

AVer Information Inc. 2011 Business Overview

TWSE: 3669



Table of Contents

- I. Letter to Shareholders
- II. Introduction to AVer & Market Overview
- III. Corporate Governance
- IV. Operational Highlights
- V. Corporate Social Responsibility
- VI. Financial Statements



Letter to Shareholders

Ladies and Gentlemen,

2011 is a crucial and stringent year for AVer since its establishment 4 years ago. Last year AVer completed several milestones, first announced new trademark and updated English company name in July, listed on Taiwan Stock Exchange (TWSE) in the end of August, moved and started working at the new building in October, and in December received ISO14064-1 at the organization level of Greenhouse Gas (GHG) emission reduction, AVerVision CP355 visualizer passed PAS2050 carbon footprint and well-arranged sales channels deployment to video conferencing product. AVer is an export-oriented supplier affected by the global macroeconomic slump impacted short term profit and sales performance of 2011. AVer deems a crisis as a turning point of the best timing to adjust internal organization and product portfolio, to tune up the marketing strategies, to focus on the key areas and developing new products. AVer expects to recover sales performance and regain the opportunity of sales growth in 2012.

Impacted by the global economic slump especially for Europe and America markets, consolidated revenue of 2011 totaled NTD2.167 billion down 28% over 2010, consolidated income before income tax of 2011 was NTD0.243 billion a 60% fall over 2010, consolidated net income of 2011 was NTD0.204 billion a 61% drop over 2010. Gross profit margin of 2011 kept at 57% for AVer aggressively invested in R&D a slightly 3% decreased over 2010.

I. 2011 operational performance and 2012 operational plans are listed below:

A. 2011 operational performance and financial highlights

AVer's consolidated revenue of 2011 was NTD2,166,829 thousand, income before income tax was NTD242,600 thousand, net income was NTD204,108 thousand, earnings per share was NTD2.22, gross profit margin was 57%. Affected by macroeconomic slump an apparent drop on major income of presentation/education products in the second half of 2011, which surveillance and debut video conferencing sales couldn't make up the loss resulted in consolidated revenue of 2011 a 28% shortage compared with year of 2010. In comply with rapid changes in external circumstances, AVer in one hand adjusted organizational structure and product portfolio now has gradually shown beneficial results, on the other hand continuously invests on product innovation and improvement to create value and maintain high level gross profit margin.

B. Financial statement and profit analysis

AVer runs business in solid and stable steps, which reflects in finance operational pattern. AVer listed financial structure, solvency and profitability analysis as below for reference:

Description		2011	2010
Financial Structure (%)	Ratio of liabilities to assets	25%	33%
	Ration of long-term capital to fixed assets	195%	292%
Solvency (%)	Current ratio	242%	281%
	Quick ratio	222%	258%



Profitability	Ratio of return on total assets	5.90%	17.03%
	Ration of return on total stockholders' equity	8.09%	23.76%
	Profit ratio	12.28%	22.68%
	Earnings per share (\$)	2.22	6.34

C. Research & development status

AVer spends at least 10% annual turnover in R&D and proactively develops differential stages core technologies such as digital image signal processing, optical information processing, image transformation/compression, mechanic/optical/electronic integration, industrial design and human-machine interface design ...etc. to make AVer predominant in presentation, surveillance and video conferencing categories among competitors. Furthermore, AVer wields worldwide sales teamwork exploring preferences deepened into each application market enhancing R&D designs human-machine interface in line with the need of habitual of 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 both in elevating threshold of digital video industry and legal protection on Intellectual Property Rights keeping technology leading and preserving the fruits of R&D. Up to the end of 2011, AVer got more than 120 pieces patent and another 100 more pieces were on processing worldwide.

2011 AVer kept ongoing improvement on AP20 (interactive pen) and A+ (interactive software) highly integrated with original visualizers coupled with interactive whiteboard (IWB), projectors constructing information technology infused into high interactive & cooperated e-classroom. Besides, by launching USB and wireless visualizers into emerging markets differentiated application market. In comply with the trend of network surveillance, digital evolution, IP-based, and intelligent controlled except hybrid DVR more attentions paid on NVR, megapixel IPCam, intelligent software providing not only high valued add-ons intelligent video surveillance system also creating high add-ons convenience and diversified profit. AVer received applauses and feedbacks from customers and differentiated markets as soon as new video conferencing (VC) system launched, in order to supply customers satisfactory add-ons services persistently developing high density (HD) resolution of VC system and shared software, which includes ScreenShare for wireless content sharing and VCLink for mobile image sharing.

