

AVer Information Inc. 2013 Business Overview

TWSE: 3669



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Letter to Shareholders

Ladies and Gentlemen,

Year 2013 AVer is still in the product adjusting period, besides speeding up the development of the new products, we also conduct an internal organizational transformation into educational and commercial units, customer-oriented firm to offer our customers a more satisfying service and catch the new marketing tendency. The consolidated revenue of 2013 totaled NTD1.648 billion down 10% over 2012; the consolidated net income of 2013 was NTD47.65 million, a 226% fall over 2012; due to the aggressive investment in R&D, the consolidated gross profit margin of 2013 was kept at 53%. The result of product transformation from last year wasn't responding to our expectations, we will accelerate the distribution of accesses and the sales to thank the support from shareholders.

Although the sales from last year wasn't good, along with the release of new products, expansion of new markets and the sales strategies, we expect a different outcome based on a more complete product line and a better access in 2014.

2013 operational performance and 2014 operational plans listed below:

1. 2013 operational performance

A. 2013 operational performance and financial highlights

AVer's consolidated revenue of 2013 was NTD1,648,644 thousand, income before tax was NTD11,059 thousand, in applicable to the Statute for Upgrading Industries promote investment tax credits expire transferred to income tax - NTD58,713 thousand, net loss after tax was NTD47,654 thousand, loss per share was NTD0.50, the consolidated gross margin ratio was 53%. Under the influence of the slow economic recovery of developed countries and the transfer of education technology products in America market, it makes the consolidated revenue of 2013 a 10% shortage compared with year of 2012. In comply with rapid changes in external circumstances, apart from actively involved in new product innovation and improved to meet the needs of markets; On the other hand, we conducted an internal organizational transformation, organizational resources adjustment to provide greater flexibility to cope with rapid changes in the market and customer needs.

B. Financial statement and profit analysis

AVer runs business in solid and stable steps, which reflects in finance operational pattern.

Financial structure, solvency and profitability analysis listed as below for reference:



Description		2013	2012
Financial structure (%)	Ratio of liabilities to assets	13.75%	16.67%
	Ratio of long-term capital to fixed assets	168.29%	176.19%
Solvency (%)	Current Ratio	330.03%	282.81%
	Quick Ratio	272.96%	245.61%
Profitability	Ratio of return on total assets	-1.55%	1.20%
	Ratio of return on total stockholders' equity	-1.88%	1.43%
	Profit Ratio	-2.89%	2.07%
	Earnings per share (\$)	-0.5	0.40

C. Research & development status

AVer spends at least 10% annual turnover in R&D and proactively develops differential stages core technologies such as video camera related products to maintain the competitive advantages. Furthermore, AVer wields worldwide sales teamwork exploring preferences deepened into educational and commercial market, with the strategy of valuing both the ODM and its own brand to enhance R&D designs human-machine interface in line with the need of habitual user and casting more infrastructural studies in mechanic, optical, electronic to extend breadth and depth of life cycle of products. In addition to maintain advanced technologies, AVer values establishing Intellectual Property Rights (IPR) and knowledge management system to achieve in elevating the threshold of competition. Up to the end of 2013, AVer got more than 160 patents and another 80 more patents were on processing worldwide.

In the educational market, AVer provides a full range of highly interactive, group learning future classroom solutions to satisfy the needs of group learning, mobile teaching, distance learning and campus security management in the school. AVer kept developing HD resolution, Wi-Fi wireless visualizers, cost-effective USB visualizers, TabCam of iPad/Android tablet, recharging cart of iPad/Android tablet, AVer+ Suite software, distance learning and campus security control system, aiming to improve the connection between visualizers and internet, applying to cloud computing classroom.

In the commercial market, AVer developed a range of megapixel IP Cam, NVR, embedded hybrid DVR, and intelligent central management surveillance system products such as rugged bullet, bullet, rugged vandal bullet, vandal dome, dome, mini dome, box, cube (wired or wireless). According to the market, we provide high add-ons intelligent management solutions. The video conferencing



products designed trend toward integration and application of software and hardware to hold a meeting up to 10 sites on multi-locations. Users can communicate through meeting equipment or individual mobile facilities to meet the needs of SME/government agencies, MNCs, and global business (even between Taiwan and China).

