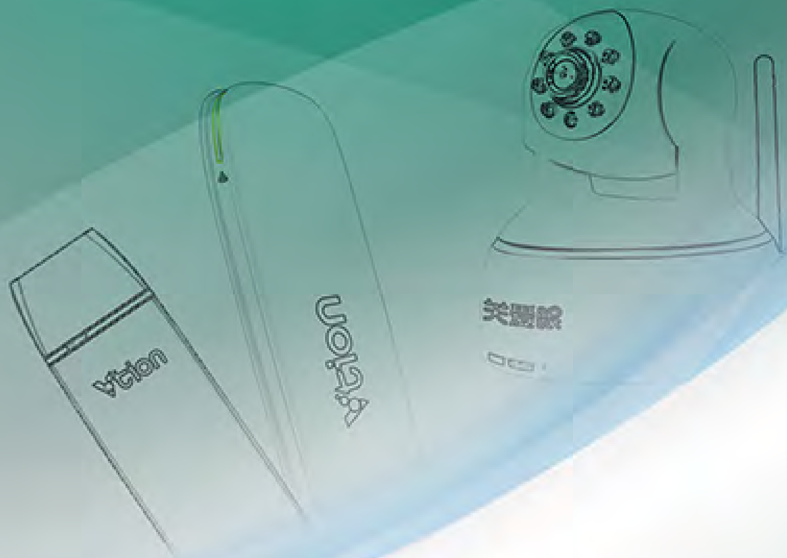
Wireless Anywhere



2013

ANNUAL REPORT

VTION WIRELESS TECHNOLOGY AG

Vtion Wireless Technology at a glance

		2013	2012	+/–%
Revenues	million €	59.95	75.57	-21
Gross profit	million €	11.47	13.57	-15
Gross profit margin	%	19	18	1 PP
EBITDA	million €	5.55	7.45	-26
EBITDA margin	%	9	10	-1 PP
EBIT	million €	5.03	6.85	-27
EBIT margin	%	8	9	-1 PP
Net profit	million €	4.40	5.35	-18
Net profit margin	%	7	7	0 PP
Earnings per share	€	0.33	0.37	-11
Net cash flow from operations	million €	11.01	3.52	213

Company profile

The Vtion Group is a leading supplier of wireless data terminals and associated services for the mobile use of computers via broadband wireless networks in the People's Republic of China. Vtion operates its own online appstore and serve as an aggregator and distributor of Android mobile applications through its wholly-owned subsidiary, Vtion Anzhuo. Vtion was established in 2002 and currently has 231 employees, with offices in Fuzhou, Beijing, and Frankfurt.

Content

Letter from Vtion's CEO

Dear Fellow Shareholders,

I hereby present you our financial results for the full year 2013. As those of you who follow our story closely know, we have had a difficult few years as we have experienced falling pricing pressure in our core wireless data terminal business. In 2013 we achieved revenue of Euro 59.95 million, essentially at the bottom end of our guidance for the full year. On the profit side we were able to achieve an operating profit (EBIT) of Euro 5.03 million while an EBIT margin of 8.39%. This was in line with our given profit guidance. Continious cost savings by maintaining a very lean cost structure and lower investments were the reasons for this development. Despite the mentioned difficulties in our core business, we made an effort on keeping profit in the segment and are also seeking to change the original sale channel to a special market segment for developing our wireless data terminal business.

Our wireless data terminal business segment, remained the main driver of our operating results. It accounts for 86.2% of our revenues. The fact that we are able to stay profitable in this segment was based on long-term cooperation with three main Chinese telecom operators. We have sought to expand our offerings to include more specialized products instead of simple consumer connectivity devices, and have seen progress in that we have realized our first sales of a device designed for local tax bureaus to monitor and store revenue data from businesses. We believe that specialized-use products are a trend in this segment and we will intensify our work to develop this further.

In our industry-specific computing solutions and online applications for Andriod platform business segments, we have made cooperative aggreements with more clients to expand our application base. At the end of 2013 we had seven clients (2012: five clients) in the industry-specific computing solutions and there are 8 main clients for customized app store as well as 35,268 applications (2012: 20,839 applications) in the online applications business segment. However, monetization in these segments has proven to be difficult and both business segments showed a loss for the full year.

Due to this development, we are currently revising our overall strategy. We realised that our newer ventures have been less successful financially than we originally anticipated and our core business is in secular decline. Therefore our management and operations as well as the supervisory board are engaging in serious discussions about the future direction of the company. A focus on special-use wireless data terminal products is one strategy that we will certainly pursue for maintaining profit, given that we are able to make use of our long-standing strengths and industry relationships with three China telecom operators. Furthermore, we are postive that the new 4G technolgy and Smart TV-Applications are able to stabilize the revenues of our company. Vtion has adapted its product offerings to take advantage of the shift to 4G technology in the Chinese telecom market. Currently the company offers a total of four 4G products in its wireless data terminal business segment with plans to develop further offerings as the 4G market begins to mature and demand starts to grow.

We seek to leverage our strengths and apply our cash position to greater value creation. Currentliy we are well financed with an equity ratio of 90% and liquidity of approximately Euro 127 million. We will keep our investors updated in a timely fashion as we modify and develop our strategy, with the goal of value creation being central to our deliberations.

We expect that our operating environment will remain difficult through the remaining year. Our company will face continued pricing pressure in the core wireless data terminal business segment, while monetization will continue to be a problem in the software-based business segments. Based on this assumptions and the industry outlook, we anticipate revenue for the full year 2014 to reach at least Euro 60 million. Our EBIT margin is expected to stay consistent with that of 2013 (2013: EBIT margin 8.39%).

I thank all of our shareholders for their continued support and confidence in our company. Also I thank our staff. Their efforts are the basis of our success. I look forward to moving the company forward in the future.

Best regards,

Chen Guoping

CEO Vtion Wireless Technology AG

VTION
CORE BUSINESS

Our wireless data terminal business segment, remained the main driver of our operating results. It accounts for 86.2% of our revenues. The fact that we are able to stay profitable in this segment was based on long-term co-operation with three main Chinese telecom operators. We have sought to expand our offerings to include more specialized products instead of simple consumer connectivity devices, and have seen progress in that we have realized our first sales of a device designed for local tax bureaus to monitor and store revenue data from businesses. We believe that specialized-use products are a trendecy in this segment and we will intensify our work to develop this further.

VCam

Wireless
Data Card

CORE
BUSINESS

PCtoTV

Wireless Data Terminal Segment:

The company continues to offer wireless data cards across all three technology standards, which account for the majority of the revenue contribution in 2013. This year Vtion has adapted its product offerings to take advantage of the shift to 4G technology in the Chinese telecom market. In order to remain profitable in this business segment, Vtion is also expanding wireless data terminal offerings from the only consumer segment to specific-industry custom (Tax control program).

DF1998 (Tax control program)

Telecom terminals specialized in electronic tax service for local tax bureaus

- Type: WCDMA 2000，EVDO Rel A 3G model
- Interface: Micro USB and SIM Card Slot
- Supporting operating systems: Windows XP SP2and Windows
- Offering users wireless network to declare-tax system on Internet
- Identity Authentication: System comes with High-speed crypto chips

to indentify User ID in order to realize digital signature and encrypt communication

HiFi5s

- Type: WCDMA Wi-Fi data card
- USB 2.0 (Type A)
- Micro SD Card Slot (Up to 32GB)
- 3G&Wi-Fi Wireless internet experience on travelling
- Support up to 5 Wi-Fi enable devices at the same time
- Supporting operating systems: Windows, Mac OS, ISO, Android,

VtionAnzhuo continues to operate its own online store Vmarket and also provide platform construction, operation and promotion services for smart devices brands, Internet TV operators and major customers. Its own online applications store Vmarket offers a wide selection of authorized applications and secure online payment procedures. The company also distributes applications through a shop-in-shop model in the application stores of all three major telecom operators. At the end of 2013 Vtion Anzhuo has offered 35,268applications through its various sales channels and is working to monetize its business model and begin making revenue contributions.

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优酷
小鸟快飞
X计划TV版
360电视卫士
美食杰TV
踢飞僵尸
高德地图
苏宁易购TV

Highlights

Guidance met for 2013

Vtion realized revenues of nearly Euro 60 million in 2013 and achieved an EBIT margin of 8.39%.The results meet the bottom end of the company’s full year guidance. The company has shown the ability to stay profitable in a difficult operating environment due to streamlined and cost-effective operations.

Expanding to Specialized Products

In confronting with the falling price pressure, Vtion is expanding wireless data terminal offerings from the only consumer segment to specific-industry customers, which would continue to maintain profitable in the core business segment.

Moving into a 4G World

Vtion has adapted its product offerings to take advantage of the shift to 4G technology in the Chinese telecom market. Currently the company offers a total of four 4G products in its wireless data terminal business segment with plans to develop further offerings as the 4G market begins to mature and demand starts to grow.

Outlook

Vtion expects to achieve revenue of at least Euro 60 million in 2014, with an EBIT margin consistent with that of 2013 (2013 EBIT 8.39%).

The Share

Market Environment

Over the circle of 2013, the international economical environment slightly recovered compared to 2012. Correspondingly, the Dow Jones climbed by 26.5% while the S&P Index 500 increased by 29.6% for the full year. This was the highest rebound since 1997. Also the Nasdaq increased by 38.3% over the course of 2013. There were headwinds from the good employment data in the US. Uncertainties came from the discussion at which time and to what extent the US Fed would lower its quantitative easing. In 2013 exchange rate between US-Dollar and Euro currency fell by 4.37% to USD 1.3789 at the end of the reporting period. Also the German indecies showed a positive development. On an annual basis the DAX jumped by 25.5%, the MDAX 39.1% and the TecDAX 40.9%. They were postively influenced by the massive supply of liquidity from the national central banks. Because of the falling unemployment rates in Europe and a shortage of investment alternatives the stock markets remain optimistic in 2014.

Feeble share performance over the financial year 2013

Looking back to Vtion share performance in 2013, we recognized a share price decline and a negative performance over the whole year. After very volatile movements in December 2012, activities of our stock slowed down in the first months of 2013. Following the unclear stock market enviroment, the share continued to lack the momentum to trigger a turnaround. In March our share price made significant gains. In April, the share fell down below the level of 4 Euro. A day before the AGM on June 27th, the shares strongly recoverd and closed above the resistance level at EUR 3.78, reaching a price of EUR 3.84 on the following day. Afterwards, the share price was flat over the course of July, with slightly improving volumes. During the last quarter of 2013, Vtion's share continued to show a volatile performance. The share was still under pressure in a low section. After the release of the preliminary result for the third quarter on November 11th and the publication of the third quarter report 2013 on November 13th, the share price of our company showed a postive momentum. On annual basis Vtion's share price decreased by 16.63%,and closed at the price of 3.47 Euro at the end of 2013. Also at the beginning of 2014 our shares remains at a very low valuation with limited liquidity.

Dividend and share buyback

The company will continue its previous policy of issuing a dividend of 15% of the respective fiscal year's net profit. Vtion is committed to continuing to return cash to shareholders through share buyback programs and dividend payments.

Sponsorship and Research Coverage

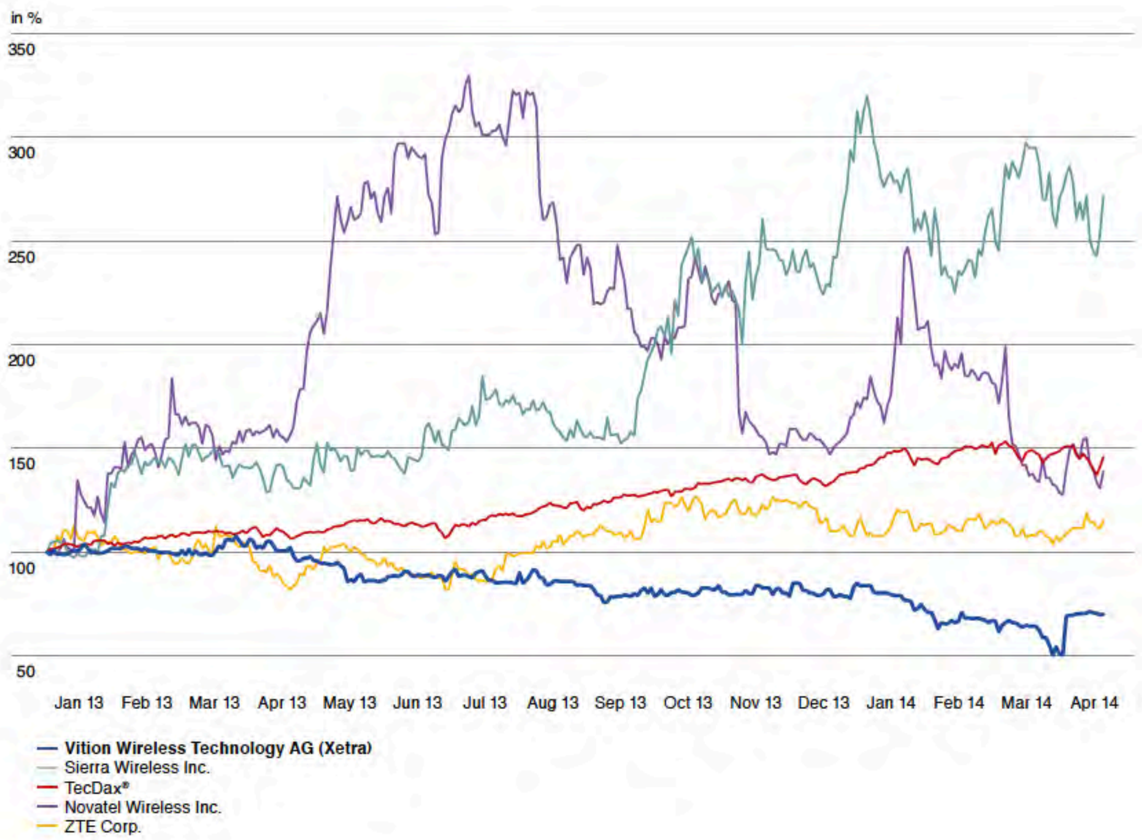
The company has had research coverage from M.M. Warburg since January 2010. In 2013 the company received recommendations. Equinet AG is Vtion's market maker and designated sponsoring services provider.