D. Certification and award

For quality concern and environmental protection, other than existing ISO 9001 Quality Assurance System, ISO14001 Environmental Management System, OHSAS18001 Occupational Health & Safety Management System and IECQ QC080000 Hazardous Substance Management System, AVer started implementing in March 2010: AEO Authorized Economic Operator, ISO 28000 Security Management System for the Supply Chain, ISO14064-1 Quantification and Reporting of Greenhouse Gas Emissions and Removals, PAS 2050 Life Cycle Greenhouse Emissions carbon footprint and got certification one by one in 2011 to ensure quality and green commitment . Particularly, AVerVison CP355 passed PAS2050 and won the first carbon footprint visualizer in the industry.



Innovation part, AVer simplified and described award winning worldwide as below:

- (a.) New generation interactive pen AP20 won 2011 Computex Taipei D&I Gold Award.
- (b.) Video conferencing solution AVer HVC310 (HVC330), by advanced IP technology and versatile functions won Internet Telephony Excellence Award by the TMC Magazine, USA.
- (c.) Video conferencing solution AVer HVC330, wireless visualizer AVerVision W30, surveillance product AVer EH1116H-4 Nano, by user-friendly interface design all won the 20th Taiwan Excellent Award. Especially AVer HVC330 won Silver Award in 2012.
- (d.) A+ interactive software by its easy-operation won 2011 EDDIE Software Award, USA.
- (e.) Video conferencing solution AVer H300 and visualizer AVerVision F50 won Excellence Award by Tech&Learning Magazine, USA.
- (f.) Visualizer AVerVision CP300, interactive software A+ and interactive pen AVerPen won 2011 Best in Tech Award by Administrator Magazine, USA.
- (g.) Hybrid surveillance system, AVer EH1004H-4+ DVR got strong recommendation for the first choice by editors of Security Products Magazine, USA.

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.
- D. Fulfilling corporate social responsibility and promoting public welfare service: Promoting public security and environmental protection, intensifying corporate governance, fair value exchange.



Sincerely Yours

Handwritten signature of Michael Ho in black ink.

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, security 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 efficiency. AVer focuses on R&D innovation and branding business there are total 650 people work for AVer domestic and oversea, R&D staff occupies more than 30% , 20% oversea staff who are mainly responsible for localized marketing & customer service.

Under AVer, there are three segments of presentation, surveillance and communication products. Innovatively integrate video technology, electronics, optics, RF/wireless technology, software application and industrial design capabilities providing high efficient solutions and satisfied diverse needs of customers. In application, visualizer and interactive pen mainly utilized in teaching and presentation markets; security surveillance products wildly spread among supercenters, business sectors, government sectors and in the banking; video conferencing products excel in functions and prices are welcomed in the enterprises user. 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 AVerVision visualizer (document camera)to be the #1 visualizer brand in America and West Europe for continuous 3 years from 2009 to 2011, and has received times 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 and 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

AVer spends over 10% of annual turnover in R&D fostering technology capability and creates over 50% gross profit each year. The core technologies are constructively developed and searched according to short, medium, long term plans to meet consumers and markets needed. As a leading technology corporate, AVer has put more efforts on establishing Intellectual Property Rights and knowledge management system till the end of 2011 there were up to 220 pieces patent obtained or under processing worldwide. In ceaseless casting R&D expenditures to approach unique technologies and elevate industry threshold of video conferencing solutions, expecting more legal protection on Intellectual Property Rights to maintain technology leading and preserve the fruits of R&D.

As a leading supplier in the industry for years, the innovation events in R&D 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 to have direct A/V recording to a flash drive or SD card and onboard annotation features
2011	◆ First portable visualizer to feature onboard annotation
2012	◆ First standalone wireless visualizer

2011 Outstanding Technologies or Products:

1. AVer HVC330 video conferencing solution received Taiwan Excellence Silver Award of 2011.
2. AVer put the 3rd generation of visualizer into mass production in the 1st quarter of 2011.
3. AVerVision SPB350+ visualizer received Taiwan Excellence Silver Award.
4. AVer launched EH Nano series, entry-level, 4Ch/8CH, GUI (Graphic User Interface) embedded hybrid DVR.



