposits	608,885	519,132
Checking deposits	19,306	15,027
Time deposits	109,274	153,849
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 741,720</u></u>	<u><u>692,377</u></u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Please refer to note 6(t) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss — current:		
Derivative instruments not used for hedging	\$ 3,267	572
Non-derivative financial assets	1,587,740	1,417,364
Total	<u>\$ 1,591,007</u>	<u>1,417,936</u>
	December 31, 2019	December 31, 2018
Financial liabilities held for trading — current:		
Derivative instruments not used for hedging	<u>\$ 1,369</u>	<u>2,247</u>

For the amount on disposal of financial assets and liabilities remeasured at fair value through profit or loss, please refer to note 6(s).

As of December 31, 2019 and 2018, the Group has not provided any aforementioned financial assets as collateral.

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial instruments on December 31, 2019 and 2018 .

Mandatorily measured at fair value through profit or loss financial assets — Forward contract:

	Fair value	Currency	Contract amount
December 31, 2019			
Forward Contracts	\$ 291	JPY/TWD	161,000
Forward Contracts	\$ 137	GBP/TWD	120
Forward Contracts	\$ 410	EUR/TWD	2,795
Forward Contracts	\$ 2,097	USD/TWD	7,300
Forward Contracts	\$ 332	USD/CNY	1,350
December 31, 2018			
Forward Contracts	\$ 72	GBP/TWD	45
Forward Contracts	\$ 500	EUR/TWD	1,400

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Held-for-trading financial liabilities — Forward contract:

	<u>Fair value</u>	<u>Currency</u>	<u>Contract amount</u>
December 31, 2019			
Forward Contracts	\$ 170	JPY/TWD	75,000
Forward Contracts	\$ 17	USD/TWD	1,000
Forward Contracts	\$ 155	GBP/TWD	420
Forward Contracts	\$ 169	EUR/TWD	875
Forward Contracts	\$ 858	USD/KRW	1,900
December 31, 2018			
Forward Contracts	\$ 1,063	JPY/TWD	213,200
Forward Contracts	\$ 688	EUR/TWD	2,741
Forward Contracts	\$ 8	AUD/TWD	150
Forward Contracts	\$ 117	CNY/TWD	6,500
Forward Contracts	\$ 13	USD/TWD	500
Forward Contracts	\$ 358	USD/KRW	1,700

As for above mentioned, these financial instruments had maturity periods from January 3, 2020 to May 22, 2020 and January 4, 2019 to March 22, 2019, respectively.

For credit risk and market risk please refer to note 6(t).

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic) — current	<u>\$ 5,375</u>	<u>4,642</u>
Unlisted stocks (domestic) — non-current	<u>\$ 21,780</u>	<u>21,780</u>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

In August 2018, the Group disposed all of its shares in First Financial Holding Co., Ltd. due to operational considerations. The shares disposed had a fair value of \$4,287 thousand, and the gain on disposal of above transaction of \$75 thousand, recognized in other comprehensive income. The gain had been transferred to retained earnings.

(ii) For credit risk and market risk, please refer to note 6(t).

(iii) The Group did not hold any collateral for the collectible amounts.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Notes receivable	\$ 8,467	7,933
Accounts receivable, net	622,994	723,419
Less: allowance for impairment	3,042	2,310
	<u>\$ 628,419</u>	<u>729,042</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2019. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomic and relevant industry information. The expected credit losses as of was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Loss allowance provision
Current	\$ 582,911	0%	-
0 to 30 days past due	37,847	0%	-
31 to 60 days past due	556	0%	-
61 to 90 days past due	254	0%	-
91 to 120 days past due	86	1%	-
121 to 180 days past due	170	30%	-
181 to 360 days past due	1,087	70%	-
Past due 360 days	8,550	100%	3,042
	<u>\$ 631,461</u>		<u>3,042</u>

	December 31, 2018		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Loss allowance provision
Current	\$ 646,763	0%	-
0 to 30 days past due	66,246	0%	-
31 to 60 days past due	2,232	0%	-
61 to 90 days past due	3,092	0%	-
91 to 120 days past due	330	0%	-
Past due over 121 days	12,689	20%~30%	2,310
	<u>\$ 731,352</u>		<u>2,310</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for accounts receivable was as follows:

	2019	2018
Balance on January 1	\$ 2,310	4,977
Impairment losses recognized (reversed)	829	2,353
Foreign exchange gain (loss) and others	(97)	(5,020)
Balance on December 31	\$ 3,042	2,310

As of December 31, 2019 and 2018, the bank has priority claim over the Group's accounts receivable amounting to \$147,299 thousand and \$191,640 thousand, respectively.

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 4,125	654,669
Less: allowance for doubtful debts	1,000	1,000
	\$ 3,125	653,669

As of December 31, 2019 and 2018, the Group had no other receivable that were past due but not impaired.

On December 31, 2018, the Group had receivables to dispose of securities were \$90,000 thousand and the receivables for disposal of investment under the equity method were \$560,978 thousand, it was fully collected between January 1, 2019 to March 31, 2019.

(f) Inventories

The components of the Group's inventories were as follows:

	December 31, 2019	December 31, 2018
Finished goods	\$ 615,413	644,467
Work in process	131,350	131,133
Raw material	238,485	282,480
	\$ 985,248	1,058,080

Due to the decrease in the net realizable value of inventories, the Group recognized the inventory pricing loss as cost of goods sold. The amounts are as follows:

	2019	2018
Losses (gains) on decline in market value of in inventory	\$ 3,727	(377)
Losses (gains) on physical inventory, net	1,328	(241)
Losses on scrapping of inventory	11,248	10,134
Total	\$ 16,303	9,516

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018, the bank has priority claim over the Group's inventories amounting to \$339,579 thousand and \$369,286 thousand, respectively.

(g) Investments accounted for under equity method

The Group's investments in associate entities accounted for under equity method, which are not individually significant, were as follows. Such financial information is included in the consolidated financial statements of the Group.

	December 31, 2019	December 31, 2018
Book value of investments in not individually significant associate entities accounted for under equity method	<u>\$ 84,809</u>	<u>75,559</u>
	<u>2019</u>	<u>2018</u>
Attributable to the Group:		
Income from continued operation	\$ 25,586	56,125
Other comprehensive income	(33)	(113)
Total comprehensive income	<u>\$ 25,553</u>	<u>56,012</u>

The Group disposed 5.14% of Aspeed Technology Inc.'s equity ownership in September 2018 without losing its significant influence. The price, less, associated costs amounted to \$1,021,487 thousand, and a gain of \$945,838 thousand was recognized under other comprehensive income and presented in other gains and losses. The gain from disposal includes the loss previously recognized in other comprehensive income related to the associate and the amount which is reclassified to profit or loss from paid-in-capital. As of December 31, 2019, the uncollected proceeds related to the above transaction was \$560,978 thousand, recorded under other receivables.

As of December 31, 2019 and 2018, the fair value of the investment in associate entity amounted to \$1,000,975 thousand and \$613,737 thousand, respectively.

As of December 31, 2019 and 2018, the Group has not been provided as pledge under the equity method.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	Land	Land improvements	Buildings	Machinery	Other equipment	Prepayments for equipment and testing equipment	Total
Cost or deemed cost:							
Balance at January 1, 2019	\$ 1,326,176	7,418	793,338	169,125	330,317	1,492	2,627,866
Additions	8,045	132	13,440	15,958	40,562	24,094	102,231
Disposals	-	-	(29,928)	(1,615)	(18,454)	-	(49,997)
Reclassification	-	-	297	-	2,867	(3,474)	(310)
Effect of changes in exchange rates	(1,738)	(12)	(7,375)	(1,700)	(5,139)	-	(15,964)
Balance at December 31, 2019	\$ 1,332,483	7,538	769,772	181,768	350,153	22,112	2,663,826
Balance at January 1, 2018	\$ 1,323,166	7,300	787,994	184,677	319,495	2,808	2,625,440
Additions	-	-	5,047	1,664	47,758	1,922	56,391
Disposals	-	-	(662)	(15,627)	(39,405)	-	(55,694)
Reclassification	-	-	177	-	3,018	(3,238)	(43)
Effect of changes in exchange rates	3,010	118	782	(1,589)	(549)	-	1,772
Balance at December 31, 2018	\$ 1,326,176	7,418	793,338	169,125	330,317	1,492	2,627,866
Depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	5,890	289,472	129,196	208,849	-	633,407
Depreciation	-	190	23,452	17,357	45,842	-	86,841
Disposal	-	-	(29,927)	(1,598)	(17,192)	-	(48,717)
Reclassification	-	-	-	-	43	-	43
Effect of changes in exchange rates	-	(8)	(2,453)	(1,423)	(4,288)	-	(8,172)
Balance at December 31, 2019	\$ -	6,072	280,544	143,532	233,254	-	663,402
Balance at January 1, 2018	\$ -	5,697	265,420	125,841	203,603	-	600,561
Depreciation	-	154	24,634	20,145	43,786	-	88,719
Disposal	-	-	(662)	(15,605)	(38,396)	-	(54,663)
Effect of changes in exchange rates	-	39	80	(1,185)	(144)	-	(1,210)
Balance at December 31, 2018	\$ -	5,890	289,472	129,196	208,849	-	633,407
Carrying value:							
December 31, 2019	\$ 1,332,483	1,466	489,228	38,236	116,899	22,112	2,000,424
December 31, 2018	\$ 1,326,176	1,528	503,866	39,929	121,468	1,492	1,994,459
January 1, 2018	\$ 1,323,166	1,603	522,574	58,836	115,892	2,808	2,024,879

Please refer to note 8 for the information of the pledged property, plant and equipment, as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the bank has priority claim over the Group's property, plant and equipment amounting to \$16,770 thousand and \$12,284 thousand, respectively.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Group leases its assets including its land, buildings, transportation equipment and other equipment. Information about leases, for which the Group is the lessee, is presented below:

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>eTotal</u>
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	144,281	5,079	2,854	152,214
Balance at January 1, 2019	144,281	5,079	2,854	152,214
Additions	55,214	1,295	-	56,509
Effect of changes in foreign exchange rates	(3,565)	(77)	(31)	(3,673)
Balance at December 31, 2019	<u>\$ 195,930</u>	<u>6,297</u>	<u>2,823</u>	<u>205,050</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	60,407	1,761	772	62,940
Effect of changes in exchange rates	(1,604)	(25)	(12)	(1,641)
Balance at December 31, 2019	<u>\$ 58,803</u>	<u>1,736</u>	<u>760</u>	<u>61,299</u>
Carrying value:				
December 31, 2019	<u>\$ 137,127</u>	<u>4,561</u>	<u>2,063</u>	<u>143,751</u>

(j) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2019		
	Currency	Interest rate (%)	Maturity year
Secured loans	USD	3.50~4.00	2020
Secured loans	KRW	1.84	2020
Unsecured loans	USD	1.94~3.792	2020
Unsecured loans	AUD	1.88~2.08	2020
Unsecured loans	EUR	0.45~0.90	2020
Unsecured loans	GBP	1.91725	2020
Unsecured loans	JPY	1.71727	2020
Unsecured loans	CNY	3.5941~4.95	2020
Total			<u>\$ 706,466</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	TWD	1.45	2019	\$ 1,000
Secured loans	USD	4.2~4.32	2019	190,545
Secured loans	KRW	2.86	2019	38,441
Unsecured loans	USD	2.62~4.1653	2019	332,979
Unsecured loans	EUR	0.9	2019	54,591
Unsecured loans	JPY	1.7123	2019	43,137
Unsecured loans	GBP	1.40~1.93	2019	36,372
Unsecured loans	CNY	3.09~5.22	2019	55,940
Unsecured loans	AUD	2.61~2.98	2019	3,902
Total				<u>\$ 756,907</u>

As of December 31, 2019, and 2018, the unused credit facilities of the Group's short-term borrowings amounted to \$1,464,409 thousand and \$1,427,152 thousand, respectively.

(ii) Long-term borrowings

December 31, 2019				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	EUR	1.976	2023	\$ 21,589
Secured loans	KRW	2.72	2022	10,433
Secured loans	JPY	2.13	2020	3,425
Total				<u>\$ 35,447</u>
Current				\$ 8,822
Non-current				26,625
Total				<u>\$ 35,447</u>

December 31, 2018				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	EUR	1.976	2023	\$ 28,177
Secured loans	JPY	2.13	2020	8,006
Total				<u>\$ 36,183</u>
Current				\$ 10,200
Non-current				25,983
Total				<u>\$ 36,183</u>

For the risk information of the Group interest rate, foreign currency and liquidity risk, please refer to note 6(t).

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Collateral of loans

The Group has mortgaged their assets as collateral of loans. Please refer to note 8.

(k) Provisions

	Warranties
Balance as of January 1, 2019	\$ 22,660
Provisions made during the year	28,493
Provisions used during the year	<u>(26,363)</u>
Balance as of December 31, 2019	<u>\$ 24,790</u>
Balance as of January 1, 2018	\$ 19,834
Provisions made during the year	28,096
Provisions used during the year	<u>(25,270)</u>
Balance as of December 31, 2018	<u>\$ 22,660</u>

In 2019 and 2018, provisions are mainly associated with the Group's business products, and are estimated based on the historical data and weighted average of all possibility of similar merchandises and services. Most of the warranty claims are expected to arise in the following year of the sale

(l) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2019
Current	<u>\$ 55,285</u>
Non-current	<u>\$ 91,742</u>

For the maturity analysis, please refer to note 6(t).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	<u>\$ 6,086</u>
Expenses relating to short-term leases	<u>\$ 43,609</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 436</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	<u>\$ 110,064</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Employee benefits

(i) Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	\$ 203,736	208,059
Fair value of plan assets	(107,367)	(109,082)
The net defined benefit liability	<u>\$ 96,369</u>	<u>98,977</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on the employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$107,367 thousand (including pension payables in transit of \$3,145 thousand) at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2019	2018
Defined benefit obligation at 1 January	\$ 208,059	209,051
Current service costs and interest	3,893	4,584
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	3,240	2,566
— Due to changes in financial assumption of actuarial (losses) gains	360	74
Benefits paid by the plan	(11,816)	(8,216)
Defined benefit obligation at 31 December	<u>\$ 203,736</u>	<u>208,059</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movement of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2019	2018
Fair value of plan assets, January 1	\$ 109,082	101,920
Interest revenue	1,292	1,406
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	3,505	3,322
Contributions made	5,304	10,650
Benefits paid by the plan	(11,816)	(8,216)
Fair value of plan assets, December 31	<u>\$ 107,367</u>	<u>109,082</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2019	2018
Current service cost	\$ 1,338	1,672
Net interest on the defined benefit liability	1,263	1,506
	<u>\$ 2,601</u>	<u>3,178</u>

	2019	2018
Operating costs	\$ 845	1,102
Selling expenses	622	723
Administration expenses	855	1,006
Research and development expenses	279	347
	<u>\$ 2,601</u>	<u>3,178</u>

5) Remeasurement in the net defined benefit liability recognized in other comprehensive income

The Group's Remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Cumulative amount, January 1	\$ (44,617)	(45,299)
Recognized during the period	(95)	681
Cumulative amount, December 31	<u>\$ (44,712)</u>	<u>(44,618)</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	2019.12.31	2018.12.31
Discount rate	1.00%~1.20%	1.00%~1.20%
Future salary increases rate	2.50%~3.00%	2.50%~3.00%

The Group expects to make contributions of \$2,324 thousand to the defined benefit plans in the next year starting from the reporting date of 2019.

