

AVer Information Inc. 2014 Business Overview

TWSE: 3669



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Letter to Shareholders

Ladies and Gentlemen,

AVer Information Inc. is a major global provider of intelligent education, smart office and intelligent retail solutions. Our product portfolio includes Document Cameras, IP Cameras, PTZ Cameras, HD Video Conferencing solutions and Tablet Sync and Charge Carts and etc. We focus on our self-owned brand from product design, R&D to manufacturing. Our products are sold in over 100 countries in the world. We offer multiple smart solutions to satisfy the needs of our customers through our technique innovation and excellent quality.

The US market has been recovering recently, and we decided to make the company transition into market-oriented service company, in order to grow deep into the application market. The new products and the new developed intelligent education and smart office solutions are having effectiveness by putting in new energy.

The consolidated revenue of 2014 totaled NTD 1,825,611 thousand upward 11% over 2013; the consolidated income of 2014 was NTD 21,010 thousand, a 144% increase over 2013. This year with a more stable development on our product solutions and our channel deployment, we expect a greater outcome to thank our shareholders supports.

2014 operational performance and 2015 operational plans listed below:

1. 2014 operational performance

A. 2014 operational performance and financial highlights

AVer's consolidated revenue of 2014 was NTD 1,825,611 thousand, income before tax was NTD 37,151 thousand, net income was NTD 21,010 thousand, earnings per share was NTD 0.20, the consolidated gross margin ratio was 49%. AVer is an export-oriented maker, therefore under the influence of the economic recovery of developed countries such as USA, Europe and Japan. It makes the consolidated revenue of 2014 a 11% increase compared with year of 2013. 2014 is the time of IoT, Internet of Things, which makes AVer put in effort on finding solutions for software and hardware services in order to offer our clients a more convenient, smart and satisfying service.

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		2014	2013
Financial structure (%)	Ratio of liabilities to assets	14.13%	13.75%
	Ratio of long-term capital to fixed assets	178.76%	168.29%



Solvency (%)	Current Ratio	348.12%	330.03%
	Quick Ratio	289.30%	272.96%
Profitability	Ratio of return on total assets	0.72%	-1.55%
	Ratio of return on total stockholders' equity	0.84%	-1.88%
	Profit Ratio	1.15%	-2.89%
	Earnings per share (\$)	0.20	-0.5

C. Research & development status

AVer spends at least 10% annual turnover in R&D and proactively develop differential stages core technologies such as integration of mechanic, optical, electronic, video and audio processing, internet communication, industrial design and etc. So far we have developed visualizer (document camera), tablet sync/charge cart, interactive teaching software, video conferencing, IP Cam, intelligent retail solution to maintain the competitive advantages. Furthermore, AVer wields worldwide sales teamwork exploring preferences deepened into application market, reflecting our clients' needs. With the strategy of valuing both the ODM and OBM to enhance R&D on 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. AVer protects our research achievement by the law, and assure our leading role. Up to the end of 2014, AVer got more than 180 patents and another 66 more patents were on processing worldwide.

Intelligent education solution, in 2014 AVer provides full dimensional, highly interactive, group learning future technology classrooms to satisfy the needs of flipped teaching, group learning, mobile teaching, distance learning in the school. AVer kept developing HD resolution, Wi-Fi wireless visualizers, cost-effective USB visualizers, charging cart of iPad/Android tablet, AVer Sphere2/AVer ClassSend software and distance learning system, aiming to improve the connection between visualizers and internet, applying to cloud computing classroom.

Intelligent retail solution, AVer developed a range of megapixel IP Cam, NVR, embedded hybrid DVR, and **Intelligent video analytics solution** products. According to the market, we provide high add-ons intelligent management solutions, for example, the monitoring system of retail store and ATM banking.