5. Surveillance software applied for iPhone and Android to broaden monitoring service coverage.
6. AP20, The 2nd generation of interactive pen received COMPUTEX TAIPEI Design & Innovation Award of 2011.
7. Promoted AVer EH1116H-4+, the 2nd generation GUI embedded hybrid DVR.
8. AVer HVC310(HVC330) presented by its advanced IP technology and excellent functions providing customers comprehensive, real-time video conferencing solution and received Internet Telephony Excellence Award by TMC Magazine (America).

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 need and satisfactory after-care services.

AVer runs stable development with excellent technologies and competitive pricing policy into surveillance, presentation market and both have won public praises and taken their places in the industry in a short period of time. 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.

Under the technology products assisting teaching trend, each country increases the educational budgets subsidies for e-equipment purchases making the presentation products a stable growth. In constructing e-equipment environments, computer, projector products are outstanding in an allocated ground and earn limited profit. Due to nature of presentation technology, purchase project is always processing under open bids. Moreover, except educational field there are applications to be expanding to governmental sectors, music classroom, talents classroom and any OA equipped user.

The major global surveillance products markets keep in Europe and America, from market segment points of view, both are a mature market; whereas, the developing countries after economic taking off pay more attention to security concerns and trigger a stable and rapid growth. For the past few years the global economic is continually stable growing even though suffered from 2008 global depression but attributed to nature of surveillance and the products growth is little affected. The advanced high density (HD) resolution brought surveillance products significant quality accompanied by maturated IP network environment making the wiring cost and bottleneck concerns drop vastly. The leading HD resolution and transmission interface technologies result in a solid growing opportunity before starting the next product stage. For the opportunity given to DVR – by holding the advantages of advanced technologies and brand



“AVer” value in the long invested markets - AVer expects DVR will bring as a reliable income source and extends quality values to IP Camera/NVR meanwhile, keeping the core technologies no matter for software or hardware.

Video conferencing products came into public in 1990 followed by network breadth broadened, image/voice compression refined making a high quality and efficiency but low price commodity and welcomed by mainstream market in 2003. Especially after waves of oil price rising rocket high shaken the macroeconomic factors, travel expenses raised daily and treated as the variable must controlled by the enterprises. Appealing to elevate management efficiency and cut down unnecessary travel expenditures, the video conferencing solution became the most favor tools making the whole industry showed up to a double-figure annual compound growth rate on the shipment and sales performance since 2003. At present, the major makers in the industry are European, American and Japanese who occupy 80% of total market share and 60% of gross high profit, which attributes to the advantage of leading advanced technologies. AVer presented the 1st generation video conferencing solution in the 4th quarter of 2011 soon winning customers' favor by its high Performance-to-Price Ratio (PPR). As a new comer of the industry, the sales record is increasing quarter by quarter.

*Performance-to-Price Ratio (comparison between product performance and price among competitors)



III 、 Corporate Governance

Board of directors

AVer Information Inc. consists of 11 directors three of the eleven 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. J. L. Huang (known as David Huang)— Chairman of Spirox Corporation with master degree of Business Administration of NTU, Taiwan ;
- ◆ Mr. Yao-Ching Hsu – Principal Attorney, YuanChing 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 and law 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 management and is dedicated to AVer creating no only substantial help but also the highest profit for all the shareholders.

Audit 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 derivatived 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.

Compensation Committee

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 all 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. Presentation Product:

A visualizer, also known as a document camera, is a **real-time visual presentation device** that can instantly display any object - still or moving, flat or 3D - in great detail to a large audience. Most of the visualizer equipped with auto-focus, onboard annotation, built-in memory/MIC, one-touch audio/video recording, microscope connectable, enclosed with A+ - an interactive software developed by its business unit.

