



Stock Code: 6277

ATEN International Co., LTD

Handbook for the 2013 Annual Meeting of Shareholders

【Translation】

Meeting Time: June 17, 2013

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

Table of Contents

I. Meeting Procedure.....	P2
II. Meeting Agenda.....	P3
III. Report Items.....	P4
IV. Proposals	P14
V. Discussion.....	P24
VI. Election.....	P26
VII. Questions and Motions.....	P27
Appendix : Current Shareholding of Directors and Supervisors	P28

ATEN International Co., LTD

Procedure for the 2013 Annual Meeting of Shareholders

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

ATEN International Company, Ltd.

Year 2013

Agenda of Annual Meeting of Shareholders

Time: June 17, 2013 (Monday) at 9 a.m.

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

1. Report Items

- (1). 2012 Business Report
- (2). Supervisor's Review Report on the 2012 Financial Statements
- (3). Amendments to Rules and Procedures of the Meeting of Board of Directors
- (4). The adjustment to distributable earnings and the amounts appropriated into special reserve after the first-adoption of IFRSs

2. Proposals

- (1). Adoption of the 2012 Business Report and Financial Statements
- (2). Adoption of the Proposal for Distribution of 2012 Profits

3. Discussion

- (1). Amendment to the Rules of Procedure for Shareholder Meetings
- (2). Amendment to the Operational Procedures for Loaning of Company Funds
- (3). Amendment to the Operational Procedures for Endorsements and Guarantees

4. Election of the vacancies for One Director and One Independent Director

5. Questions and Motions

6. Adjournment

Report Item

Item No. 1

2012 Business Reports

Explanation:

The 2012 Business Report is attached as page 5-6.

ATEN International Co., LTD

2012 Business Report

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

As far as product development is concerned, ATEN has continued to provide a wide range of innovative solutions, including connectors, professional audio/video devices, and Intelligent PDU "green energy" products, to meet customers' diverse needs. In the professional audio/video equipment segment, in response to the introduction of new, more advanced interfaces for video products and the emergence of a more diversified industry environment, ATEN has launched new HDMI matrix-type integrated video solutions and signal extenders that are suitable for a wide range of different usage environments, and which provide outstandingly crisp video image quality. In the connector and management solutions segment, ATEN has continued to roll out new products with remote management functionality, while also developing a large number of new software functions, including virtual media, split-screen display mode, ID authentication, etc., to provide users with more convenience and enhanced safety. ATEN has also introduced a new control center management solution suitable for use in traffic control centers, military command and control facilities, and telecommunications control centers; this new solution expands the scope of application of ATEN products from IT control rooms to include other types of industrial application environment. ATEN's newly-developed "green energy" product line provides a comprehensive range of energy-saving solutions, including Intelligent PDUs (Power Distribution Units), energy-saving sensor software, etc. For data centers, ATEN's green energy products provide both local and remote real-time energy management and performance indicators, making it possible for existing control rooms to transform themselves into "green" control rooms in a rapid, cost-effective manner.

ATEN was the recipient of numerous awards and honors in FY2012 in recognition of its achievements in R&D and in sustainable operation. Last year, ATEN won the National Invention and Creation Award, which is presented by the Intellectual Property Office, Ministry of Economic Affairs. As part of the company's corporate social responsibility initiatives, ATEN collaborated with National Taiwan University of Science and Technology on the development of the "iListen" communication software for the hearing-impaired, which won a prestigious award at Germany's Red Dot design awards. ATEN has also continued its involvement in charitable activities, for example by sponsoring a

free public performance of the Paper Windmill theatre company's "Chicken Story" musical drama for children, encouraging ATEN employees to do volunteer work at Guandu Nature Park (and sponsoring the maintenance of taro fields), providing sponsorship for National Taiwan University of Science and Technology to develop the "iCan" app to help autistic children communicate, arranging for volunteers from ATEN to participate in the cleaning up of Fulong Beach, etc. ATEN ranked fourth in *CommonWealth* magazine's Corporate Citizenship Awards list of the Top 50 best corporate citizens in Taiwan. All of the activities and awards listed above are a reflection of ATEN's commitment to sustainable, responsible operation.

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

ATEN International Co., LTD

Chairman : Kevin Chen

President : Kevin Chen

Chief Accountant : Stephen Chen

Item No. 2

Supervisor's Review Report on the 2012 Financial Statements

Explanation:

- (1). The 2012 Supervisor's Review Report is attached as page 8.
- (2). CPA Audit Report is attached as page 9-12.