The weighted average duration of the defined benefit obligation is 13.2~13.3 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2019 and 2018, the present value of defined benefit obligation impact was as follow:

	The impact of defined benefit obligation	
	Increase	Decrease
December 31, 2019		
Discount rate (0.25%)	\$ (3,495)	3,647
Future salary increase rate (1.00%)	15,160	(13,096)
December 31, 2018		
Discount rate (0.25%)	(3,746)	3,914
Future salary increase rate (1.00%)	16,357	(14,032)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's pension costs under the defined contribution method were \$52,213 thousand and \$47,001 thousand for 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2019	December 31, 2018
Compensated absence liabilities (recorded under other payable)	<u>\$ 44,417</u>	<u>43,083</u>

(n) Income tax

(i) Income tax expenses

The amount of income tax for 2019 and 2018 were as follows:

	2019	2018
Current tax expense		
Current period	\$ 247,058	249,736
Adjustment for prior periods	<u>1,108</u>	<u>(2,569)</u>
	<u>248,166</u>	<u>247,167</u>
Deferred income tax expense		
Origination and reversal of temporary differences	(77,042)	4,550
Effect of tax rate changes	<u>-</u>	<u>17,502</u>
	<u>(77,042)</u>	<u>22,052</u>
Income tax expense from continuing operations	<u>\$ 171,124</u>	<u>269,219</u>

The amounts of income tax recognized in other comprehensive income for 2019 and 2018 were as follows:

	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<u>\$ 2</u>	<u>(101)</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Net income before tax	\$ 897,744	1,856,970
Income tax using the Company's domestic tax rate	\$ 179,549	371,394
Effect of tax rates differences in foreign jurisdiction	26,960	27,667
Effect of tax rate changes	-	17,502
Adjustments according to tax law	(5,897)	(201,355)
Tax treaty rewards	(14,757)	(10,500)
Previous unrecognized tax losses	(720)	(327)
Current-year losses for which no deferred income tax asset was recognized	1,809	-
Underestimated (overestimated) of prior year's income tax	1,108	(2,569)
Underestimated of prior year's deferred income tax assets	(17,261)	(54)
5% surtax on undistributed earnings	21,494	-
Income basic tax	-	59,372
Others	(21,161)	8,089
Total	\$ 171,124	269,219

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	December 31, 2019	December 31, 2018
Tax losses	\$ 3,168	2,079

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income after permitted by domestic tax authority. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2019, the amount of tax losses not yet recognized as deferred tax assets and their credit for the previous year is as follows:

Year	Amount	Year of expiration
2013	\$ 1,863	2023
2014	1,445	2024
2016	3,407	2026
2017	61	2027
2018	9,067	2028
	<u>\$ 15,843</u>	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred income tax assets:

	Defined benefit plans	Unrealized profit from sales	Loss carryforward	Others	Total
Balance at January 1, 2019	\$ 16,557	86,602	33,219	38,970	175,348
Recognized in profit or loss	(486)	(2,185)	19,562	14,936	31,827
Recognized in other comprehensive income	2	-	-	-	2
Balance at December 31, 2019	\$ 16,073	84,417	52,781	53,906	207,177
Balance at January 1, 2018	\$ 16,482	72,322	-	60,863	149,667
Recognized in profit or loss	176	14,280	-	11,326	25,782
Recognized in other comprehensive income	(101)	-	-	-	(101)
Balance at December 31, 2018	\$ 16,557	86,602	-	72,189	175,348

Deferred income tax liabilities

	Foreign investment income accounted for using equity method	Others	Total
Balance at January 1, 2019	\$ 167,058	53,074	220,132
Recognized in profit or loss	(52,524)	7,309	(45,215)
Balance at December 31, 2019	\$ 114,534	60,383	174,917
Balance at January 1, 2018	\$ 133,367	38,931	172,298
Recognized in profit or loss	33,691	14,143	47,834
Balance at December 31, 2018	\$ 167,058	53,074	220,132

(iii) Examination and Approval

The tax returns of the Company's, Atech peripherals' and Visiontop's have been examined by the tax authorities through 2017.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the total value of nominal ordinary shares amounted to \$1,500,000, face value of each share is \$10, of which 150,000 thousand shares, 119,471 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Additional paid-in capital

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's articles of incorporation require that the Company's net earnings from the current year shall be used to offset prior years' deficits, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with Section 41 of the Securities. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the board of directors and is subject to the stockholders' approval.

The Company's business cycle is in the constant growth stage. In consideration of the Company's future capital requirements, its long term financial plan and shareholders' satisfaction as to cash inflow, the Company's articles of incorporation stipulate that the board of directors may propose 30% or more of the distributable earnings as dividends, of which at least 10% should be distributed as cash dividends. However, such distribution depends on the current earnings and the capital condition, and is subject to the approval of stockholders.

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No.1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided via the general meeting of shareholders held on June 14, 2019 and 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash	\$ 8.00	<u>955,769</u>	5.50	<u>657,091</u>

On March 10, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 5.30	<u>633,197</u>

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2019	\$ (89,763)	(17,532)	(1,778)	(109,073)
Foreign exchange differences arising from foreign operations	(20,550)	-	(1,989)	(22,539)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(33)	-	-	(33)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	733	-	733
Balance as of December 31, 2019	<u>\$ (110,346)</u>	<u>(16,799)</u>	<u>(3,767)</u>	<u>(130,912)</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2018	\$ (92,885)	(17,660)	(1,344)	(111,889)
Foreign exchange differences arising from foreign operations	3,170	-	(434)	2,736
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(48)	-	-	(48)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	268	-	268
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	(75)	-	(75)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(65)	-	(65)
Balance as of December 31, 2018	<u>\$ (89,763)</u>	<u>(17,532)</u>	<u>(1,778)</u>	<u>(109,073)</u>

(p) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for years ended December 31, 2019 and 2018 was as follows:

(i) Basic earnings per share

	2019	2018
Net income attributable to ordinary shareholders of the Company	<u>\$ 723,133</u>	<u>1,576,132</u>
Weighted-average number of ordinary shares	<u>119,471</u>	<u>119,471</u>
Basic earnings per share (in NT dollars)	<u>\$ 6.05</u>	<u>13.19</u>

(ii) Diluted earnings per share

	2019	2018
Net income attributable to ordinary shareholders of the Company	<u>\$ 723,133</u>	<u>1,576,132</u>
Weighted-average number of ordinary shares (basic)	119,471	119,471
Impact of potential common shares		
Effect of employee stock bonus	<u>2,009</u>	<u>2,540</u>
Weighted-average number of ordinary shares (diluted)	<u>121,480</u>	<u>122,011</u>
Diluted earnings per share (in NT dollars)	<u>\$ 5.95</u>	<u>12.92</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers — disaggregation of revenue

2019			
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,023,203	-	1,023,203
China	543,523	-	543,523
Japan	662,769	-	662,769
Others	2,660,185	143,039	2,803,224
	\$ 4,889,680	143,039	5,032,719
Major product lines:			
IT infrastructure management solutions	\$ 3,174,828	-	3,174,828
Video products	942,642	-	942,642
Others	772,210	143,039	915,249
	\$ 4,889,680	143,039	5,032,719
2018			
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,213,235	-	1,213,235
China	533,087	-	533,087
Japan	568,931	-	568,931
Others	2,724,215	133,542	2,857,757
	\$ 5,039,468	133,542	5,173,010
Major product lines:			
IT infrastructure management solutions	\$ 3,146,094	-	3,146,094
Video products	1,004,650	-	1,004,650
Others	888,724	133,542	1,022,266
	\$ 5,039,468	133,542	5,173,010

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Remuneration to employees, directors and supervisors

In accordance with the Company's articles, the net income before tax, after deducting the remuneration to employees, directors and supervisors, shall first be offset against any deficit, then 10%~16% will be distributed as employee remuneration and less than 2% will be allocated as directors' and supervisors' remuneration. The amounts of employee, directors' and supervisors' remuneration, to be distributed in cash or stock, should be decided in the board meeting, with two thirds of the board members attending the meeting, and over half of the attendees approving the amounts for distribution that are to be reported at the shareholders meeting. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Group who meet certain specific requirement.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$139,498 thousand and \$194,940 thousand, and directors' and supervisors' remuneration amounting to \$12,400 thousands and \$23,393 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(s) Non-operating income and expenses

(i) Other income

	2019	2018
Interest income	\$ 5,139	2,910
Dividend income	158	201
Other income—Other		
Compensation income	71,157	-
Business tax refund income	21,323	-
Other income	22,855	27,060
Total Other income—Other	115,335	27,060
Total other income	<u><u>\$ 120,632</u></u>	<u><u>30,171</u></u>

(ii) Other gains and losses

	2019	2018
Losses on disposal of property, plant and equipment	\$ (114)	(203)
Gains on disposals of investment	-	945,838
Gains (losses) on foreign exchange	(10,527)	14,575
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	16,265	(849)
Others gains and losses	(212)	(432)
Net other gains and losses	<u><u>\$ 5,412</u></u>	<u><u>958,929</u></u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

	2019	2018
Interest expense	\$ 30,220	18,369

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum amount exposed to credit risk amounted to \$3,126,392 thousand and \$3,656,386 thousand, respectively.

2) Concentration of credit risk

The Group did not have significant transaction with any individual customer in 2019 and 2018.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-3 years	3-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Secured loans	\$ 265,637	272,823	245,170	5,960	5,804	15,889	-
Unsecured loans	476,276	477,728	477,728	-	-	-	-
Notes and accounts payable (including related parties)	381,359	381,359	381,359	-	-	-	-
Other payables	119,751	119,751	119,751	-	-	-	-
Deposits received	1,115	1,115	1,115	-	-	-	-
	147,027	156,493	59,667	36,194	33,245	25,699	1,688
Derivative financial liabilities							
Other forward contracts:							
Outflow	1,369	1,369	1,369	-	-	-	-
	\$ 1,392,534	1,410,638	1,286,159	42,154	39,049	41,588	1,688
December 31, 2018							
Non-derivative financial liabilities							
Secured loans	\$ 266,169	234,452	207,080	9,695	6,058	11,619	-
Unsecured loans	526,921	536,043	536,043	-	-	-	-
Notes and accounts payable (including related parties)	474,444	474,444	474,444	-	-	-	-
Other payables	120,087	120,087	120,087	-	-	-	-
Deposits received	1,595	1,595	1,595	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	2,247	2,247	2,247	-	-	-	-
	\$ 1,391,463	1,368,868	1,341,496	9,695	6,058	11,619	-

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Exchange rate risk

1) Exposure to exchange rate risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2019			
Financial assets:			
Monetary items:			
USD	\$ 27,499	30.1060	827,885
JPY	244,900	0.2770	67,837
CNY	24,461	4.3233	105,752
EUR	4,100	33.7308	138,296
GBP	601	39.5171	23,750
Financial liabilities:			
Monetary items:			
USD	\$ 13,981	30.1060	420,912
CNY	24,490	4.3233	105,878
December 31, 2018			
Financial assets:			
Monetary items:			
USD	\$ 21,229	30.7330	652,431
JPY	234,538	0.2783	65,272
CNY	17,571	4.4752	78,634
EUR	4,852	35.2200	170,887
TWD	190,203	1.0000	190,203
GBP	621	38.9000	24,157
Financial liabilities:			
Monetary items:			
USD	\$ 16,341	30.7330	502,208
CNY	9,017	4.4752	40,353
GBP	535	38.9000	20,812

Note: Since the effect of foreign exchange risk derived from the transactions within the Group cannot be fully extinguished, analysis is based on the amounts prior to the write-off adjustments.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A 1% appreciation or depreciation of the TWD against the USD, JPY, CNY, EUR, GBP and TWD as of December 31, 2019 and 2018 would have increased or decreased the net profit by \$6,367 thousand and \$6,182 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group books its transaction in different functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years 2019 and 2018, foreign exchange gains (including realized and unrealized portion) amounted to \$(10,527) thousand and \$14,575 thousand, respectively

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the interest rate exposure to the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate increases or decreases by 1%, the Group's net income will increase or decrease by \$7,419 thousand and \$7,931 thousand, respectively, for the years ended December 31, 2019, and 2018. This is mainly due from the Group's borrowing on variable rates.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	Carrying amount	December 31, 2019			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 3,267	-	3,267	-	3,267
Non derivative financial assets mandatorily measured at fair value through profit or loss	1,587,740	1,587,740	-	-	1,587,740
Subtotal	1,591,007	1,587,740	3,267	-	1,591,007
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	5,375	5,375	-	-	5,375
Unlisted stocks (domestic and overseas)	21,780	-	-	21,780	21,780
Subtotal	27,155	5,375	-	21,780	27,155
Financial assets measured at amortized cost					
Cash and cash equivalents	741,720	-	-	-	-
Accounts and notes receivables	628,419	-	-	-	-
Other receivables	3,125	-	-	-	-
Refundable deposits	17,800	-	-	-	-
Other financial assets non-current	117,166	-	-	-	-
Subtotal	1,508,230	-	-	-	-
Total	\$ 3,126,392	1,593,115	3,267	21,780	1,618,162
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ (1,369)	-	(1,369)	-	(1,369)
Financial liabilities measured at amortized cost					
Short-term borrowings	(706,466)	-	-	-	-
Notes and accounts payable (including related parties)	(381,359)	-	-	-	-
Other payables	(119,751)	-	-	-	-
Long-term borrowings (including current portion)	(35,447)	-	-	-	-
Deposits received	(1,115)	-	-	-	-
Subtotal	(1,391,165)	-	-	-	-
Total	\$ (1,392,534)	-	(1,369)	-	(1,369)

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 31, 2018				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss						
Derivative financial assets for hedging	\$	572	-	572	-	572
Non derivative financial assets mandatorily measured at fair value through profit or loss		1,417,364	1,417,364	-	-	1,417,364
Subtotal		1,417,936	1,417,364	572	-	1,417,936
Financial assets at fair value through other comprehensive income						
Listed stocks (domestic)		4,642	4,642	-	-	4,642
Unlisted stocks (domestic and overseas)		21,780	-	-	21,780	21,780
Subtotal		26,422	4,642	-	21,780	26,422
Financial assets measured at amortized cost						
Cash and cash equivalents		692,377	-	-	-	-
Accounts and notes receivables		729,042	-	-	-	-
Other receivables		653,669	-	-	-	-
Refundable deposits		20,251	-	-	-	-
Other financial assets non-current		116,689	-	-	-	-
Subtotal		2,212,028	-	-	-	-
Total	\$	3,656,386	1,422,006	572	21,780	1,444,358
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities for hedging	\$	(2,247)	-	(2,247)	-	(2,247)
Financial liabilities measured at amortized cost						
Short-term borrowings		(756,907)	-	-	-	-
Notes and accounts payable (including related parties)		(474,444)	-	-	-	-
Other payables		(120,087)	-	-	-	-
Long-term borrowings (including current portion)		(36,183)	-	-	-	-
Deposits received		(1,595)	-	-	-	-
Subtotal		(1,389,216)	-	-	-	-
Total	\$	(1,391,463)	-	(2,247)	-	(2,247)

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Valuation techniques in financial instruments measured at fair value

a) Non — derivative financial instruments

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

The fair value of financial assets and liabilities traded in the active markets will be based on the quoted market prices when the quoted prices can be obtained from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, as well as if they can represent as the one usually traded in fair market transaction in practice. If the requirements above mentioned don't actually accomplish, the market ought to be seen inactive condition. Generally speaking, the index of inactive market are based on the large difference of the price between buying and selling transaction, the difference of the price between buying and selling transaction distinctively increasing or little quantity of trading volume.

The fair values of the Group's financial instruments trading in active markets are categorized by types and nature as follows:

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes and net assets value, respectively.

In addition to the aforementioned financial instruments trading in active markets, the fair values of other financial instruments are obtained through valuation or by referencing the quotes from counterparties. Such valuation technique involves referencing the fair value of financial instruments that are virtually alike in terms and characteristic, and using discounted cash flow model or other pricing models. Other pricing models may utilize the available market information on the balance sheet date such as yield curve from Over the Counter and the average quotes on the interest rates of Reuters Commercial Paper.

b) Derivative financial instrument

Derivatives are priced based on the pricing models widely accepted by markets. Forward Exchange Contracts are normally priced based on the current forward exchange rates or the forward interest rate estimated using interest rate parity theory.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transfer from level 1 financial instrument to level 2 financial instrument.