- Flexible arm visualizer: 5 / 3.2 megapixel, Full HD 1080P/HD720P resolution, 80/16X zoom.
- Mechanical arm visualizer: 5 / 3.2 megapixel, Full HD 1080P/HD720P resolution, 80/16X zoom.
- Platform visualizer: 5 megapixel, Full HD 1080P resolution, 160X zoom, Light box (put on slides, negatives and X-ray), unique highlight.
- Interactive Pen: 2.4G RF wireless, support 101/61 pens at one time, writing on opaque surface, reception range 15 m, integrated feature of interactive whiteboard/voting system/wireless slates/wireless presenter.
- A+ Interactive software: PowerPoint plug-in, Optical Character Recognition (OCR), Text to Speech(TTS), database, graphic annotation , real-time recording, continuous image capturing, integrated interactive white board and support TWAIN. °

B. Surveillance Products:

- NVR: Embedded Linux 4CH system, supports Windows 4/8/16/32CH digital network monitoring software, major IP camera brands support.
- DVR : Embedded Windows 16/32CH hybrid DVR, embedded Linux 4/8/16CH hybrid DVR, PCI/PCIe 4~16 CH hybrid card, Network/GPS 4CH mobile use DVR °
- IP Camera: 2 megapixel box, bullet, cube, dome, vandal dome cameras. Adopt H.264 compression technology, deliver HD resolution at 30fps in real-time recording control via the great CMS or remote access by iPhone, iPad and Android phones.
- Software: AVer multi-function software of CM3000 Gold – a powerful central management system allows to control 1,000 DVR simultaneously , iMatrix – a tool enable to set up a TV-wall for monitoring, iPOS – a tool to trace real-time image and efficiently search POS data, FaceFinder – an application easily detect facial identification, PTZ track and iAlarm with functions to simplify video footage analysis, iViewer for iPhone & iPad, AndroidViewer &



iBBviewer – are remote access allow iPhone, Android & Blackberry through mobile platforms to view live video at any time.

C. Video Conferencing Solution:

Video conferencing solution is equipped with 5 megapixel PTZ camera, deliver HD720p resolution at 30fps provided smoothly real-time video; 1 or 4 sites connection and multimedia services through IP camera for real-time video; one-touch recording expedites completion of meeting minutes. Free software add-ons such as ScreenShare – wireless content sharing software for PC, VCLink – an exclusive app for instantly sharing live images and snapshots integrated intelligent mobile devices like iPhone, iPad 2 and Android phones.

2. R&D Projects Plan

Presentation products

Target in educational market for short & medium term plan ongoing explores HD resolution , wireless and cost effective USB visualizer, A+ interactive software · and integrates with interactive whiteboard , projector, reinforces possible connection between visualizer & services.

Surveillance products

R&D ongoing integrates software & hardware between Window, Linux , focuses on HD resolution, IP Cam, NVR, explores embedded hybrid monitoring system & intelligent central management system (CMS), AVer intends toward providing customer-tailored and/or high add-ons intelligent management solutions.

Video Conferencing solutions

AVer looks to extend existing core technologies of multimedia and casts into high threshold technology of VC system toward integration of software, hardware and application design as well; explores multi-connection VC system to the field of commercial, educational , medical treatments and etc. The expected products are:

A. High efficiency video conferencing solutions:

Any VC hardware cost is up to a hundred thousand dollars, which is unaffordable by the small medium enterprises (SME) and software solution is economic than hardware but inferior resolution and inadequate application hardly for adoption. Through years of solid video technologies accumulated and advantage of experiences in Taiwanese management, AVer has launched high Performance-to-Price Ratio (PPR) VC solution. It differentiates application market among competitors and is expected striving toward popularity in general



organization/corporate.

B. Entry -level video conferencing solutions:

AVer evaluated conference room in general conditions of being used by small medium 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 VC 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.

The Industry Now and Tomorrow

Presentation products

Network & video industry in a daily basis progress, presentation category is widely used in commercial market and also stepped into educational field by manipulating visualizer, interactive whiteboard apparently elevating teaching quality and funs of learning. The interactive teaching is common in the developed countries of Europe & America comparatively people who take education more seriously than in Asia. The interactive teaching hasn't been accepted comprehensively in Asia, and the industry evokes by IT booming afterward till now with short commodity history. For the scale of the industry there is none professional organization can offer research or statistics on products or applications. AVer depends on years of experiences in relevant industry to quote data from Interactive whiteBoard (IWB) product industry for market analysis.