ATEN International Co., LTD

Supervisors Audit Report

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

ATEN International Co., LTD

Supervisor : Se-Se Chen
Shiu-Ta Liao
Chen- Lin Kuo

March 19, 2013

Independent Auditors' Report

The Board of Directors
ATEN International Co., Ltd.:

We have audited the accompanying balance sheets of ATEN International Co., Ltd. (the Company) as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the 2012 and 2011 financial statements for some of the investee companies with total investments of \$372,628 and \$257,050 thousand constituting 8.99% and 6.20% of the Company's total assets as of December 31, 2012 and 2011, respectively, and with investment income of \$94,644 and \$63,603 thousand constituting 16.95% and 9.97% of the net income before income tax in 2012 and 2011, respectively. The investments in these companies are reflected in the accompanying financial statements using the equity method. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards and the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of ATEN International Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing Financial Reporting for Issuers of Stock Certificates, the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Handling Business Entity Accounting", and accounting principles generally accepted in the Republic of China.

The consolidated financial statements of ATEN International Co., Ltd. and its subsidiaries as of December 31, 2012 and 2011, were prepared by the management of ATEN International Co., Ltd. Based on our audits, we expressed a modified unqualified opinion on the consolidated financial statements as of December 31, 2012 and 2011.

KPMG

March 19, 2013

Note to Reader

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

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

Independent Auditors' Report

The Board of Directors

ATEN INTERNATIONAL CO., LTD.:

We have audited the accompanying consolidated balance sheets of ATEN INTERNATIONAL CO., LTD. and subsidiaries (the Consolidated Companies) as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We have not audited the 2012 financial statements for some of the investee companies with total investments of \$52,069 thousand constituting 1% of the Company's total assets as of December 31, 2012, and with investment income of \$22,610 thousand constituting 4% of the net income before income tax in 2012. We have not audited the 2012 and 2011 financial statements for some of these Consolidated Companies with total assets of \$690,287 and \$670,772 thousand, respectively, constituting 14% for both years of the related consolidated total assets and with net sales of \$1,177,521 and \$1,187,167 thousand constituting 28% and 27%, respectively, of the related consolidated net sales. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards and the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of ATEN INTERNATIONAL CO., LTD. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing Financial Reporting for Issuers of Stock Certificates and accounting principles generally accepted in the Republic of China.

KPMG

March 19, 2013

Note to Reader

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

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

Item No. 3

Amendments to Rules and Procedures of the Meeting of Board of Directors

Explanation:

Please refer to the Chinese version of the Handbook for details.

Item No. 4

The adjustment to distributable earnings and the amounts appropriated into special reserve after the first-adoption of IFRSs

Explanation:

Please refer to the Chinese version of the Handbook for details.

Proposals

1.

Proposed by the Board

Proposal:

Adoption of the 2012 Business Report and Financial Statements

Explanation:

- (1) The Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Po-Shu Huang and Lin Wu of KPMG Firm. Also Business Report and Financial Statements have been approved by the Board.
- (2) The 2012 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached as page 5-6, page 9-12 and page 15-22, respectively.

Resolution:

ATEN INTERNATIONAL CO., LTD.
Balance Sheets
December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

Assets	2012		2011		Liabilities and Stockholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash in banks	\$ 206,652	5	267,119	7	Short-term bank borrowings	\$ 101,976	2	136,305	3
Financial assets at fair value through profit or loss – current	178,830	4	113,415	3	Financial liabilities at fair value through profit or loss – current	2,541	-	483	-
Available-for-sale financial assets – current	8,068	-	12,707	-	Notes payable	5,282	-	3,905	-
Notes receivable	295	-	208	-	Accounts payable	159,737	4	188,947	5
Accounts receivable, net	116,595	3	117,163	3	Accounts payable – related parties	58,013	2	252,966	6
Accounts receivable – related parties	411,675	10	515,679	12	Income taxes payable	28,724	1	58,076	1
Other financial assets – current	2,684	-	4,472	-	Accrued expenses	306,150	7	261,485	7
Inventories, net	234,489	6	251,976	6	Other payables – related parties	189,483	5	-	-
Prepayments	42,385	1	3,974	-	Deferred credit – gain on intercompany transactions	176,748	4	192,394	5
Deferred income tax assets – current	40,787	1	34,969	1	Other current liabilities	10,858	-	6,668	-
Other current assets	9,266	-	11,347	-	Total current liabilities	1,039,512	25	1,101,229	27
Total current assets	1,251,726	30	1,333,029	32	Other liabilities:				
Long-term equity investments :					Accrued pension liabilities	84,430	2	73,979	2
Long-term investments under equity method	1,028,528	25	898,199	22	Deposits received	1,230	-	1,015	-
Financial assets carried at cost – noncurrent	14,280	-	14,280	-	Deferred income tax liabilities – noncurrent	71,513	2	61,212	1
Total long-term investments, net	1,042,808	25	912,479	22	Other liabilities – other	157	-	-	-
Property, plant and equipment, net :					Total other liabilities	157,330	4	136,206	3
Cost:					Total liabilities	1,196,842	29	1,237,435	30
Land	765,962	19	815,341	20	Stockholders' equity :				
Land improvements	8,886	-	354	-	Common stock, \$10 par value; 150,000,000 shares authorized in 2012 and 2011, 119,471,166 shares issued and outstanding in 2012 and 2011	1,194,711	29	1,194,711	29
Buildings	498,719	12	530,821	13	Capital surplus:				
Machinery and equipment	48,410	1	49,932	1	Additional paid-in capital	316,913	8	316,913	8
Molding equipment	7,212	-	10,289	-	Donated assets	50	-	50	-
Transportation equipment	30,326	1	26,370	1	Long-term investments under equity method	8,665	-	8,772	-
Furniture and fixtures	48,621	1	43,657	1	Total other liabilities	325,628	8	325,735	8
Other equipment	12,349	-	8,503	-	Retained earnings:				
	1,420,485	34	1,485,267	36	Legal reserve	693,674	17	642,090	15
Less: Accumulated depreciation	190,811	4	179,034	4	Special reserve	14,581	-	10,006	-
Prepayments for equipment	95	-	4,597	-	Unappropriated earnings	754,032	18	748,267	18
Net property and equipment	1,229,769	30	1,310,830	32	Total other liabilities	1,462,287	35	1,400,363	33
Intangible assets:					Other stockholders' equity:				
Goodwill	44,304	1	51,304	1	Cumulative foreign currency translation adjustments	(30,825)	(1)	(15,478)	-
Deferred pension cost	1,855	-	2,163	-	Net loss not recognized as pension cost	(14,886)	-	(9,979)	-
Total intangible assets	46,159	1	53,467	1	Unrealized loss on financial instruments	(4,565)	-	(6,309)	-
Other assets:					Unrealized gain on revaluation – long-term investments under equity method	17,186	-	17,186	-
Rental assets	96,715	3	32,211	1	Total stockholders' equity	(33,090)	(1)	(14,580)	-
Idle assets	331,916	8	331,916	8	Commitments and contingencies				
Refundable deposit	328	-	230	-	Total liabilities and stockholders' equity	\$ 4,146,378	100	4,143,664	100
Deferred charges	14,450	-	15,642	-					
Restricted assets	132,507	3	153,860	4					
Total other assets	575,916	14	533,859	13					
Total assets	\$ 4,146,378	100	4,143,664	100					