There was no significant transfer from level 2 financial instrument to level 1 financial instrument.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	Bond investments
Balance at December 31, 2019 (Balance at January 1, 2019)	<u><u>\$ 21,780</u></u>	<u><u>-</u></u>
Balance at December 31, 2018 (Balance at January 1, 2018)	<u><u>\$ 21,780</u></u>	<u><u>-</u></u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> Multipliers of price-Book ratios as of December 31, 2019 and 2018 were 1.24~1.99 and 1.52~2.05, respectively. Market illiquidity discount rate as of December 31, 2019 and 2018 was both 20% 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> the multiplier were higher (higher) the market illiquidity discount were higher (lower)

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable
December 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 1,255	(1,255)
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,248	(1,248)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors the risk which should be in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer, financial institution, or counterparty fails to meet its contractual obligations and arises principally from the Group's receivables from its customers, financial instruments, or non-public trading securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The counterparties of the Consolidated Companies' notes and accounts receivable are predominantly concentrated in Asia, which accounted for 51%, of the total amount of notes and accounts receivable as of December 31, 2019 and 2018.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed regularly.

The Group has established an allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short-term bank facilities of \$1,464,409 thousand and \$1,427,152 thousand, respectively, as of December 31, 2019 and 2018.

(v) Market Risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies used in these transactions are the EUR, USD, JPY, GBP, and CNY.

The Group holds accounts receivable denominated on the currency other than functional currency. Gains or losses on change of exchange rate and that on long-term and short-term borrowings denominated in foreign currency can offset each other, reducing the currency risk of the Group.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the NTD, EUR, USD, JPY, GBP, and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's short-term borrowings are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter.

3) Other market price risk

Financial assets at fair value through profit or loss — current and available-for-sale financial assets — current are listed stocks and mutual funds, which may fluctuate with changes in equity price. In order to manage market risk, the Group carefully selects trust companies with good reputations to engage in financial instrument transactions.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's bank balances and financial liability—short-term and long-term borrowings are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(v) Capital management

The Group's objectives for managing capital are to safeguard the capacity to continue to operate, to provide a return to shareholders and benefits to other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

The Group uses the debt ratio to manage capital. This ratio divides debt by total assets. The debt from the balance sheet is accounted for as total liabilities. Total assets include share capital, capital surplus, retained earnings, other equity and non-controlling interest, plus, debt; the Group may also use its equity ratio, computed as one, less, its debt ratio, as a basis in managing its capital.

The Group's debt and equity ratio at the end of the reporting date were as follow:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 2,325,820	2,458,645
Total assets	\$ 6,655,965	7,045,064
Debt ratio	35%	35%
Equity ratio	65%	65%

As of December 31, 2019, there were no changes in the Group's approach of capital management.

(7) Related-party Transactions

(a) Parent Company and ultimate controlling party

The related parties that have transactions with the consolidated company in the reporting period are shown below:

Name of related party	Relationship with the Group
Aspeed Technology Inc (Aspeed)	Associate
GradeUpon Technology Corp. (Grade Upon) (Note)	Other Related Party
Grade Up Technology Corporation (Grade Up) (Note)	Other Related Party

Note: The Company was no longer a related party of the Group from May 2018.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	2019	2018
Other related parties	<u>\$ -</u>	<u>19,488</u>

There were no significant differences in the collection periods between related parties and other customers.

(ii) Purchases

The amount of purchase transactions between the Group and related parties were as follows:

	2019	2018
Associates	<u>\$ 7,842</u>	<u>9,682</u>

The purchasing price, other terms and conditions with related parties were not significantly different from those with third parties.

(iii) Payables to related parties

The receivables due from related parties were as follows:

Accounts	Type of related parties	December 31, 2019	December 31, 2018
Accounts payable	Associates	<u>\$ 1,022</u>	<u>2,250</u>

(c) Key management personnel compensations

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	<u>\$ 66,001</u>	<u>75,748</u>

For the years ended December 31, 2019 and 2018, the Group provided three vehicles at a cost of \$12,214 thousand for key management personnel.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Cash (recorded under other financial assets — non-current)	Litigation deposits	\$ 1,194	1,220
Cash and negotiable certificate of deposits (recorded under other financial assets — non-current)	Guarantee for provisional attachment	78,786	78,785
Time deposits (recorded under other financial assets — non-current)	Guarantee for customs	4,042	3,999
Negotiable certificate of deposits (recorded under other financial assets — non-current)	Guarantee for provisional seizure	30,550	30,000
Time deposits (recorded under other financial assets — non-current)	Guarantee for financial transaction	2,594	2,685
Property, plant and equipment	Guarantee for long-term and short-term borrowings	271,091	257,256
		<u>\$ 388,257</u>	<u>373,945</u>

(9) Significant Commitments and Contingencies

(a) The unrecognized construction contract of the Group as follows:

	December 31, 2019	December 31, 2018
Acquire Property, plant and equipment	<u>\$ 42,095</u>	<u>-</u>

- (b) As of December 31, 2018, the Group had an unused line of credit for purchasing raw materials amounting to \$4,648 thousand (USD154,382).
- (c) As of December 31, 2019 and 2018, the outstanding bank drafts to secure credit facilities and financial instruments amounted to \$1,940,602 thousand and \$1,946,172 thousand, respectively.
- (d) During 2014, the Company had 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 in the Eastern District Court of Texas. In August 2019, the Central District of California reviewed the appeal filed by the Company and ruled the patent to be valid. For the case of infringement of patent right, the court maintaining non-infringement judgment made by jury, the case has been closed.
- (e) In September 2019, YiFeng Technology Co., Ltd. filed a lawsuit against the Company for the damage of the product that is under provisional attachment requested by the Company in 2005. The Company has appointed the attorney, the above case is still in progress.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) **Losses due to major disasters: None.**

(11) **Subsequent events: None.**

(12) **Others**

- (a) The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By function By nature	Years ended December 31 2019			Years ended December 31 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	287,789	1,284,906	1,572,695	296,907	1,292,831	1,589,738
Labor and health insurance	28,378	114,887	143,265	28,690	103,070	131,760
Pension	6,777	48,037	54,814	6,574	43,605	50,179
Directors' remuneration	-	13,743	13,743	-	22,065	22,065
Others	18,862	72,424	91,286	16,934	66,026	82,960
Depreciation	31,348	118,433	149,781	33,233	55,486	88,719
Amortization	-	-	-	-	-	-

- (b) The Company filed criminal charges against its former employees for not following its policy, wherein they illegally gained profit for themselves during their service in 2015 to 2016. The suspects have already resigned from the Company at the end of 2016. After the Company filed the lawsuit, Taiwan Taipei District Court ruled the defendant to be guilty and made the sentence in July 2019. The Company and both of the defendant filed appeal to the Taiwan High Court in July 2019 and the case is still in progress. The seized \$70,296 thousand criminal proceeds were returned to the Company. The civil lawsuit is still in the first trial at Taipei District Court.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	2019				Maximum investment in 2019	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Mutual fund: JIHSUN Money Market Fund	—	Financial assets at fair value through profit or loss — current	36,158	537,938	-	537,938	1,073,691	
The Company	Nomura Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	3,937	64,480	-	64,480	128,748	
The Company	Union Money Market Fund	—	Financial assets at fair value through profit or loss — current	12,245	162,297	-	162,297	324,275	
The Company	Capital Money Market Fund	—	Financial assets at fair value through profit or loss — current	6,882	111,473	-	111,473	222,455	
The Company	Yuanta De-Li Money Market Fund	—	Financial assets at fair value through profit or loss — current	7,241	118,534	-	118,534	398,409	
The Company	Prudential Financial Money Market Fund	—	Financial assets at fair value through profit or loss — current	10,683	169,657	-	169,657	338,522	
The Company	First Bank Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	17,870	274,535	-	274,535	911,432	
The Company	Stock: SHIN KONG FINANCIAL HOLDING CO., LTD.	—	Financial assets at fair value through other comprehensive income — current	165	1,710	-	1,710	1,710	
The Company	TAIWAN COOPERATIVE BANK	—	Financial assets at fair value through other comprehensive income — current	139	2,893	-	2,893	2,893	
The Company	CHINA DEVELOPMENT FINANCIAL HOLDINGS CO., LTD.	—	Financial assets at fair value through other comprehensive income — current	79	772	-	772	817	
The Company	ACROX CO., LTD.	—	Financial assets at fair value through other comprehensive income — non-current	1,428	14,280	14	14,280	14,280	-
The Company	OptoMedia Technology Inc.	—	Financial assets at fair value through other comprehensive income — non-current	500	7,500	2	7,500	7,500	
HONG JHENG TECHNOLOGY CO., LTD	JIHSUN Money Market Fund	—	Financial assets at fair value through profit or loss — current	2,647	39,382	-	39,382	492,918	
HONG JHENG TECHNOLOGY CO., LTD	Common Stock of Visionary Dynamics Co., Ltd.	—	Financial assets at fair value through other comprehensive income — current	20	-	1	-	-	Note 1
HONG YUAN CO., LTD	JIHSUN Money Market Funds	—	Financial assets at fair value through profit or loss — current	2,955	43,965	-	43,965	563,439	
ATEN FOREMOST INTERNATIONAL CO., LTD.	SHANG TOU Money Market Fund	—	Financial assets at fair value through profit or loss — current	2,978	12,885	-	12,885	19,001	-

Unit: thousand dollars

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	2019				Maximum investment in 2019	Remarks
				Number of shares	Book value	Holding percentage	Market value		
ATEN CHINA CO., LTD.	SHANG TOU Money Market Fund	—	Financial assets at fair value through profit or loss — current	12,160	52,594	-	52,594	52,594	

Note 1: The impairment loss was fully recognized.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
The Company	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	9,803	145,014	86,108	1,278,680	59,753	887,880	885,812	2,068	36,158	537,938
The Company	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	15,258	248,413	23,133	377,723	31,150	508,523	507,609	914	7,241	118,534
The Company	Union Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	-	-	26,233	347,280	13,988	185,284	185,000	284	12,245	162,297
The Company	Capital Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	9,441	152,096	18,453	298,361	21,012	339,461	338,993	468	6,882	111,473
The Company	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	4,361	68,884	23,314	369,639	16,992	269,639	268,882	757	10,683	169,657
The Company	First Bank Taiwan Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	12,250	187,134	71,246	1,091,611	65,626	1,006,511	1,004,232	2,279	17,870	274,535
HONG YUAN CO., LTD.	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	996	14,729	37,851	560,000	35,892	532,000	530,982	1,018	2,955	43,965
HONG JHENG TECHNOLOGY CO., LTD	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	33,532	496,059	-	-	30,885	457,800	456,396	1,404	2,647	39,382

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	EXPAND ELECTRONIC CO., LTD.	Invested by sub-subsidiary	Purchase	686,942	51	30 days	No significant differences	Note 1	(68,251)	(23)	Note 2
EXPAND ELECTRONIC CO., LTD.	The Company	Invested by sub-subsidiary	(Sales)	(686,942)	(100)	30 days	No significant differences	Note 1	68,251	100	Note 2
The Company	ATEN FOREMOST INTERNATIONAL CO., LTD.	Sub-subsidiary	Purchase	213,988	16	30 days	No significant differences	Note 1	(34,911)	(12)	Note 2
ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	Sub-subsidiary	(Sales)	(213,988)	(74)	30 days	No significant differences	Note 1	34,911	79	Note 2
The Company	ATEN INFOTECH N.V.	Subsidiary	(Sales)	(500,643)	(14)	90 days	No significant differences	No significant differences	99,073	13	Note 2
ATEN INFOTECH N.V.	The Company	Subsidiary	Purchase	500,643	100	90 days	No significant differences	No significant differences	(99,073)	(100)	Note 2
The Company	ATECH PERIPHERALS.	Subsidiary	(Sales)	(143,514)	(4)	30 days	No significant differences	No significant differences	2,232	-	Note 2

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
ATECH PERIPHERALS.	The Company	Subsidiary	Purchase	143,514	96	30 days	No significant differences	No significant differences	(2,232)	(62)	Note 2
The Company	ATEN KOREA CO., LTD.	Invested by sub-subsidiary	(Sales)	(257,814)	(7)	60 days	No significant differences	No significant differences	62,350	8	Note 2
ATEN KOREA CO., LTD.	The Company	Invested by sub-subsidiary	Purchase	257,814	100	60 days	No significant differences	No significant differences	(62,350)	(101)	Note 2
The Company	ATEN CHINA CO., LTD.	Sub-subsidiary	(Sales)	(344,973)	(10)	45 days	No significant differences	No significant differences	82,150	11	Note 2
ATEN CHINA CO., LTD.	The Company	Sub-subsidiary	Purchase	344,973	91	45 days	No significant differences	No significant differences	(82,150)	(97)	Note 2
The Company	ATEN TECHNOLOGY INC.	Sub-subsidiary	(Sales)	(493,861)	(14)	95~155 days	No significant differences	No significant differences	252,215	34	Note 2
ATEN TECHNOLOGY INC.	The Company	Sub-subsidiary	Purchase	493,861	49	95~155 days	No significant differences	No significant differences	(252,215)	(88)	Note 2
The Company	ATEN JAPAN CO., LTD.	Subsidiary	(Sales)	(317,529)	(9)	45 days	No significant differences	No significant differences	66,065	9	Note 2
ATEN JAPAN CO., LTD.	The Company	Subsidiary	Purchase	317,529	100	45 days	No significant differences	No significant differences	(66,065)	(99)	Note 2

Note 1: Payments are netted with the account receivable resulting from the Company purchasing on behalf of related parties.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	ATEN TECHNOLOGY INC.	Sub-subsidiary	252,215	2.32	-		114,122 (As of March 10, 2020)	-
EXPAND INTERNATIONAL CO., LTD.	The Company	The ultimate parent company	191,778	-	191,778	Depend on capital budgeting	- (As of March 10, 2020)	-

(ix) Trading in derivative instruments:

Please refer to 6(b) for further information.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	ATEN TECHNOLOGY INC.	1	Sales revenue	493,861	No significant differences	10%
0	The Company	ATEN INFOTECH N.V.	1	Sales revenue	500,643	No significant differences	10%
0	The Company	ATEN CHINA CO., LTD.	1	Sales revenue	344,973	No significant differences	7%
0	The Company	ATEN JAPAN CO., LTD.	1	Sales revenue	317,529	No significant differences	6%
0	The Company	ATEN KOREA CO., LTD.	1	Sales revenue	257,814	No significant differences	5%
0	The Company	ATEN UK LTD.	1	Sales revenue	87,213	No significant differences	2%
0	The Company	ATECH PERIPHERALS.	1	Sales revenue	143,514	No significant differences	3%
0	The Company	ATEN TECHNOLOGY INC.	1	Accounts receivable	252,215	95~155 Days	4%
0	The Company	ATEN INFOTECH N.V.	1	Accounts receivable	99,073	90 Days	1%
0	The Company	ATEN CHINA CO., LTD.	1	Accounts receivable	82,150	45 Days	1%

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	ATEN JAPAN CO., LTD.	1	Accounts receivable	66,065	45 Days	1%
0	The Company	ATEN KOREA CO., LTD.	1	Accounts receivable	62,350	60 Days	1%
0	The Company	ATEN UK LTD.	1	Accounts receivable	23,094	75 Days	-%
0	The Company	ATECH PERIPHERALS.	1	Accounts receivable	2,232	30 Days	-%
1	EXPAND INTERNATIONAL CO., LTD.	The Company	2	Accounts receivable	191,778	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	3%
2	ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	2	Sales revenue	213,988	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	4%
2	ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	2	Accounts receivable	34,911	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	1%
3	EXPAND ELECTRONIC CO., LTD.	The Company	2	Sales revenue	686,942	The Company is its only customer	14%
3	EXPAND ELECTRONIC CO., LTD.	The Company	2	Accounts receivable	68,251	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	1%
4	ATEN CANADA TECHNOLOGIES INC.	The Company	2	Sales revenue	101,539	The Company is its only customer	2%
5	ATEN ANZ PTY LTD.	The Company	2	Sales revenue	26,981	No significant differences	1%
6	ATEN INFO COMMUNICATION LIMITED LIABILITY COMPANY	The Company	2	Sales revenue	9,862	No significant differences	-%
7	ATEN POLAND SP. Z O. O.	The Company	2	Sales revenue	14,219	No significant differences	-%