Smart office solution, 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, offering real-time full HD 1080p video streaming and content sharing as well as a full HD 16X PTZ camera, microphone array. 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. Certificates and awards

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 2014 award winning worldwide as below:

1. AVer named one of the 20 most Promising Education Technology Solution Providers of 2014 by CIO Review Magazine in the U.S.
2. AVer video conferencing systems, AVer EVC130/130P/300/900 won MIT Award, certifying 100% Made in Taiwan.
3. AVer Chrome40C charge cart and Sphere2 & ClassSend software named Best of Show at ISTE in the U.S.
4. AVer's L12i charge cabinet won coveted Red Dot award in Germany.
5. AVer EVC100 video conferencing endpoint won Internet Telephony Product of the Year Award in the U.S.
6. AVer EVC130 video conferencing system won Taiwan Excellence Silver Award.
7. AVer EVC130 video conferencing system, Tablet solutions - TabCam and TabSync, the F55 visualizer, two Rugged Series IP cameras FV3028-RTM and FB3028-RT2, the FX3000-R box IP camera as well as two NVRs - E5016 pure NVR and E5016H hybrid NVR won the 22nd Taiwan Excellence Awards 2014 against a field of 1281 entries.

2. Outline of 2014 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 300 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 intelligent educational, smart office and intelligent retail vertical market, deepening into the market, offering our customers a satisfying solution.**
- * **Maintaining the leading role of smart campus products in developed countries such as USA and Europe, developing medium and low priced products by copying the successful experience from them on newly developed countries and new application market.**
- * **Proactively developing the vertical application market of Intelligent video analytics solution. Set up service spots in important countries, offering customers fast and satisfying services. Focus on SMEs smart offices to provide warranties and software updates ahead of the industry.**

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.
- * Charging technology.
- * IoT related technologies.

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 郭聖松



II. Introduction to AVer Information Inc. & Market Overview

Introduction to AVer

Established in January of 2008, AVer's operations include the development, design, manufacturing and global marketing of AVer products over 100 countries. AVer is a major global provider of education, smart office and intelligent retail solutions as well as of ODM & OEM services. A perennial international award-winner, AVer has consistently employed technological innovation to create successful high-quality solutions that bring tangible benefits to all kinds of customers.

Headquarters & manufactory are located in Tu-Cheng industrial area of New Taipei City. 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 520 people work for AVer domestic and oversea, R&D staff occupies more than 30% and investing over 10% of annual turnover in R&D. Having the strength of technique integration and product design, AVer got 180 patents on different platforms. Not only do we get compliments, but we also won several international awards includes iF Product Design Award (Germany), Reddot Design Award (Germany), G-Mark Design Award (Japan), CES (Consumer Electronic Show) Innovation Award (America), and Taiwan Excellence Gold, Silver Award (Taiwan).

In order to satisfy our customers' needs, we offer intelligent solutions with innovative techniques and excellent quality. Apart from patents, awards and products to assure our leading role in the market, we provide products with excellent quality and fast and complete after-sell services to elevate our brand image and the satisfaction for our OEM clients.

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 2014, AVer spent over 13% 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 20 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.

Intelligent Education BU 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. Intelligent Retail BU, AVer consistently focused on Megapixel IP Cam, NVR, embedded hybrid DVR, intelligent central management system researches providing customer-tailored, high add-ons **Intelligent video analytics** solutions. Smart Office BU is 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	♦ 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	♦ 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	♦ 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
2014	♦ First video conferencing system with 10-site embedded MCU ♦ First software for sending visualizer images to mobile devices

2014 Outstanding technologies or products:

1. AVer won the 20 Most Promising Education Technology Solution Providers of 2014 by respected technology magazine CIO Review in the U.S.
2. AVer Chrome40C and Sphere2 software named Best of Show at ISTE in the U.S.
3. AVer's Chrome40C received the honor of Red Dot Award in Germany.
4. AVer EVC100 video conferencing endpoint won Internet Telephony Product of the Year Award in the U.S.
5. AVer EVC130 video conferencing system, Tablet solutions - TabCam and TabSync, the F55 visualizer, two Rugged Series IP cameras FV3028-RTM and FB3028-RT2, the FX3000-R box IP camera as well as two NVRs - E5016 pure NVR and E5016H hybrid NVR won the 2014 Taiwan Excellence Award honors.
6. AVer EVC130 video conferencing system won Taiwan Excellence Silver Award.
7. AVer EVC130/130P/300/900 video conferencing systems gained Taiwan-made, MIT Smile Product Certification (No.30100030).
8. AVer Chrome40C, tablets laptops and Chromebooks charge cart, was put into mass production in the second quarter of 2014.
9. AVerVision VP-1, an ultra-compact and lightweight interactive visualizer(Document Camera), was put into mass production in the first quarter of 2014.