D. Certification and award

For quality concern, AVer has passed ISO 9001(Quality Assurance System), ISO14000 (Environmental Management System), OHSAS18000 (Occupational Health & Safety Management System) and IECQ QC 080000 (Hazardous Substance Management System), ISO 28000 (Security Management System for the Supply Chain), ISO13485 (Quality Management System for medical devices), ISO14064-1 (Quantification and Reporting of Greenhouse Gas Emissions and Removals), PAS 2050 (Life Cycle Greenhouse Emissions carbon footprint)... international quality and environmental certifications. One way along with product designs, components, materials to factory processing materials are source controlled and included into all dimensional safety and environmental concerns.

Innovation part, AVer presented 2013 award winning worldwide as below:

- 1 AVer megapixel IPCam and Hybrid DVR surveillance system won the twenty-first Taiwan Excellence Award.
- 2 AVer presentation products, surveillance and video conferencing systems, nine products won the twenty-second Taiwan Excellence Award.
- 3 AVer EVC100, video conferencing system won the American Journal of Professional Education [Tech & Learning magazine] 2013 Excellence Award.
- 4 AVer EVC100, video conferencing system won the American IP Communications Magazine [Internet Telephony magazine] 2014 Internet Telephony Product of the Year Award.
- 5 AVer TabSync, tablets recharging cart won the American Journal of Professional Education [Tech & Learning magazine] 2013 Excellence Award.

2. Outline of 2013 operational plan

A. Business policy

(a) Market expansion:

***Invigorating AVer image deeply embedded into customers.**

Through a long-term investment on educational markets, AVer visualizer becomes the top brand since 1999. According to the Futursource Consulting research report indicated, AVer



visualizer was the first market share brand between 1999 to 2012 in western Europe and the U.S.. AVer is made its own brand renowned by conducting the global marketing strategies in more than 100 countries - headquarter based in Taiwan including four branch offices and twelve subsidiaries and/or local sales representatives, over 200 distributors worldwide - to build a complete and immediate localized service system and to implant AVer into people all over the world.

*** Intensifying competitive advantages, striving for valuable ODM strategic partner.**

- Recruit international talents;
- Upgrade R&D competitive ability;
- Improve production processing;
- Allying with the international well-known companies;
- Strive for the valuable ODM orders;
- Reach the economic scale as well as decreasing the cost;
- Accelerate the improvement of quality.

*** Focusing on the educational and commercial market, deepening into the market, offering our customers a satisfying operating system.**

B. Technique and product development :

Develop technique ability to strengthen AVer brand, mastering the core values of R&D through key techniques and product differentiation to highlight product value.

The key techniques development listed below:

- * Internet storage and image processing.
- * Intellectual surveillance application software development.
- * Remote collaboration function development.
- * Technique integration to product and cloud computing.
- * Low lux image color processing.
- *Development and integration of new generation video coding.

2. Future strategy plan

- A. Sustainable management looks up to excellence: Keeping market share leading insuperable, extending technology capability boundless, developing diversified business strategy.
- B. Strengthening quality requirements and core competence: Developing disruptive innovation product, integrating values chain.



- C. Worldwide recognized brand and solid services: Expanding marketing contacts worldwide, balancing revenue & profit growth, providing excellent quality and warranty service.
- D. Fulfilling corporate social responsibility and promoting public welfare activity: Promoting public security and environmental protection, intensifying corporate governance, fair value exchange.



Sincerely Yours



Chairman



II. Introduction to AVer Information Inc. & Market Overview

Introduction to AVer

AVer Information Inc. was established in January of 2008 and is a major global provider of presentation/education solutions, surveillance solutions and video conferencing solutions in design, marketing and manufacturing. Headquarter & manufacture locate in Tu-Cheng industrial area of New Taipei City, total area measurement 12,000 ping (=40,036.71 m²). AVer adopts advanced automation SMT, cell unit production lines highly raising production flexibility and efficiency. AVer focuses on R&D innovation and branding business there are total 550 people work for AVer domestic and oversea, R&D staff occupies more than 30% , 18% oversea staff who are mainly responsible for localized marketing & customer service.

Under AVer, there are two segments, educational and commercial unit. Through innovatively integrating video technology, electronics, optics, RF/wireless technology, software application and industrial design capabilities provided high efficient solutions and satisfied diverse needs of customers. AVer sales its owned brand and ODM products by subsidiaries marketing forces of America, China, Japan, Holland and branches of Britain, France, Spain and distributors all over Europe, America, Asia, Middle East, Australia, New Zealand ... more than 100 countries.