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

(b) Information on investees:

The following is the information on investees for the years period ended December 31, 2019:

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2019	Net income of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Ratio of shares	Book value				
The Company	TOPMOST INTERNATIONAL CO., LTD.	Cayman	Investing	22,183	22,183	700	100%	416,616	22,183	26,738	26,738	note 1
The Company	ATEN JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	25,105	25,105	2	100%	70,677	25,105	38,056	38,056	note 1
The Company	ATEN US HOLDING INC.	USA	Investing	107,872	107,872	3,380	100%	(82,474)	107,872	(59,240)	(59,240)	note 1
The Company	FOREMOST INTERNATIONAL CO., LTD.	Mauritius	Investing	69,730	69,730	2,181	100%	57,522	63,730	(16,916)	(16,916)	note 1

Unit: thousand dollars

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
 Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2019	Net income of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Ratio of shares	Book value				
The Company	ATEN RESEARCH INC.	USA	Trading of computer peripheral equipment	15,494	15,494	3	95%	260	15,494	-	-	note 1
The Company	ATECH PERIPHERALS	Taiwan	Trading of computer peripheral equipment	15,479	15,479	2,500	100%	51,050	15,479	10,666	10,666	note 1
The Company	ATEN INFOTECH N.V.	Belgium	Trading of computer peripheral equipment	54,197	54,197	58	100%	(676)	54,197	(14,582)	(14,582)	note 1
The Company	ATEN COMPUTER PRODUCTS CO., LTD.	Thailand	Trading of computer peripheral equipment	14,578	14,578	300	100%	10,335	14,578	(379)	(379)	note 1
The Company	VISIONTOP CO., LTD.	Taiwan	Specialized printing	86,483	86,483	6,472	60%	61,188	86,483	3,602	2,146	note 1
The Company	HONG JHENG TECHNOLOGY CO., LTD	Taiwan	Investing	31,778	31,778	1,600	100%	44,936	31,778	1,158	1,158	note 1
The Company	HONG YUAN CO., LTD.	Taiwan	Investing	31,778	31,778	1,600	100%	49,037	31,778	1,259	1,259	note 1
The Company	ATEN ANZ PTY LTD.	Australia	Trading of computer peripheral equipment	42,186	42,186	1,750	100%	21,604	42,186	1,947	1,947	note 1
The Company	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	7,800	7,800	780	26%	4,283	7,800	(9,066)	(2,357)	note 1
The Company	ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY	Turkey	Trading of computer peripheral equipment	17,683	17,683	2	100%	3,000	17,683	(45)	(45)	note 1
The Company	ATEN POLAND SP Z.O. O.	Poland	Trading of computer peripheral equipment	8,295	8,295	20	100%	7,394	8,295	1,485	1,485	note 1
The Company	ATEN ROMANIA S.R.L	Romania	Trading of computer peripheral equipment	5,839	-	80	100%	5,912	5,839	296	296	note 1
The Company	ASPEED TECHNOLOGY INC.	Taiwan	Designing of Integrated Circuit	7,757	7,757	1,044	3%	84,809	7,757	830,288	25,586	
TOPMOST INTERNATIONAL CO., LTD.	ATEN EUROPE LTD.	UK	Investing	67,279	67,279	1,069	100%	126,822	67,279	21,502	21,502	note 1
TOPMOST INTERNATIONAL CO., LTD.	I/O MASTER INC.	Samoa	Investing	9,782	9,782	700	100%	28,303	9,782	2,296	2,296	note 1
ATEN US HOLDING INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	22,815	22,815	160	20%	6,474	22,815	(495)	(99)	note 1
ATEN US HOLDING INC.	ATEN TECHNOLOGY INC.	USA	Trading of computer peripheral equipment	87,993	87,993	2,672	97%	20,644	87,993	(59,186)	(57,517)	note 1
ATEN TECHNOLOGY INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	3,303	3,303	640	80%	25,895	3,303	(495)	(396)	note 1
ATEN EUROPE LTD.	ATEN UK LTD.	UK	Trading of computer peripheral equipment	37,922	37,922	650	100%	4,006	37,922	265	265	note 1
ATEN EUROPE LTD.	ATEN KOREA CO., LTD.	Korea	Trading of computer peripheral equipment	34,811	34,811	102	85%	127,855	34,811	28,073	23,862	note 1
I/O MASTER INC.	ATEN CANADA TECHNOLOGIES INC.	Canada	Research and development	3	3	-	100%	36,196	3	2,332	2,332	note 1
I/O MASTER INC.	IOGEAR, INC.	USA	Trading of computer peripheral equipment	3	3	-	100%	-	3	-	-	note 1
ATECH PERIPHERALS	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	22,066	22,066	2,220	74%	12,189	22,066	(9,066)	(6,709)	note 1

Note 1: Eliminated in the consolidated financial statements.

- (c) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income on investee	Direct / indirect investment holding percentage	Maximum investment in 2019	Investment income (loss) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
EXPAND INTERNATIONAL CO., LTD. (Note 2)	Investing	21,383	(3)	21,383	-	-	21,383	2,730	100%	21,383	2,730	306,909	69,337
ATEN CHINA CO., LTD.	Trading of computer peripheral equipment	56,924	(3)	39,847	-	-	39,847	(1,488)	70%	39,847	(1,042)	47,014	86,093
ATEN FOREMOST INTERNATIONAL CO., LTD.	Manufacturing and trading of computer peripheral equipment	29,315	(3)	29,315	-	-	29,315	(16,940)	100%	29,315	(16,940)	33,188	-
EXPAND ELECTRONIC CO., LTD.	Manufacturing of computer peripheral products	67,184	(3)	34,706	-	-	34,706	2,316	100%	67,184	2,316	114,213	-

- Note 1: The method of investment is divided into the following four categories:
- Remittance from third-region companies to invest in Mainland China.
 - Through the establishment of third-region companies then investing in Mainland China.
 - Through transferring the investment to third-region existing companies then investing in Mainland China.
 - Other methods: EX: delegated investments.

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Note 2: In response to the regulation toward processing plants in China and Chinese government's incentive rewards for processing plants turn funded enterprises, the Company's investment through third party companies to reinvest the mainland areas of existing processing plant in Shenzhen, mainland was converted to a wholly owned company (EXPAND ELECTRONIC CO., LTD.) on March 27, 2012.

Note 3: Aforementioned amounts have been eliminated upon consolidation.

Note 4: The financial statements of the investee are audited by the auditors of the parent company. Investment gains (losses) are accounted for by the equity method.

Note 5: The exchange rate is USD 1 to NTD30.1060.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	125,251	165,583	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No.10720414460, and the certification is valid from May 18, 2018 to May 17, 2021. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: The exchange rate is USD1 to NTD30.1060.

(iii) Significant transactions:

Please refer to 13(a) item No. 10 for further information.

(14) Segment information:

(a) General information

The Group has two reportable segments: computer peripheral equipment segment and specialized printing segment. The computer peripheral equipment segment is primarily involved in the production and sales of computer peripheral equipment. The specialized printing segment is primarily involved in the printing of advertisements.

The reportable segments are the Group's strategic divisions, offering different products and services. Because each strategic division requires different technology and marketing strategies, each division is managed separately.

(b) Information on the reportable segment's profit or loss, assets, liabilities, and their measurement and reconciliations

The Group uses the internal management report (that the chief operating decision maker reviews) as the basis to determine resource allocation and make a performance evaluation. The internal management report (including profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses due to taxation, extraordinary activity and foreign exchange gain or losses) are managed on a group basis, and hence, they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is consistent with that in the report used by the chief operating decision maker.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The operating segment accounting policies are similar to the ones described in note 4 "Significant Accounting Policies".

The Group treats intersegment sales and transfers as third-party transactions. They are measured at marker price.

The Group's operating segment information and reconciliation are as follows:

	2019			
	Computer peripheral equipment	Others	Adjustments or elimination	Total
Revenue:				
Revenue from external customers	\$ 4,889,680	143,039	-	5,032,719
Inter-segment revenues	3,235,970	-	(3,235,970)	-
Total revenue	<u>\$ 8,125,650</u>	<u>143,039</u>	<u>(3,235,970)</u>	<u>5,032,719</u>
Reportable segment profit or loss	<u>\$ 876,832</u>	<u>3,602</u>	<u>17,310</u>	<u>897,744</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2018			
	Computer peripheral equipment	Others	Adjustments or elimination	Total
Revenue:				
Revenue from external customers	\$ 5,039,468	133,542	-	5,173,010
Inter-segment revenues	3,439,202	-	(3,439,202)	-
Total revenue	<u>\$ 8,478,670</u>	<u>133,542</u>	<u>(3,439,202)</u>	<u>5,173,010</u>
Reportable segment profit or loss	<u>\$ 2,856,456</u>	<u>3,883</u>	<u>(1,003,369)</u>	<u>1,856,970</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: As the information on segment assets was not provided to the chief operating decision marker, the information segment assets is not disclosed.

In 2019 and 2018, inter-segment revenues of \$3,235,970 thousand and \$3,439,202 thousand respectively, should be eliminated from total revenue. Share of associate profit under equity method amounting to \$(17,310) thousand and \$1,003,369 thousand, respectively, should be eliminated.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

Products and services	2019	2018
IT infrastructure management solutions	\$ 3,174,828	3,146,094
Video products	942,642	1,004,650
Other	915,249	1,022,266
Total	<u>\$ 5,032,719</u>	<u>5,173,010</u>

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2019	2018
Revenue from external customers:		
United States	\$ 1,023,203	1,213,235
China	543,523	533,087
Japan	662,769	568,931
Other countries	2,803,224	2,857,757
Total	<u>\$ 5,032,719</u>	<u>5,173,010</u>

Geographical information	December 31, 2019	December 31, 2018
Non-current assets:		
Taiwan	\$ 1,706,698	1,691,734
Other countries	438,208	305,481
Total	<u>\$ 2,144,906</u>	<u>1,997,215</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets. They do not include financial instruments and deferred income tax assets.

(e) Information about major customers

For the years 2019 and 2018, the Group had no major customer who constituted 10% or more of the net sales.

Stock Code:6277

ATEN INTERNATIONAL CO., LTD.

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

**Address: 3rd Floor, No. 125, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City,
Taiwan, R.O.C.**

Telephone: (02)8692-6789

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of ATEN INTERNATIONAL CO., LTD. ("Company"), which comprise the balance sheet as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No.1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year end December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(n), and 6(q) for disclosure related to revenue recognition.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Inventory measurement

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement audit partners issuing this independent auditor's report are Po-Shu Huang and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 348,292	6	208,754	3	2100	Short-term borrowings (note 6(j))	\$ 232,979	4	316,231	5
1110	Financial assets at fair value through profit or loss — current (note 6(b))	1,441,849	26	886,226	15	2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	511	-	1,889	-
1120	Financial assets at fair value through other comprehensive income — current (note 6(c))	5,375	-	4,642	-	2150	Notes payable	475	-	195	-
1150	Notes receivable, net (note 6(d))	-	-	133	-	2170	Accounts payable	191,450	3	211,137	3
1170	Accounts receivable, net (note 6(d))	164,209	3	198,750	3	2180	Accounts payable — related parties (note 7)	104,184	2	74,622	1
1180	Accounts receivable — related parties, net (notes 6(d) and 7)	587,179	10	504,342	8	2200	Other payables (notes 6(m) and (r))	377,271	7	463,773	8
1200	Other receivables (notes 6(e) and 7)	559	-	90,710	1	2220	Other payables — related parties (note 7)	191,778	3	191,833	3
130x	Inventories (note 6(f))	469,915	8	450,413	8	2230	Current tax liabilities	137,683	3	62,584	1
1410	Prepayments	5,874	-	5,515	-	2250	Provisions — current (note 6(k))	24,790	-	22,660	-
1470	Other current assets	23,355	-	14,739	-	2280	Current lease liabilities (note 6(l))	1,724	-	-	-
	Total current assets	<u>3,046,607</u>	<u>53</u>	<u>2,364,224</u>	<u>38</u>	2399	Other current liabilities	9,970	-	6,322	-
15xx	Non-current assets:						Total current liabilities	<u>1,272,815</u>	<u>22</u>	<u>1,351,246</u>	<u>21</u>
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(c))	21,780	-	21,780	-	25xx	Non-Current liabilities:				
1550	Investments accounted for under equity method (note 6(g))	805,473	14	1,894,856	32	2570	Deferred income tax liabilities (note 6(n))	115,263	2	168,506	3
1600	Property, plant and equipment (notes 6(h) and 7)	1,606,811	28	1,589,054	26	2580	Non-current lease liabilities (note 6(l))	2,872	-	-	-
1755	Right-of-use assets (note 6(i))	4,569	-	-	-	2640	Net defined benefit liabilities (note 6(m))	94,122	2	96,972	2
1840	Deferred income tax assets (note 6(n))	132,407	3	129,917	2	2645	Deposits received	1,115	-	1,237	-
1915	Prepayments for equipment	4,294	-	-	-	2670	Other non-current liabilities	4,007	-	2,565	-
1920	Refundable deposits	569	-	3,574	-		Total non-current liabilities	<u>217,379</u>	<u>4</u>	<u>269,280</u>	<u>5</u>
1980	Other financial assets — non-current (notes 8 and 9)	114,572	2	114,004	2	2xxx	Total liabilities	<u>1,490,194</u>	<u>26</u>	<u>1,620,526</u>	<u>26</u>
	Total non-current assets	<u>2,690,475</u>	<u>47</u>	<u>3,753,185</u>	<u>62</u>	3110	Equity (notes 6(m) and (o)):				
							Common stock	<u>1,194,711</u>	<u>21</u>	<u>1,194,711</u>	<u>20</u>
							Capital surplus:				
						3210	Additional paid-in capital	316,913	6	316,913	5
						3250	Donated assets received	50	-	50	-
						3260	Changes in equity of associates accounted for using equity method	28,671	-	26,186	-
								<u>345,634</u>	<u>6</u>	<u>343,149</u>	<u>5</u>
							Retained earnings:				
						3310	Legal reserve	1,271,617	22	1,114,004	18
						3320	Special reserve	107,295	2	94,045	2
						3350	Unappropriated retained earnings	<u>1,454,776</u>	<u>25</u>	<u>1,858,269</u>	<u>30</u>
								<u>2,833,688</u>	<u>49</u>	<u>3,066,318</u>	<u>50</u>
							Other equity interest:				
						3410	Financial statements translation differences for foreign operations	(110,346)	(2)	(89,763)	(1)
						3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(16,799)	-	(17,532)	-
								<u>(127,145)</u>	<u>(2)</u>	<u>(107,295)</u>	<u>(1)</u>
						3xxx	Total equity	<u>4,246,888</u>	<u>74</u>	<u>4,496,883</u>	<u>74</u>
1xxx	Total assets	<u><u>\$ 5,737,082</u></u>	<u><u>100</u></u>	<u><u>6,117,409</u></u>	<u><u>100</u></u>	2-3xxx	Total liabilities and equity	<u><u>\$ 5,737,082</u></u>	<u><u>100</u></u>	<u><u>6,117,409</u></u>	<u><u>100</u></u>

See accompanying notes to parent company only financial statements.