ATEN INTERNATIONAL CO., LTD.

Income Statements

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012		2011	
	Amount	%	Amount	%
Operating income :				
Gross sales	\$ 2,852,042	101	2,960,130	101
Less: Sales returns	22,548	1	23,534	1
Sales discounts	<u>8,222</u>	-	<u>8,009</u>	-
Net sales	2,801,272	100	2,928,587	100
Costs of goods sold	<u>1,406,867</u>	51	<u>1,575,272</u>	54
Gross profit	1,394,405	49	1,353,315	46
Unrealized loss (gain) on intercompany transactions	<u>15,646</u>	1	<u>(49,202)</u>	(2)
Realized gross profit	<u>1,410,051</u>	50	<u>1,304,113</u>	44
Operating expenses :				
Selling expenses	310,036	11	218,928	7
Administrative expenses	358,666	12	288,268	10
Research and development expenses	<u>344,169</u>	12	<u>348,725</u>	12
	<u>992,871</u>	35	<u>855,921</u>	29
Operating income	<u>417,180</u>	15	<u>448,192</u>	15
Non-operating income and gain:				
Interest income	1,382	-	839	-
Investment income under equity method, net	126,754	5	142,266	5
Dividend income	108	-	469	-
Gain on disposal of property, plant and equipment	30	-	304	-
Gain on disposal of investments	421	-	-	-
Gain on exchange, net	-	-	20,950	1
Gain on valuation of financial assets, net	7,366	-	-	-
Other income	<u>29,235</u>	1	<u>61,262</u>	2
	<u>165,296</u>	6	<u>226,090</u>	8
Non-operating expense and loss:				
Interest expenses	1,091	-	1,694	-
Loss on exchange, net	14,906	1	-	-
Impairment loss	7,000	-	20,575	1
Loss on valuation of financial assets, net	-	-	12,477	-
Other expenses	<u>1,038</u>	-	<u>1,785</u>	-
	<u>24,035</u>	1	<u>36,531</u>	1
Net income before tax	558,441	20	637,751	22
Income tax expense	<u>76,665</u>	3	<u>121,912</u>	4
Net income	<u>\$ 481,776</u>	<u>17</u>	<u>515,839</u>	<u>18</u>
			Before tax	After tax
Basic earnings per share (expressed in New Taiwan dollars)	\$ <u>4.67</u>	<u>4.03</u>	<u>5.34</u>	<u>4.32</u>
Diluted earnings per share (expressed in New Taiwan dollars)	\$ <u>4.57</u>	<u>3.94</u>	<u>5.22</u>	<u>4.22</u>