Investor Relations

In 2013 the company presented itself at the German Equity Forum in Frankfurt. We are also a regular participant in other conferences throughout the year. The company is committed to regular dialogue with its shareholders and maintaining accessibility to its investors.

VTION STOCK PRICE

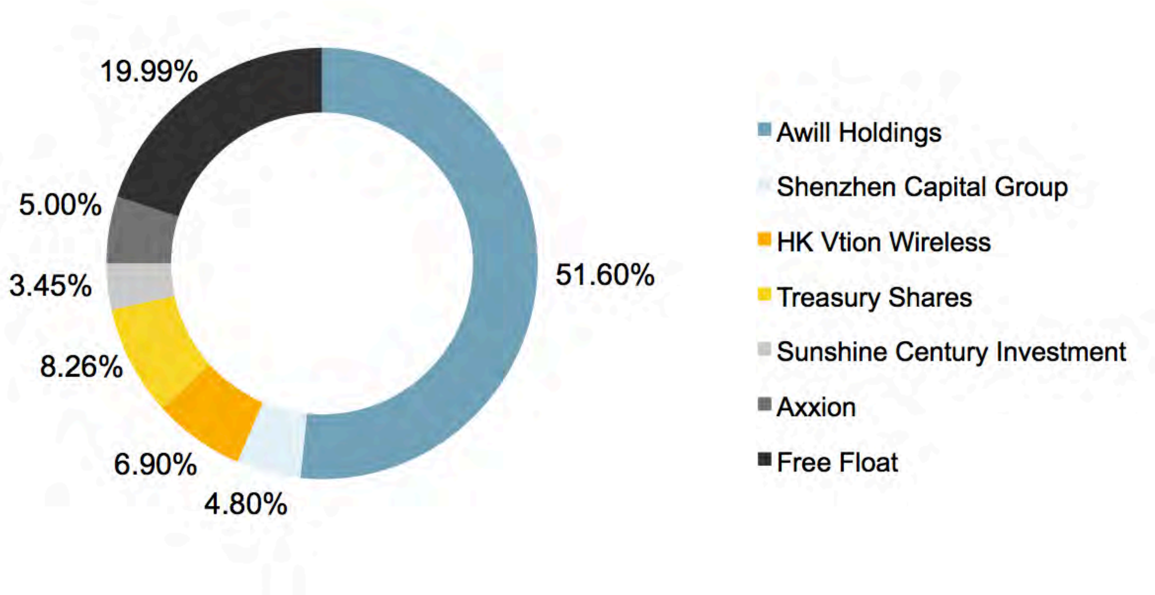
in Percent



Vtion Master Data
as of December 31, 2013

		FY 2013
Number of shares	Mio Shares	14,495
Closing price	€	3.47
Market Cap.	Mio €	50,298
High price	€	4.613
Low price	€	3.101
Average trading volume per day	Shares	4,817

Vtion Shareholder Structure
as of December 31, 2013



Report of the Supervisory Board

Dear Shareholders,

With this report the Supervisory Board gives account of its work in the financial year 2013. During the reporting, the Supervisory Board periodically laid a particular focus on the revenue and profitability status, long-term product and business development strategy of the Company and the Group in a changing market environment. Further topics comprised the general business development, capital markets and investor relations strategy as well as several corporate topics such as the reduction of the number of supervisory board members and the amendment of the business purpose of the Company as set forth in the Articles of Association.

MONITORING AND ADVICE IN CONTINUOUS DIALOGUE WITH THE MANAGEMENT BOARD

During the financial year 2013, the Supervisory Board continued to perform the monitoring and advisory functions assigned to it under the German Stock Corporation Act (Aktiengesetz/AktG), the Articles of Association (Satzung), the rules of procedure (Geschäftsordnung) for the Management Board and the Supervisory Board and the German Corporate Governance Code.

The Supervisory Board has continuously supervised and advised the Management Board during the reporting period and was comprehensively and timely involved in all matters of significant importance to the Group. Transactions and other issues requiring the approval of the Supervisory Board were discussed with the Management Board during Supervisory Board meetings, and Supervisory Board members were available both during meetings and on an informal basis to lend their expertise to the Management Board on a wide array of issues they faced. In particular, several members of the Supervisory Board have extensive experiences in the telecom industry both in China and in Europe, and they make this expertise available to the Management Board in their strategic deliberations.

The Supervisory Board regularly advised the Management Board on major issues pertaining to the management of the Company and continuously observed and supervised the conduct of business through intensive and open exchanges. Through the monthly reporting system, the Management Board kept the Supervisory Board informed of the Company's developments on a regular basis, with particular attention to the reporting on the Company's financial situation, monthly sales figures, development on the capital markets and any other extraordinary issues. Given the current development of the wireless data services industry, in particular the huge impact of mobile internet, tablet PCs, and Android application on Vtion's business, and the particular challenges of supervising a Chinese company listed in Germany, the Supervisory Board paid particular attention to the product and investment strategy, the earnings situation including the risk situation and the risk management and, finally, compliance.

All events of importance to the Company were discussed in detail by the entire Supervisory Board on the basis of reports and presentations provided by the Management Board. Where required by law and the Articles of Association, the Supervisory Board voted on the reports and resolution proposals of the Management Board after detailed examination and discussion. Board members were also in regular contact with the Management Board outside the regularly scheduled Supervisory Board meetings.

The Supervisory Board intensively discussed the business situation, the operational and strategic development of the Company and its areas of business in four regular meetings and one special meeting. In addition, various resolutions were taken by way of written votes.

EFFICIENT WORK OF THE SUPERVISORY BOARD

In the financial year 2013, the Supervisory Board held four ordinary meetings in Beijing, Fuzhou and Frankfurt and one special meeting via conference call. The meetings were usually attended by all Supervisory Board members. Resolutions were also adopted by written procedure.

In these meetings, the Supervisory Board paid particular attention to the business development and the strategy of the Company and the Group for the coming years. In addition, the board paid particular attention to the following issues:

At the 1st Supervisory Board meeting on 23 April 2013, the individual and consolidated financial statements as of 31 December 2012 and the dependency report were discussed in detail in presence of the chief executive officer and the chief financial officer as well as the auditor. The Supervisory Board unanimously approved the financial statements. Furthermore, the Supervisory Board approved the Compliance Statement (*Entsprechenserklärung*), the proposal for the distribution of a dividend and the special topics to be stated in the agenda for the General Shareholders' Meeting, particularly the reduction of the number of supervisory board members from six to three and the amendment of the Company's business purpose, both as finally resolved by the General Shareholders' Meeting held on 27 June 2013. Further, the business development on the Chinese IT markets as well as the consequences for Vtion's product and development strategy were extensively analyzed and discussed during this Supervisory Board meeting.

The main focuses of the 2nd Supervisory Board meeting on 26 June 2013 were the interim financial report for the first quarter of 2013 and the development of Vtion Group's business within the first five months of the financial year 2013. This also included an analysis of the development of Vtion's business segments and various potential future projects. In this meetingt, the Supervisory Board also discussed the financial forecasts of different business models for the period from 2013 to 2015.

At the 3rd Supervisory Board meeting on 17 September 2013, a particular focus laid on the developments of the Chinese telecommunication market, in particular the introduction of LTE/4G in China and the developments in the terminals business with launch of TD technology. In addition, the Supervisory Board discussed the current market situation of Vtion Anzhuo. Further topics were the general business development during the reporting period, investor relationship activities as well as proposals on more close connection and efficient communication between the two boards in the future.

Main topics of the Supervisory Board meeting on 10 December 2013 related to the recent developments of the market environment, including the introduction of industry-specific data card devices and mobile heath care devices as well as the implementation of an adjusted business strategy for the nascent 4G market, The discussion also included the financial results for the first three quarters of 2013 and the budget for the financial year 2014. In addition, the financial calendar and the schedule of Supervisory Board meetings for the financial year 2014 were approved.

In a special meeting held via conference call on December 19, 2013, the Supervisory Board once more dealt with and approved the budget of the Group for the fiscal year 2014 and, following a detailed discussion with the Management Board, approved the budget for the fiscal year 2014.

There were no conflicts of interests of members of the Supervisory Board during the reporting period; the only exception being Mr Volker Potthoff who served as member of the supervisory board until June 2013 and as Counsel for the law firm CMS Hasche Sigle, which is also the Company's legal advisor in Germany. In order to account for this potential conflict of interest, Mr Volker Potthoff abstained from voting during the vote of the Supervisory Board on the approval of the engagement letters between Vtion and CMS Hasche Sigle in the Supervisory Board meeting on 23 April 2013. Following the reduction of the number of Supervisory Board members to three as resolved by the General Shareholders' Meeting held on 27 June 2013, Mr Potthoff voluntarily resigned from his office as the member of the Company's Supervisory Board.

SUPERVISORY BOARD COMMITTEES

Vtion established a Strategy Committee in 2011 to focus on the company’s long term strategy. Following the reduction of the number of Supervisory Board members to three, the Supervisory Board decided to dissolve the strategy committee, the reason being that under German stock corporation law supervisory board committees have to consist of at least three members – and hence in case of Vtion the entire Supervisory Board – to be able to adopt resolutions.

CORPORATE GOVERNANCE AND COMPLIANCE STATEMENT

The Supervisory Board continuously monitors the further development of corporate governance standards. The Management Board – also on behalf of the Supervisory Board – reports on corporate governance of Vtion Wireless Technology AG in the corporate governance statement and the corporate governance report.

In March 2014 the Management Board and the Supervisory Board issued the annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website (www.vtion.de). Vtion still complies with the recommendations of the German Corporate Governance Code in its version as of 13 May 2013 with some exceptions. For further information please refer to the Corporate Governance chapter.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has resolved on specific goals for the Supervisory Board's composition. More details on the goals of the composition of the Supervisory Board are set out in the chapter "Corporate Governance Corporate Governance" on p. 55 of this annual report.

AUDIT OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The individual financial statements of Vtion Wireless Technology AG were prepared in accordance with the German generally accepted accounting principles as provided for in the German Commercial Code (Handelsgesetzbuch/HGB). The consolidated financial statements of Vtion Wireless Technology AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The individual and the consolidated financial statements as at 31 December 2013, and the reports of the Management Board regarding the relations with affiliated entities were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, and were issued with an unqualified audit opinion. The audit was ordered and carried out in accordance with the resolution of the General Shareholders' Meeting 2013, statutory requirements and the recommendations of the German Corporate Governance Code.

All relevant reports, including the annual financial statements, the consolidated financial statements, the management reports for Vtion AG and the Group, the dependency report and the auditors' reports, were distributed to all members of the Supervisory Board in due time prior to the Supervisory Board meeting dealing with the approval of such reports held on 28 April 2014. At this meeting, the Supervisory Board further received the auditors' report on the key findings of their audit and on the control and risk management systems with respect to financial accounting. A representative of the auditor was available to answer questions and provide supplemental information. The auditor provided information about the scope, focus and costs of the audit. At the same meeting, on the basis of its own examination and discussion, the Supervisory Board approved the results of the audit of the individual and consolidated financial statements. The individual financial statements of Vtion Technology AG for the time period from 1 January to 31 December 2013 were, thus, adopted.

The financial statements of Vtion Wireless Technology AG account for annual net profits of EUR 0.9 million for the financial year that ended on 31 December 2013. Including the retained earnings this results in net profits of EUR 1.2 million as of 31 December 2013. The Supervisory Board agreed with the suggestion of the Management Board to distribute a dividend of 0.05 EUR per share to the shareholders.

The Supervisory Board was provided with the report regarding the Company's relations to affiliated entities prepared by the Management Board in accordance with Section 312 German Stock Corporation Act (Aktiengesetz/AktG) and the respective audit report by the auditor, which was furnished with an unqualified audit opinion. In the report the unqualified opinion of the auditor reads as follows:

"Our company has, in the transactions stated in the related parties' report that were known to us at the time the transactions were conducted, received adequate compensation in each of these transactions. Furthermore no measures were initiated by or conducted in the interest of the controlling company or of one of its affiliated companies."