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

ATEN INTERNATIONAL CO., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 3,478,432	100	3,589,610	100
5000	Operating costs (notes 6(f), (h), (i), (k), (l), (m), (r) and 7)	1,560,274	44	1,680,720	47
5900	Gross profit from operations	1,918,158	56	1,908,890	53
5910	Less: unrealized profit (loss) from sales	(13,461)	-	65,191	2
5900	Gross profit	1,931,619	56	1,843,699	51
6000	Operating expenses (notes 6(h), (i), (l), (m), (r) and 7):				
6100	Selling expenses	421,131	12	401,607	11
6200	Administrative expenses	331,756	10	334,304	9
6300	Research and development expenses	452,263	13	471,035	13
	Total operating expenses	1,205,150	35	1,206,946	33
6900	Operating profit	726,469	21	636,753	18
7000	Non-operating income and expenses (notes 6(g), (l), (s) and 7):				
7010	Other income	139,854	4	54,206	1
7020	Other gains and losses	3,864	-	18,017	1
7050	Finance costs	(4,586)	-	(5,034)	-
7375	Share of profit of subsidiaries and associates accounted for under equity method	15,818	-	1,027,122	28
	Total non-operating income and expenses	154,950	4	1,094,311	30
7900	Profit from continuing operations before tax	881,419	25	1,731,064	48
7950	Less: Income tax expenses (note 6(n))	158,286	4	154,932	4
	Net income	723,133	21	1,576,132	44
8300	Other comprehensive income (notes 6(g), (m), (n) and (o)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	148	-	664	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	733	-	268	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	-	-	(65)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2)	-	101	-
		883	-	766	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(20,550)	(1)	3,170	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(177)	-	(38)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(20,727)	(1)	3,132	-
8300	Other comprehensive income	(19,844)	(1)	3,898	-
8500	Total comprehensive income	\$ 703,289	20	1,580,030	44
9750	Basic earnings per share (in New Taiwan dollars) (note 6(p))	\$ 6.05		13.19	
9850	Diluted earnings per share (in New Taiwan dollars) (note 6(p))	\$ 5.95		12.92	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	<u>Share capital</u>		<u>Retained earnings</u>				<u>Total other equity interest</u>			
							<u>Financial statements translation differences for foreign operations</u>	<u>Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>	<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>				
Balance at January 1, 2018	\$ 1,194,711	387,157	1,041,329	65,332	1,039,903	2,146,564	(92,885)	(17,660)	(110,545)	3,617,887
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	72,675	-	(72,675)	-	-	-	-	-
Special reserve appropriated	-	-	-	28,713	(28,713)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(657,091)	(657,091)	-	-	-	(657,091)
Changes in equity of associates and joint ventures accounted for using equity method	-	(44,008)	-	-	65	65	-	-	-	(43,943)
Net income	-	-	-	-	1,576,132	1,576,132	-	-	-	1,576,132
Other comprehensive income	-	-	-	-	573	573	3,122	203	3,325	3,898
Total comprehensive income	-	-	-	-	1,576,705	1,576,705	3,122	203	3,325	1,580,030
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	75	75	-	(75)	(75)	-
Balance at December 31, 2018	1,194,711	343,149	1,114,004	94,045	1,858,269	3,066,318	(89,763)	(17,532)	(107,295)	4,496,883
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	157,613	-	(157,613)	-	-	-	-	-
Special reserve appropriated	-	-	-	13,250	(13,250)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(955,769)	(955,769)	-	-	-	(955,769)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,485	-	-	-	-	-	-	-	2,485
Net income	-	-	-	-	723,133	723,133	-	-	-	723,133
Other comprehensive income	-	-	-	-	6	6	(20,583)	733	(19,850)	(19,844)
Total comprehensive income	-	-	-	-	723,139	723,139	(20,583)	733	(19,850)	703,289
Balance at December 31, 2019	\$ 1,194,711	345,634	1,271,617	107,295	1,454,776	2,833,688	(110,346)	(16,799)	(127,145)	4,246,888

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Net income before tax	\$ 881,419	1,731,064
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	41,635	40,391
Interest expenses	4,586	5,034
Interest income	(1,021)	(601)
Dividend income	(158)	(201)
Share of profit of associates accounted for under equity method	(15,818)	(1,027,122)
Losses (gains) on disposal of property, plant and equipment	(179)	194
Property, plant and equipment transferred to expenses	310	773
Unrealized profit (loss) from sales	(13,461)	65,191
Total adjustments to reconcile profit and loss	15,894	(916,341)
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(555,623)	66,070
Notes receivable	133	(114)
Accounts receivable	34,541	(64,910)
Accounts receivable—related parties	(82,837)	(131,126)
Other receivable	90,309	(90,096)
Inventories	(19,502)	(100,289)
Prepayments	(359)	(1,317)
Other current assets	(8,616)	(6,960)
Total changes in operating assets, net	(541,954)	(328,742)
Net changes in operating liabilities:		
Financial liabilities held for trading	(1,378)	246
Notes payable	280	44
Accounts payable	(19,687)	(16,026)
Accounts payable—related parties	29,562	22,107
Other payable	(86,502)	130,676
Other payable—related parties	(55)	(38)
Provisions	2,130	2,826
Other current liabilities	3,648	6,137
Net defined benefit liabilities	(2,702)	(7,473)
Other non-current liabilities	1,442	364
Total changes in operating liabilities, net	(73,262)	138,863
Total changes in operating assets / liabilities, net	(615,216)	(189,879)
Total adjustments	(599,322)	(1,106,220)
Cash provided by operating activities	282,097	624,844
Dividends received	1,106,259	66,423
Payment of income tax	(138,918)	(192,015)
Net cash provided by operating activities	1,249,438	499,252
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	4,287
Acquisition of investments accounted for using equity method	(5,839)	(1,876)
Acquisition of property, plant and equipment	(57,980)	(31,361)
Proceeds from disposal of property, plant and equipment	333	290
Decrease (increase) in refundable deposits	3,005	(3,045)
Increase in other financial assets—non-current	(568)	(1,297)
Increase in prepayments for equipment	(4,294)	-
Interest received	1,021	601
Net cash used in investing activities	(64,322)	(32,401)
Cash flows from financing activities:		
Decrease in short-term borrowings	(83,252)	(9,224)
Decrease in deposits received	(122)	-
Payment of lease liabilities	(1,849)	-
Cash dividends paid	(955,769)	(657,091)
Interest paid	(4,586)	(5,034)
Net cash used in financing activities	(1,045,578)	(671,349)
Net increase (decrease) in cash and cash equivalents	139,538	(204,498)
Cash and cash equivalents at beginning of period	208,754	413,252
Cash and cash equivalents at end of period	\$ 348,292	208,754

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

ATEN INTERNATIONAL CO., LTD.(the “Company”) was incorporated on July 6, 1979, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, manufacturing of wired and wireless communication equipment, and manufacturing of electronic modules and parts.

(2) Financial Statements Authorization Date and Authorization Process

These financial statements were approved by the Board of Directors and published on March 10, 2020.

(3) New Standards and Interpretations Not Yet Adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Company decided to apply the recognition exemptions to the short-term leases of its buildings and leases of transportation equipment.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

3) Impacts on financial statements

On transition to IFRS 16, the Company both recognized the additional amounts of \$5,474 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.28%.

The explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed is as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ -
Extension and termination options reasonably certain to be exercised	5,617
	<u>\$ 5,617</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 5,474
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<u>\$ 5,474</u>

(b) The impact of IFRS endorsed by FSC that will soon take effect

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company assessed that the above IFRSs may not be relevant to the Company.

(4) Significant Accounting Policies

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

The significant accounting policies presented in the financial statements are summarized as follows. Except for notes 3 and 4(k), the following accounting policies have been applied consistently throughout the presented periods in the financial statement.

- (a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary of the significant accounting policies).

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Company's parent company only financial statements are presented in New Taiwan dollars, which is Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to their functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose should be recognized as cash equivalent.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets).

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise borrowings, accounts payable, other payables and deposits received, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expense.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expense.

3) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Subsequent to initial recognition, inventories are measured at the lower of cost or net realizable value and the cost of inventories is based on the standard cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The differences between standard and actual costing are fully classified as operating costs. When the cost of inventories is higher than the net realizable value, the inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for under equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that in significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of its associates and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of its associates in 'capital surplus' in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income and equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Land improvements	3 years
Buildings	3~61 years
Machinery equipment	3~9 years
Other equipment	3~8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

Applicable commencing January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

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

The Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Other leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Impairment – Non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

The Company is mainly engaged in the manufacture and trading of computer peripheral products. The Company recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of electronic components in the contractual period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Company's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(k).

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(o) Employee benefits

(i) Defined contribution plans

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

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Income tax

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

When computing diluted earnings per share, all potential share are considered outstanding shares for the current period; therefore, both profit attributable to ordinary shareholders and outstanding shares should be adjusted for the impact of potential shares. Employee bonuses in the form of stock of the Company are accounted for as potential shares.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(r) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

(5) Significant Accounting Judgments and Sources of Estimation and Uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows: :

- (a) Judgment regarding control of subsidiaries (Please refer to consolidated financial statement of 2019).
- (b) Judgment regarding significant influence of associates

The Company has less than 20% of the voting or potential voting rights in Aspeed Technology Inc. However, the Company has determined that it has significant influence over it because the Company has the authority to assign one of the eight directors on the board of Aspeed Technology Inc., and make decision regarding its financial and operating policies.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

- (a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value.

(6) Description of Significant Accounts

- (a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 896	1,542
Saving deposits and foreign currency deposits	308,935	149,448
Checking deposits	1,122	476
Time deposits	29,299	29,909
Cash in transit	8,040	27,379
Total cash and cash equivalents	<u>\$ 348,292</u>	<u>208,754</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Please refer to note 6(t) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging	\$ 2,935	572
Non-derivative financial assets	1,438,914	885,654
Total	\$ 1,441,849	886,226
	December 31, 2019	December 31, 2018
Financial liabilities held for trading:		
Derivative instruments not used for hedging	\$ 511	1,889

For the amount on disposal of financial assets and liabilities remeasured at fair value through profit or loss, please refer to note 6(s).

As of December 31, 2019 and 2018, the Company has not provided any aforementioned financial assets as collateral.

The Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Company reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial instruments on December 31, 2019 and 2018 .

Mandatorily measured at fair value through profit or loss financial assets — Forward contract:

	Fair value	Currency	Contract amount
December 31, 2019			
Forward Contracts	\$ 291	JPY/TWD	161,000
Forward Contracts	\$ 137	GBP/TWD	120
Forward Contracts	\$ 410	EUR/TWD	2,795
Forward Contracts	\$ 2,097	USD/TWD	7,300
December 31, 2018			
Forward Contracts	\$ 72	GBP/TWD	45
Forward Contracts	\$ 500	EUR/TWD	1,400

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Held-for-trading financial liabilities — Forward contracts:

	<u>Fair value</u>	<u>Currency</u>	<u>Contract amount</u>
December 31, 2019			
Forward Contracts	\$ 170	JPY/TWD	75,000
Forward Contracts	\$ 169	EUR/TWD	875
Forward Contracts	\$ 17	USD/TWD	1,000
Forward Contracts	\$ 155	GBP/TWD	420
December 31, 2018			
Forward Contracts	\$ 1,063	JPY/TWD	213,200
Forward Contracts	\$ 688	EUR/TWD	2,741
Forward Contracts	\$ 8	AUD/TWD	150
Forward Contracts	\$ 117	CNY/TWD	6,500
Forward Contracts	\$ 13	USD/TWD	500

As of above mentioned, these financial instruments had maturity periods from January 3, 2020 to May 22, 2020 and January 4, 2019 to March 22, 2019, respectively.

For credit risk and market risk please refer to note 6(t).

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic) — current	<u>\$ 5,375</u>	<u>4,642</u>
Unlisted stocks (domestic) — non-current	<u>\$ 21,780</u>	<u>21,780</u>

(i) Equity investments at fair value through other comprehensive income

The Company held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

In August 2018, the Company disposed all of its shares in First Financial Holding Co., Ltd. due to operational considerations. The shares disposed had a fair value of \$4,287 thousand, and the gain on disposal of above transaction of \$75 thousand, recognized in other comprehensive income. The gain had been transferred to retained earnings.

(ii) For credit risk and market risk, please refer to note 6(t).

(iii) The Company did not hold any collateral for the collectible amounts.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

- (d) Notes and accounts receivable and other receivables (including related parties)

	December 31, 2019	December 31, 2018
Notes receivable	\$ -	133
Accounts receivable	164,209	198,750
Accounts receivable — related parties	587,179	504,342
	<u>\$ 751,388</u>	<u>703,225</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2019. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomic and relevant industry information. The expected credit losses was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Loss allowance provision
Current	\$ 736,814	0%	-
0 to 30 days past due	14,574	0%	-
	<u>\$ 751,388</u>		<u>-</u>

	December 31, 2018		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Loss allowance provision
Current	\$ 675,592	0%	-
0 to 30 days past due	27,496	0%	-
31 to 60 days past due	122	0%	-
181 to 360 days past due	15	0%	-
	<u>\$ 703,225</u>		<u>-</u>

As of December 31, 2019 and 2018, the Company did not hold any collateral for the collectible amounts.

- (e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 295	90,232
Other receivables — related parties	264	478
	<u>\$ 559</u>	<u>90,710</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

As of December 31, 2019 and 2018, the Company had no other receivables that were past due but not impaired.

(f) Inventories

The components of the Company's inventories were as follows:

	December 31, 2019	December 31, 2018
Finished goods	\$ 230,091	191,937
Work in process	102,309	92,375
Raw material	137,515	166,101
	<u>\$ 469,915</u>	<u>450,413</u>

Due to the decrease in the net realizable value of inventories, the Company recognized the inventory pricing loss as cost of goods sold. The amounts are as follows:

	2019	2018
Losses on decline in market value of inventory	\$ 2,621	585
Losses on physical inventory, net	198	181
Losses on scrapping of inventory	5,997	4,159
Total	<u>\$ 8,816</u>	<u>4,925</u>

As for December 31, 2019 and 2018, the Company did not pledge any collateral on inventories.

(g) Investments accounted for under equity method

The details of the investments accounted for under equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 720,664	1,819,297
Associates	84,809	75,559
Total	<u>\$ 805,473</u>	<u>1,894,856</u>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(ii) Associates

The Company's investments in associate entities accounted for under equity method, which are not individually significant, were as follows. Such financial information is included in the consolidated financial statements of the Company.

	December 31, 2019	December 31, 2018
Book value of investments in not individually significant associate entities accounted for under equity method	<u><u>\$ 84,809</u></u>	<u><u>75,559</u></u>
	<u>2019</u>	<u>2018</u>
Attributable to the Company:		
Income from continued operation	\$ 25,586	23,189
Other comprehensive income	(33)	(113)
Total comprehensive income	<u><u>\$ 25,553</u></u>	<u><u>23,076</u></u>

As of December 31, 2019 and 2018, the fair value of the investment in associate entity amounted to \$1,000,975 thousand and \$613,737 thousand, respectively.

(iii) Collateral

As of December 31, 2019 and 2018, the Company did not pledge any collateral on investments accounted for under the equity method.