ATEN INTERNATIONAL CO., LTD.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total unappropriated earnings	Cumulative foreign currency translation adjustments	Net loss not recognized as pension cost	Unrealized loss on financial instruments	Unrealized gain on revaluation – long-term investments under equity method	Total stockholders' equity other adjustments under	Total
Beginning balance January 1, 2011	\$ 1,194,711	319,288	584,826	-	789,531	1,374,357	(26,384)	-	(2,825)	17,146	(12,023)	2,876,333
Net income for 2011	-	-	-	-	515,839	515,839	-	-	-	-	-	515,839
Appropriation of retained earnings (1):												
Legal reserve	-	-	57,264	-	(57,264)	-	-	-	-	-	-	-
Special reserve	-	-	-	10,006	(10,006)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(489,833)	(489,833)	-	-	-	-	-	(489,833)
Adjustments arising from change in ownership percentage in investee	-	6,447	-	-	-	-	-	-	-	-	-	6,447
Cumulative foreign currency translation adjustments	-	-	-	-	-	-	10,906	-	-	-	10,906	10,906
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(9,979)	-	-	(9,979)	(9,979)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(3,484)	-	(3,484)	(3,484)
Balance as of December 31, 2011	<u>1,194,711</u>	<u>325,735</u>	<u>642,090</u>	<u>10,006</u>	<u>748,267</u>	<u>1,400,363</u>	<u>(15,478)</u>	<u>(9,979)</u>	<u>(6,309)</u>	<u>17,186</u>	<u>(14,580)</u>	<u>2,906,229</u>
Net income for 2012	-	-	-	-	481,776	481,776	-	-	-	-	-	481,776
Appropriation of retained earnings (2):												
Legal reserve	-	-	51,584	-	(51,584)	-	-	-	-	-	-	-
Special reserve	-	-	-	4,575	(4,575)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(418,149)	(418,149)	-	-	-	-	-	(418,149)
Adjustments arising from change in ownership percentage in investee	-	(107)	-	-	-	-	-	-	-	-	-	(107)
Cumulative foreign currency translation adjustments	-	-	-	-	-	-	(15,347)	-	-	-	(15,347)	(15,347)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(4,907)	-	-	(4,907)	(4,907)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	1,744	-	1,744	1,744
Change of net equity of investment under equity method	-	-	-	-	(1,703)	(1,703)	-	-	-	-	-	(1,703)
Balance as of December 31, 2012	<u>\$ 1,194,711</u>	<u>325,628</u>	<u>693,674</u>	<u>14,581</u>	<u>754,032</u>	<u>1,462,287</u>	<u>(30,825)</u>	<u>(14,886)</u>	<u>(4,565)</u>	<u>17,186</u>	<u>(33,090)</u>	<u>2,949,536</u>

Supplemental disclosure:

1: Directors' and supervisors' remuneration and employee bonuses amounting to \$10,107 and \$101,074, respectively, were deducted from the income statement.

2: Directors' and supervisors' remuneration and employee bonuses amounting to \$9,235 and \$92,345, respectively, were deducted from the income statement.

ATEN INTERNATIONAL CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 481,776	\$15,839
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	41,541	47,594
Amortization	5,346	3,386
Accrual (reversal) of allowance for doubtful accounts	32	(1,070)
Loss (gain) on obsolescence and decline in value of inventory	1,832	(2,506)
Investment income under equity method	(126,754)	(142,266)
Cash dividends from investee under equity method	14,188	17,765
Gain on disposal of property, plant and equipment	(30)	(304)
Transfer of fixed assets to expenses	37	61
Gain on disposal of available-for-sale financial assets	(421)	-
Impairment loss	7,000	20,575
Changes in unrealized loss (gain) on intercompany transactions	(15,646)	49,202
Deferred income tax expense	4,483	60,482
Net operating assets and liabilities:		
Net operating assets:		
Financial assets at fair value through profit or loss, net	(65,415)	16,985
Notes receivable	(87)	(208)
Accounts receivable	536	1,242
Accounts receivable – related parties	104,004	9,022
Other financial assets – current	1,788	24,385
Inventories	15,655	(47,785)
Prepayments	(38,411)	(268)
Other current assets	2,081	7,735
Net operating liabilities:		
Financial liabilities at fair value through profit or loss, net	2,058	334
Notes payable	1,377	(3,605)
Accounts payable	(29,210)	(96,385)
Accounts payable – related parties	(5,470)	73,528
Income tax payable	(29,352)	21,987
Accrued expenses	44,665	18,926
Other current liabilities	4,190	(4,987)
Accrued pension liabilities	5,852	4,688
Other liabilities – others	157	-
Net cash provided by operating activities	<u>427,802</u>	<u>594,352</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	6,804	-
Increase in long-term equity investments	(34,920)	(32)
Return of investment costs	-	3,904
Acquisition of property, plant and equipment	(24,439)	(35,713)
Proceeds from disposal of property, plant and equipment	30	691
Decrease (increase) in refundable deposits	(98)	21
Increase in deferred charges	(4,736)	(12,342)
Decrease in restricted assets	21,353	33,989
Net cash used in investing activities	<u>(36,006)</u>	<u>(9,482)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term bank borrowings	(34,329)	19,785
Increase in deposits received	215	324
Cash dividends	(418,149)	(489,853)
Net cash used in financing activities	<u>(452,263)</u>	<u>(469,724)</u>
Net increase (decrease) in cash and cash in banks	(60,467)	115,146
Cash and cash in banks at beginning of year	267,119	151,973
Cash and cash in banks at end of year	<u>\$ 206,652</u>	<u>\$ 267,119</u>
Supplementary disclosures of cash flow information:		
Cash payment of interest	\$ 1,091	\$ 1,694
Cash payment of income taxes	<u>\$ 101,250</u>	<u>\$ 38,804</u>
Investing and financing activities not affecting cash flows:		
Property, plant and equipment reclassified as rental assets	\$ 65,550	\$ 1,491
Differed charges reclassified as fixed assets	\$ 582	-
Changes in unrealized gain (loss) on available-for-sale financial assets	\$ 1,744	\$ (3,484)
Cumulative foreign currency translation adjustments	\$ (15,247)	\$ 10,906
Adjustments arising from change in ownership percentage in investee	\$ (107)	\$ 6,447
Change of net equity of investment under equity method	<u>\$ (1,703)</u>	<u>\$ -</u>