Following its own examination, the Supervisory Board approved the audit by the appointed auditor. There are no objections to the statements of the Management Board regarding the Company's relations to affiliated companies.

PERSONNEL MATTERS

As mentioned earlier, the General Shareholders' Meeting held on 27 June 2013 resolved to reduce the number of Supervisory Board members to three by means of an amendment of the Articles of Association. Following the effectiveness of said resolution, the former Supervisory Board members Mr. Volker Potthoff, Mr. Yangsheng Liu and Mr. Huaying Shu voluntarily resigned from their offices in agreement with the Company. Consequently, the Supervisory Board of the Company currently comprises three members, namely Mr. Norbert Quinkert (chairman), Mr. Hua Yang(vice chairman) and Mr. Ning Wang, all of whom have been re-elected by the General Shareholders' Meeting held on 27 June 2013.

The Supervisory Board would like to take the occasion to express its gratitude to the members of the Management Board for the excellent cooperation and to Vtion's employees for their hard work in the financial year 2013.

Warmest Regards,

Mr. Norbert Quinkert

Chairman of the Supervisory Board

Frankfurt, 23 April, 2014

Corporate Management of Vtion AG

as of 31 December 2013

Management Board (Vorstand)

Mr. Chen Guoping

- Chief Executive Officer (Chairman)
- Born in 1968
- Initially appointed on 9 October, 2007
- Additional positions:
- Member of the Committee of Fujian People's Political Consultative Conference

Mr. Zheng Hong Bo

- Chief Financial Officer
- Born in 1977
- Initially appointed on 24 October, 2011

Mr. He Zhihong

- Chief Technology Officer
- Born in 1974
- Initially appointed on 9 October, 2007

Mr. Ding Chaojie

- Responsibilities: Sales, strategic planning and marketing
- Born in 1975
- Initially appointed on 14 November, 2007

Ms. Fei Ping

- Responsibilities: Procurement, outsourcing, quality control, logistics, human resources and general administration
- Born in 1972
- Initially appointed on 14 November, 2007

From left to right:
Zheng Hong Bo, Ding Chaojie, Chen Guoping, He Zhihong, Fei Ping

Supervisory Board

as of 31 December 2013

Mr. Norbert Quinkert

- Chairman of Supervisory Board
- Born in 1943
- Initially appointed in 2009
- Additional positions:
  - Member of the board of directors of Advanced Metallurgical Group (AMG) Wayne, PA, USA
  - Member of the board of directors of Bogen Electronic GmbH, Berlin
  - Member of the Advisory Council of Project Hope, Germany

  Former positions:
  - Chairman of General Electric Inc. Germany, Austria, Switzerland
  - Chairman of Motorola Inc. Germany, Austria, Switzerland, The Netherlands

Mr. Yang, Hua

- Vice Chairman of Supervisory Board
- Born in 1959
- Initially appointed in 2009
- Additional positions:
  - Secretary General of TD Industry Alliance

Mr. Wang, Ning

- Born in 1955
- Initially appointed in 2009
- Additional positions:
  - Executive Vice President of China Electronic Chamber of Commerce

Combined Management Report for the Financial Year 2013

Business and Operating Environment

Vtion Group is one of the leading providers of wireless data solutions for mobile computing over mobile telecom networks in China, offering products in two key business segments: wireless data terminals and Wireless Intelligent Terminals. Other sales are combined in the "all other" segment.

OVERVIEW

In 2013, China's GDP grew at a rate of 7.7%[1] for the full year, exceeding the government's officially stated growth target of 7.5%[2]. The GDP growth results for the year show that lower growth rates indicate a soft landing for the economy's breakneck growth pace in previous years, and growth remains strong given that it continues to outpace both targets and expectations. The next macroeconomic challenge for China will be shifting from an investment and export-driven growth model to one based on domestic consumption, a process that has begun and is ongoing. Financial market and capital control reforms are also in the process of being formulated, though implementation is likely to be slow and uneven.

THE ORGANIZATIONAL AND LEGAL STRUCTURE FORMATION, BUSINESS NAME AND REGISTERED OFFICE

Vtion Wireless Technology AG has been formed by means of a notarial deed of incorporation (Gründungsurkunde), dated 1 October 2007. The business name (Firma) of the Company is "Vtion Wireless Technology AG". The formation of the Company has become legally effective by registration in the commercial register (Handelsregister) with the local court (Amtsgericht) of Frankfurt am Main on 12 November 2007, where the Company is registered under the registration number HRB 81718. The legal domicile (Sitz) of the Company is Frankfurt am Main, Germany.

BUSINESS PURPOSE OF THE COMPANY

The Company's corporate purpose is the holding, administration and sale of direct and indirect participations and investments in the telecommunications and IT sectors, and the provision of services for holding companies. The Company is also authorized to invest in infrastructure projects associated with telecommunications or IT, including research and development projects and business and industrial parks, investments in real estate and the leasing of office space, both at home and abroad.

According to section 2, para. 2 of the Articles of Association, the Company is entitled to conduct all measures and business transactions, which it deems necessary and useful for the implementation of the purpose of the Company. In particular, it may for this purpose establish branches in the country, where it has its seat. Abroad, it may establish or acquire companies of the same or similar type, or acquire an interest in such companies, demerge parts of its business to subsidiaries and associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings.

[1] http://www.gov.cn/guowuyuan/2014-03/05/content_2629550.htm
[2] http://www.gov.cn/wenzheng/2014-03/07/content_2632138.htm

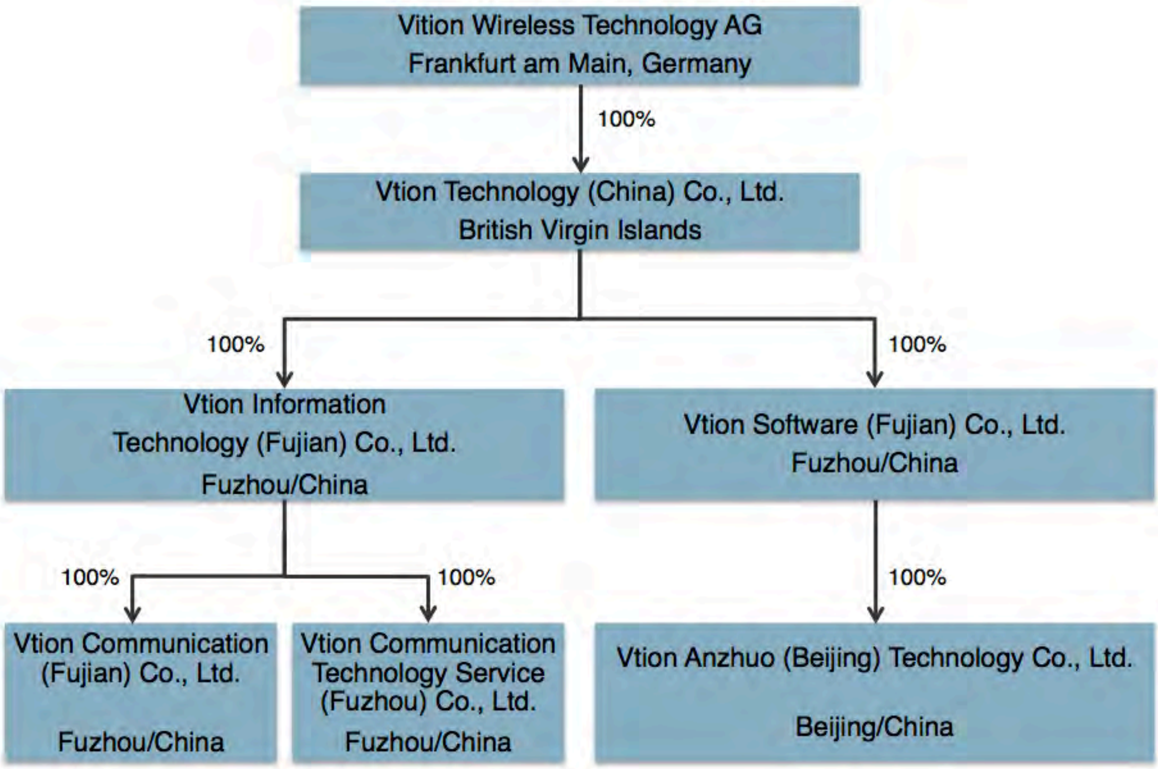
GROUP STRUCTURE

The operational business of Vtion Group in 2013 and 2012 were exclusively carried out by Vtion IT, Vtion Software, Vtion Communication and Vtion Anzhuo, all of which are limited liability companies formed under the laws of the PRC.

The economic state of the holding company is substantially determined by the operating entities in China. For this reason the Management Board of Vtion Wireless Technology AG decided for the first time to combine the management report about the economic state of the holding company with the group management report.

LEGAL STRUCTURE

Compared to fiscal year 2012, the Vtion Group structure had no change in 2013. The current corporate structure as of 31 December, 2013 of Vtion Group is shown in the chart below:



Vtion IT, Vtion Software, Vtion Communication, Vtion Service and Vtion Anzhuo are limited liability companies formed under the laws of the PRC. The sole shareholder of Vtion Communication and Vtion Service is Vtion IT. The sole shareholder of Vtion Anzhuo is Vtion Software The sole shareholder of Vtion IT and Vtion Software is Vtion Technology (China) Co. Ltd. ("Vtion BVI Holding"), a limited liability company formed under the laws of British Virgin Islands, which is a wholly-owned subsidiary of Vtion Wireless Technology AG (the "Company").

Vtion IT was established in 2002 under the laws of People's Republic of China and was acquired by Vtion BVI Holding on 9 May, 2007 (obtaining of control). The current registered capital and fully paid-in share capital of Vtion IT is USD 30,000,000 by 31 December, 2013.

Vtion Software was established by Vtion BVI Holding on 9 February, 2007 under the laws of People's Republic of China. The registered capital and fully paid up share capital of Vtion Software amounts to HKD 57,000,000 by 31 December, 2013.

Vtion Communication was established by Vtion IT on 20 November, 2009 under the laws of People’s Republic of China. The registered capital and fully paid up share capital of Vtion Communication amounts to RMB 8,000,000 by 31 December, 2013.

Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC (Vtion Anzhuo) was established on 14 January, 2011 under the laws of People's Republic of China. The registered capital and fully paid up share capital of Vtion Anzhuo amounts to RMB 20,000,000 by 31 December, 2013.

Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC (Vtion Service) was established on 1 March, 2011 with RMB 1,000,000 of capital. The registered capital and fully paid up share capital of Vtion Service amounts to RMB 1,000,000 by 31 December, 2013.

All shares in Vtion IT and Vtion Software are held by Vtion BVI Holding, a limited liability company, formed under the laws of British Virgin Islands on 27 January, 2005 and being registered with the Registrar of Companies in British Virgin Islands under the registration number 639297. The authorized share capital of Vtion BVI Holding amounts to USD 50,000 and was fully paid-up by 31 December, 2013.

Upon formation of the Company, all shares in Vtion BVI Holding were transferred to the Company by means of a share contribution agreement (Einbringungsvertrag) dated 10 October, 2007 as a contribution in kind (Sacheinlage).

MANAGEMENT AND CONTROL

The members of the Management Board and their current areas of responsibility are listed as follows:

Mr. Chen Guoping is the Company’s chief executive officer (CEO) and responsible for strategic planning, overall marketing, investor relations as well as Vtion Group’s overall management.

Mr. He Zhihong is the Company’s chief technology officer (CTO) and responsible for the research and development.

Mr. Zheng Hong Bo is the Company’s chief financial officer (CFO) and responsible for the overall financial management.

Ms. Fei Ping is responsible for procurement, outsourcing, quality control, logistics, human resources and general administration.

Mr. Ding Chaojie is responsible for sales, strategic planning and marketing.

Under the current management controlling procedures, management board members hold internal meetings for their responsible areas and management meetings are held on a monthly basis. Decisions are made through management board’s group discussion.

PRODUCTS AND SERVICES

Vtion is a leading supplier of wireless data card products and related after-sales service support in the People's Republic of China. The company's product portfolio covers all three of the 3G telecom standards operated in China, namely the CDMA 2000 EVDO standard used by China Telecom, China Unicom's WCDMA standard and the Chinese-developed TD-SCDMA standard operated by China Mobile.

The wireless data terminal market has suffered from market cannibalization due to the introduction of the tablet PC and greater propagation of smartphones. Though this initially had an adverse effect on Vtion's business, the market has since stabilized and the company continues to see a core of demand for these products. The company continues to offer wireless data cards across all three technology standards, as well as an E6 mobile router for China Telecom's network and a V6 router for China Unicom's network. Vtion expects to remain profitable in the wireless data terminal business segment, bolstered by the recent introduction of 3.5G technology (HSPA+ and EVDO Rev.B) to the Chinese market and the upcoming introduction of 4G (TD-LTE) technology. Meanwhile, the company expects steady results in this segment, while intend to develop and promote Vtion data cards which are designed for Industry-specific customers with three telecom operators since the end of 2013.