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Land improvements	Buildings	Machinery	Other equipment	Prepayments for equipment and testing equipment	Total
Cost or deemed cost:							
Balance at January 1, 2019	\$ 1,147,257	4,971	577,511	34,188	133,744	1,492	1,899,163
Additions	-	132	3,790	13,372	16,592	24,094	57,980
Disposals	-	-	(29,928)	(1,480)	(10,536)	-	(41,944)
Reclassification	-	-	297	-	2,867	(3,474)	(310)
Balance at December 31, 2019	<u><u>\$ 1,147,257</u></u>	<u><u>5,103</u></u>	<u><u>551,670</u></u>	<u><u>46,080</u></u>	<u><u>142,667</u></u>	<u><u>22,112</u></u>	<u><u>1,914,889</u></u>
Balance at January 1, 2018	\$ 1,147,257	4,971	574,540	33,900	117,005	2,808	1,880,481
Additions	-	-	3,456	288	25,695	1,922	31,361
Disposals	-	-	(662)	-	(11,244)	-	(11,906)
Reclassification	-	-	177	-	2,288	(3,238)	(773)
Balance at December 31, 2018	<u><u>\$ 1,147,257</u></u>	<u><u>4,971</u></u>	<u><u>577,511</u></u>	<u><u>34,188</u></u>	<u><u>133,744</u></u>	<u><u>1,492</u></u>	<u><u>1,899,163</u></u>
Depreciation and impairment loss:							
Balance at January 1, 2019	\$ -	4,971	213,172	25,127	66,839	-	310,109
Depreciation	-	30	14,226	2,026	23,477	-	39,759
Disposal	-	-	(29,927)	(1,480)	(10,383)	-	(41,790)
Balance at December 31, 2019	<u><u>\$ -</u></u>	<u><u>5,001</u></u>	<u><u>197,471</u></u>	<u><u>25,673</u></u>	<u><u>79,933</u></u>	<u><u>-</u></u>	<u><u>308,078</u></u>
Balance at January 1, 2018	\$ -	4,971	198,268	23,271	54,630	-	281,140
Depreciation	-	-	15,566	1,856	22,969	-	40,391
Disposal	-	-	(662)	-	(10,760)	-	(11,422)
Balance at December 31, 2018	<u><u>\$ -</u></u>	<u><u>4,971</u></u>	<u><u>213,172</u></u>	<u><u>25,127</u></u>	<u><u>66,839</u></u>	<u><u>-</u></u>	<u><u>310,109</u></u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

	Land	Land improvements	Buildings	Machinery	Other equipment	Prepayments for equipment and testing equipment	Total
Carrying value:							
December 31, 2019	\$ 1,147,257	102	354,199	20,407	62,734	22,112	1,606,811
December 31, 2018	\$ 1,147,257	-	364,339	9,061	66,905	1,492	1,589,054
January 1, 2018	\$ 1,147,257	-	376,272	10,629	62,375	2,808	1,599,341

As of December 31, 2019 and 2018, the Company did not pledge any collateral on property, plant and equipment.

(i) Right-of-use assets

The Company leases its assets including its buildings, transportation equipment and other equipment. Information about leases, for which the Company is the lessee, is presented below:

	Building	Transportation equipment	other equipment	Total
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application		1,057	3,250	1,167
Balance at January 1, 2019		1,057	3,250	1,167
Additions		971	-	971
Balance at December 31, 2019	\$ 2,028	3,250	1,167	6,445
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation		857	750	269
Balance at December 31, 2019	\$ 857	750	269	1,876
Carrying value:				
December 31, 2019	\$ 1,171	2,500	898	4,569

(j) Short-term and long-term borrowings

The details, terms and clauses of the Company's short-term and long-term borrowings were as follows:

	December 31, 2019			
	Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	USD	1.94%~2.58%	2020	\$ 160,846
Unsecured loans	CNY	3.59%~3.82%	2020	69,389
Unsecured loans	AUD	1.88%~2.08%	2020	2,744
Total				<u>\$ 232,979</u>
	December 31, 2018			
	Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	USD	2.98%~3.28%	2019	\$ 266,903
Unsecured loans	GBP	1.40%~1.41%	2019	20,812
Unsecured loans	AUD	2.61%~2.98%	2019	3,902
Unsecured loans	CNY	3.90%~4.76%	2019	24,614
Total				<u>\$ 316,231</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

As of December 31, 2019, and 2018, the unused credit facilities of the Company's short-term borrowings amounted to \$912,373 thousand and \$898,900 thousand, respectively.

For the Company interest rate, forging currency, and liquidity risk, please refer to note 6(t).

(k) Provisions

	Warranties
Balance as of January 1, 2019	\$ 22,660
Provisions made during the year	28,493
Provisions used during the year	<u>(26,363)</u>
Balance as of December 31, 2019	<u>\$ 24,790</u>
Balance as of January 1, 2018	\$ 19,834
Provisions made during the year	28,096
Provisions used during the year	<u>(25,270)</u>
Balance as of December 31, 2018	<u>\$ 22,660</u>

In 2019 and 2018, provisions are mainly associated with the Company's business products, and are estimated based on the historical data and weighted average of all possibility of similar merchandises and services. Most of the warranty claims are expected to arise in the following year of the sale.

(l) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2019
Current	<u>\$ 1,724</u>
Non-current	<u>\$ 2,872</u>

For the maturity analysis, please refer to note 6(t).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	<u>\$ 64</u>
Expenses relating to short-term leases	<u>\$ 6,503</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ -</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	<u>\$ 8,416</u>

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(m) Employee benefits

(i) Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	\$ 195,240	200,131
Fair value of plan assets	(101,119)	(103,159)
The net defined benefit liability	<u>\$ 94,121</u>	<u>96,972</u>

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on the employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$101,119 thousand (including pension payables in transit of \$3,002 thousand) at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2019	2018
Defined benefit obligation at 1 January	\$ 200,131	201,397
Current service costs and interest	3,685	4,384
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	3,240	2,566
Benefits paid by the plan	(11,816)	(8,216)
Defined benefit obligation at 31 December	<u>\$ 195,240</u>	<u>200,131</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

3) Movement of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2019	2018
Fair value of plan assets, January 1	\$ 103,159	96,289
Interest revenue	1,249	1,363
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	3,388	3,230
Contributions made	5,139	10,493
Benefits paid by the plan	(11,816)	(8,216)
Fair value of plan assets, December 31	<u>\$ 101,119</u>	<u>103,159</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2019	2018
Current service cost	\$ 1,338	1,672
Net interest on the defined benefit liability	1,098	1,349
	<u>\$ 2,436</u>	<u>3,021</u>

	2019	2018
Operating costs	\$ 821	1,076
Selling expenses	481	592
Administration expenses	855	1,006
Research and development expenses	279	347
	<u>\$ 2,436</u>	<u>3,021</u>

5) Remeasurement in the net defined benefit liability recognized in other comprehensive income

The Company's Remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Cumulative amount, January 1	\$ (43,433)	(44,097)
Recognized during the period	148	664
Cumulative amount, December 31	<u>\$ (43,285)</u>	<u>(43,433)</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	2019.12.31		2018.12.31	
Discount rate	1.00~	1.20%	1.00~	1.20%
Future salary increases rate		2.50%		2.50%

The Company expects to make contributions of \$2,300 thousand to the defined benefit plans in the next year starting from the reporting date of 2019.

The weighted average duration of the defined benefit obligation is 13.2 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2019 and 2018, the present value of defined benefit obligation impact was as follow:

	The impact of defined benefit obligation	
	Increase	Decrease
December 31, 2019		
Discount rate (0.25%)	\$ (3,298)	3,440
Future salary increase rate (1.00%)	14,299	(12,362)
December 31, 2018		
Discount rate (0.25%)	(3,562)	3,722
Future salary increase rate (1.00%)	15,546	(13,339)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

(Continued)

ATEN INTERNATIONAL CO., LTD.**Notes to the Financial Statements**

The Company's pension costs under the defined contribution method were \$32,010 thousand and \$28,038 thousand for 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2019	December 31, 2018
Compensated absence liabilities (recorded under other payable)	\$ 27,014	24,759

(n) Income tax

(i) Income tax expenses

The amount of income tax for 2019 and 2018 were as follows:

	2019	2018
Current tax expense		
Current period	\$ 212,909	142,521
Adjustment for prior periods	1,108	(2,569)
	<u>214,017</u>	<u>139,952</u>
Deferred income tax expense		
Origination and reversal of temporary differences	(55,731)	(3,055)
Effect of tax rate changes	-	18,035
	<u>(55,731)</u>	<u>14,980</u>
Income tax expense from continuing operations	<u>\$ 158,286</u>	<u>154,932</u>

The amounts of income tax recognized in other comprehensive income for 2019 and 2018 were as follows:

	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<u>\$ 2</u>	<u>(101)</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Net income before tax	\$ 881,419	1,731,064
Income tax using the Company's domestic tax rate	\$ 176,284	346,213
Effect of tax rates differences in foreign jurisdiction	(74)	(2,140)
Effect of tax rate changes	-	18,035
Adjustments according to tax law	(8,504)	(194,053)
Tax treaty rewards	(14,757)	(10,500)
Underestimated (overestimated) of prior year's income tax	1,108	(2,569)
Underestimated of prior year's deferred income tax assets	(17,265)	(54)
5% surtax on undistributed earnings	21,494	-
Total	\$ 158,286	154,932

- (ii) Deferred income tax assets and liabilities — Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred income tax assets:

	Defined benefit plans	Unrealized profit from sales	Others	Total
Balance at January 1, 2019	\$ 16,557	86,602	26,758	129,917
Recognized in profit or loss	(486)	(2,185)	5,159	2,488
Recognized in other comprehensive income	2	-	-	2
Balance at December 31, 2019	\$ 16,073	84,417	31,917	132,407
Balance at January 1, 2018	\$ 16,482	72,322	22,066	110,870
Recognized in profit or loss	176	14,280	4,692	19,148
Recognized in other comprehensive income	(101)	-	-	(101)
Balance at December 31, 2018	\$ 16,557	86,602	26,758	129,917

Deferred income tax liabilities

	Foreign investment income accounted for using equity method	Others	Total
Balance at January 1, 2019	\$ 167,058	1,448	168,506
Recognized in profit or loss	(52,524)	(719)	(53,243)
Balance at December 31, 2019	\$ 114,534	729	115,263
Balance at January 1, 2018	\$ 133,367	1,011	134,378
Recognized in profit or loss	33,691	437	34,128
Balance at December 31, 2018	\$ 167,058	1,448	168,506

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(iii) Examination and Approval

The tax returns of the Company's have been examined by the tax authorities through 2017.

(o) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the total value of nominal ordinary shares amounted to \$1,500,000, face value of each share is \$10, of which 150,000 thousand shares, 119,471 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Additional paid-in capital

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's articles of incorporation require that the Company's net earnings from the current year shall be used to offset prior years' deficits, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with Section 41 of the Securities. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the board of directors and is subject to the stockholders' approval.

The Company's business cycle is in the constant growth stage. In consideration of the Company's future capital requirements, its long term financial plan and shareholders' satisfaction as to cash inflow, the Company's articles of incorporation stipulate that the board of directors may propose 30% or more of the distributable earnings as dividends, of which at least 10% should be distributed as cash dividends. However, such distribution depends on the current earnings and the capital condition, and is subject to the approval of stockholders.

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

2) Special reserve

In accordance with Ruling No.1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was decided via the general meeting of shareholders held on June 14, 2019 and 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total Amount	Amount per share (NT dollars)	Total Amount
Dividends distributed to common stockholders:				
Cash	\$ 8.00	<u>955,769</u>	5.50	<u>657,091</u>

On March 10, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 5.30	<u>633,197</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2019	\$ (89,763)	(17,532)	(107,295)
Foreign exchange differences arising from foreign operations	(20,550)	-	(20,550)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(33)	-	(33)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	733	733
Balance as of December 31, 2019	<u><u>\$ (110,346)</u></u>	<u><u>(16,799)</u></u>	<u><u>(127,145)</u></u>
Balance as of January 1, 2018	\$ (92,885)	(17,660)	(110,545)
Foreign exchange differences arising from foreign operations	3,170	-	3,170
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(48)	-	(48)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	268	268
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	(75)	(75)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(65)	(65)
Balance as of December 31, 2018	<u><u>\$ (89,763)</u></u>	<u><u>(17,532)</u></u>	<u><u>(107,295)</u></u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(p) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for years ended December 31, 2019 and 2018 was as follows:

(i) Basic earnings per share

	2019	2018
Net income	<u>\$ 723,133</u>	<u>1,576,132</u>
Weighted-average number of ordinary shares	<u>119,471</u>	<u>119,471</u>
Basic earnings per share (in NT dollars)	<u>\$ 6.05</u>	<u>13.19</u>

(ii) Diluted earnings per share

	2019	2018
Net income	<u>\$ 723,133</u>	<u>1,576,132</u>
Weighted-average number of ordinary shares (basic)	119,471	119,471
Impact of potential common shares		
Effect of employee stock bonus	2,009	2,540
Weighted-average number of ordinary shares (diluted)	<u>121,480</u>	<u>122,011</u>
Diluted earnings per share (in NT dollars)	<u>\$ 5.95</u>	<u>12.92</u>

(q) Revenue from contracts with customers — disaggregation of revenue

	2019	2018
Primary geographical markets:		
Taiwan	\$ 143,514	175,827
United States	691,322	817,840
China	344,973	357,003
Belgium	500,643	549,286
Japan	472,142	400,853
South Korea	257,814	262,322
Russia	182,162	137,637
Others	885,862	888,842
	<u>\$ 3,478,432</u>	<u>3,589,610</u>
Major products lines:		
IT infrastructure management solutions	\$ 2,478,510	2,518,047
Video products	635,351	685,230
Others	364,571	386,333
	<u>\$ 3,478,432</u>	<u>3,589,610</u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(r) Remuneration to employees, directors and supervisors

In accordance with the Company's articles, the net income before tax, after deducting the remuneration to employees, directors and supervisors, shall first be offset against any deficit, then 10%~16% will be distributed as employee remuneration and less than 2% will be allocated as directors' and supervisors' remuneration. The amounts of employee, directors' and supervisors' remuneration, to be distributed in cash or stock, should be decided in the board meeting, with two thirds of the board members attending the meeting, and over half of the attendees approving the amounts for distribution that are to be reported at the shareholders meeting. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$139,498 thousand and \$194,940 thousand, and directors' and supervisors' remuneration amounting to \$12,400 thousands and \$23,393 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(s) Non-operating income and expenses

(i) Other income

The Company's other income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest income	\$ 1,021	601
Rental income	7,438	7,957
Dividend income	158	201
Other income — Other		
Compensation income	71,157	2,807
Business tax refund income	21,323	-
Subsidy income	6,254	3,000
Other income	32,503	39,640
Subtotal other income	131,237	45,447
Total other income	\$ 139,854	54,206

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(ii) Other gains and losses

The Company's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Gains (losses) on disposal of property, plant and equipment	\$ 179	(194)
Gains (losses) on foreign exchange	(9,858)	21,043
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	13,543	(2,632)
Others	-	(200)
Net other gains and losses	<u><u>\$ 3,864</u></u>	<u><u>18,017</u></u>

(iii) Finance costs

The details of the Company's finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense	<u><u>\$ 4,586</u></u>	<u><u>5,034</u></u>

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the maximum amount exposed to credit risk amounted to \$2,684,384 thousand and \$2,032,915 thousand, respectively.