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars)

Assets	2012		2011		Liabilities and Stockholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash in banks	\$ 850,608	18	674,783	14	Short-term bank borrowings	\$ 434,649	9	447,929	10
Financial assets at fair value through profit or loss—current	178,830	4	113,415	2	Current portion of long-term bank borrowings	23,318	-	17,065	-
Available-for-sale financial assets—current	8,101	-	12,738	-	Financial liabilities at fair value through profit or loss—current	2,541	-	483	-
Notes receivable, net	13,301	-	18,341	1	Notes payable	12,820	-	12,195	-
Accounts receivable, net	467,759	10	518,838	11	Accounts payable	285,841	6	398,979	9
Accounts receivable—related parties	-	-	4,064	-	Income taxes payable	75,243	2	95,463	2
Other financial assets—current	3,926	-	5,924	-	Accrued expenses	505,527	11	335,644	7
Inventories, net	621,347	13	665,961	14	Other current liabilities	53,431	1	69,796	1
Prepayments	75,161	2	51,370	1	Total current liabilities	1,393,370	29	1,377,554	29
Deferred income tax assets—current	59,928	1	59,799	1	Long-term liabilities:				
Other current assets	15,337	-	14,618	-	Long-term bank borrowings	151,734	3	159,466	3
Total current assets	2,294,298	48	2,139,851	44	Reserve for land appreciation tax	37,374	1	37,374	1
Long-term equity investments :					Other liabilities:				
Long-term investment under equity method	52,069	1	90,153	2	Accrued pension liabilities	84,990	2	74,560	2
Financial assets carried at cost—noncurrent	14,280	-	14,280	-	Deposits received	2,754	-	2,226	-
Total long-term investments, net	66,349	1	104,433	2	Deferred income tax liabilities—noncurrent	71,513	2	61,212	1
Property, plant and equipment, net :					Other liabilities—other	20,114	-	19,840	-
Cost:					Total other liabilities	179,371	4	157,838	3
Land	881,555	18	941,570	20	Total liabilities	1,761,849	37	1,732,232	36
Land improvements	8,886	-	354	-	Stockholders' equity :				
Buildings	719,922	15	756,343	16	Common stock, \$10 par value, 150,000,000 shares authorized in 2012 and 2011, 119,471,166 shares issued and outstanding in 2012 and 2011	1,194,711	25	1,194,711	25
Machinery and equipment	181,262	4	179,238	4	Capital surplus:				
Molding equipment	7,395	-	10,385	-	Additional paid-in capital	316,913	7	316,913	7
Transportation equipment	40,738	1	37,025	1	Donated assets	50	-	50	-
Furniture and fixtures	145,295	4	156,699	3	Long-term investments under equity method	8,665	-	8,772	-
Leaschold improvement	10,387	-	11,977	-	Total capital surplus	325,628	7	325,735	7
Other equipment	40,713	1	36,338	1	Retained earnings:				
Revaluation increments	66,219	1	66,219	2	Legal reserve	693,674	14	642,090	14
	2,102,372	44	2,196,148	47	Special reserve	14,581	-	10,006	-
Less: Accumulated depreciation	420,530	9	400,048	8	Unappropriated earnings	754,032	16	748,267	16
Construction in progress and prepayments for equipment	35,008	1	4,612	-	Total retained earnings	1,462,287	30	1,400,363	30
Net property and equipment	1,716,850	36	1,800,712	39	Other stockholders' equity:				
Intangible assets:					Cumulative foreign currency translation adjustments	(30,825)	(1)	(15,478)	-
Goodwill	47,060	1	54,060	1	Net loss not recognized as pension cost	(14,886)	-	(9,979)	-
Deferred pension cost	1,855	-	2,163	-	Unrealized loss on financial instruments	(4,565)	-	(6,309)	-
Total intangible assets	48,915	1	56,223	1	Unrealized gain on revaluation—long-term investments under equity method	17,186	-	17,186	-
Other assets:					Total other stockholders' equity	(33,090)	(1)	(14,580)	-
Rental assets	96,715	2	32,211	1	Total shareholders' equity of parent company	2,949,536	61	2,906,229	62
Idle assets	342,213	7	342,300	7	Minority interest	81,951	2	89,232	2
Refundable deposit	6,900	-	5,690	-	Total stockholders' equity	3,033,487	63	2,995,461	64
Deferred charges	15,961	-	18,152	1	Commitments and contingencies				
Deferred income tax assets—noncurrent	74,626	2	74,186	2					
Restricted assets	132,507	3	153,860	3					
Other assets—other	2	-	75	-					
Total other assets	668,924	14	626,474	14					
Total assets	\$ 4,795,336	100	4,727,693	100	Total Liabilities and Stockholders' Equity	\$ 4,795,336	100	4,727,693	100