In June 2011, Vtion began selling the tablet PC (VPAD), its first venture into the Wireless Intelligent Terminal space. The company sold this product through retailer distribution channels and offers imbedded applications for certain target markets, particularly cosmetics and fashion apps for the young female consumer market. Despite this initial success, the company faced increasing pricing pressure as increasing numbers of low-cost providers entered the market, driving down prices for all but the top brands. In order to protect its overall margins, Vtion decided in December 2012 to exit the consumer market, given that such price competition would have compromised the company's overall margins. Vtion also offers a product called "PCtoTV" in the Wireless Intelligent Terminal segment; the "PCtoTV" allows users to establish a wireless connection between a laptop computer and an HDTV monitor. The company also offers a "Guan Ai Camera", which is a home monitoring system that allows a camera to send a live feed from the home to the users' smart phone.

Since June 2012, Vtion has been engaged in the development and sale of mobile applications and computing solutions designed specifically for use in the insurance industry. Vtion's "E-agent platform" allows insurance sales agents to electronically manage their customer base, coordinate with other sales agents and even execute policy sales online. This product has shown early success for Vtion's clients in improving sales agent efficiency and organization, currently Vtion is working with a client base of 7 insurance companies.

Vtion began its segment is mobile applications business for the Android platform since April 2011. Vtion operates this business through Vtion Anzhuo, which is a wholly-owned subsidiary of Vtion Software. Vtion Anzhuo is engaged in the worldwide procurement of mobile applications which it then distributes through three major sales channels. The first is its own online applications store, which offers a wide selection of authorized applications and secure online payment procedures. The company also distributes applications through a shop-in-shop model in the application stores of all three major telecom operators. At the end of 2013 Vtion Anzhuo has offered 35,268 applications through its various sales channels and is working to monetize its business model and begin making revenue contributions. Vtion Anzhuo also cooperates with smart devices manufactures, Internet TV operators and intelligent product solution suppliers, reaching agreements to offer technology support for them to build and operate their own app stores in the devices these clients sell.

SALES AND MARKETING

Vtion's sales and marketing personnel decreased from 81 in 2012 to 66 as at 31 December, 2013. However, despite the operation becoming somewhat leaner, Vtion still remains very active in its sales efforts. As the company business model continues to diversify, Vtion continually assigns new sales persons to the new product groups. Despite these changes, China's three major telecom operators remain a major focus of Vtion's sales and marketing efforts, as Vtion continues to sell the majority of its wireless data terminal products through China Unicom, China Telecom and China Mobile. Additionally, Vtion has established a shop-in-shop model to sell mobile applications through the online stores of each of the telecom operators. For both data terminals and mobile apps, Vtion continues to rely on its strong ties to China's mobile network operators.

Though Vtion continues to sell wireless data terminals through sales and distribution partners, these sales have decreased since the company exited the consumer tablet PC market at the end of 2012. Given that the company generally enjoys better margins when selling directly to the telecom operators, these clients are given a higher priority as opposed to sales and distribution agents.

Vtion's newest sales channels center around its newest business ventures. First, the company has established a B2B sales model to sell directly to China's insurance companies, providing them with integrated solutions and applications designed specifically for insurance sales processes. Vtion has recruited sales personnel who previously worked within insurance companies to set up this sales network. In addition to selling through a shop-in-shop model in cooperation with China's telecom operators, Vtion Anzhuo also sells through device manufacturers of tablet PC and handset products. In doing so, the Vtion Anzhuo store or VMarket, is established as the primary online applications store for users of these devices through an imbedded link in the hardware. Finally, the VMarket also stands as an independent sales channel through which users of both Vtion's hardware and other hardware are able to access and download mobile applications.

RESEARCH AND DEVELOPMENT

Vtion Wireless Data Terminals

Vtion's wireless data terminal R&D activities center continues to be around the development of wireless data cards and 3G mobile routers. The strength of Vtion's wireless data terminal R&D is based on the company's understanding of telecom operators' needs, the ability to develop products that meet the operators' specifications and work closely with suppliers to ensure quality. Due to the pressure on its average selling prices in this segment, the company is seeking to design specialized data terminals and modules for industry-specific customers. A specialized data card is being developed for local tax authorities which is able to support tax officers to work wirelessly in the customized online tax system. As the fourth generation technology (TD-LTE) license has been released at the end of 2013, Vtion is planning to invest further in research and development in 2014 in order to offer 4G wireless data card and to develope its wireless data terminals business. Though production is outsourced, Vtion's design capability ensures that it continues to produce industry-leading quality for the Chinese market in its wireless data terminal segment.

2013 Vtion Wireless Terminal segment product list		
3G Standard	**Interface Type**	**Model**
EVDO	EVDO WIFI Hotspot	E6+
	WCDMA WIFI Hotspot	V6
	CDMA2000 USB Stick	E1916
	CDMA2000 USB Stick	E1919
	CDMA2000 USB Stick	E1980
	E1916 (security industry application)	DF1918
WCDMA	WCDMA USB Stick plus WIFI Hotspot	Hifi5S
	WCDMA USB Stick	U1920
	WCDMA USB Stick	U1980
	HSDPA USB Stick	U2916
TD-SCDMA	USB Stick	TG1912
PCtoTV	HDMI interface plus WIFI	VT1
IP camera	cable and WIFI	VCAM798

Financial Industry Application Segment

In Vtion's mobile applications business segment, the company relies on a worldwide procurement model to seek out applications that the company will be able to effectively distribute. However, Vtion also does mobile application development in-house, particularly for the applications it has designed for the insurance industry. Vtion's on-going R&D activities in the mobile applications space involve developing new applications, optimizing existing applications and optimizing the company's online store and distribution network. Vtion's applications for its industry-specific computing solutions business segment are developed by a team of developers who were formerly employed in the IT departments of various insurance companies. As Vtion looks to expand into other industries in its industry-specific solutions segment, it will evaluate the need to add further talents and competencies from these particular industries.

2013 Financial Industry Application segment products list	
Product Name	**Status Update**
Insurance mobile developing products EAP* (B/S version)	Version 2.0 completed, available for solution sale.
Insurance mobile developing products EAP (Android version)	Version 2.0 completed, available for solution sale.
Insurance mobile developing products EAP (IOS version)	Base version completed, available for solution sale.
Web chat public account Platform for Insurance Company (Service Accounts)	Base version completed, available for solution sale.
Web chat public account Platform for Insurance Company (Subscription Accounts)	Base version completed, available for solution sale.

*EAP:E-Agent /Platform

Vtion Anzhuo

2013 Vtion Anzhuo Products List		
Product Name	**Using Range**	**Terminal Type**
Vmarket	external using	Web
	external using	Mobile
	external using	PAD
	external using	TV
Developer Platform	external using	Web
BO back stage administrative platform	external using	Web
CK back stage administrative platform	internal using	Web
Operation data statistical analysis platform	internal using	Web

Vtion Anzhuo continues to operate its own online store Vmarket and also provide platform construction, operation and promotion services for smart devices brands, Internet TV operators and major customers.There are several sorts of platforms for operation and development of applications in Vmarket. Developers utilize the “developer platform” in order to update the status of applications, such as uploading, repeal, inspection.” CK back stage administrative platform” is in charge of managing all of applications from developers and allocating them as well as seting up new auxiliary app stores which are connected with the main store. Administrative staff could collect and analyze datas through the “operation data statistic analysis platform” to adjust and upgrade the applications for the purpose of operations.

Suppliers

Throughout its history Vtion has used a value chain centered on working closely with OEM's and ODM's and has outsourced all of its production. This has allowed the company to both assure high quality through only partnering with top-level producers, as well as maintain a lean and effective cost structure through lower overhead due to not having to pay for unused production capacity.

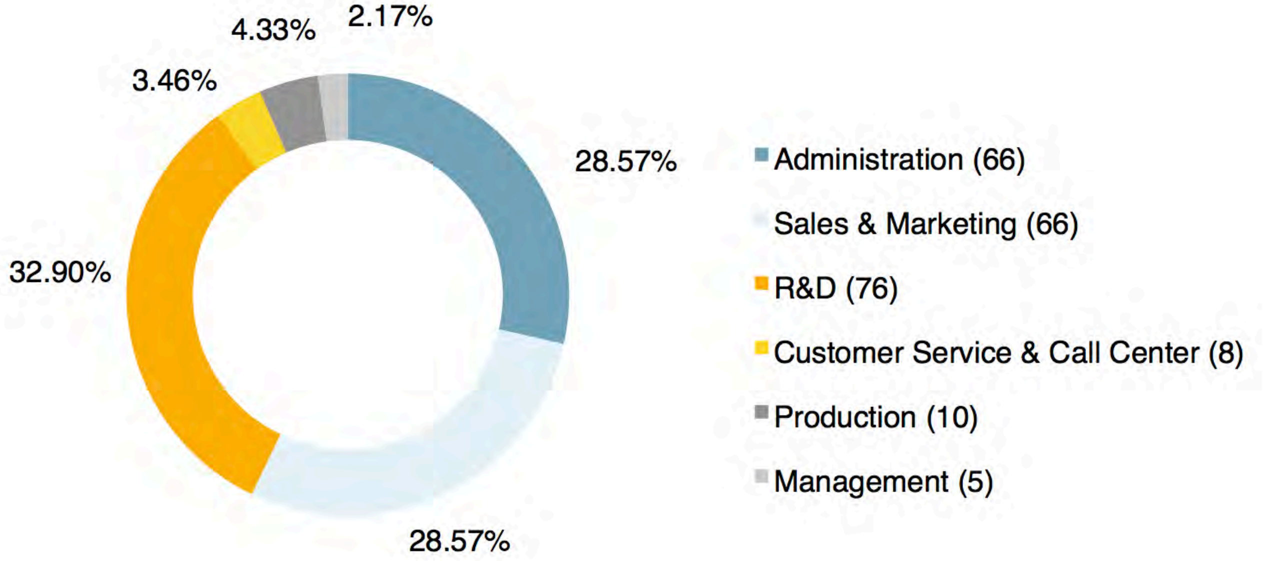
For its wireless data card products, Vtion used to work with three manufacturers over the course of 2013. The first, a subsidiary of Foxconn called Hong Xun, based in Hangzhou, provides production services. BYD provides both ODM and production services, while the company also works with an ODM based in Guangzhou called Shenzhou Electronic Co., Ltd.

Vtion Anzhuo also relies on outsourcing its procurement of mobile applications to sell through its various sales channels, and leverages a global procurement network. The company works with a large number of application developers both inside and outside of China, sometimes on an ad-hoc basis and other times in a longer-term cooperation model. Currently, Vtion Anzhuo has established wide cooperation relationship with top domestic suppliers which offer applications in the industries of intelligent mobile phone, intelligent TV.

Employees

Owing to maintaining a lean cost structure, Vtion continues to deduct the number of employees down to 231 in total at the end of 2013, compared to 249 in 2012.The main reason of personal downsizing is an obvious decrease of the staff in the Sales and Marketing Department which represents the number from 81 in 2012 to 66 in 2013. And the personnel in the Administration is reduced from 73 in 2012 to 66 in 2013. Meanwhile, in the research and development department there is 76 staff as at the end of 2013 instead of 72 the year before. The company has a 10-persons production department; these employees are primarily concerned with product specification, testing and software interface. The number of employees in the Customer service & Call center has a slight decrease which shows 8 for 2013. Currently, there are constantly 5 management board members in the company in 2013. Vtion Anzhuo has 42 numbers of employees totally and has a decrease by 9 persons in 2013. Of these personnel, 11 are administrative, 24 persons belong to the R&D department and 7 are working in the Sales and Marketing Department.

Allocation of Employees
as of 31 December, 2013



VALUE AND PERFORMANCE MANAGEMENT

The goal of the Vtion Group is to adapt and expand our business model as new market opportunities arise, in order to place the company on a path leading to steady growth that is sustainable over the long term.

To this end, the company seeks to set performance targets that encourage managers to work towards long-term value creation as opposed to near-term benefit at the expense of the company's long-term competitiveness.

The company pays particular attention to its EBIT margin, evaluating business segments based on their potential for sustainable profitability and looking to exit or avoid business ventures that could result in pressure on the group's overall margins. Consistent with this emphasis on margin optimization, company managers are also incentivized to maintain a lean cost structure and are rewarded for cutting costs, particularly when facing a difficult market environment.

In general business opportunities are only seized if they promise to achieve a satisfying EBIT-Margin. In addition to the EBIT-Margin the Management Board focuses on achievable revenues and in the long term intends to grow the company further.

Finally, the company aims to recruit talents and make investments in areas that can contribute to a foundation for sustainable growth.