According to the data of IWB industry shown: the leading makers are Canadian and Britain with market share of total 70% production, the total sales figures of 2009 was 750 thousand pieces, and 890 thousand pieces in 2010 with a growing rate approx. 15%. Unfortunately, accompanied by the influence of education budgets cut by West Europe countries and America in the second half of 2010 order purchase pushing backward resulted in slow growth ,which reflected the global sales performance of IWB in the 4th quarter fell to 197 thousand pieces -5% year-on-year (YOY). The status observed, the demand of IWB was going on but replacement orders cycle affects by the limitation of governmental budget. One questionnaire investigated for up to 100 dealers by FutureSource at British Educational Training & Technology Show (BETT) in January



2011 predicted that the recovery would be steadily back in the 2nd quarter of 2011 and sales figures of IWB in 2012 will be more than 1.4 million pieces demand reaches 1.8 billion US dollars market size annually.

The industry analyzed IWB market area for the past few years and the statistics 2009 shown, areas of America , Europe, Middle East and Africa (EMEA) shared 54%, 37% respectively and Asia & Oceania shared 9% only. The IWB market evolves by gradual saturated America and increased demand on governmental budget to education for e-environment classroom such as British Education Organization aggressively links IWB to teaching environment and China increases approx. 20% educational budget annually. The expecting sales figures of 2013 for the areas of EMEA and Asia & Oceania will be expanded to market share of 41% and 12% respectively.

According to FutureSource, in spite of the sales figures of visualizer with a slow growth rate from 2002 to 2009, visualizer always combines with interactive whiteboard and projector as one integrated solution creates rooms for demand; interactive pen integrates features of IWB, voting system, wireless slate and wireless presenter ...electronic tools evolution to the international trend for building e-environment and required of interactive teaching, there is a great demand of growing.

Surveillance products

The global major sales areas of surveillance series are European countries, America and Japan all with saturated demand in products; whereas for the developing countries, they are paying more and more attention on security issue after economic taking off especially IP camera is widely accepted and in addition to the demands of all areas upgrade from traditional analog to digital IP camera surveillance products making product equipped with storage data capacity of IP camera such as Hybrid DVR and NVR becoming the mainstream.

After 911 Attack in the States, many terrorist attacks prevailed internationally and triggered the concept of “national security” infused from every government level to its people and extensively strengthened the public security by increasing purchases on surveillance products. Furthermore, people cared protective measures more and more on individual, household and community was also the important key driving up the needs of surveillance products. The industry sorts out 4 segments as video surveillance, biologic identification, access control & internal communication, and video surveillance segment occupied the most proportion for installation. The estimated sales figure of In-Stat for video surveillance category in 2012 was approx. 10.6 billion US dollars.

As the global broadband industry reaching its apex, the optical network wiring job is getting popular in the developed countries bringing surveillance industry from analog to digitalized era. By facing a huge transmit flow control basis , a mature IP technology, a continuous progress of video compression technology and intelligent surveillance software, a broadened application of IP technology over video & audio surveillance industry bringing IP video surveillance solution becomes the trend for tomorrow. The estimated growth rate of In-Stat for IP camera will be



achieved at 13.6% and the market size at approx. 3.65 billion US dollars of 2012.

Developed IP Camera technology is pulling up the slow growth of DVR (Digital Video Recorder) rapidly. According to In-Stat, the market size of DVR will be approx. at 7.6 billions US dollars (includes Hybrid NVR/DVR – it is attributed to the features can be connected analog and IP camera at the same time and categorized as DVR whereas NVR is purely connected to IP camera) of 2012. A rapid growth of NVR (Network Video Recorder) in market size was 2.67 billion US dollars in 2011 approx. 21.18% increased to the whole DVR total market share.

Taking the advantages of progressive technology of surveillance devices and cost decreasing, more and more individual protects personal rights & interests by adopting surveillance devices as well as the enterprises monitor working status, record down production & sales records. Owing to the advanced software, video surveillance solution has opened to applications in medical therapy, analysis of consumer behaviors, traffic order & accidents records except security issue, which keep the demand growing. According to JP Freeman & Frost and Sullivan, the sales of DVR are in a slow growth and not entering an entirely recession and keeping a rather sizeable market. Moreover, an explosive sales growing is expected to come after IP camera/NVR launching. A prediction of In-Stat, the market size for the whole surveillance industry till 2013 will be reached 10.6 billion US dollars.