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Income Statements

For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012		2011	
	Amount	%	Amount	%
Operating income :				
Gross sales	\$ 4,500,333	105	4,657,523	106
Less: Sales returns	80,590	2	80,678	2
Sales discounts	<u>143,881</u>	<u>3</u>	<u>172,905</u>	<u>4</u>
Net sales	<u>4,275,862</u>	<u>100</u>	<u>4,403,940</u>	<u>100</u>
Costs of goods sold	<u>1,823,146</u>	<u>43</u>	<u>1,964,806</u>	<u>46</u>
Gross profit	<u>2,452,716</u>	<u>57</u>	<u>2,439,134</u>	<u>54</u>
Operating expenses :				
Selling expenses	1,057,129	25	866,810	20
Administrative expenses	554,701	13	524,963	12
Research and development expenses	<u>357,986</u>	<u>8</u>	<u>363,246</u>	<u>8</u>
	<u>1,969,816</u>	<u>46</u>	<u>1,755,019</u>	<u>40</u>
Operating income	<u>482,900</u>	<u>11</u>	<u>684,115</u>	<u>14</u>
Non-operating income and gain:				
Interest income	3,294	-	2,375	-
Investment income under equity method	22,610	-	18,836	-
Dividend income	108	-	469	-
Gain on disposal of property, plant and equipment	1,320	-	338	-
Gain disposal of investments	125,724	3	-	-
Gain on exchange, net, net	-	-	21,571	-
Gain on valuation of financial assets	7,366	-	-	-
Other income	<u>28,772</u>	<u>1</u>	<u>38,427</u>	<u>1</u>
	<u>189,194</u>	<u>4</u>	<u>82,016</u>	<u>1</u>
Non-operating expense and loss:				
Interest expenses	16,266	-	16,767	-
Loss on disposal of property, plant and equipment	901	-	5,244	-
Loss on exchange, net	13,554	-	-	-
Impairment loss	7,000	-	20,575	-
Loss on valuation of financial assets, net	-	-	12,477	-
Other expenses	<u>1,324</u>	<u>-</u>	<u>9,549</u>	<u>-</u>
	<u>39,045</u>	<u>-</u>	<u>64,612</u>	<u>-</u>
Income from continuing operations before tax	633,049	15	701,519	15
Income tax expense	<u>145,830</u>	<u>4</u>	<u>170,431</u>	<u>4</u>
Consolidated net income	<u>\$ 487,219</u>	<u>11</u>	<u>531,088</u>	<u>11</u>
Attribution:				
Consolidated net income	\$ 481,776	11	515,839	11
Minority interest income	<u>5,443</u>	<u>-</u>	<u>15,249</u>	<u>-</u>
	<u>\$ 487,219</u>	<u>11</u>	<u>531,088</u>	<u>11</u>
			Before tax	After tax
Earnings per share attributed to the parent company :				
Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 4.67</u>		<u>5.34</u>	<u>4.32</u>
Diluted earnings per share (expressed in New Taiwan dollars)	<u>\$ 4.57</u>		<u>5.22</u>	<u>4.22</u>