According to one market survey of Futuresource, AVer has striven hard in educational market and bloomed on the international stages by AVer visualizer (document camera) achieved the first market share in America and West Europe for continuous 4 years from 2009 to 2012. AVer products have received credibility of iF Product Design Award (Germany), Reddot Design Award (Germany), G-Mark Design Award (Japan), CES (Consumer Electronic Show) Innovation Award (America), Worlddidac Award (Switzerland), Computex Taipei Design & Innovation Gold Award, Taiwan Excellence Gold, Silver Award.

AVer Information Inc. was on stage by Taiwan Stock Exchange Corporation (TWSE) in August, 2011 with the ticker number of 3669.

R&D and patent

In 2013, AVer spent over 19% of annual turnover in R&D. The core techniques are according to short, medium, long term plans to accelerate new products and technologies development in comply with markets need. AVer has put efforts on establishing Intellectual Property Rights and knowledge management system. AVer targets to get at least 16 invention patents among Europe, the US, Japan, China... etc. by 2014. In ceaseless casting R&D expenditures to approach unique technologies, we hope to maintain our technology leading position and preserve the fruits of R&D.

Presentation products unit set up the short, medium terms target in educational market. Improve the connection of visualizers and internet equipped toward cloud computing classroom and position AVer as a service provider. In respond to popular application of iPad or Android, a new generation of iPad A+ app and Android app developed to support TabCam. While recording down one whole course, it's handy to edit/annotate on images and save easily for remote up/down loading, it all depends on the unique update A+ app to make teachers happily with half work but double effects. The surveillance products, AVer consistently focused on Megapixel IP Cam, NVR, embedded hybrid DVR, intelligent



central management system researches providing customer-tailored, high add-ons intelligent management solutions. The video conferencing products are kept improving the application design and integration of software and hardware. Users can communicate through multi-site meeting facilities or by individual mobile conference.

As a leading supplier in the industry for years, the innovative R&D events are presented as below:

Year	Event
2006	◆ First 3.2-megapixel portable visualizer
2007	◆ First 5 -megapixel platform visualizer
2009	<ul style="list-style-type: none"> ◆ First interactive pen to integrate features from wireless slates, wireless presenters, interactive voting systems and interactive whiteboards ◆ First 32-channel PCI-e 4x capture card at D1 resolution ◆ First 4-channel wireless NVR ◆ First full GUI Linux embedded hybrid DVR
2010	<ul style="list-style-type: none"> ◆ First HD video conferencing system with direct A/V recording ◆ First portable visualizer with one-touch recording
2011	◆ First portable visualizer to feature onboard annotation
2012	<ul style="list-style-type: none"> ◆ First 3.2-megapixel, standalone wireless visualizer ◆ First protocol bridge for VC-Skype™ integration
2013	◆ First wireless visualizer with image capturing and video streaming for tablet teaching

2013 Outstanding technologies or products:

- 1 Megapixel IP Cam, AVer SF2121H-R won the 2013 Taiwan Excellence Award honors.
- 2 Hybrid NVR, AVer IWH5416 TouchII won the 2013 Taiwan Excellence Award honors.
- 3 The full range of megapixel IP Cams was put into mass production in the third quarter of 2013.
- 4 The launching of E5016H full graphical embedded hybrid NVR and the E5016 full graphical embedded digital surveillance systems.
- 5 Video conferencing system, AVer EVC100/130 was put into mass production in the fourth quarter of 2013.
- 6 The release of tablet and notebook recharging / sync cart.
- 7 New generation of CM5000 central management system was officially launched.

Market Overview

AVer is an export-oriented maker not only in supply but also provides after-care services to elevate services level, AVer set up sales and after-care services chain in major marketplace one by one



through America, Germany, Britain, Spain, France, Holland, Japan, S. Korean, Thailand, Russia and China by adopting localized marketing and services to cope with each local culture. The marketing network force is strengthened in shipment & needs forecast expediting delivery to customers timely and satisfactory after-care services.

AVer runs stable development with excellent technologies and competitive pricing policy into surveillance, presentation market. New video conferencing system with superior quality and competitive prices penetrate into the market. In facing drastic competition worldwide daily, AVer aggressively focuses on innovation R&D creating unique quality, outstanding functions products and marketing dual-strategy of owned brand "AVer" & ODM capability to get long lasting and higher market share.

In future, presentation and educational related products adopting mobile devices will be prevail among classrooms at an explosive pace. More and more teachers are using iPad or Android Tab as a means of teaching or learning, which is different from the habitual teaching and learning method. Tablets will be popularized in classrooms. The school teaching tools reformation represents the market of visualizers will be reset - TabCam and charging cart product lines will unfold to dynamic grow no matter in shipments or sales.