10. AVerVision 315AF/300AFHD mechanical arm visualizers (Document Camera) were put into mass production in the second quarter of 2014.
11. AVer EVC300/900 video conferencing systems were put into mass production in the second quarter of 2014.
12. EZMeetup PC version video conferencing software was launched in the second quarter of 2014.
13. AVerVision 17HD+/F50HD flexible arm visualizers (Document Camera) were put into mass production in the third quarter of 2014.
14. EZMeetup iOS/Android mobile version video conferencing software/app was launched in the third quarter of 2014.
15. AVerVision U50, an USB visualizer (document cameras), was put into mass production in the fourth quarter of 2014.
16. The AVer P5036-16-R 36 channel hybrid NVR and the P5036-R 36CH full HD NVR were launched in the fourth quarter of 2014.
17. AVer latest Mini Bullet Cameras and Dome Cameras were launched in the fourth quarter of 2014.

Market Overview

AVer is an export-oriented maker not only in supply but also provides after-care services to elevate services level. AVer sets up sales and after-care services chain in major marketplaces one by one through America, Holland, Germany, Britain, Spain, France, Japan, S. Korean, Thailand 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 intelligent education, smart office and intelligent retail 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, intelligent education 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 and charging cart product lines will unfold to dynamic growth no matter in shipments or sales.

The traditional surveillance industry faced serious competition from China due to their exploitation on the wage. AVer uses our excellent video processing technology as core power to enter the vertical application market. Transform the image from retailer guests into information, then from information to big data. Move toward IoT's intelligent image analyzing, instead of selling only the traditional surveillance products. In 2014, we spent the last year on survey the



whole market movement, the customers' needs and the research on the intelligent retail solution. The products will be released in the first half year of 2015.

Under the circumstances of decreasing unnecessary meeting travel expenses and promoting the enterprise performance, video conferencing in the overall industry presented growth no matter in shipments or sales records since 2003. For the traditional multi-point video conferencing industry, major makers are European, American, and Japanese occupy totally around 80% market share. There are about 55 million conference rooms all around the world, and the number is increasing no matter which size of conference rooms. Conference rooms will increase for size of small (48%), medium (41%), and large (27%). But we have to notice that, there is 96% of conference rooms works without video capacity, according to Wainhouse Research. 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. According to the market tendency of SMEs toward cloud-based conferencing system, AVer will release USB PTZ camera in the second quarter of 2015 to meet the needs of SMEs users.



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 independent directors. The convener – is one of them and elected by the compensation committee to hold meeting twice a year at least.



IV 、 Operational Highlights

Business Scope

1. Products (Services)

A. Intelligent Education Solution:

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, laptop and Chromebook charging cart, providing intelligent teaching a more comprehensive solution.

B. Intelligent Retail Solution:

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...etc, 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 make the passive surveillance system or data converted into an active protection-warning or data analysis 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 **Intelligent video analytics solution** to provide a complete and economical solution.

C. Smart Office 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

Intelligent Education Solution:

Intelligent Education Business 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 A+ Suit 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, tablet sync/charging carts, distant video learning system, and smart campus related products are all the focus of future development of AVer.

Intelligent Retail Solution:

Surveillance industry had a huge change in 2014, due to the relatively low producing cost from China compared with Taiwan. Therefore, AVer focused more on the vertical market application of Niche. Along with the Internet of Things Era, AVer puts its concentration on intelligent retail solution. Use its excellent video technologies as the core power to combine with IPCam, NVR system and intelligent software into a complete intelligent retail solution. Transform the image of retail guests into information, then from information to big data. Offering them an important foundation to make the marketing or selling decision is AVer's future research point.