Video Conferencing series

In future prospects, video conferencing system is sustaining an explosive growth, with 250 thousand pieces shipment annually compares to the market size of commercial use projectors (with global for 5 million pieces shipment last year) there are rooms for video conferencing system growth. Accompanying by the broadband industry price reduction and high penetration rate, and existing network effects on video conferencing devices attracts not only large scale transnational corporations but also small medium enterprises are asking the VC solutions the enormous potential demand is hardly ignored.



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 "humanity based, self-awareness, 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 people-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 faire 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 environment restless:** 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 the SONY Green Partner Certificate 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), 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 & 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 & 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 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, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

ASSETS	2011.12.31		2010.12.31	
	Amount	%	Amount	%
CURRENT ASSETS :				
Cash	\$ 1,263,328	35	1,543,451	46
Financial assets at fair value through profit or loss	190,807	6	200,200	6
Notes and accounts receivable, net	182,336	5	171,357	5
Receivables from related parties	5,704	-	3,566	-
Other receivables	14,353	-	30,741	1
Inventories	223,058	6	259,124	8
Deferred income tax assets-current	54,930	2	29,335	1
Other current assets	46,505	1	45,892	1
Total current assets	1,981,021	55	2,283,666	68
PROPERTY ,PLANT AND EQUIPMENT :				
Cost :				
Land	418,917	12	418,917	12
Buildings	882,369	25	46,273	1
Machinery and equipment	243,954	7	207,539	6
Office equipment	82,242	2	57,583	2
Leasehold improvements	10,964	-	12,353	-
	1,638,446	46	742,665	21
Less : Accumulated depreciation	(191,389)	(5)	(146,711)	(4)
Construction in progress and prepayments for equipment	83,490	2	361,070	11
Net property , plant and equipment	1,530,547	43	957,024	28
INTANGIBLE ASSETS	18,453	-	20,882	1
OTHER ASSETS :				
Refundable deposits	6,360	-	6,869	-
Deferred charges	6,310	-	12,294	-
Deferred income tax assets –non current	56,607	2	91,840	3
Total other assets	69,277	2	111,003	3
Total	\$ 3,599,298	100	3,372,575	100



LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES :				
Accounts payable	145,706	4	113,618	2
Payables to related parties	418	-	6,121	-
Income tax payable	24,374	1	57,978	2
Accrued expenses	267,869	7	257,598	8
Current portion of long-term bank loans	200,000	6	200,000	6
Other current liabilities	11,311	-	16,987	1
Total current liabilities	649,678	18	652,302	19
LONG-TERM BANK LOANS	200,000	6	400,000	12
OTHER LIABILITIES :				
Guarantee deposits received	797	-	-	-
Others	10,532	-	10,921	-
Total other liabilities	11,329	-	10,921	-
Total liabilities	861,007	24	1,063,223	31
AVER'S EQUITY :				
Capital stock	982,370	27	828,990	25
Capital surplus	776,642	22	428,469	13
Retained earnings :				
Legal reserve	167,672	5	115,567	3
Special reserve	27,179	-	-	-
Unappropriated earnings	798,182	22	963,505	29
Cumulative translation adjustment	(13,559)	-	(27,179)	(1)
Treasury stock	(195)	-	-	-
Total shareholders' equity	2,738,291	76	2,309,352	69
Total	\$ 3,599,298	100	3,372,575	100