For surveillance device, worldwide market sales activities mainly play on the U.S. and Europe - even though products reached its maturity stage; whereas in the developing countries, after economic taking off, step in the need for security mounting day by day. To worldwide sales a stable growth for 10-15% annually (quoted from IMS research 2012). Attributing to HD resolution camera elevates the quality of surveillance device image. According to IMS research, IP surveillance market entirety will keep at 24.5% and above yoy till 2014 and reach to 7 billion US dollars; also for the IP Cameras compound growth rate reached 27% for the past few years to 4 billion US dollars in 2014. Now AVer relies on its techniques and self-owned brand to replicate the quality values of DVR to IP Camera/NVR. Ensure IP Camera/NVR keeping techniques advantages assist by the core technology competence of hardware and software.

Recently, oil price became rocket high, under the circumstances of decreasing unnecessary meeting travel expenses and promoting the enterprise performance, video conferencing in the overall industry presented at least 2 digit figures annual compound growth rate no matter in shipments or sales records since 2003. Assuming the meeting room system takes 80% of production value from the whole industry, major makers are European, American, and Japanese occupy totally around 80% market share. Viewing the future prospects, video conferencing system has vast unexploded potential. Yearly 300 thousand units shipments of video conferencing system compared to the scale of commercial use projector market (commercial use projector worldwide shipments around 2 million 150 thousand units in 2012) there are rooms to strive for. Assisted by the price cut and popularity of broadband networking, and echoing with original networking effect - video conferencing system attracts not only large multinational incorporates also increasingly small-medium sized enterprises, the potential is hard to overlook. AVer put the first generation video conferencing system on stage in 2011 Q4 won out by products property excellent and price advantage gained clients of small- medium sized enterprises. After-3 year hard working on the products and its access distribution, it started to build the reputation on the market little by little, the selling number is gradually climbing at the same time.



III 、 Corporate Governance

Board of directors

AVer Information Inc. consists of seven directors, three of the seven members are independent directors:

- Mr. J. T. Lin (known as Henry Lin)–Chief Financial Officer (CFO) of Wistron Corporation, a professional specialist of finance & accounting with degree of Executive Master Business Administration (EMBA) of National Taiwan University (NTU Taiwan), International Business;
- Mr. Chung-Chi Tsai –Partner and Vice President of iD Branding Ventures Inc. with degree of Executive Master Business Administration (EMBA) of National Taiwan University (NTU Taiwan), International Business;
- Mr. Yao-Ching Hsu – Principal Attorney, Yuan Ching Law Firm, with degree of Master of Laws of Cornell University USA.

The independent directors have a great breadth of practical experiences of financial, accounting, branding management in hi-tech industry.

The duties of board of directors are to provide guidance in direction and strategy of the company business, to supervise operational performances and abide by relevant laws & regulations, to prevent conflict of interested parties. Every director has practical and abundant experiences in industrial, branding, financial management and is dedicated to AVer creating not only substantial help but also the highest profit for all the shareholders.

Audit Committee and Compensation Committee

The audit committee is set up in accordance with the regulations of Securities and Exchange Act (SEA) the members are comprised of all three independent directors, one of them should be specialized in accounting or financial field and holds a meeting once quarterly the least. The responsibilities of the audit committee are empowered by relevant laws & regulations and assisting board of directors carry out supervision, which includes financial statement, internal control system, complying with regulations and laws relevant, existing or potential risk control, transactions of major assets or derivative financial products, major capital loans or endorsement, offering or issuance of any equity-type securities, hiring /dismissal or payments of an attesting CPA, appointment/discharge financial, accounting or internal auditor officers.

The compensation committee is empowered in accordance with the regulations of Securities and Exchange Act and relevant laws & regulations to fulfill its duties of assisting the board of directors assesses compensation and benefit policies of company, compensation of directors and executives by referring to the industry level, nature and company sales feature. The members of compensation committee are comprised of three persons, one is independent director and the rest are assigned by the decision of the board of directors. The convener – is one of the independent directors and elected by the compensation committee to hold meeting twice a year at least.



IV 、 Operational Highlights

Business Scope

1. Products (Services)

A. Presentation Product:

The world's first visualizer presenting machine combined of video conversion processing, digital image capture and a variety of cutting-edge technology such as magnification. For the increasing popularity of Android tablet and iPad which is valued by the future classroom technology trend, AVer developed a new generation of visualizer-TabCam, wirelessly send live video to iPad and Android tablet, with self-developed interactive educational software on iOS and Android platforms that provide educational presentations market a complete solution.