Smart Office Solution:

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 and etc. The planned to develop products: high efficiency video conferencing solutions and entry-level video conferencing solutions. Reduce the hardware capacity to the lowest by exclusively developing video/audio compressing techniques. Apart from offering our potential clients another economical solution, we can also develop toward micro-organization. Furthermore customizes solutions for more special application such as Niche market instead of commercial market. Aiming at the prevalent free video communicating applications nowadays, AVer opens up USB PTZ camera for computer users. The high Performance-to-Price Ratio (PPR) of cloud-based video conferencing system is easier for more SMEs to use.

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.
- C. By using the latest digital signal processing chips to deal with the coding, we set up the standard of video compressing technique.
- D. Developing integrated platform and listing our future products. E.g. Integrating products that might be used by both teachers and students to increase the interaction in the



classroom.

- E. By using the optical video processing technique to combine with the Internet transmitting and remote surveillance program, we provide users the ability to monitor from a distance.
- F. Developing software and hardware with wireless transmitting techniques in the educational market.
- G. Saving the cost by using the technology 802.11n wireless signal to transmit the surveillance image from the camera to controller.
- H. By using the cloud related techniques to develop cloud-server, cloud-accelerator and cloud-storage. Customers are no longer limited to the physical equipments, they gain access to the information with Internet.



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, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014.12.31		2013.12.31	
	Amount	%	Amount	%
CURRENT ASSETS :				
Cash and cash equivalents	\$ 928,486	32	\$ 815,507	29
Financial assets at fair value through profit or loss	51,285	2	50,989	2
Notes receivable	4,987	-	4,593	-
Accounts receivable, net	142,390	5	151,054	5
Other receivables	7,363	-	9,059	-
Inventories	223,472	7	206,120	7
Other current assets	19,849	1	12,747	1
Total current assets	1,377,832	47	1,250,069	44
Property, plant and equipment	1,416,466	48	1,482,353	52
Investment property	73,167	3	74,013	2
Computer software	7,387	-	10,225	-
Deferred income tax assets	38,079	1	33,986	1
Other noncurrent assets	14,972	1	18,731	1
Total noncurrent assets	1,550,071	53	1,619,308	56
Total	\$ 2,927,903	100	2,869,377	100



LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES :				
Financial liabilities at fair value through profit or loss	\$ 181	-	324	-
Accounts payable	205,020	7	195,870	7
Income tax payable	9,818	-	5,517	-
Provisions- current	1,399	-	1,528	-
Other payables	174,623	6	165,653	6
Other current liabilities	4,751	-	5,898	-
Total current liabilities	395,792	13	374,790	13
OTHER LIABILITIES :				
Provisions- noncurrent	11,835	1	9,417	1
Others	6,100	-	5,473	-
Total other liabilities	17,935	-	14,890	-
Total liabilities	413,727	14	389,680	14
AVER'S EQUITY :				
Capital stock	982,370	34	982,370	34
Capital surplus	779,930	27	776,642	27
Retained earnings :				
Legal reserve	192,167	7	192,167	7
Special reserve	25,373	1	30,107	1
Unappropriated Retained Earnings	542,508	18	536,160	18
Total Retained earnings	760,048	26	758,434	26
Others	7,430	-	(11,785)	-
Treasury stock	(15,602)	(1)	(25,964)	(1)
Total shareholders' equity	2,514,176	86	2,479,697	86
Total equity	2,514,176	86	2,479,697	86
Total	\$ 2,927,903	100	2,869,377	100



AVer Information Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 1,825,611	100	\$ 1,648,644	100
OPERATING COSTS	924,586	51	779,339	47
GROSS PROFIT	901,025	49	869,305	53
OPERATING EXPENSES :				
Marketing	555,302	30	484,602	29
General and administrative	80,978	5	84,746	5
Research and development	237,701	13	306,142	19
	873,981	48	875,490	53
INCOME FROM OPERATIONS	27,044	1	(6,185)	-
NON-OPERATING INCOME AND EXPENSES :				
Other income	11,554	1	13,819	1
Other gains and losses	(1,431)	-	5,117	-
Finance costs	16	-	1,692	-
Total non-operating income and expenses	10,107	1	17,244	1
INCOME BEFORE INCOME TAX	37,151	2	11,059	1
INCOME TAX EXPENSE	16,141	1	58,713	4
NET INCOME	<u>\$ 21,010</u>	<u>1</u>	<u>\$ (47,654)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences arising on translation of foreign operations	19,215	1	4,763	-
Income tax benefit (expense) related to components of other comprehensive income	-	-	(29)	-
Other comprehensive income (loss) for the period, net of income tax	19,215	1	4,734	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 40,225</u>	<u>2</u>	<u>\$ (42,920)</u>	<u>(3)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO Shareholders of the parent	<u>\$ 21,010</u>	<u>1</u>	<u>\$ (47,654)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO Shareholders of the parent	<u>\$ 40,225</u>	<u>2</u>	<u>\$ (42,920)</u>	<u>(3)</u>
Basic earnings per share	<u>\$ 0.2</u>		<u>(\$ 0.5)</u>	
Diluted earnings per share	<u>\$ 0.2</u>		<u>(\$ 0.5)</u>	