2) Concentration of credit risk

The Company's accounts receivable is the main source of potential credit risk, as of December 31, 2019 and 2018 the transaction of accounts receivable are significantly concentrated in the top three customers, which have 58% and 52%, respectively, in the notes and accounts receivable.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2019							
Non-derivative financial liabilities							
Unsecured loans	\$ 232,979	236,757	236,757	-	-	-	-
Notes and accounts payable (including related parties)	296,109	296,109	296,109	-	-	-	-
Other payables (including related parties)	264,608	264,608	264,608	-	-	-	-
Guarantee deposits received	1,115	1,115	1,115	-	-	-	-
Lease liabilities	4,596	4,679	1,769	1,376	1,184	350	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	511	511	511	-	-	-	-
	\$ 799,918	803,779	800,869	1,376	1,184	350	-
December 31, 2018							
Non-derivative financial liabilities							
Unsecured loans	\$ 316,231	321,747	321,747	-	-	-	-
Notes and accounts payable (including related parties)	285,954	279,829	279,829	-	-	-	-
Other payables (including related parties)	252,892	252,892	252,892	-	-	-	-
Guarantee deposits received	1,237	1,237	1,237	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	1,889	1,889	1,889	-	-	-	-
	\$ 858,203	857,594	857,594	-	-	-	-

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

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(iii) Exchange rate risk

1) Exposure to exchange rate risk

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

	Foreign currency	Exchange rate	NTD
December 31, 2019			
Financial assets:			
Monetary items:			
USD	\$	21,285	30.1060
JPY		244,900	0.2770
EUR		4,074	33.7308
CNY		24,097	4.3233
GBP		601	39.5171
Financial liabilities:			
Monetary items:			
USD	\$	8,279	30.1060
CNY		24,490	4.3233
December 31, 2018			
Financial assets:			
Monetary items:			
USD	\$	16,122	30.7330
JPY		234,538	0.2783
EUR		4,827	35.2200
CNY		17,206	4.4752
GBP		621	38.9000
Financial liabilities:			
Monetary items:			
USD	\$	11,167	30.7330
CNY		9,017	4.4752
GBP		535	38.9000

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A 1% appreciation or depreciation of the TWD against the USD, JPY, EUR, CNY and GBP as of December 31, 2019 and 2018 would have increased or decreased the net profit by \$4,951 thousand and \$3,420 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Company books its transaction in different functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years 2019 and 2018, foreign exchange gains (including realized and unrealized portion) amounted to \$(9,858) thousand and (losses) \$21,043 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the interest rate exposure to the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Company's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate increases or decreases by 1%, the Company's net income will increase or decrease by \$1,864 thousand and \$2,530 thousand, respectively, for the years ended December 31, 2019, and 2018. This is mainly due from the Company's borrowing on variable rates.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	Carrying amount	December 31, 2019			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 2,935	-	2,935	-	2,935
Non derivative financial assets mandatorily measured at fair value through profit or loss	1,438,914	1,438,914	-	-	1,438,914
Subtotal	1,441,849	1,438,914	2,935	-	1,441,849
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	5,375	5,374	-	-	5,374
Unlisted stocks (domestic and overseas)	21,780	-	-	21,780	21,780
Subtotal	27,155	5,374	-	21,780	27,154
Financial assets measured at amortized cost					
Cash and cash equivalents	348,292	-	-	-	-
Accounts and notes receivables	751,388	-	-	-	-
Other receivables (including related parties)	559	-	-	-	-
Refundable deposits	569	-	-	-	-
Other financial assets non-current	114,572	-	-	-	-
Subtotal	1,215,380	-	-	-	-
Total	\$ 2,684,384	1,444,288	2,935	21,780	1,469,003
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ (511)	-	(511)	-	(511)
Financial liabilities measured at amortized cost					
Short-term borrowings	(232,979)	-	-	-	-
Notes and accounts payable	(296,109)	-	-	-	-
Other payables(including related parties)	(264,608)	-	-	-	-
Deposits received	(1,115)	-	-	-	-
Lease liability	(4,596)	-	-	-	-
Subtotal	(799,407)	-	-	-	-
Total	\$ (799,918)	-	(511)	-	(511)

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

		December 31, 2018				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Derivative financial assets for hedging	\$	572	-	572	-	572
Non derivative financial assets mandatorily measured at fair value through profit or loss		885,654	885,654	-	-	885,654
Subtotal		886,226	885,654	572	-	886,226
Financial assets at fair value through other comprehensive income						
Listed stocks (domestic)		4,642	4,642	-	-	4,642
Unlisted stocks (domestic and overseas)		21,780	-	-	21,780	21,780
Subtotal		26,422	4,642	-	21,780	26,422
Financial assets measured at amortized cost						
Cash and cash equivalents		208,754	-	-	-	-
Accounts and notes receivables		703,225	-	-	-	-
Other receivables (including related parties)		90,710	-	-	-	-
Refundable deposits		3,574	-	-	-	-
Other financial assets non-current		114,004	-	-	-	-
Subtotal		1,120,267	-	-	-	-
Total	\$	2,032,915	890,296	572	21,780	912,648
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities for hedging	\$	(1,889)	-	(1,889)	-	(1,889)
Financial liabilities measured at amortized cost						
Short-term borrowings		(316,231)	-	-	-	-
Notes and accounts payable		(285,954)	-	-	-	-
Other payables		(252,892)	-	-	-	-
Deposits received		(1,237)	-	-	-	-
Subtotal		(856,314)	-	-	-	-
Total	\$	(858,203)	-	(1,889)	-	(1,889)

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

2) Valuation techniques in financial instruments measured at fair value

a) Non — derivative financial instruments

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

The fair value of financial assets and liabilities traded in the active markets will be based on the quoted market prices when the quoted prices can be obtained from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, as well as if they can represent as the one usually traded in fair market transaction in practice. If the requirements above mentioned don't actually accomplish, the market ought to be seen inactive condition. Generally speaking, the index of inactive market are based on the large difference of the price between buying and selling transaction, the difference of the price between buying and selling transaction distinctively increasing or little quantity of trading volume.

The fair values of the Company's financial instruments trading in active markets are categorized by types and nature as follows:

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes and net assets value, respectively.

In addition to the aforementioned financial instruments trading in active markets, the fair values of other financial instruments are obtained through valuation or by referencing the quotes from counterparties. Such valuation technique involves referencing the fair value of financial instruments that are virtually alike in terms and characteristic, and using discounted cash flow model or other pricing models. Other pricing models may utilize the available market information on the balance sheet date such as yield curve from Over the Counter and the average quotes on the interest rates of Reuters Commercial Paper.

b) Derivative financial instrument

Derivatives are priced based on the pricing models widely accepted by markets. Forward Exchange Contracts are normally priced based on the current forward exchange rates or the forward interest rate estimated using interest rate parity theory.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transfer from level 1 financial instrument to level 2 financial instrument.

There was no significant transfer from level 2 financial instrument to level 1 financial instrument.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	Bond investments
Balance at December 31, 2019 (Balance at January 1, 2019)	<u><u>\$ 21,780</u></u>	<u><u>-</u></u>
Balance at December 31, 2018 (Balance at January 1, 2018)	<u><u>\$ 21,780</u></u>	<u><u>-</u></u>

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

- 6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> Multipliers of price-Book ratios as of December 31, 2019 and 2018 were 1.24~1.99 and 1.52~2.05, respectively. Market illiquidity discount rate as of December 31, 2019 and 2018 was both 20% 	<p>The estimated fair value would increase (increase) if</p> <ul style="list-style-type: none"> the multiplier were higher (lower) the market illiquidity discount were lower (higher)

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable
December 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 1,255	(1,255)
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,248	(1,248)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(Continued)

ATEN INTERNATIONAL CO., LTD.**Notes to the Financial Statements****(u) Financial risk management****(i) Overview**

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors the risk which should be in compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer, financial institution, or counterparty fails to meet its contractual obligations and arises principally from the Company's receivables from its customers, financial instruments, or non-public trading securities.

1) Trade and other receivables

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed regularly.

The Company has established an allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short-term bank facilities of \$912,373 thousand and \$898,900 thousand, respectively, as of December 31, 2019 and 2018.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(v) Market Risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company. The currencies used in these transactions are the EUR, USD, JPY, GBP, and CNY.

The Company holds accounts receivable denominated on the currency other than functional currency. Gains or losses on change of exchange rate and that on long-term and short-term borrowings denominated in foreign currency can offset each other, reducing the currency risk of the Company.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the EUR, USD, JPY, GBP, and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Company's short-term borrowings are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter.

3) Other market price risk

Financial assets at fair value through profit or loss—current and available-for-sale financial assets—current are listed stocks and mutual funds, which may fluctuate with changes in equity price. In order to manage market risk, the Company carefully selects trust companies with good reputations to engage in financial instrument transactions.

The Company's bank balances and financial liability—short-term and long-term borrowings are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(v) Capital management

The Company's objectives for managing capital are to safeguard the capacity to continue to operate, to provide a return to shareholders and benefits to other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Company uses the debt ratio to manage capital. This ratio divides debt by total assets. The debt from the balance sheet is accounted for as total liabilities. Total assets include share capital, capital surplus, retained earnings, other equity and non-controlling interest, plus, debt; the Company may also use its equity ratio, computed as one, less, its debt ratio, as a basis in managing its capital.

The Company's debt and equity ratio at the end of the reporting date were as follow:

	December 31, 2019	December 31, 2018
Total liabilities	<u><u>\$ 1,490,194</u></u>	<u><u>1,620,526</u></u>
Total assets	<u><u>\$ 5,737,082</u></u>	<u><u>6,117,409</u></u>
Debt ratio	<u><u>26%</u></u>	<u><u>26%</u></u>
Equity ratio	<u><u>74%</u></u>	<u><u>74%</u></u>

As of December 31, 2019, there were no changes in the Company's approach of capital management.

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and the Subsidiary.

(b) Parent Company and ultimate controlling party

The related parties that have transactions with the consolidated company in the reporting period are shown below:

Name of related party	Relationship with the Company
TOPMOST INTERNATIONAL CO., LTD. (TOPMOST)	The Subsidiary
ATEN JAPAN CO., LTD. (ATEN JAPAN)	The Subsidiary
ATEN US HOLDINGS INC. (ATEN US)	The Subsidiary
FOREMOST INTERNATIONAL CO., LTD. (FOREMOST)	The Subsidiary
ATEN INFOTECH N.V. (ATEN INFOTECH)	The Subsidiary
ATECH PERIPHERALS INC. (ATEN PERIPHERALS)	The Subsidiary
ATEN RESEARCH INC. (ATEN RESEARCH)	The Subsidiary

(Continued)

ATEN INTERNATIONAL CO., LTD.**Notes to the Financial Statements**

Name of related party	Relationship with the Company
ATEN COMPUTER PRODUCTS CO., LTD. (ATEN COMPUTER)	The Subsidiary
VISONTOP CO., LTD. (VISONTOP)	The Subsidiary
HONG JHENG TECHNOLOGY CO., LTD. (HONG JHENG)	The Subsidiary
HONG YUAN CO., LTD. (HONG YUAN)	The Subsidiary
ATEN ANZ PTY LTD. (ATEN ANZ)	The Subsidiary
RCM FULLY AUTOMATION CO., LTD. (RCM FULLY) (Note 1)	The Subsidiary
ATEN INFO COMMUNICATION LIMITED LIABILITY COMPANY (ATEN TURKEY)	The Subsidiary
ATEN POLAND SP.Z.O.O. (ATEN POLAND)	The Subsidiary
ATEN ROMANIA S.R.L. (ATEN ROMANIA) (Note 2)	The Subsidiary
EXPAND INTERNATIONAL CO., LTD. (EXPAND)	The Sub-Subsidiary
ATEN EUROPE LIMITED (ATEN EUROPE)	The Sub-Subsidiary
I/O MASTER INC. (I/O MASTER)	The Sub-Subsidiary
ATEN CHINA CO., LTD. (ATEN CHINA)	The Sub-Subsidiary
ATEN FOREMOST INTERNATIONAL CO., LTD. (ATEN FOREMOST)	The Sub-Subsidiary
EXPAND ELECTRONIC CO., LTD. (EXPAND ELECTRONIC)	Invested by the Sub-Subsidiary
ATEN UK LIMITED (ATEN UK)	Invested by the Sub-Subsidiary
ATEN KOREA CO., LTD. (ATEN KOREA)	Invested by the Sub-Subsidiary
ATEN TECHNOLOGY INC. (ATEN TECHNOLOGY)	The Sub-Subsidiary
ATEN NEW JERSEY INC. (ATEN NEW JERSEY)	The Sub-Subsidiary
ATEN CANADA TECHNOLOGIES INC. (ATEN CANADA)	Invested by the Sub-Subsidiary
IOGEAR, Inc. (IOGEAR)	Invested by the Sub-Subsidiary

(Continued)

ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Name of related party	Relationship with the Company
ASPEED TECHNOLOGY INC. (ASPEED)	Associate

Note 1: RCM FULLY AUTOMATION CO., LTD. (change Chinese company name) has been changed registration in August 15, 2018.

Note 2: The subsidiary was established April 5, 2019.

(c) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	2019	2018
Subsidiaries		
ATEN INFOTECH	\$ 500,645	549,338
ATEN TECHNOLOGY	497,369	522,114
ATEN CHINA	345,794	357,214
ATEN JAPAN	318,235	265,941
ATEN KOREA	258,283	262,092
Other Subsidiaries	234,049	316,825
	<u>\$ 2,154,375</u>	<u>2,273,524</u>

The Company's collection period for related party is 30~155 days, the payment term ranged for other customer is 15~70 days, and there is no significant difference between the pricing of sale transaction with related parties and that with other customer. For the years ended December 31, 2019 and 2018 the Company did not have allowance bad debts of accounts receivable from related parties, nor collateral.

(ii) Purchases

The amount of purchase transactions between the Company and related parties were as follows:

	2019	2018
Subsidiaries		
EXPAND	\$ 686,942	831,396
ATEN FOREMOST	213,988	185,408
Other Subsidiaries	20	63
Associate	7,842	9,682
	<u>\$ 908,792</u>	<u>1,026,549</u>

There were no significant differences between the pricing of purchase transactions and the payment method with related parties and that with other suppliers, expect that the subsidiary pay with net of purchase by purchasing agent.

(Continued)

ATEN INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iii) Receivables from related parties

The receivables due from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Subsidiaries		
Account receivables	ATEN INFOTECH	\$ 99,073	133,371
Account receivables	ATEN TECHNOLOGY	252,215	173,055
Account receivables	ATEN CHINA	82,150	59,141
Account receivables	ATEN KOREA	62,350	55,923
Account receivables	ATEN JAPAN	66,065	51,661
Account receivables	Other Subsidiaries	25,326	31,191
		<u>587,179</u>	<u>504,342</u>
Other receivables	Subsidiaries	264	478
		<u>\$ 587,443</u>	<u>504,820</u>

(iv) Payables to related parties

The payables due to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Subsidiaries		
Account payables	EXPAND	\$ 68,251	58,668
Account payables	ATEN FOREMOST	34,911	13,704
Account payables	Associate	1,022	2,250
		<u>104,184</u>	<u>74,622</u>
	Subsidiaries		
Other payables	EXPAND	191,778	191,833
		<u>\$ 295,962</u>	<u>266,455</u>

(v) Purchasing materials

The purchasing materials due from related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries		
EXPAND ELECTRONIC	\$ 245,210	309,954
ATEN FOREMOST	40,413	67,480
	<u>\$ 285,623</u>	<u>377,434</u>

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(vi) Information service income

The details of the information service income from related parties were as follows (recorded under other income) :

	<u>2019</u>	<u>2018</u>
Subsidiaries		
ATEN TECHNOLOGY	\$ 5,038	4,632
Other Subsidiaries	12,029	11,902
	<u><u>\$ 17,067</u></u>	<u><u>16,534</u></u>

As of December 31, 2019 and 2018, all the receivable arising from the above transaction were collected.

(vii) Others

- 1) The Company entrust related parties to develop and design products, were pays for research and development costs as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries		
ATEN CANADA	<u><u>\$ 101,545</u></u>	<u><u>94,547</u></u>

- 2) The credit limits of the guarantees the Company had provided on the bank loans of related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries		
ATEN TECHNOLOGY	USD 17,500,000	USD 16,500,000
ATEN JAPAN	JPY 350,000,000	JPY 350,000,000
ATEN INFOTECH	EUR 1,500,000	EUR 1,500,000
ATEN UK	GBP 1,000,000	GBP 1,000,000
ATEN KOREA	-	USD 2,000,000
ATEN NEW JERSEY	-	USD 500,000
ATECH PERIPHERALS	NTD 50,000,000	NTD 20,000,000
ATEN CHINA	CNY 10,000,000	CNY 10,000,000
ATEN FOREMOST	CNY 4,800,000	CNY 4,800,000

(d) Key management personnel compensations

Key management personnel compensation comprised:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	<u><u>\$ 44,464</u></u>	<u><u>52,469</u></u>

For the years ended December 31, 2019 and 2018, the Company provided three vehicles at a cost of \$12,214 thousand for key management personnel.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Cash (recorded under other financial assets — non-current)	Litigation deposits	\$ 1,195	1,220
Cash and negotiable certificate of deposits (recorded under other financial assets — non-current)	Guarantee for provisional attachment	78,785	78,785
Time deposits (recorded under other financial assets — non-current)	Guarantee for customs	4,042	3,999
Time deposits (recorded under other financial assets — non-current)	Guarantee for provisional seizure	30,550	30,000
		<u>\$ 114,572</u>	<u>114,004</u>

(9) Significant Commitments and Contingencies

(a) The unrecognized construction contract of the Company as follows:

	December 31, 2019	December 31, 2018
Acquire Property, plant and equipment	<u>\$ 42,095</u>	<u>-</u>

(b) As of December 31, 2018, the Group had an unused line of credit for purchasing raw materials amounting to \$4,648 thousand (USD154,382).