For iPad and Android tablet, AVer also developed tablet and notebook recharging cart, providing intelligent teaching a more comprehensive solution.

B. Surveillance Products:

From embedded digital video surveillance systems support for traditional analog cameras, to the hybrid DVRs and a full IP digital video surveillance systems, and digital surveillance cameras..., AVer allows customers to choose to connect to a traditional analog camera or a new IP camera. Hybrid DVR and a full IP digital video surveillance system support most manufacturers produced IP cameras, which can meet different needs of different customers. In addition, all surveillance systems are combined with the intelligent image analysis techniques, which makes the passive surveillance system converted into an active protection-warning device. While developing remote central control systems, it can manage more than 1,000 surveillance devices also to provide remote monitoring and portable monitoring functions, such as monitoring at any time for each surveillance system through iPhone and Android phones.

As for IP cameras, AVer also offers a variety of models with hybrid DVR and full IP digital video surveillance systems to provide a complete and economical solution.

C. Video Conferencing Solution:

Video conferencing system is currently equipped with a 5 megapixel or Full-HD PTZ camera offers Full-HD 1080p resolution and 30fps video playback rate to meet the need of a smooth and sharp, real-time image; ten-site connections and multiple video services is available to show live video through the visualizer, one-touch video recording of the meeting can be completed quickly. Besides, it's equipped with free multi-function software tools for iPhone, iPad 2 and Android mobile devices transforming into a second remote control, it can also share images with participants instantly; Screen Share can share files in the computer with participants through Wi-Fi which makes the discussion more efficient.

2. R&D Projects Plan

Presentation series



Presentation/Education unit set up the short, medium terms target in educational market. It's been developing constructively HD resolution Wi-Fi wireless visualizers, cost-effective USB visualizers, and AVer+ software to improve the connection of visualizers and the internet equipped toward cloud computing classroom and positioning AVer as a service provider. As the trend of one to one interactive teaching mode matures, and in response to the new trend of the future e-learning environment, the tablets will be accepted and widely used in schools. AVer will focus on creating more hardware and software solutions, such as TabCam and interactive teaching software to run on iPad and Andriod tablet, and notebook/tablet recharging carts, are all the focus of future development of AVer.

Surveillance series

With the growing demand for IP-based applications, AVer will be more focused on providing IP solutions include IP cameras, NVR (Network Video Recorder), central monitoring systems and mobile monitoring software, and the application needs of markets, providing a complete solution. In addition, the overall performance of IP cameras and NVR integration including video streaming, audio streaming capabilities with intelligent software applications, are also the future direction of AVer.

Video Conferencing solutions

AVer looks to video conferencing system toward integration of software, hardware and application design as well; explores multi-connection video conferencing system to the field of commercial, educational, medical treatments, etc. The developed products are:

A. High efficiency video conferencing solutions:

Through years of solid video technologies accumulated and advantage of experiences in Taiwanese management, AVer has launched high Performance-to-Price Ratio (PPR) video conferencing solution. It differentiates application market among competitors and is expected striving toward popularity in small-medium sized enterprises.

B. Entry -level video conferencing solutions:

AVer evaluated conference room in general conditions of being used by small-medium sized enterprises and large scale enterprises, employed unique video/audio compression technology decreasing unnecessary hardware to the minimum. It is providing economic solutions for potential customers and indicating a miniaturized structure evolvement as well. The video conferencing solutions are applied more than commercial use and under profitable basis turn to customer-made special application market.

Others

- A. By adopting high level designed ASIC and exploring ASIC to all kinds of video processing techniques to decrease cost of key components.
- B. Accelerating R&D for new product, exploring new technology and investing to build up computerized system of intellectual property rights and knowledge management.



V. Corporate Social Responsibilities

AVer' Responsibilities and Commitments

AVer' guiding principles of corporate social responsibilities meet relevant laws and regulations requirements of every country and international society reflecting the corporate culture values of "human-oriented, self-reflection, self-transcendence, honesty & integrity" and management concept of "attitudes of being down to earth, value creation, self-devotion, service to society". AVer bases on sustainable management and development and describes the guiding principles as below:

1. **Safeguard consumer rights & interests:** AVer bases on the concept of "customer-oriented" developing the needed products and services and also stands against personal data by keeping to the spirit of personal data protection and relevant laws & regulations of every country.
2. **Employment rights and employee relationship:** AVer respects employee, puts human-oriented first, safeguards employee rights and interests, strengthens relationship between employer & employee and expects to set up a safety, health, non-sexual harassment, no discrimination, fair & equitable treatment work environment.
3. **Partnership & fair trade:** AVer cautiously selects partners (such as suppliers and distributors) and cares them by establishing a ground of mutual trust & benefit to a long term relationship meanwhile, values market function on free competition, and abides by the fair trade & competition of relevant laws & regulations of every country.
4. **Innovation encouragement and safeguard Intellectual Property Rights:** AVer proactively encourages innovation and protects company' Intellectual Property Rights (IPS) and stands to IPS protection of the relevant laws & regulations of every country and international society.
5. **Tax-paying, equity of shareholders & corporate governance :** Paying tax according to laws is one positive ways of creating company value and stable growth to keep shareholders' long term interests by providing shareholders and investors in time, transparent, open, and creditable information.
6. **Maintain environmental sustainability:** AVer pursues sustainable growth and dedicates to tune it with environment. Except keep to relevant laws & regulations of environmental protection more emphasis on technology innovation, design and manufacture green products of low pollution, low energy consumption. AVer' staff are encouraged participating in environmental protection activities and cooperating with other organizations or individual to fight for the Earth and living environment.
7. **Establishing harmony & healthy social community relationship:** AVer respects local culture, customs & historic inheritance, participates local social community activities, cares about the disadvantage groups and appropriately contributes and feedback to society to play a good role of corporate social responsibility.
8. **Social care & participation:** AVer bears with service mind actively gets public welfare activities moving and cares about educational, cultural and scientific developments to achieve the mission of " being a corporate fulfill its contribution to society" °



Green Commitment

AVer Information Inc. founded in 2008 since then implemented RoHS (Restriction of Hazardous Substance Directive), adopted lead free components and clean production process step by step received lots of Green Partner Certifications and met the WEEE (Waste Electrical & Electronic Equipment Directive) requirements to synchronize using the latest materials with trend-setting production process. Moreover, the product specification design is local concerned in low energy consumption, electromagnetic compatibility and safety all comply with the requirements of relevant laws and regulations.

In management system, AVer received ISO 9001 (Quality Assurance Management), ISO 14000 (Environmental Management), IECQ QC 080000 (Hazardous Substance Process Management), ISO 28000 (Security System Management on Supply Chain), ISO13485 (Quality Management System for Medical Devices), ISO 14064-1 (Organization Level of GHG Emission Reduction), PAS 2050 (Product Carbon footprint) ...etc. international certification as well as set up green supply chain management system to well curb the source.

Energy saving and environmental protection

Production process of AVer generates 99.67% carbon dioxide - greenhouse emission - mainly comes from computer, machine & equipment. Therefore, energy saving improvement is focused on scenario planning in air-conditioning, electricity, illuminations to achieve the purpose of saving energy & carbon deduction.

Occupational security and health

AVer puts people-oriented first under the thought of people is the most important asset of the corporate and also one of the dynamic powers of corporate growth and cares to health and safety of staff by adopting OHSAS 18000 (Occupational Health & Safety Assessment series) to improve working environment, rise up satisfaction of staff and reduce accidental risk to well-protected assets of corporate.

Social Care

Caring Education

By receiving education is the solution to get rid of poverty cycle. AVer dedicates to develop interactive-teaching products meanwhile holds creative teaching competitions among primary & junior high schools in elevating teaching quality, efficiency and fun. Moreover, a call for internal staff volunteers to participate the long term programs such as accompanying-study with the children of disadvantage families and hope of reading program - promoted by CommonWealth Magazine... etc.

Caring Environmental Protection

By echoing the activity of『clean up the world』promoted by Good Neighbor Foundation – on Saturday of the 3rd week in September annually – under the spirit of caring, support community and environmental protection, AVer called for staff and their family actively participate the clean up activity, furthermore, extended the caring spirit to worldwide subsidiaries since 2009. Internal holds eco-volunteers courses as well leading people through explication and participation to love the Earth.



Caring Native Agriculture

AVer expects to imitate farmer spirit of being down to the earth and feeling how hardship cultivation to be and risks of the nature. AVer echoes the sales activities of native agriculture products recommended by charitable organizations through buying to support Taiwanese native agriculture.

Volunteers Serving Hour and Leave System

AVer has implemented “the volunteers serving hour and leave system” and encourages staff by devoting themselves to help disadvantage groups, up to now AVer encourages all of the staff to achieve the least half day service every year. Staff selects charitable organizations whatever they wished to serve and accumulate their service hour – it’s an activity according to personal interest and specialty to serve in a long term basis.