General Market Conditions and Business Development

According to data from the China Internet Network Information Commission, by the end of 2013, the total number of internet users in China reached 618 million, which represents a penetration rate of 45.8 %.[3]

On December 4th,2013, Ministry of Industry and Information Technology of the People's Republic of China has issued the operating License of the fourth-generation digital cellular mobile communication services (TD-LTE) towards three Telecom operators- China Mobile，China Unicom and China Telecom. At present the major operators in China are preparing for the construction of the 4G network actively. China Mobile intends to promote 4G technology via the standard of TD-LTE. Meanwhile China Telecom and China Unicom will utilize the converged network standard of TD-LET and LTE-FDD to develop their 4G business. Vtion will enlarge its product offerings created for the 4G technology, and will also seek opportunities to expand and adapt its business model over the course of the year.

In 2013 Vtion realized 86.2% of its revenues in the wireless data terminal business segment, of which 55% were realized through direct sales to the three major telecom operators. Thus, these clients remain extremely important to Vtion, particularly in this business segment. As the operators begin to shift their focus to 4G network technology, Vtion has developed 4 products based on 4G technology to be sold directly to the operators as they begin to compete for market share with the new, faster technologies.

In the industry-specific computing solutions business, Vtion has expanded its client base to include **7** clients in total. Revenue per client remains low, and the company has taken the approach of trying to increase revenue per current client while also seeking to expand its client base with a particular emphasis on larger state-owned insurance concerns.

Vtion Anzhuo has continued to expand its sales offerings, with a total of 35,268 mobile applications now available through the Vmarket as well as shop-in-shop stores operated in cooperation with the three major telecom operators. The company will also expand its emphasis on the emerging large-screen market, which consists primarily of IP TV's and other large-screen devices with internet connectivity. This is an emerging market, but one that company management feels has significant potential. Vtion will seek cooperation with large-screen device manufactures who have a strong market position in the hardware business but lack the capability of creating an operating an applications platform to synchronize with their hardware offerings.

[3] http://www.cnnic.cn/hlwfzyj/hlwfzzx/qwfb/201402/W020140226599021768966.pdf

Results of Operations

INCOME STATEMENT – Group
1 Jan. – 31 Dec.

	2013	2012	% change
	kEUR	kEUR	
Sales	**59,946**	**75,570**	**-21**
Cost of sales	-48,480	-61,996	-22
Gross profit	**11,466**	**13,574**	**-16**
Other operating income	23	151	-85
Selling and distribution expenses	-1,573	-1,802	-13
Administrative expenses	-4,885	-5,074	-4
Other operating expenses	-3	-2	50
Profit from operations (EBIT)	**5,028**	**6,847**	**-27**
Finance income	1,674	1,355	24
Finance expenses	-18	-41	-56
Foreign exchange loss	-110	-78	41
Profit before income tax	6,574	8,083	-19
Income tax	-2,174	-2,737	-21
Profit for the period	**4,400**	**5,346**	**-18**
Earnings per share* (in EUR)	0.33	0.37	-11
EBITDA[4]	5,554	7,454	-25
EBITDA margin[5]	9%	10%	-10
EBIT margin[6]	8%	9%	-11
Net profit margin[7]	7%	7%	0

*Computed on the basis of weighted average 13,298,495 shares for 2013, and weighted average 14,481,671 shares for 2012 respectively.

[4] Profit for the period plus income tax, finance expenses, foreign exchange loss, depreciation and amortization minus finance income.
[5] Relation of EBITDA to sales.
[6] Relation of EBIT to sales.
[7] Relation of profit for the period to sales.

SALES

Compared with last fiscal year, in 2013 Vtion acquired revenues generated from new products and services in addition to those generated with existing products. Due to the business development, the range of products was extended to comprise sales of wireless data cards, wireless routers, wireless high definition sharer named “PCtoTV”, iPhone-related packages, other intelligent mobile phones, network camera and so-called other sales. Other sales include accessories, the sales generated from service to insurance industry, the sales generated from service to Android application developers and mobile application stores, health self-checking instrument and commission income from the China Union broadband network. All supplied products and provided services were classified in the segments below:

The segment “Wireless Data Terminals” includes the sales of wireless data cards, wireless routers, and wireless high definition sharers.

The segment “Wireless Intelligent Terminals” includes the sales of iPhones, other intelligent mobile phones and network camera in 2013. Vtion has stopped the sales of tablet PC (VPAD) to end customers from December 2012.

The segment “All Others” includes the sales of accessories in connection with mobile phones, services in connection with Android applications, services in connection with mobile applications designed for insurance industry. The segment also includes the sale of health self-checking instrument in connection with mobile health care and commission income from the China Unicom broadband network project. Health self-checking instrument in connection with mobile health care and commission income from the China Union broadband network are new revenue sources in 2013 and provided by Vtion Communication and Vtion IT.

Sales decreased from EUR 75,570 thousand in fiscal year 2012 by EUR 15,624 thousand, or 21%, to EUR 59,946 thousand in fiscal year 2013. This mentioned decrease was primarily due to the decrease in the sales of wireless data cards, wireless routers and VPAD. Sales of wireless data cards decreased from EUR 40,240 thousand in 2012 by EUR 7,990 thousand, or 20%, to EUR 32,250 thousand in 2013, as a result of severe falling of demand for 3G wireless data cards of the current popular versions due to increasing usage of other devices to access the mobile internet, which was partly offset by the increase of sales from wireless data cards downloaded with taxation software launching in August 2013. Sales of wireless routers decreased from EUR 21,294 thousand in 2012 by EUR 7,882 thousand, or 37%, to EUR 13,412 thousand in 2013, as a result of a falling of sales of wireless routers of the old versions. This effect was partly offset by an increase of sales of upgraded wireless router with High-Fidelity, which were launched in August 2013. Since Vtion had discontinued the sale of VPADs to end customers, no revenue was generated from VPAD in 2013 (2012: EUR 9,730 thousand).

Vtion generated EUR 6,005 thousand of revenue from wireless high definition sharer (“PCtoTV”) in 2013. Sales increased from EUR 2,862 thousand in 2012 by EUR 3,143 thousand or 110%, as a result of the increase of sales units.

Resulting from the significant increase of sales of network camera from the second quarter of 2013, the revenue generated from network camera was about 10% of the Group’s combined revenue in 2013, network camera disclosed in “All Others” segment in 2012 was adjusted to be presented in “Wireless Intelligent Terminal” with intelligent terminals in 2013. Vtion Group generated EUR 5,897 thousand from network camera in 2013 (2012: EUR 13 thousand), which launched in December 2012.

In 2013 the revenue generated EUR 1,821 thousand from mobile trades comprised the sales of iPhone and other intelligent mobile phones and service income for supporting mobile package sales, which increased by EUR 938 thousand, or 106%, from EUR 883 thousand in 2012. This mentioned increase was primarily due to the increase of service income for supporting mobile package. Revenues from iPhones comprised commission of iPhone package sales and profit sharing from phone bills, which decreased from EUR 377 thousand in 2012 by EUR 330 thousand or 88% to EUR 47 thousand in 2013. Revenue generated from the sales of other intelligent mobile phones decreased from EUR 227 thousand in 2012 by EUR 204 thousand or 90% to EUR 23 thousand in 2013. Service income for supporting mobile package sales increased from EUR 279 thousand in 2012 by EUR 1,472 thousand or 528% to EUR 1,751 thousand in 2013. The Management Board is very pleased with the sales contribution of network camera.

Sales from the category “All Others“ increased from EUR 547 thousand in 2012 by EUR 14 thousand, or 3%, to EUR 561 thousand in 2013. The mentioned increase mainly resulted from an increase of service income in connection with mobile application designed for insurance industry and services provided to Android application developers and mobile application stores, which was partly offset by the decrease of sales of accessories. Revenue generated from services provided to Android application developers and mobile application stores increased from EUR 59 thousand in 2012 by EUR 65 thousand, or 110% to EUR 124 thousand in 2013. Revenue generated from service in connection with mobile application designed for insurance industry increased from EUR 163 thousand in 2012 by EUR 15 thousand, or 9% to EUR 178 thousand in 2013. Revenue generated from accessories in connection with mobile phones decreased from

EUR 325 thousand in 2012 by EUR 87 thousand, or 27% to EUR 238 thousand in 2013. Vtion generated revenue EUR 11 thousand from health self-checking instrument and EUR 10 thousand from China Union broadband network in 2013, which were new revenue sources in 2013.

COST OF SALES

Due to the business development in 2013, cost of sales was extended to constitute costs of raw materials, packaging costs, materials and overhead costs, the costs for service business to Android application and to mobile application designed for insurance industry, the costs of supporting mobile package sales and depreciation of construction cost for China Union broadband network. The vast majority of cost of sales was composed of costs of raw materials. Costs of raw materials included almost entirely the direct costs of wireless data terminals (including primarily the costs of purchase of wireless data terminals), the costs of purchase of wireless intelligent terminals aquired from original equipment manufacturers and telecommunications equipment resold by Vtion Group, and the costs of purchase of accessories and health self-checking instrument. Packaging costs and materials mainly comprised the cost of packaging wireless terminals at Vtion Group's warehouse, including labor costs. Overhead costs include utility costs and rental costs of property. Service costs to Android application included revenue sharing to software suppliers and amortization of intangible assets for service business to Android application. Service costs to mobile application designed for insurance industry include human resource costs and amortization of intangible assets for service business to mobile application. Costs of supporting mobile package sales included commission charges to service agents. Cost for commission income from China Union broadband network comprised depreciation of construction cost of the networks.

Cost of sales decreased from EUR 61,996 thousand in fiscal year 2012 by EUR 13,516 thousand, or 22%, to EUR 48,480 thousand in fiscal year 2013. The decrease was primarily due to the decrease in the costs of raw materials of wireless data cards and wireless routers as a result of the decrease of sales volume, and the decrease of the costs of raw material of VPAD due to the end of the business in 2013. Cost of sales of wireless data cards decreased from EUR 31,784 thousand in 2012 by EUR 6,390 thousand, or 20%, to EUR 25,394 thousand in 2013. Cost of sales of wireless routers decreased from EUR 18,386 thousand in 2012 by EUR 6,510 thousand, or 35%, to EUR 11,876 thousand in 2013. Since Vtion stopped the VPAD business in 2013, no expenditure of VPAD was involved in the cost of sales in 2013 (2012: EUR 8,635 thousand).

The mentioned decrease of the costs of sales of wireless data cards, wireless routers and VPAD was partly offset by the increase of cost of sales of wireless high definition sharer (“PCtoTV”), network camera and mobile trade in 2013. Cost of sales of wireless high definition sharers increased from EUR 1,942 thousand in 2012 by EUR 2,845 thousand, or 146%, to EUR 4,787 thousand in 2013 as a result of the increase of sales volumes. Cost of sales of network camera which launched in December 2012 increased to EUR 4,567 thousand in 2013 due to the significant increase of sales from the second quarter of 2013. Cost of sales of mobile trades increased from EUR 718 thousand by EUR 772 thousand, or 108%, to EUR 1,490 thousand. This increase was mainly due to the increase in the cost of service for supporting mobile package sales, which was partly offset by the decrease of cost of purchase of mobile phones from original manufacturers as a result of the decrease of sale volumes of mobile package.

Cost of sales of service to Android application developers and mobile application stores in 2013 decreased from EUR 141 thousand in 2012 by EUR 84 thousand, or 60%, to EUR 57 thousand in 2013. Cost of sales of services to mobile application designed for insurance industry increased from EUR 75 thousand in 2012 by EUR 6 thousand, or 8%, to EUR 81 thousand in 2013.

GROSS PROFIT

The overall gross profit margin slightly increased from 18% in 2012 to 19% in 2013. The slight increase resulted from the stable gross profit margin of 3G wireless data cards and a satisfactory gross profit margin of network camera which ranked the fourth place of all products of the Group with a significant increase of sales in 2013. Effective cost-control measures of wireless data cards with the current popular version even under the price pressure in 2013 had positive impact on increasing the gross profit margin. But this was partly offset by the decreases of gross profit margin of wireless high definition sharers and wireless routers mainly due to the decrease of the unit prices. The overall gross profit margin in 2013 remained quite stable from 19% in the first three quarters of 2013. Considering the difficult market environment the Management Board assesses this result positively.

OTHER OPERATING INCOME

Other operating income mainly included subsidies from the PRC government, maintenance and repair income and other miscellaneous income. The PRC government subsidies were monetary rebates on handling charges in connection with individual income tax and monetary compensation in connection with the transfer of land use right.

Other operating income decreased from EUR 151 thousand in fiscal year 2012 by EUR 128 thousand, or 85%, to EUR 23 thousand in fiscal year 2013. The decrease was primarily due to less special monetary reward or subsidies granted by PRC government in 2013, partly offset by monetary compensation in connection with the transfer of land use right. Since the government adjusted the purpose of the area around and Vtion had not constructed the ground buildings, as the former owner, Vtion IT was required to transfer back half of the land use right. As a government administrative action, the government took back the land use right and returned the proportionate share of the transfer costs and corresponding fees for authentication of the deed. Meanwhile the government compensated Vtion IT amounting to EUR 19 thousand for charges for some construction such as filling, geological survey, environmental assessment paid by Vtion IT before.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise salaries of the sales and customer service department, entertainment expenses, travelling expenses, advertisement costs, freight charges, promotion expenses and other miscellaneous expenses.