AVer Information Inc and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Retained Earnings						Others		
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Total	Cumulative translation adjustment	Treasury stock	Total
BALANCE, JANUARY 1, 2013	\$ 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)	-	-	-	-
Revolue 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
Appropriations of prior year's earnings					-				
Legal Reserve	-	-	-	-	-	-	-	-	-
Special Reserve	-	-	-	(4,734)	4,734	-	-	-	-
Cash dividends	-	-	-	-	(19,396)	(19,396)	-	-	(19,396)
Net income in 2014	-	-	-	-	21,010	21,010	-	-	21,010
Other comprehensive income in 2014, net of income tax	-	-	-	-	-	-	19,215	-	19,215
Total comprehensive income in 2014	-	-	-	-	21,010	21,010	19,215	-	40,225
Share-based Payment	-	3,270	-	-	-	-	-	-	3,270
Treasury stock	-	18	-	-	-	-	-	10,362	10,380
BALANCE, DECEMBER 31, 2014	\$ 982,370	779,930	192,167	25,373	542,508	760,048	7,430	(15,602)	2,514,176

AVer Information Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES :		
Income before income tax	37,151	11,059
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	88,418	89,981
Amortization	12,315	15,813
Provision for (recovery of) loss on inventories	5,874	(12,474)
Loss (gain) on foreign exchange, net	6,354	7,357
Interest income	(4,838)	(5,696)
Provision for (recovery of) doubtful accounts	(770)	(291)
Finance costs	16	1,692
Share-based Payment	3,270	-
Provision (revolve) Provisions	4,877	1,582
Loss on disposal of assets, net	(322)	(231)
Net changes in operating assets and liabilities :		
Available-for-sale financial assets	(439)	(1,010)
Notes receivable	(394)	(2,829)
Accounts receivable	10,470	36,911
Other receivables	1,724	(3,977)
Inventories	(23,216)	(27,723)
Other current assets	4,618	24,153
Accounts payable	8,845	41,331
Other payable	5,614	23,202
Other current liabilities	(1,057)	(120)
Other noncurrent liabilities	351	4,171
Other liabilities	<u>(2,557)</u>	<u>(2,031)</u>
Cash generated from operations	156,304	200,870
Income taxes paid	<u>(25,619)</u>	<u>(11,350)</u>
Net cash generated by operating activities	<u>130,685</u>	<u>189,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisition of property, plant and equipment	(18,460)	(97,121)
Proceeds from Disposal of Property, Plant and Equipment	417	710



Decrease(increase) in refundable deposits	294	3,504
Increase in deferred charges	4,795	5,775
Acquisition of intangible assets	<u>(5,971)</u>	<u>(5,211)</u>
Net cash used in investing activities	<u>(18,925)</u>	<u>(92,343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of Long-term Debt		(200,000)
Cash dividends	(19,396)	(46,662)
Increase in treasury stock	-	(22,756)
Interest paid	(16)	(1,692)
Treasury stock	<u>10,380</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(9,032)</u>	<u>(271,110)</u>
Effect of exchange rate changes	<u>10,251</u>	<u>(3,924)</u>
NET (DECREASE) INCREASE IN CASH	112,979	(177,857)
CASH, BEGINNING OF YEAR	<u>815,507</u>	<u>993,364</u>
CASH, END OF YEAR	<u>928,486</u>	<u>815,507</u>



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