(c) As of December 31, 2019 and 2018, the outstanding bank drafts to secure credit facilities and financial instruments amounted to \$1,255,159 thousand and \$1,192,011 thousand, respectively.

(d) During 2014, the Company had 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 in the Eastern District Court of Texas. In August 2019, the Central District of California reviewed the appeal filed by the Company and ruled the patent to be valid. For the case of infringement of patent right, the court maintaining non-infringement judgment made by jury, the case has been closed.

(e) In September 2019, YiFeng Technology Co., Ltd. filed a lawsuit against the Company for the damage of the product that is under provisional attachment requested by the Company in 2005. The Company has appointed the attorney, the above case is still in progress.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(12) Others

- (a) The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By nature	By function	Years ended December 31 2019			Years ended December 31 2018		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		151,425	666,747	818,172	148,671	716,302	864,973
Labor and health insurance		15,629	46,268	61,897	14,330	39,601	53,931
Pension		5,696	28,750	34,446	5,509	25,550	31,059
Directors' remuneration		-	13,743	13,743	-	22,065	22,065
Others		10,631	30,322	40,953	9,909	27,517	37,426
Depreciation		12,664	28,971	41,635	11,076	29,315	40,391
Amortization		-	-	-	-	-	-

The Company for the years ended December 31, 2019 and 2018, additional information on the number of employees and employees benefits were as follows:

	2019	2018
Number of employees	<u>747</u>	<u>713</u>
Number of directors who were not employees	<u>3</u>	<u>3</u>
The average employee benefit	<u>\$ 1,284</u>	<u>1,391</u>
The average salaries and wages	<u>\$ 1,100</u>	<u>1,218</u>
The average of employee salary cost adjustment as follows	<u>(9.69)%</u>	

- (b) The Company filed criminal charges against its former employees for not following its policy, wherein they illegally gained profit for themselves during their service in 2015 to 2016. The suspects have already resigned from the Company at the end of 2016. After the Company filed the lawsuit, Taiwan Taipei District Court ruled the defendant to be guilty and made the sentence in July 2019. The Company and both of the defendant filed appeal to the Taiwan High Court in July 2019 and the case is still in progress. The seized \$70,296 thousand criminal proceeds were returned to the Company. The civil lawsuit is still in the first trial at Taipei District Court.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	2019				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Mutual fund: JIHSUN Money Market Fund	—	Financial assets at fair value through profit or loss — current	36,158	537,938	-	537,938	
The Company	Nomura Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	3,937	64,480	-	64,480	
The Company	Union Money Market Fund	—	Financial assets at fair value through profit or loss — current	12,245	162,297	-	162,297	
The Company	Capital Money Market Fund	—	Financial assets at fair value through profit or loss — current	6,882	111,473	-	111,473	
The Company	Yuanta De-Li Money Market Fund	—	Financial assets at fair value through profit or loss — current	7,241	118,534	-	118,534	
The Company	Prudential Financial Money Market Fund	—	Financial assets at fair value through profit or loss — current	10,683	169,657	-	169,657	
The Company	First Bank Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss — current	17,870	274,535	-	274,535	
The Company	Stock: SHIN KONG FINANCIAL HOLDING CO., LTD.	—	Financial assets at fair value through other comprehensive income — current	165	1,710	-	1,710	
The Company	TAIWAN COOPERATIVE BANK	—	Financial assets at fair value through other comprehensive income — current	139	2,893	-	2,893	
The Company	CHINA DEVELOPMENT FINANCIAL HOLDINGS CO., LTD.	—	Financial assets at fair value through other comprehensive income — current	79	772	-	772	
The Company	ACROX CO., LTD.	—	Financial assets at fair value through other comprehensive income — non-current	1,428	14,280	14	14,280	-
The Company	OptoMedia Technology Inc.	—	Financial assets at fair value through other comprehensive income — non-current	500	7,500	2	7,500	
HONG JHENG TECHNOLOGY CO., LTD	JIHSUN Money Market Fund	—	Financial assets at fair value through profit or loss — current	2,647	39,382	-	39,382	
HONG JHENG TECHNOLOGY CO., LTD	Common Stock of Visionary Dynamics Co., Ltd.	—	Financial assets at fair value through other comprehensive income — non-current	20	-	1	-	Note 1
HONG YUAN CO., LTD	JIHSUN Money Market Funds	—	Financial assets at fair value through profit or loss — current	2,955	43,965	-	43,965	
ATEN FOREMOST INTERNATIONAL CO., LTD.	SHANG TOU Money Market Fund	—	Financial assets at fair value through profit or loss — current	2,978	12,885	-	12,885	-
ATEN CHINA CO., LTD.	SHANG TOU Money Market Fund	—	Financial assets at fair value through profit or loss — current	12,160	52,594	-	52,594	

Note 1: The impairment loss was fully recognized.

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales			Disposal gain	Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost		Shares	Amount
The Company	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	9,803	145,014	86,108	1,278,680	59,753	887,880	885,812	2,068	36,158	537,938
The Company	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	15,258	248,413	23,133	377,723	31,150	508,523	507,609	914	7,241	118,534
The Company	Union Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	-	-	26,233	347,280	13,988	185,284	185,000	284	12,245	162,297
The Company	Capital Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	9,441	152,096	18,453	298,361	21,012	339,461	338,993	468	6,882	111,473
The Company	Prudential Financial Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	4,361	68,884	23,314	369,639	16,992	269,639	268,882	757	10,683	169,657
The Company	First Bank Taiwan Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	12,250	187,134	71,246	1,091,611	65,626	1,006,511	1,004,232	2,279	17,870	274,535
HONG YUAN CO., LTD.	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	996	14,729	37,851	560,000	35,892	532,000	530,982	1,018	2,955	43,965
HONG JHENG TECHNOLOGY CO., LTD	JHSUN Money Market Fund	Financial assets at fair value through profit or loss — current	-	-	33,532	496,059	-	-	30,885	457,800	456,396	1,404	2,647	39,382

Note: The transaction that selling marketable securities to non-related party on the open market.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	EXPEND ELECTRONIC CO., LTD	Invested by sub-subsidiary	Purchase	686,942	51	30days	No significant differences	Note 1	(68,251)	(23)	
EXPEND ELECTRONIC CO., LTD	The Company	Invested by sub-subsidiary	(Sales)	(686,942)	(100)	30days	No significant differences	Note 1	68,251	100	
The Company	ATEN FOREMOST INTERNATIONAL CO., LTD.	Sub-subsidiary	Purchase	213,988	16	30days	No significant differences	Note 1	(34,911)	(5)	
ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	Sub-subsidiary	(Sales)	(213,988)	(74)	30days	No significant differences	Note 1	34,911	47	
The Company	ATEN ONFORECH N.V.	Subsidiary	(Sales)	(500,643)	(14)	90days	No significant differences	No significant differences	99,073	19	
ATEN ONFORECH N.V.	The Company	Subsidiary	Purchase	500,643	100	90days	No significant differences	No significant differences	(99,073)	(100)	
The Company	ATECH PERIPHERALS.	Subsidiary	(Sales)	(143,514)	(4)	30days	No significant differences	No significant differences	2,232	1	
ATECH PERIPHERALS.	The Company	Subsidiary	Purchase	143,514	96	30days	No significant differences	No significant differences	(2,232)	(96)	

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ATEN INTERNATIONAL CO., LTD.

Notes to the Financial Statements

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	ATEN KOREA CO., LED	Sub-subsidiary	(Sales)	(257,814)	(7)	60days	No significant differences	No significant differences	62,350	8	
ATEN KOREA CO., LED	The Company	Sub-subsidiary	Purchase	257,814	100	60days	No significant differences	No significant differences	(62,350)	(100)	
The Company	ATEN CHINA CO., LED	Sub-subsidiary	(Sales)	(344,973)	(10)	45days	No significant differences	No significant differences	82,150	8	
ATEN CHINA CO., LED	The Company	Sub-subsidiary	Purchase	344,973	91	45days	No significant differences	No significant differences	(82,150)	(86)	
The Company	ATEN TECHNOLOGY INC.	Sub-subsidiary	(Sales)	(493,861)	(14)	95~155days	No significant differences	No significant differences	252,215	34	
ATEN TECHNOLOGY INC.	The Company	Sub-subsidiary	Purchase	493,861	49	95~155days	No significant differences	No significant differences	(252,215)	(88)	
The Company	ATEN JAPAN CO., LTD	Subsidiary	(Sales)	(317,529)	(9)	45days	No significant differences	No significant differences	66,065	9	
ATEN JAPAN CO., LTD	The Company	Subsidiary	Purchase	317,529	100	45days	No significant differences	No significant differences	(66,065)	(100)	

Note 1: Payments are netted with the account receivable resulting from the Company purchasing on behalf of related parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	ATEN TECHNOLOGY INC.	Sub-subsidiary	252,215	2.32	-		114,122 (As of March 10, 2020)	-
EXPAND INTERNATIONAL CO., LTD.	The Company	The ultimate parent company	191,778	-	191,778	Depend on capital budgeting	- (As of March 10, 2020)	-

(ix) Trading in derivative instruments:

Please refer to 6(b) for further information.

(b) Information on investees:

The following is the information on investees for the years period ended December 31, 2019:

Unit: thousand dollars

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Ratio of shares	Book value			
The Company	TOPMOST INTERNATIONAL CO., LTD.	Cayman	Investing	22,183	22,183	700	100%	416,616	26,738	26,738	
The Company	ATEN JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	25,105	25,105	2	100%	70,677	38,056	38,056	
The Company	ATEN US HOLDING INC.	USA	Investing	107,872	107,872	3,380	100%	(82,474)	(59,240)	(59,240)	
The Company	FOREMOST INTERNATIONAL CO., LTD.	Mauritius	Investing	69,730	69,730	2,181	100%	57,522	(16,916)	(16,916)	
The Company	ATEN RESEARCH INC.	USA	Trading of computer peripheral equipment	15,494	15,494	3	95%	260	-	-	
The Company	ATECH PERIPHERALS INC.	Taiwan	Trading of computer peripheral equipment	15,479	15,479	2,500	100%	51,050	10,666	10,666	
The Company	ATEN INFOTECH N.V.	Belgium	Trading of computer peripheral equipment	54,197	54,197	58	100%	(676)	(14,582)	(14,582)	
The Company	ATEN COMPUTER PRODUCTS CO., LTD.	Thailand	Trading of computer peripheral equipment	14,578	14,578	300	100%	10,335	(379)	(379)	
The Company	VISIONTOP CO., LTD.	Taiwan	Specialized printing	86,483	86,483	6,472	60%	61,188	3,602	2,146	
The Company	HONG JHENG TECHNOLOGY CO., LTD	Taiwan	Investing	31,778	31,778	1,600	100%	44,936	1,158	1,158	
The Company	HONG YUAN CO., LTD.	Taiwan	Investing	31,778	31,778	1,600	100%	49,037	1,259	1,259	
The Company	ATEN ANZ PTY LTD.	Australia	Trading of computer peripheral equipment	42,186	42,186	1,750	100%	21,604	1,947	1,947	
The Company	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	7,800	7,800	780	26%	4,283	(9,066)	(2,357)	
The Company	ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY	Turkey	Trading of computer peripheral equipment	17,683	17,683	2	100%	3,000	(45)	(45)	
The Company	ATEN POLAND SP Z.O. O.	Poland	Trading of computer peripheral equipment	8,295	8,295	20	100%	7,394	1,485	1,485	

(Continued)

ATEN INTERNATIONAL CO., LTD.
Notes to the Financial Statements

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Ratio of shares	Book value			
The Company	ATEN ROMANIA S.R.L.	Romania	Trading of computer peripheral equipment	5,839	-	80	100%	5,912	296	296	
The Company	ASPEED TECHNOLOGY INC.	Taiwan	Designing of Integrated Circuit	7,757	7,757	1,044	3%	84,809	830,288	25,586	
TOPMOST INTERNATIONAL CO., LTD.	ATEN EUROPE LTD.	UK	Investing	67,279	67,279	1,069	100%	126,822	21,502	21,502	
TOPMOST INTERNATIONAL CO., LTD.	I/O MASTER INC.	Samoa	Investing	9,782	9,782	700	100%	28,303	2,296	2,296	
ATEN US HOLDING INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	22,815	22,815	160	20%	6,474	(495)	(99)	
ATEN US HOLDING INC.	ATEN TECHNOLOGY INC.	USA	Trading of computer peripheral equipment	87,993	87,993	2,672	97%	20,644	(59,186)	(57,157)	
ATEN TECHNOLOGY INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	3,303	3,303	640	80%	25,895	(495)	(396)	
ATEN EUROPE LTD.	ATEN UK LTD.	UK	Trading of computer peripheral equipment	37,922	37,922	650	100%	4,006	265	265	
ATEN EUROPE LTD.	ATEN KOREA CO., LTD.	Korea	Trading of computer peripheral equipment	34,811	34,811	102	85%	127,855	28,073	28,073	
I/O MASTER INC.	ATEN CANADA TECHNOLOGIES INC.	Canada	Research and development	3	3	-	100%	36,196	2,332	2,332	
I/O MASTER INC.	IOGEAR, INC.	USA	Trading of computer peripheral equipment	3	3	-	100%	-	-	-	
ATECH PERIPHERALS INC.	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	22,066	22,066	2,220	74%	12,188	(9,066)	(6,709)	

- (c) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: thousand dollars												
Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income on investee	Direct / indirect investment holding percentage	Investment income (loss) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
EXPAND INTERNATIONAL CO., LTD. (Note 2)	Investing	21,383	(3)	21,383	-	-	21,383	2,730	100%	2,730	306,909	69,337
ATEN CHINA CO., LTD.	Trading of computer peripheral equipment	56,924	(3)	39,847	-	-	39,847	(1,488)	70%	(1,042)	47,014	86,093
ATEN FOREMOST INTERNATIONAL CO., LTD.	Manufacturing and trading of computer peripheral equipment	29,315	(3)	29,315	-	-	29,315	(16,940)	100%	(16,940)	33,188	-
EXPAND ELECTRONIC CO., LTD.	Manufacturing of computer peripheral products	67,184	(3)	34,706	-	-	34,706	2,316	100%	2,316	114,213	-

- Note 1: The method of investment is divided into the following four categories:
- (1) Remittance from third-region companies to invest in Mainland China.
 - (2) Through the establishment of third-region companies then investing in Mainland China.
 - (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
 - (4) Other methods: EX: delegated investments.
- Note 2: In response to the regulation toward processing plants in China and Chinese government's incentive rewards for processing plants turn funded enterprises, the Company's investment through third party companies to reinvest the mainland areas of existing processing plant in Shenzhen, mainland was converted to a wholly owned company (EXPAND ELECTRONIC CO., LTD.) on March 27, 2012.
- Note 3: The exchange rate is USD 1 to NTD30.1060.
- Note 4: The financial statements of the investee are audited by the auditors of the parent company. Investment gains (losses) are accounted for by the equity method.

- (ii) Limitation on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
125,251	165,583	- (Note 1)

- Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No.10720414460, and the certification is valid from May 18, 2018 to May 17, 2021. The Company has no limitation on investment in Mainland China during the abovementioned period.
- Note 2: The exchange rate is USD1 to NTD30.1060.

ATEN INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iii) Significant transactions:

Please refer to 13(a) item No. 7 for further information.

(14) Segment information

Please refer to the year 2019 consolidated financial statements.