Selling and distribution expenses decreased from EUR 1,802 thousand in fiscal year 2012 by EUR 229 thousand, or 13%, to EUR 1,573 thousand in fiscal year 2013. The decrease was primarily due to a decrease in royalty costs to copyright holders, rental expenses, travelling expense, conference expenses and amortization of leasehold improvement which were partly offset by an increase in salary and welfare.

The ratio of selling and distribution expenses to total sales was 2.6% in 2013 and 2.4% in 2012.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise salaries and travelling expenses of management, salaries of the accounting department and administrative staff, research and development expenses, costs of staff training, staff welfare, social insurance charges, depreciation and allowance for doubtful accounts, amortization of intangible assets, rental costs of Vtion Group's Fujian office and certain other branches, and other expenses. Other expenses include maintenance costs, audit and legal fees, transportation expenses, recruitment costs and various office expenses.

Administrative expenses decreased from EUR 5,074 thousand in fiscal year 2012 by EUR 189 thousand, or 4%, to EUR 4,885 thousand in fiscal year 2013. The decrease was primarily due to a decrease in consulting expenses and remuneration of Supervisory Board, which were partly offset by an increase in research and development expenses, rental expenses and entertainment expenses.

Research and development expenses increased from EUR 760 thousand in 2012 by EUR 688 thousand, or 91%, to EUR 1,448 thousand in 2013, mainly due to an increase in salary and welfare, amortization of intangible assets, design fee and travelling expenses.

The ratio of administrative expenses to sales was 8.1% in 2013 and 6.7% in 2012.

OTHER OPERATING EXPENSES

Other operating expenses are insignificant in 2013 and 2012.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations decreased from EUR 6,847 thousand in fiscal year 2012 by EUR 1,819 thousand, or 27%, to EUR 5,028 thousand in fiscal year 2013. The decrease was largely due to the decrease of sales and gross profit in 2013, especially the dropping of sales and gross profit of wireless data cards and wireless routers and the decrease of sales and gross profit of VPAD which Vtion Group had stopped selling to end customers in 2013. The decrease was partly offset by the increase of gross profit of network camera and the decrease of operating expenses.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) slightly decreased from 9% in 2012 to 8% in 2013. This mainly resulted from the decrease of gross profit margins of wireless high definition sharers and wireless routers and a slight increase in the ratio of administrative expenses to sales. Considering the difficult market environment the Management Board is satisfied that only a slight decline in EBIT margin was recorded.

FINANCE INCOME

Finance income comprises interest income earned from bank deposit.

Finance income increased from EUR 1,355 thousand in fiscal year 2012 by EUR 319 thousand, or 24%, to EUR 1,674 thousand in fiscal year 2013, mainly due to the increase of interest income resulted from the increase of term deposits in banks.

FINANCE EXPENSES

Finance expenses comprise bank charges and interest expenses (only for 2012).

Finance expenses decreased from EUR 41 thousand in fiscal year 2012 by EUR 23 thousand to EUR 18 thousand in fiscal year 2013, mainly due to the decrease of bank charges.

FOREIGN EXCHANGE GAIN OR LOSS

Foreign exchange gain or loss was resulted from the exchange rate fluctuation of the functional currency against all other currencies in which the Group's financial instruments were exposed to.

The Group recognized a foreign exchange loss of EUR 110 thousand in fiscal year 2013, which increased from EUR 78 thousand in fiscal year 2012 by EUR 32 thousand. Foreign exchange loss recognized in 2013 mainly resulted from money exchange from EUR to RMB when the EUR/RMB exchange rate devalued in 2013. Vtion Software exchanged EUR 4.8 million to RMB when the average EUR/RMB rate was about 7.9651 dropped by 3% compared with the rate as at 31 December, 2012. The loss was partly offset by foreign exchange gain arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date, since the functional currency of the Group is RMB. The EUR/RMB exchange rate rose by 0.1284 or 1.6% from 8.2207 as of 31 December, 2012 to 8.3491 as of 31 December, 2013, which had a positive impact on the valuation of assets denominated in Euros.

INCOME TAX

Income tax mainly comprises taxation actually payable. Vtion IT applied an effective tax rate of 25% in the year 2013 in accordance with the Income Tax Law of the People's Republic of China. Vtion Communication started to have accounting gains in 2013 and accumulated a net gain as of 31 December, 2013. So Vtion Communication applied an effective tax rate of 25% in year 2013 in accordance with the Income Tax Law of the People's Republic of China. Vtion Software was exempted from the corporate income tax because of tax losses in 2013. Vtion Service and Vtion Anzhuo were exempted from the corporate income tax because of cumulative tax losses carried forward from the establishment. The Chinese companies of Vtion Group recorded an income tax charge of EUR 2,223 thousand in 2013 based on an effective tax rate of 25% in China. Vtion Wireless Technology AG accumulated a net tax loss under German tax law. Based on the estimate of net taxable income of the next five years, Vtion AG recalculated and recognized deferred tax asset amounting to EUR 399 thousand as of 31 December 2013. Thus, altogether Vtion Group recorded a net income tax expense of EUR 2,174 thousand in 2013.

NET PROFIT AND EPS

Net profit in 2013 amounted to EUR 4,400 thousand, a decrease of 18% year-on-year. Earning per share in 2013 was EUR 0.33, a decrease of 11% year-on-year.[8]

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[8] Computed on the basis of weighted average 13,298,495 shares for 2013, and weighted average 14,481,670.94 shares for 2012, respectively

NET PROFIT MARGIN

The net profit margin in 2013 remained stable at 7% year on year. The impact of the decrease of EBIT margin in 2013 was offset by an increase of interest income and the decreases of income tax expenses occurred in 2013 due to the decrease of profit from operations and the increase of deferred tax assets of Vtion AG. The Management Board is satisfied to achieve a stable net profit margin.

OVERALL STATEMENT TO THE BUSINESS DEVELOPMENT

For 2013 Vtion predicted revenues of € 60 to 70 million € and an EBIT margin of 8 to 10%. Vtion achieved the forecast and is satisfied with this achievement in the light of a difficult market environment.

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended 31 December, 2013 and 31 December, 2012

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	2,256	2,362
Trade receivables	18,411	25,630
Other receivables and prepayments	2,447	3,629
Short-term investment	0	4,900
Amounts due from related parties	101	149
Cash and cash equivalents	126,614	113,510
	149,829	**150,180**
Non-current assets		
Property, plant and equipment	816	837
Land use rights	276	574
Intangible assets	794	937
Deferred tax assets	406	363
	2,292	**2,711**
Total assets	**152,121**	**152,891**
LIABILITIES		
Current liabilities		
Short-term loans		
Trade payables	13,422	12,162
Other payables	1,358	4,894
Provisions	509	424
Amounts due to related parties	0	0
Income tax payable	505	610
Non-current liabilities		
Deferred tax liability	0	0
Total liabilities	**15,794**	**18,090**
CAPITAL AND RESERVES		
Share capital	14,495	14,495
Treasury stock	-1,197	-1,197
Capital reserves	40,436	40,436
Retained earnings	61,895	58,227
Foreign exchange differences	20,698	22,840
Total equity	**136,327**	**134,801**
Total liabilities and equity	**152,121**	**152,891**
Equity to total assets ratio	90%	88%

Current Assets

Inventories

Inventories comprise raw materials, work in progress, finished goods and advances to suppliers.

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
Goods and materials	2,248	2,362
Advances to suppliers	8	0
	2,256	**2,362**

Inventories slightly decreased from EUR 2,362 thousand as at 31 December 2012 by EUR 106 thousand to EUR 2,256 thousand as at 31 December 2013. There was a decrease in goods and materials, but a slight increase in advances to suppliers. The decrease of goods and materials was mainly due to a decrease of wireless data cards and accessories in connection with mobile phones, which was partly offset by an increase of merchandise of wireless routers for safe stock for the sales during the first quarter of 2014.

Trade Receivables

Trade receivables decreased from EUR 25,630 thousand as at 31 December 2012 by EUR 7,219 thousand, or 28%, to EUR 18,411 thousand as at 31 December 2013, mainly because of accelerated collection of receivables in 2013. The amount of trade receivables with a maturity of less than 90 days as at 31 December 2013 represented 75% of total trade receivables as at 31 December 2013, an increase of 8% compared with that of 31 December 2012. Meanwhile the part with a maturity of more than 90 days but below 180 days was 25% of the total trade receivables as at 31 December 2013, representing a decrease of 8% compared with that of 31 December 2012. The Management Board assesses this development positively.

Other Receivables and Prepayments

Other receivables and prepayments mainly comprise loans granted to suppliers.

Other receivables and prepayments decreased from EUR 3,629 thousand as at 31 December 2012 by EUR 1,182 thousand, or 33%, to EUR 2,447 thousand as at 31 December 2013. The decrease mainly resulted from the collection of all receivable rebates on chipsets in connection with the sales volume of wireless data cards in 2013, which was partly offset by an increase of advance to suppliers for wireless data cards and wireless routers for an updated version.

Amounts Due from Related Parties

The amounts due from related parties decreased from EUR 149 thousand as at 31 December 2012 by EUR 48 thousand or 32%, to EUR 101 thousand as at 31 December 2013, primarily due to clear-off of advance to Mr. Chen Guoping for business trip and meeting expenses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in bank accounts, bank deposit on bank's acceptance bill. Cash and cash equivalents amounted to EUR 126,614 thousand as at 31 December 2013. For a further description of cash in banks, see item 5.5 Cash and Cash Equivalents in the notes. For a description of the changes in cash as at the end of 2013 compared with that in 2012, see "Cash Flow Statement" in this section.

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
Cash on hand	16	25
Cash in banks	125,340	112,208
Deposit on bank's acceptance bill	1,258	1,277
	126,614	**113,510**

Among the balance of cash and cash equivalents in 2013, EUR 124,804 thousand are held in countries in which prior approval is required to transfer funds abroad. Nevertheless if the Group can comply with those criteria, such liquid funds can be transferred within a reasonable period of time.

Non-current Assets

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly comprise office equipment, electronic equipment, machinery, vehicle, leasehold improvement, connections associated with the broadband network project with China Unicom and construction in progress. Property, plant and equipment decreased from EUR 837 thousand as at 31 December 2012 by EUR 21 thousand, or 3%, to EUR 816 thousand as at 31 December 2013. This mainly resulted from the depreciation charges, partly offset by the purchase of office and electronic equipment and the increases of property for broadband network project and construction in progress.

LAND USE RIGHTS

The amount of “land use rights” decreased from EUR 574 thousand as at 31 December 2012 by EUR 298 thousand, or 52%, to EUR 276 thousand as at 31 December 2013, due to the transfer of land use rights back to Fujian provincial government and the amortization in 2013.

INTANGIBLE ASSETS

Intangible assets decreased from EUR 937 thousand as at 31 December 2012 by EUR 143 thousand, or 15%, to EUR 794 thousand as at 31 December 2013. This was mainly due to the amortization of intangible assets partly offset by the purchase of office software in Vtion IT and software for Android application in Vtion Anzhuo.

Liabilities

TRADE PAYABLES AND NOTES PAYABLE

Trade payables and notes payable increased from EUR 12,162 thousand as at 31 December 2012 by EUR 1,260 thousand, or 10% to EUR 13,422 thousand as at 31 December 2013, mainly resulted from the increase of trade payables for purchase of wireless routers and network camera.

OTHER PAYABLES

Other payables mainly comprise VAT payables, other tax payables, advances from customers and other payables to suppliers.

Other payables decreased from EUR 4,894 thousand as at 31 December 2012 by EUR 3,536 thousand, or 72% to EUR 1,358 thousand as at 31 December 2013, mainly resulted from the decrease of VAT payables and royalty costs payable to copyright holders after the payment in 2013, partly offset by the increase of advances from customers.

PROVISIONS

Provisions mainly comprise accrued payroll and accrued expenses.

Provisions increased from EUR 424 thousand as at 31 December 2012 by EUR 85 thousand, or 20% to EUR 509 thousand as at 31 December 2013. This increase was mainly due to an increase of accrued expenses for annual report and consulting service, partly offset by a decrease of accrued payroll for members of Supervisory Board which consisted of fewer members in 2013.

Equity

SHARE CAPITAL AND TREASURY STOCK

The share capital of the company remained unchanged at EUR 14,495,086 as at 31 December, 2013. Since the Company did not perform the share buybacks in 2013, the treasury stock remained at EUR 1,196,591.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio increased from 88% in 2012 to 90% in 2013. The increase was mainly resulted from a slight increase of total equity in 2013 compared to the slight decrease of total assets. In 2013 the Company did not perform the share buyback program causing the decrease of equity. So compared to the total equity which was reduced due to dividend distribution and share buyback program in 2012, the increase of total equity was only reduced by EUR 731,417 for the dividend distribution in 2013. The Management Board is satisfied with the capitalization of the Company.