AVer is a part of society participating public welfare and caring social community are the responsibilities of the corporate. Following by the corporate growth, AVer will be more capable to serve and give caring and support to the society.



VI. Financial Statements

AVer Information Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND 2012

(In Thousands of New Taiwan Dollars)

ASSETS	2013.12.31		2012.12.31	
	Amount	%	Amount	%
CURRENT ASSETS :				
Cash and cash equivalents	\$ 815,507	29	\$ 993,364	32
Financial assets at fair value through profit or loss	50,989	2	50,361	2
Notes receivable	4,593	-	1,764	-
Accounts receivable, net	151,054	5	186,492	6
Other receivables	9,059	-	5,150	-
Inventories	206,120	7	166,168	5
Other current assets	18,460	1	34,660	1
Total current assets	1,255,782	44	1,437,959	46
Property, plant and equipment	1,482,353	51	1,477,006	48
Investment property	74,013	3	74,859	2
Computer software	10,225	-	16,496	1
Deferred income tax assets	33,986	1	76,362	2
Other noncurrent assets	18,731	1	28,066	1
Total noncurrent assets	1,619,308	56	1,672,789	54
Total	\$ 2,875,090	100	\$ 3,110,748	100



LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES :				
Financial liabilities at fair value through profit or loss	\$ 324	-	706	-
Accounts payable	195,870	7	154,670	5
Income tax payable	5,517	-	905	-
Provisions- current	1,528	-	2,457	-
Other payables	171,366	6	143,733	5
Current portion of long-term bank loans	-	-	200,000	7
Other current liabilities	5,898	-	5,981	-
Total current liabilities	380,503	13	508,452	17
OTHER LIABILITIES :				
Provisions- noncurrent	9,417	1	8,934	-
Others	5,473	-	1,327	-
Total other liabilities	14,890	-	10,261	-
Total liabilities	395,393	14	518,713	17
AVER'S EQUITY :				
Capital stock	982,370	34	982,370	32
Capital surplus	776,642	27	776,642	25
Retained earnings :				
Legal reserve	192,167	7	188,083	6
Special reserve	30,107	1	13,559	-
Unappropriated earnings	536,160	18	651,108	21
Total Retained earnings	758,434	26	852,750	27
Others	(11,785)	-	(16,519)	-
Treasury stock	(25,964)	(1)	(3,208)	-
Total shareholders' equity	2,479,697	86	2,592,035	83
Total equity	2,479,697	86	2,592,035	83
Total	\$ 2,875,090	100	3,110,748	100



AVer Information Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 1,648,644	106	1,829,110	100
OPERATING COSTS	779,339	47	840,703	46
GROSS PROFIT	869,305	53	988,407	54
OPERATING EXPENSES :				
Marketing	484,602	29	487,987	27
General and administrative	84,746	5	94,717	5
Research and development	306,142	19	344,487	19
	875,490	53	927,191	51
INCOME FROM OPERATIONS	(6,185)	-	61,216	3
NON-OPERATING INCOME AND EXPENSES :				
Other income	13,819	1	17,600	1
Other gains and losses	5,117	-	(2,871)	-
Finance costs	1,692	-	2,816	-
Total non-operating income and expenses	17,244	1	11,913	1
INCOME BEFORE INCOME TAX	11,059	1	73,129	4
INCOME TAX EXPENSE	58,713	4	35,240	1
NET INCOME	<u>\$ (47,654)</u>	<u>(3)</u>	<u>\$ 37,889</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences arising on translation of foreign operations	4,763	-	(16,548)	(1)
Income tax benefit (expense) related to components of other comprehensive income	(29)	-	29	-
Other comprehensive income (loss) for the period, net of income tax	4,734	-	(16,519)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ (42,920)</u>	<u>(3)</u>	<u>\$ 21,370</u>	<u>1</u>
NET INCOME (LOSS) ATTRIBUTABLE TO Shareholders of the parent	<u>\$ (47,654)</u>	<u>(3)</u>	<u>\$ 37,889</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO Shareholders of the parent	<u>\$ (42,920)</u>	<u>(3)</u>	<u>\$ 21,370</u>	<u>1</u>
Basic earnings per share	<u>(\$ 0.5)</u>		<u>0.4</u>	
Diluted earnings per share	<u>(\$ 0.5)</u>		<u>0.4</u>	

The accompanying notes are an integral part of the consolidated financial statements.