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



AVer Information Inc and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 2,295,359	106	3,062,691	102
Sales returns and allowances	128,530	6	69,310	2
NET OPERATING REVENUES	2,166,829	100	2,993,381	100
OPERATING COSTS	938,558	43	1,193,597	40
GROSS PROFIT	1,228,271	57	1,799,784	60
OPERATING EXPENSES :				
Marketing	587,207	27	737,312	24
General and administrative	104,646	5	120,614	4
Research and development	315,448	15	330,307	11
	1,007,301	47	1,188,233	39
INCOME FROM OPERATIONS	220,970	10	611,551	21
NON-OPERATING INCOME AND GAINS :				
Interest income	9,218	-	4,614	-
Gain on disposal of investments	-	-	324	-
Foreign exchange gain,net	13,561	1	-	-
Gain on valuation of financial asset	571	-	249	-
Others	11,032	1	13,593	-
	34,382	2	18,780	-
NON-OPERATING EXPENSES AND LOSSES :				
Interest expense	5,614	-	1,618	-
Loss on disposal of assets,net	7,138	1	427	-
Foreign exchange loss,net	-	-	22,325	1
	12,752	1	24,370	1
INCOME BEFORE INCOME TAX	242,600	11	605,961	20
INCOME TAX EXPENSE	38,492	2	84,907	3
NET INCOME	<u>\$ 204,108</u>	<u>9</u>	<u>521,054</u>	<u>17</u>
ATTRIBUTABLE TO :				
Shareholders of the parent	<u>\$ 204,108</u>	<u>9</u>	<u>521,054</u>	<u>17</u>
	Before	After	Before	After
	income	income	income	income
	tax	tax	tax	tax
EARNINGS PER SHARE(NT\$)				
Basic earnings per share	<u>\$ 2.54</u>	<u>2.22</u>	<u>7.14</u>	<u>6.34</u>
Basic earnings per share –restated			<u>\$ 6.80</u>	<u>6.04</u>
Diluted earnings per share	<u>\$ 2.50</u>	<u>2.19</u>	<u>7.00</u>	<u>6.21</u>
Diluted earnings per share –restated			<u>\$ 6.66</u>	<u>5.91</u>

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



AVer Information Inc and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus	Retained Earnings			Total	Cumulative translation adjustment	Others		Total
			Legal Reserve	Special Reserve	Unappropriat ed earnings			Unrealized Gain(Loss) On Financial Instruments	Treasury stock	
BALANCE, JANUARY 1, 2010	\$ 740,900	403,241	55,357	-	873,111	928,468	3,273	109	-	2,075,991
Appropriations of prior year's earnings										
Legal Reserve	-	-	60,210	-	(60,210)	-	-	-	-	-
Cash dividends	-	-	-	-	(296,360)	(296,360)	-	-	-	(296,360)
Stock dividends	74,090	-	-	-	(74,090)	(74,090)	-	-	-	-
Employee bonus	14,000	25,228	-	-	-	-	-	-	-	39,228
Net income in 2010	-	-	-	-	521,054	521,054	-	-	-	521,054
Translation adjustments	-	-	-	-	-	-	(30,452)	-	-	(30,452)
Net change on valuation gain/loss on available-for sale financial assets	-	-	-	-	-	-	-	(109)	-	(109)
BALANCE, DECEMBER 31, 2010	828,990	428,469	115,567	-	963,505	1,079,072	(27,179)	-	-	2,309,352
Issuance of common stock for cash	97,930	323,169	-	-	-	-	-	-	-	421,099
Appropriations of prior year's earnings										
Legal Reserve	-	-	52,105	-	(52,105)	-	-	-	-	-
Special Reserve	-	-	-	27,179	(27,179)	-	-	-	-	-
Cash dividends	-	-	-	-	(248,697)	(248,697)	-	-	-	(248,697)
Stock dividends	41,450	-	-	-	(41,450)	(41,450)	-	-	-	-
Employee bonus	14,000	25,004	-	-	-	-	-	-	-	39,004
Net income in 2011	-	-	-	-	204,108	204,108	-	-	-	204,108
Translation adjustments	-	-	-	-	-	-	13,620	-	-	13,620
Treasury stock	-	-	-	-	-	-	-	-	(195)	(195)
BALANCE, DECEMBER 31, 2011	\$ 982,370	776,642	167,672	27,179	798,182	993,033	(13,559)	-	(195)	2,738,291

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	\$ 204,108	521,054
Adjustments to reconcile net income to net cash provided by operating activities :		
Provision for (recovery of) doubtful accounts	1,130	(1,756)
Provision for (recovery of) loss on inventories	9,688	(7,679)
Gain on disposal of financial assets	-	(324)
Loss on disposal of assets, net	7,138	427
Depreciation	56,056	49,331
Amortization	15,106	14,100
Deffered income tax	11,374	6,173
Others	3,977	4,135
Net changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	9,393	(200,200)
Notes and accounts receivable	(12,109)	51,922
Receivables from related parties	(2,138)	1,831
Other receivables	16,388	(20,135)
Inventories	26,034	51,742
Other current assets	(2,349)	(6,583)
Accounts payable	32,088	(98,357)
Payables to related parties	(5,703)	(31,647)
Income tax payable	(33,604)	(5,845)
Accrued expenses	49,275	19,432
Other current liabilities	(4,779)	5,483
Other liabilities	(389)	10,921
Net cash provided by operating activities	380,684	364,025
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisition of available-for-sale financial assets	-	(267,000)
Proceeds from disposal of available-for-sale financial assets	-	408,732
Acquisition of property, plant and equipment and intangible assets	(649,511)	(392,645)
Proceeds from disposal of property, plant and equipment	1,571	1,690
Decrease(increase) in refundable deposits	509	(71)
Increase in deferred charges	-	(13,639)
Net cash used in investing activities	(647,431)	(262,933)