Financial Position

CASH FLOW STATEMENT

The following table was extracted from the cash flow statement of the Company which was derived from the Company's consolidated financial statements under IFRS.

	2013	2012
	kEUR	kEUR
Operating cash flow before working capital changes	5,538	7,455
Cash generated from/(used in) operations	12,262	5,043
Net cash generated from operating activities	11,010	3,517
Cash flow from investing activities	4,827	-5,236
Cash flow from financing activities	-731	-8,526
Net increase in cash and cash equivalents	**15,106**	**-10,245**
Cash at the beginning of the reporting period	113,510	124,516
Foreign exchange differences	-2,002	-761
Cash at the end of the reporting period	**126,614**	**113,510**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a positive net cash flow amounting to EUR 11 million from operations as at 31 December 2013, representing an increase by EUR 7.5 million, or 214%, compared with the net cash of EUR 3.5 million generated from operating activities in 2012. This increase was mainly due to an improvement in collection of trade receivables and other receivables, and an increase of trade payables. This effect was partly offset by the decrease of profit before income tax, the increase of payment of other payables and the decrease of collection of amount due from related parties. The management board considers the positive net cash flow positively considering the difficult economic situation of the company.

CASH FLOW FROM INVESTING ACTIVITIES

The Company generated EUR 4.8 million from investing activities as at 31 December 2013, representing an increase of EUR 10 million compared with cash flow used of EUR 5.2 million in investing in 2012. This mainly resulted from the transfer of EUR 4.9 million six-month term deposit in banks to current account and the transfer of 50% of land use rights, which was partly offset by an increase in investments in property for broadband network project.

CASH FLOW FROM FINANCING ACTIVITIES

The net cash outflow in financing activities in 2013 amounted to EUR 731 thousand used in dividend payment.

CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to EUR 126,614 thousand as at 31 December 2013, representing an increase of EUR 13,104 thousand compared with that of 2012. The significant increase virtually all resulted from improved collection of trade receivables and termination of short-term investment in 2013.

EARNINGS; ASSET AND FINANCIAL POSITION OF VTION AG

Vtion AG is the parent corporation of the Vtion Group and functions as a management holding company. The principal management functions for the entire Group are performed by the management board of Vtion AG. These include strategic planning, resource allocation, executive management and financial management. The performance of Vtion AG is largely determined by the business performance of Vtion Group. For this reason the Management Board of Vtion Wireless Technology AG decided for the first time to combine the management report about the economic state of the holding company with the group management report.

The financial statements of Vtion AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Earnings Performance of Vtion AG

Vtion AG Summary Income Statement according to the German Commercial Code

	01 Jan. 2013 – 31 Dec. 2013	01 Jan. 2012 – 31 Dec. 2012
	kEUR	kEUR
other operating income	45	0
Staff costs	12	12
other operating expenses and depreciation	976	867
Income from participating interests in subsidiaries	599	5.352
Income from long-term loans	1.257	1.217
Interest expenses (income)	-70	49
Net profit for the year before income tax	**843**	**5.739**
Tax on income	0	0
Net profit for the year	**843**	**5.739**
Accumulated profit carried forward	309	2.581
Amount over the nominal value of treasury stock	0	-5.795
Expenses for redemption of own shares	0	-1.485
Income from capital reduction	0	1.485
Addition to the capital surplus according to § 237 (5) of the stock corporation act	0	-1.485
Net accumulated profit	**1.152**	**1.040**

In the fiscal year 2013 Vtion AG's net profit decreased by kEUR 4,896 (85.3%) to kEUR 843 mainly due to lower income from participating interests in subsidiaries. This negative effect was slightly compensated by the increase of interest income from long-term loans by kEUR 40. The management board manages the income from participating interests in a way to enable Vtion AG to be able to distribute dividends in line with the communicated dividend policy. The increase in other operating expense from kEUR 867 to kEUR 976 was mainly induced by additional consulting expenses. Opposite to this other operating income increased by kEUR 45. This improvement was mainly attributable to a reimbursement received and a reversal of an accrual which amounted to kEUR 30 and kEUR 15 respectively.

The results for the fiscal year meet the expectations of Management board and enable Vtion to continue the dividend policy established in previous years.

Asset and Financial Position of Vtion AG

Vtion AG Statements of Financial position according to the German Commercial Code (HGB)

	31 Dec. 2013	31 Dec. 2012
Assets	kEUR	kEUR
Investment in subsidiaries and loans to subsidiaries	57.024	55.767
Receivables from affiliated companies and other assets	7.619	7.068
Cash and cash equivalents	1.251	2.585
	8.870	9.653
Prepayments deferred charges	42	48
	65.936	65.468

	31.12.2013	31.12.2012
Equity and liabilities	kEUR	kEUR
Equity	62.914	62.802
Other provisions	326	204
Liabilities		
1. Trade payables	179	19
2. Payables to affiliated companies	2.517	2.443
	2.696	2.462
	65.936	**65.468**

The asset and liability structure of Vtion AG is dominated by its role as a holding company in managing the subsidiaries and financing corporate activities. This is primarily reflected in the high level of investments in subsidiaries and of receivables from, and payables to, Group companies.

Total assets of Vtion AG as of December 31, 2013 were EUR 65.9 million (2012: EUR 65.4 million), which was EUR 0.47 million more than at previous year end. Non-current assets rose by EUR 1.26 million (around 2.3%) substantially due to an increase in loans to subsidiaries. Contrary to that current assets declined by EUR 0.78 million to EUR 8.87 million (2012: EUR 9.65 million).

Vtion AG reports equity of EUR 62.9 million (2012: EUR 62.8 million), a slight increase of EUR 0.11 million. Equity included net income for 2013 of EUR 0.84 million, but decreased by EUR 0.73 million dividend payment during the business year. In addition provisions and liabilities increased by EUR 0.36 million (by kEUR 121 and kEUR 234 respectively). Despite of the positive net income for 2013 the equity ratio was virtually unchanged at 95.4% (2012: 95.9%) because of higher liabilities and total assets. The management board judges the financial position to be adequate in regard to the targets of the company. Also the capitalization of the company is considered to be adequate.

Report on Post-Balance Sheet Date Events

On April 2, 2014, the Vtion management board and supervisory board resolved to cancel 1,196,591 treasury shares that had been purchased via a public tender offer between September 5 and September 26, 2012, and consequently reduce the company's total share capital to 13,298,495 shares.

Further, the management board resolved, based on the authorization grated at the company's 2013 AGM, to make a tender offer to further repurchase 1,329,849 shares for a price of Euro 2.95. The offer period is from April 11, 2014 to May 9, 2014.

Risk Report

RISK AND OPPORTUNITY MANAGEMENT

Vtion Group's business relies on solid experience, clear focus on high quality products, broad product portfolio, deep market insights, and strong business relationship with existing and potential customers. The Vtion Group is exposed to a variety of risks. However, the success cannot be achieved without risk. Risk management helps to exploit potential opportunities and control risks, and ultimately helps to achieve the strategic targets and to maximize strategic potential.

Vtion's management carefully balances opportunities and associated risks through regular strategic reviews. The company engages in risk only if it can be managed using established methods and measures within the organization and only if there is a corresponding opportunity to appropriately increase shareholders' value.

Vtion Group deploys accounting, control, and planning tools as an integral part of the risk management process. To closely monitor business developments and risks, management regularly conducts sales volume and structural analysis, gross margin analyses, liquidity analysis and monitors the progression of accounts receivable. Monthly and quarterly financial reporting process is a core tool in the management of our business and will ensure that information on business and market trends are regularly updated. As part of the company's financial control procedures, significant variations between actual and budgeted figures are identified and analyzed which is served as the basis of developing corrective measures.

An internal audit department has already been set up and is working to support the necessary processes to safeguard shareholder interests. Vtion is making efforts to implement improvements on internal control systems. Following the IPO, the Vtion Group has a substantial cash position and the group has no loan exposure. Cash management will remain a high priority within the group as a whole, and within individual companies.

The largest shareholder, Mr. Chen Guoping, is the CEO of the company and involved in the day-to-day business management. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests. In addition, Vtion's Supervisory Board, auditor and other third party consultants help the company to prepare for and hedge against various risks to minimize the potentially negative impact on the company.

To manage risks and to capitalize on opportunities, Vtion Group pursues a forward-looking product strategy and will continue to invest in R&D, while at the same time observing current and speculating on future market trends and customer requirements, and continuously strives to develop and maintain unique selling points related to its technology.

SINGLE RISK FACTORS

The Company believes that the following factors have had and/or will continue to have a material effect on results of operations and financial conditions. The risk factors are presented according to the gross method:

- **The success of Vtion Group's business depends directly on its business relationship with and the future success of Telecom operators in China.**

China Mobile, China Telecom and China Unicom are currently the only three licensed mobile network operators in China. A large portion of Vtion Group's products are sold to China Mobile, China Telecom and China Unicom, which in turn resell the products at their outlets covering all of China's provinces. Such dependence on three primary customers carries an inherent amount of risk for Vtion, as it results in a lack of diversification in the company's sales channels, and changes in the relationship with one of the three telecom operators could have significant influence on Vtion's business.

However, Vtion is protected by the fact that the three telecom operators have an oligopoly in their industry, and there is virtually no risk of a fourth operator with whom Vtion does not have a business relationship coming in and taking market share from Vtion's three main customers, thus reducing their demand. Vtion also controls this risk by placing a strong emphasis on the maintenance of its relationships with all three telecom operators and protecting its status as a top-tier qualified supplier of both China Telecom and China Unicom (China Mobile does not have a policy of naming top-tier qualified suppliers, but Vtion enjoys a strong relationship with China Mobile as well). The company also seeks to place itself as a strategic partner working to maintain the 3G and develop the 4G market together with the telecom operators, as opposed to simply a hardware supplier, in order to secure its status vis-à-vis the three telecom operators and to expand into all aspects of the 3G and 4G business as a manner of diversification within a business model centered around three main clients.

Due to their status as renowned state owned enterprises, management of Vtion Group estimates that the credit risk of receivables from three Chinese mobile network operators is on a very low level.

- **Changes in technology may render Vtion Group's current technologies and/or its entire wireless data terminal business obsolete.**

The telecommunications industry is based on rapidly changing and increasing complex technologies. Accordingly, the technologies that Vtion Group currently employs may become obsolete or subject to competition from new technologies in the future. For example, Vtion Group currently generates majority of its revenues from the sales from wireless data terminal business. If the technology on which products from wireless data terminal business are based becomes obsolete, Vtion Group's business could suffer significantly. As a result, Vtion Group's future success will depend largely on its ability to anticipate changing service-provider requirements and technological developments, enhance existing or develop new technologies and develop and introduce new products and product enhancements, and bring these products to market in a timely manner. Vtion Group may need to incur significant costs to develop and introduce new products and enhancements. It may encounter unexpected technological difficulties in implementing new technologies and as a result, may incur substantial costs or business disruptions.

Vtion Group continues to introduce new products and to upgrade its existing products, diversify into new products and technologies besides its wireless data terminal business. If existing products is expected to become outdated, the company is able to decrease its production and inventory of such products and identify and develop corresponding technologies and products and bring these new products to the market. The company continued the process diversification of its product portfolio and service offerings over the course of 2013.

- **Vtion Group's profitability may decline as a result of a systematic decline in prices or an increase in costs.**

The average unit price of wireless data cards has declined over the past years because of technological and market developments. In addition, revenues from sales might decline if Vtion Group is forced to cut its prices or to give rebates to customers, for example, due to increasing competitive pressure or falling demand for its products.

Product Innovation and portfolio diversification could partly offset the adverse impact from unit price drop of its traditional products. Furthermore Vtion Group makes continuous efforts to compensate for declines in prices by squeezing down its procurement costs and launching new and more advanced products. Vtion Group also makes continuous efforts to achieve sufficient cost reductions and process-related improvements of an adequate scale to compensate for future decline in prices.

- **The PRC market is highly competitive and competition may further intensify as Vtion offers new products and enters new market spaces.**

The market of electronics products in China is highly competitive. Though Vtion enjoys a strong relationship to its three main customers in an oligopolistic market environment, the company will be exposed to increased competition from a greater number of sources as it transforms into a more diversified business model. Vtion has a short track record as a seller of PCtoTV and 3G wireless routers, and a very short track record in the application industries. As such, there exists the risk that Vtion will be unsuccessful in these endeavors, particularly when exposed to a greater number of competitors in these highly competitive product spheres. Vtion has not previously served as a content provider, and does not have its own direct sales channels, selling instead through the telecom operators and third-party retailers and distributors. Each product space is exposed to different competitors, meaning that Vtion will face intensifying competition the further the company progresses in its transition into new product spaces.