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total unappropriated earnings	Cumulative foreign currency translation adjustments	Net loss not recognized as pension cost	Unrealized loss on financial instruments	Unrealized gain on revaluation – long-term investments under equity method	Total stockholders' equity other adjustments under	Total stockholders' equity of parent company	Minority interest	Total
Beginning balance January 1, 2011	\$ 1,194,711	319,288	584,826	-	789,531	1,374,357	(26,384)	-	(2,825)	17,186	(12,023)	2,876,333	74,699	2,951,032
Consolidated net income for 2011	-	-	-	-	515,839	515,839	-	-	-	-	-	515,839	15,249	531,088
Appropriation of retained earnings (1):														
Legal reserve	-	-	57,264	-	(57,264)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	10,006	(10,006)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(489,833)	(489,833)	-	-	-	-	-	(489,833)	-	(489,833)
Adjustments arising from change in ownership percentage in investee	-	6,447	-	-	-	-	-	-	-	-	-	6,447	-	6,447
Cumulative foreign currency translation adjustments	-	-	-	-	-	-	10,906	-	-	-	10,906	10,906	(716)	10,190
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(9,979)	-	-	(9,979)	(9,979)	-	(9,979)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(3,484)	-	(3,484)	(3,484)	-	(3,484)
Balance as of December 31, 2011	<u>1,194,711</u>	<u>325,735</u>	<u>642,090</u>	<u>10,006</u>	<u>748,267</u>	<u>1,400,363</u>	<u>(15,478)</u>	<u>(9,979)</u>	<u>(6,309)</u>	<u>17,186</u>	<u>(14,580)</u>	<u>2,906,229</u>	<u>89,232</u>	<u>2,995,461</u>
Consolidated net income for 2012	-	-	-	-	481,776	481,776	-	-	-	-	-	481,776	5,443	487,219
Appropriation of retained earnings (2):														
Legal reserve	-	-	51,584	-	(51,584)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,575	(4,575)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(418,149)	(418,149)	-	-	-	-	-	(418,149)	(11,778)	(429,927)
Change of net equity of investment under equity method	-	(107)	-	-	-	-	-	-	-	-	-	(107)	-	(107)
Cumulative foreign currency translation adjustments	-	-	-	-	-	-	(15,347)	-	-	-	(15,347)	(15,347)	(649)	(15,996)
Changes in minority interest	-	-	-	-	(1,703)	(1,703)	-	-	-	-	-	(1,703)	1,703	-
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(4,907)	-	-	(4,907)	(4,907)	-	(4,907)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	1,744	-	1,744	1,744	-	1,744
Balance as of December 31,	<u>\$ 1,194,711</u>	<u>325,628</u>	<u>693,674</u>	<u>14,581</u>	<u>754,032</u>	<u>1,462,287</u>	<u>(30,825)</u>	<u>(14,886)</u>	<u>(4,565)</u>	<u>17,186</u>	<u>(33,090)</u>	<u>2,949,536</u>	<u>83,951</u>	<u>3,033,487</u>

Supplemental disclosure:

1: Directors' and supervisors' remuneration and employee bonuses amounting to \$10,107 and \$101,074, respectively, were deducted from the income statement.

2: Directors' and supervisors' remuneration and employee bonuses amounting to \$9,235 and \$92,345, respectively, were deducted from the income statement.

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 487,219	531,088
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	80,376	89,877
Amortization	6,795	5,817
Reversal of allowance for doubtful accounts	(1,225)	(4,792)
Loss (gain) on obsolescence and decline in value of inventory	10,449	(4,839)
Investment income under equity method	(22,610)	(18,836)
Cash dividends from investee under equity method	14,450	9,995
Loss (gain) on disposal of property, plant and equipment, net	(419)	4,906
Transfer of fixed assets to expenses	46	284
Gain on disposal of investments	(125,724)	-
Impairment loss	7,000	20,575
Deferred income tax expense	10,217	60,047
Net operating assets and liabilities:		
Net operating assets:		
Financial assets at fair value through profit or loss – current	(65,415)	16,985
Notes receivable	5,040	(6,159)
Accounts receivable	52,619	(6,693)
Accounts receivable – related parties	4,064	21,185
Other financial assets – current	1,998	23,737
Inventories	35,004	(76,929)
Prepayments	(23,707)	(2,440)
Other current assets	(719)	7,232
Net operating liabilities:		
Financial liabilities at fair value through profit or loss – current	2,058	334
Notes payable	625	(5,628)
Accounts payable	(113,138)	(24,412)
Income tax payable	(20,220)	42,773
Accrued expenses	169,883	42,278
Other current liabilities	(16,365)	5,431
Accrued pension liabilities	5,831	4,688
Other liabilities – others	274	5,781
Net cash provided by operating activities	<u>504,406</u>	<u>742,285</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	6,804	-
Proceeds from disposal of long-term equity investment under equity method	171,440	-
Return of investment cost	-	3,904
Acquisition of property, plant and equipment	(81,083)	(96,290)
Proceeds from disposal of property, plant and equipment	1,833	742
Decrease (increase) in refundable deposits	(1,210)	2,503
Increase in deferred charges	(5,341)	(14,069)
Decrease in restricted assets	21,353	33,989
Decrease in other assets	73	20
Net cash provided by (used in) investing activities	<u>113,869</u>	<u>(69,201)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term bank borrowings	(13,280)	55,524
Increase in long-term bank borrowings	22,000	-
Repayment of long-term bank borrowings	(16,248)	(14,873)
Increase in deposits received	528	586
Distribution of cash dividends	(429,927)	(489,833)
Net cash used in financing activities	<u>(436,927)</u>	<u>(448,596)</u>
Effects of exchange rate fluctuation	<u>(5,523)</u>	<u>8,163</u>
Net increase in cash and cash in banks	175,825	232,651
Cash and cash in banks at beginning of year	674,783	442,132
Cash and cash in banks at end of year	<u>\$ 850,608</u>	<u>674,783</u>
Supplementary disclosures of cash flow information:		
Cash payment of interest	\$ 16,266	16,767
Cash payment of income taxes	\$ 156,812	68,298
Investing and financing activities not affecting cash flows:		
Operating assets reclassified as rental assets	\$ 65,550	1,491
Differed charges reclassified as fixed assets	\$ 600	-
Changes in unrealized gain (loss) on available-for-sale financial assets	\$ 1,744	(3,484)
Cumulative foreign currency translation adjustments	\$ (15,996)	10,190
Change of net equity of investment under equity method	\$ (107)	6,447

2.