CASH FLOWS FROM FINANCING ACTIVITIES :

(Decrease)Increase in long-term bank loans	(200,000)	600,000
Increase in deposits received	797	-
Issuance of common stock for cash	421,099	-
Cash dividends	(248,697)	(296,360)
Increase in treasury stock	(195)	-
Net cash (used in) provided by financing activities	(26,996)	303,640
Effect of exchange rate changes	13,620	(30,452)
NET (DECREASE)INCREASE IN CASH	(280,123)	374,280
CASH,BEGINNING OF YEAR	1,543,451	1,169,171
CASH,END OF YEAR	\$ 1,263,328	1,543,451

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION :

Interest paid	\$ 5,659	1,484
Income tax paid	\$ 88,993	101,146

NON-CASH INVESTING AND FINANCING ACTIVITIES : :

Current portion of long-term bank loans	\$ 200,000	200,000
Proposal for a new share issue through capitalization of earnings	\$ 41,450	74,090
Proposal for a new share issue through capitalization of employee bonus	\$ 39,004	39,228
Valuation of available-for-sale financial assets	\$ -	109

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



Contact Information

Headquarters

AVer Information Inc.

8F, No.157, Da-An Rd., Tucheng Dist., New Taipei City 23673, Taiwan
Tel: +886-2-2269-8535 Fax: +886-2-2269-8537

USA

AVer Information Inc.

423 Dixon Landing Road, Milpitas, CA 95035
Tel: 1-408-263-3828 Fax: 1-408-263-8132

China

AVer Information (ShangHai) Inc.

Room 1509, Hitech Plaza, #488, South Wuning Road. Jing'an District, Shanghai, China.
Tel: +86-021-5298-7988 Fax: +86-021-5298-7970

Japan

AVer Information Inc.

5F Kojimachi Syuei bldg, 4-3-13 Kudan-minami Chiyoda-ku, Tokyo 102-0074
Tel: +81-3-3222-7380 Fax: +81-3-3222-7381

Netherlands

AVer Information Europe B.V.

Kwartsweg 50, 2665 NN Bleiswijk, The Netherlands
Tel: +31-10-7600-550 Fax: +31-10-7600-599

France

AVer Information Europe B.V.

10 allée Hendrick Lorentz, Immeuble A4 77420 Champs sur Marne, France
Tel: +33-1-6005-7516 Fax: +33-1-6005-7842

Spain

AVer Information Europe B.V.

Centro Empresarial Euronova Ronda de Poniente, 2. 2ºF 28760 Tres Cantos (Madrid)
Tel: +34-91-804 69 72 Fax: +34-91-803 76 29

United Kingdom

AVer Information Europe B.V..

Suite 3, Douglas House, 32-34 Simpson Road Fenny Stratford, Milton Keynes, MK1 1BA, United Kingdom
Tel: +44-1908-371-772 Fax: +44-1908-644-259

Spokesperson

Name: Jenny Kang

Title: Senior Vice President & CFO

Tel: +886-2-2269-8535 Fax: +886-2-2269-8537

Email: linda_hsu@aver.com

Deputy Spokesperson/ Public Relations Office

Name: Laura Chen

Title: Manager, Public Relations office

Tel: +886-2-2269-8535 #8991 Fax: +886-2-2269-8537

Email: laura.chen@aver.com

Auditors

Company: KPMG Taiwan

Auditors: Anna Lu, Isabel Lee

Address: 68F, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C

Tel: +886-2-8101-6666

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

Stock Transfer Agent

Company: The Transfer Agency Department of SinoPac Securities

Address: 3F, 17 Po Ai Rd., Taipei, 10044, Taiwan, R.O.C.

Tel: +886-2-2381-6288

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