(02)

AVer Information Inc and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus	Retained Earnings				Others		Total
			Legal Reserve	Special Reserve	Unappropriated earnings	Total	Cumulative translation adjustment	Treasury stock	
BALANCE, JANUARY 1, 2012	\$ 982,370	776,642	167,672	27,179	767,365	962,216	-	(195)	2,721,033
Appropriations of prior year's earnings									
Legal Reserve	-	-	20,411	-	(20,411)	-	-	-	-
Revolve Special Reserve	-	-	-	(13,620)	13,620	-	-	-	-
Cash dividends	-	-	-	-	(147,355)	(147,355)	-	-	(147,355)
Net income in 2012	-	-	-	-	37,889	37,889	-	-	37,889
Other comprehensive income in 2012, net of income tax	-	-	-	-	-	-	(16,519)	-	(16,519)
Total comprehensive income in 2012	-	-	-	-	37,889	37,889	(16,519)	-	21,370
Treasury stock	-	-	-	-	-	-	-	(3,013)	(3,013)
BALANCE, DECEMBER 31, 2012	982,370	776,642	188,083	13,559	651,108	852,750	(16,519)	(3,208)	2,592,035
Appropriations of prior year's earnings									
Legal Reserve	-	-	4,084	-	(4,084)	-	-	-	-
Special Reserve	-	-	-	16,548	(16,548)	-	-	-	-
Cash dividends	-	-	-	-	(46,662)	(46,662)	-	-	(46,662)
Net income in 2013	-	-	-	-	(47,654)	(47,654)	-	-	(47,654)
Other comprehensive income in 2013, net of income tax	-	-	-	-	-	-	4,734	-	4,734
Total comprehensive income in 2013	-	-	-	-	(47,654)	(47,654)	4,734	-	(42,920)
Treasury stock	-	-	-	-	-	-	-	(22,756)	(22,756)
BALANCE, DECEMBER 31, 2013	\$ 982,370	776,642	192,167	30,107	536,160	758,434	(11,785)	(25,964)	2,479,697

The accompanying notes are an integral part of the consolidated financial statements.

AVer Information Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES :		
Income before income tax	11,059	73,129
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	89,981	86,770
Amortization	15,813	17,380
Provision for (recovery of) loss on inventories	(12,474)	(8,326)
Loss (gain) on foreign exchange, net	7,357	(15,972)
Interest income	(5,696)	(7,605)
Property, plant and equipment transferred to expense	1,679	2,166
Provision for (recovery of) doubtful accounts	(291)	(927)
Finance costs	1,692	2,816
Provisions	1,582	(5,158)
Loss on disposal of assets, net	(231)	693
Net changes in operating assets and liabilities :		
Available-for-sale financial assets	(1,010)	141,152
Notes receivable	(2,829)	(970)
Accounts receivable	36,911	(9,839)
Other receivables	(3,977)	14,904
Inventories	(27,723)	65,609
Other current assets	15,659	(6,823)
Accounts payable	41,331	8,858
Other payable	30,017	(69,258)
Other current liabilities	(120)	(836)
Other noncurrent liabilities	4,171	(8,905)
Other liabilities	<u>(2,031)</u>	<u>8,450</u>
Cash generated from operations	<u>200,870</u>	<u>287,308</u>
Income taxes paid	<u>(11,350)</u>	<u>(25,932)</u>
Net cash generated by operating activities	<u>189,520</u>	<u>261,376</u>

CASH FLOWS FROM INVESTING ACTIVITIES :



Acquisition of property, plant and equipment	(97,121)	(181,698)
Proceeds from Disposal of Property, Plant and Equipment	710	2,353
Decrease(increase) in refundable deposits	3,504	(5,450)
Increase in deferred charges	5,775	7,605
Acquisition of intangible assets	<u>(5,211)</u>	<u>(10,787)</u>
Net cash used in investing activities	<u>(92,343)</u>	<u>(187,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of Long-term Debt	(200,000)	(200,000)
Cash dividends	(46,662)	(147,355)
Increase in treasury stock	(22,756)	(3,013)
Interest paid	(1,692)	(2,816)
Net cash (used in) provided by financing activities	<u>(271,110)</u>	<u>(353,184)</u>
Effect of exchange rate changes	<u>(3,924)</u>	<u>9,821</u>
NET (DECREASE)INCREASE IN CASH	(177,857)	(269,964)
CASH,BEGINNING OF YEAR	<u>993,364</u>	<u>1,263,328</u>
CASH,END OF YEAR	<u>815,507</u>	<u>993,364</u>

The accompanying notes are an integral part of the consolidated financial statements.



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