Proposed by the Board

Proposal:

Adoption of the Proposal for Distribution of 2012 Profits

Explanation:

The Board has adopted a Proposal for Distribution of 2012 Profits in accordance with Articles of Incorporation.

- (1) The proposed cash dividend to shareholders is NT\$ 394,254,848 (NT\$3.3 per share) based on the number of actual shares outstanding on the record date for distribution.
- (2) The cash dividend is distributed in accordance with the number of issued and outstanding shares registered on the Common Stockholders' Roster on the record date. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and pay date.

Resolution:

**ATEN International Company, Ltd.
PROFIT DISTRIBUTION TABLE
Year 2012**

(Unit: NTD \$)

Items	Total
Beginning retained earnings	273,958,576
Add: net profit after tax	481,776,352
Less: 10% legal reserve	48,177,635
Less: special reserve	18,509,922
Less: the change in net equity in the investee	1,702,154
Distributable net profit	687,345,217
Distributable items:	
Dividend to shareholders(NT\$3.3 per share)	394,254,848
Unappropriated retained earnings	293,090,369
Notes:	
Compensation of directors and supervisors: 8,301,776	
Employee bonus sharing: 83,017,759	

Discussion

1. **Proposed by the Board**

Discussion:

Amendment to the Rules of Procedure for Shareholder Meetings. Please proceed to discuss.

Explanation:

- (1). In order to conform to the corporate governance and to enhance the operation of the shareholders' meeting, the company hereby proposes to amend the Rules of Procedure for Shareholder Meetings.
- (2). Please refer to the Chinese version of the Handbook for details.

Resolution:

2. **Proposed by the Board**

Discussion:

Amendment to the Operational Procedures for Loaning of Company Funds. Please proceed to discuss.

Explanation:

- (1). In order to conform to amendments to related commercial laws, the company hereby proposes to amend the Operational Procedures for Loaning of Company Funds.
- (2). Please refer to the Chinese version of the Handbook for details.

Resolution:

3.

Proposed by the Board

Discussion:

Amendment to the Operational Procedures for Endorsements and Guarantees. Please proceed to discuss.

Explanation:

- (1). In order to conform to amendments to related commercial laws, the company hereby proposes to amend the Operational procedures for Acquisition and Disposal of Assets.
- (2). Please refer to the Chinese version of the Handbook for details.

Resolution:

Election

Proposed by the Board

Proposal:

Election of the vacancies for one director and one independent director.

Explanation:

1. The vacancies for one director and one independent director will be elected at 2013 annual general shareholders' meeting. Their term will start from June 17, 2013 and conclude on June 14, 2014.
2. According to article 14 of the Articles of Incorporation, the independent director shall be elected from the nomination list prepared by the company. The qualification of the nominated independent director has been reviewed by the Board meeting on May 7, 2013.

Personal information of the nominee is as follows:

Name	Education	Present position and Experience	Shareholding
Chung-Jen Chen	PhD, Rensselaer Polytechnic Institute	Associate Professor, Business Administration Department, NTU Associate Professor, Business Administration Department, NCKU Assistant Professor, Business Administration Department, NCKU Deputy Engineer, CTCI	0

Voting Results

Questions and Motions

Adjournment

Appendix : Current Shareholding of Directors and Supervisors

ATEN International Co, LTD Shareholding of Directors and Supervisors

Record date: April 19, 2013

Title	Name	Current Shareholding	Percentage
Chairman	Kevin Chen	4,049,087	3.39%
Director	Shang-Jen Chen	7,174,342	6.01%
Director	CDIB EQUITY INC.	65,660	0.05%
Director	Chen-Yu Hsiao	959,921	0.80%
Independent Director	Wei-Jen Chu	0	0.00%
Supervisor	Se-Se Chen	1,261,416	1.06%
Supervisor	Shiu-Ta Liao	1,807,897	1.51%
Supervisor	Chen-Lin Kuo	0	0.00%

Note 1: The minimum required combined shareholding of all directors by law: 10,000,000 shares.

The combined shareholding of all directors on the book closure date, April 19, 2013: 12,249,010 shares.

Note 2: The minimum required combined shareholding of all supervisors by law: 1,000,000 shares.

The combined shareholding of all supervisors on the book closure date, April 19, 2013: 3,069,313 shares.

Note 3: The shares held by independent directors and independent supervisors shall not be counted in the calculation of director and supervisor shareholdings.