Vtion is very well capitalized and able to fund new product ventures. The company will look to leverage its status as a major supplier of wireless data terminal products for the telecom operators in order to secure sales volumes from current and new products through these channels. Despite the highly competitive nature of the new product markets that Vtion is entering, the company has identified key niches, such as targeting business users in the wireless data terminal space, in which it believes it has competitive advantages that will allow it to succeed. Through this approach, Vtion will avoid direct competition with ingrained players and tries to establish a stronghold in certain key niche markets. Furthermore, Vtion continuously monitor the market situation and competition in certain niche markets and regularly evaluate the current and future profitability status and exit certain markets when the continuous presence in the market might incur certain losses from the drop of sales volume and gross profit margin. Regarding the Vtion Anzhuo business, which is quite different from traditional business, Vtion leverages its reputation as a listed company to attract management and technical experts, flexibly adjusts its strategy and operational focus, and grows the business further relying on its established relationship with three telecom operators. Due to the fact that current android market is highly dynamic and turbulent, Vtion has monitored closely the progress of projecting business and market situation, and accordingly continuously updated its strategic plan and adjusted its organizational structure to accommodate the reflected changes. The differentiated operational modes of Anzhuo business, right positioning, and dynamic organizational and strategic adjustment could largely reduce the risks to be a new entrant in the software business.

- **Vtion Group's future performance depends on retaining and recruiting key personnel.**

The future performance of Vtion Group will depend largely on its ability to retain its key management, in particular Vtion Group's CEO, Mr. Chen Guoping, whose business network and industry experience are of particular importance to Vtion Group. Vtion Group's future success will also depend upon its ability to recruit qualified personnel, in particular for its research and development department.

The employee turnover rate among sales, junior administrative and management is consistent with industry norm; the company seeks to minimize the adverse impact resulted from employee turnover by providing competitive motivation and promoting an attractive work environment. Turnover rate is lower among key technician in R&D Department and middle-level management. Vtion has been using its unique status as a listed company to attract and retain talents across China to strengthen its sales and R&D capabilities. Regarding the management board, most of the management board members have been with the company since its inception, providing a strong level of stability in the strategic decision level, which also helps retain people under their supervision.

- **Regulatory environment.**

Vtion Group supplies telecommunications equipment to the telecommunications industry, which is heavily regulated in China. As the regulatory body, the MIIT has broad discretion and authority to regulate all aspects of the telecommunications and information technology industry in China, including the setting of network equipment specifications and standards, the approval of equipment for access to telecommunications networks, and the formulation of policies and regulations related to the telecommunications industry. The introduction of new requirements or restrictions could affect the Vtion Group's ability to market certain products and services or lead to the Vtion Group incurring significant additional costs to comply with these new requirements or restrictions. By contrast, deregulation of the telecommunications industry could provide Vtion Group with additional business opportunities or reduce its costs for compliance.

- **Vtion Group is exposed to fluctuations in foreign exchange rates.**

The company's consolidated financial statements for the periods under review were prepared in EUR and its future consolidated financial statements will be prepared in EUR, while Vtion Group's functional currency is RMB, which is currently not a freely convertible currency. A devaluation of RMB versus EUR would therefore have an adverse currency translation effect on the Company's consolidated financial statements. Currently the exchange rate mechanism of RMB is controlled by PRC authorities. It is possible that changes of RMB exchange rate mechanism might have a significant impact on RMB/EUR exchange rate. RMB/EUR exchange rate might also be indirectly impacted by the fluctuation of exchange rate of EUR to US Dollar.

Translation exposure arises when translating of financial statements of Vtion Group from RMB to EUR. However, Vtion Group faces little operational exposure as the main operational activities of Vtion are conducted in RMB and not influenced by the fluctuations of foreign exchange rates.

- **Vtion Group may not be able to secure adequate financing to fund its growth strategy.**

In order to finance its growth strategy, Vtion Group may have to raise additional capital in the future through debt or equity offerings. Although as at 31 December 2013 the company is very well-capitalized with EUR 127 million of cash and cash equivalents, the risk remains that the company could encounter difficulty securing further capital should current resources prove insufficient. It could be uncertain for Vtion Group to secure the required amount of finance with favorable terms. If additional equity or equity-linked securities are issued, this may result in the dilution of existing shareholders' holdings. If additional debt is incurred, this would introduce debt service obligations which could increase the financial risks and vulnerability especially under depressed macroeconomic circumstances. In addition, the terms of any financing agreement could limit Vtion Group's ability to pay dividends or restrict Vtion Group's flexibility in planning for, or reacting to, changes of its business objectives. In addition, Vtion Group's subsidiaries in China are subject to foreign exchange regulation and approval if they intend to borrow funds from entities outside of China. In the event that it cannot obtain necessary financing on reasonable terms, or at all, it may be forced to scale back its plans for future business expansion. Furthermore, the Vtion Group's subsidiaries in China are subject to certain restrictions on the amount of foreign debt they can borrow. Although the organic growth could be financed with internally generated funds, growth through M&A might call for large investment in terms of cash paid for the targets and future Capex and working capital requirements.

Under current circumstances, cash flow projection with respect to organic growth is not difficult to make as Vtion Group still gets most of its revenue and cash flow from the traditional wireless data terminal business and other hardware business (wireless intelligent terminal business). Hence, Vtion Group could predict its finance requirements accurately in advance and correspondingly make external financing arrangement with relevant favorable terms if internally generated cash flow could not meet the funds requirements. Furthermore, the strong cash flow situation of Vtion and its capacity to create stable positive operating cash flows could largely guarantee that the retained earnings could meet almost all of its finance requirements. Due to the fact that Vtion Group does not have any debt obligation and the obligation to meet the predefined principal and interest payment, the financial and bankruptcy risk is actually minimal. Therefore the capacity to take an additional debt to secure enough financial resources is quite strong, even in the worst-case scenario. In terms of M&A, Vtion is very selective to choose appropriate M&A targets. The evaluation of potential M&A projects would be performed by capable internal and external professionals, in terms of benefits paid to acquire targets and future capital requirements to consolidate and grow the targets.

- **The tax status of Vtion Group or tax legislation or its interpretation might change.**

The PRC Enterprise Income Tax ("EIT") Law was passed in March 2007 and took effect on 1 January 2008, introducing a uniform income tax rate of 25% for all enterprises (including foreign-invested enterprises such as Vtion IT and Vtion Software). The EIT Law revoked tax exemptions, reductions and other preferential treatment applicable to foreign-invested enterprises prior to 1 January 2008. However, there will be a transition period for enterprises that received such preferential tax treatment prior to the publication of the EIT Law. Unused tax holidays of FIEs approved before the publication of the EIT Law will continue to be effective until they expire. If the tax holidays have not started due to losses, they shall be deemed to commence from the beginning of 2008, i. e. tax holidays can only be utilized until 2012. Vtion Group benefited from such tax holidays as it was exempt from any PRC income tax for fiscal years 2007 and 2008 and will only have to pay half of the ordinary income tax rate in fiscal years 2009-2011. The EIT Law has introduced the concept of tax resident enterprise ("TRE") defined as an enterprise which is established in the PRC under the PRC laws and regulations, or which has its de facto management body in the PRC. TREs will be subject to PRC EIT for their worldwide income, including income received from its subsidiaries. According to Article 4 of the Implementing Rules of the EIT Law ("Implementing Rules"), "de facto management body" refers to the management body that exercises essential management and control over the enterprise. As a result, if a holding company located outside the PRC was actually managed by a management body in China, the overseas company would be regarded as a TRE and subject to EIT for its worldwide income. If Vtion BVI Holding's de facto management body was located in China, it would be subject to EIT in the PRC at a rate of 25%. According to the interpretation of Article 4 of the Implementing Rules given by the Chinese State Administration of Taxation on its website, the location of the de facto management body shall be determined by a substance-over-form method. In particular, mere off-shore board meetings shall not be sufficient for the de facto management body being located outside of China. The Company cannot rule out that Vtion BVI Holding will be regarded a TRE.

If Vtion BVI Holding is regarded as a TRE, the following applies: According to Article 26 of the EIT Law and Article 83 of the Implementing Rules, dividend distribution to TREs due to direct investments shall be exempted from EIT. Dividends distributed by Vtion IT and Vtion Software to Vtion BVI Holding would therefore be exempted from EIT. However, dividends distributed by BVI Holding to the company would be subject to a withholding tax of 10 % according to the EIT Law, unless the Company is also regarded as a TRE. If Vtion BVI Holding and the company are both regarded as TREs, dividends received by the Company from Vtion BVI Holding are also exempted from enterprise income tax in China. The PRC withholding tax on dividends will then only be levied if a TRE distributes dividends to non-TRE shareholders.

If Vtion BVI Holding is not regarded as a TRE, the following applies: According to the EIT Law, the exemption of withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the current tax laws is no longer available, which will subject any dividends distributed by Vtion IT and Vtion Software to such withholding tax at a rate of 10%.

Vtion BVI Holding and the company are holding companies without any significant operations of their own, and much of their income depends on dividends from their operating subsidiaries in China. If Vtion IT or Vtion Software, the operating subsidiaries, or Vtion BVI Holding, were required to withhold PRC income tax on dividends paid to Vtion Group, this would have a material adverse effect on the profitability of the Company.

The current tax rules and their interpretation relating to an investment in Vtion Group may be subject to further adverse changes in the future. The applicable tax rates and exemptions may change in the future. Any change in the Vtion Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the company, its ability to provide returns to shareholders and/or alter the post-tax returns to shareholders.

Statements in this report concerning the taxation of Vtion Group and the Company's investors are based on current tax laws and practices which are subject to change. In addition, the taxation regime applicable in China may change again and could have an adverse impact on the after-tax profits of Vtion IT and Vtion Software.

As almost all operating profits are generated by Vtion IT and Vtion Software, which are subject to the tax legislation of China, the materialization of the above risks could have a material adverse effect on the business, financial condition and results of operations of Vtion Group.

In addition, the holding company has the following specific risks:

Vtion Wireless Technology AG is essentially facing the risk of a diminution in value or a default of its shares in affiliated companies and its accounts receivable against those. Additionally, Vtion Wireless Technology AG is subject to fluctuations in dividend payment streams from its subsidiaries.

The main risk to which Vtion Wireless Technology AG is exposed as the head of the Vtion group is a potentially negative change in the commercial value of its subsidiaries. Due to this, the risks to which Vtion Wireless Technology AG is exposed are also related to the commercial risks of these subsidiaries.

OVERALL STATEMENT TO THE RISK SITUATION

Neither in the fiscal year 2013 nor at the time of writing has the Management Board identified any risks that could jeopardize the company's continued existence.

OPPORTUNITIES OF THE GROUP

Vtion believes its opportunities to be in the long-term and good business relationships with three Chinese telecom operators and its expertise in the areas of mobile communications and software solutions. The adoption of the 4G standards will allow Vtion to launch 4G products. The increased offering in the App Store is progressing well; furthermore we expect an additional positive contribution from the industry-specific software solutions.

Risk and opportunity management

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE FINANCIAL REPORTING PROCESS PURSUANT TO SEC 289 PARA. 5 HGB AND SEC 315 PARA 2 HGB

The internal control and risk management system with regard to the accounting process has the goal of ensuring the correctness and effectiveness of accounting and financial reporting of Vtion Group. It is continually monitored and developed to guarantee the effectiveness of policies and compliances of procedures of business operations to ensure that validity of information input to the accounting and financial system in all relevant legal entities and central functions. The main features of the internal control and risk management system of Vtion Group relating to the financial reporting process can be described as below:

- There is a distinct division between the responsibilities of the main areas concerning the financial reporting process. The areas of responsibility are clearly assigned. The integrity and responsibility regarding finance and financial reporting are secured by an independent accounting department. In the case of Vtion AG, these services are also assigned by an external tax consultation and auditing company.
- Segregation of duties exists not only in the accounting department regarding authorization, record keeping, supervisory review, custody and reconciliation, but also across all the departments of the whole group, which largely reduce the risk of human errors and deliberate collusion.
- All agreements and contracts are reviewed for their accounting relevance in order to ensure timely recognition and appropriate presentation. The departments and areas involved in the financial reporting system are appropriately equipped in both qualitative and quantitative aspects.
- Accounting data received or passed on is continuously checked with regard to completeness and correctness. Processes exist to guarantee the completeness of financial reporting.
- Processes exist for the segregation of duties and for the “four-eyes principle” in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems. Provisions made for the Company’s IT-system ensure that the financial systems used are tamper-proof.
- The existence of an IT System and the clear-setting authorization and evaluation procedures largely improve the operational efficiency and ensure that the revenue and expenses are recognized and recorded properly.
- Accounting-relevant processes are regularly and independently reviewed by an internal department. This department sets an annual inspection plan specifying the scope, areas and timing of performing internal audit at the beginning of the year. According to requirements, this plan will be dynamically updated. The work scope of this department not only includes financial statements auditing, but also involves the effectiveness of operations and efficiency of procedures of key business departments. This department is an important component of the Internal Control system.
- Transactions within the Group are fully accounted for and recorded on separate accounts to insure proper elimination during the consolidation process.

The main features of the internal control and risk management system described above ensure that corporate measures and transactions are correctly and timely validated, processed, and recorded for the financial reporting in accordance with the legal provisions, the Articles of Association and the internal guidelines. A correct, unified, continuous financial reporting system is guaranteed by input of adequate and various resources. The distinct segregation of responsibilities, and control and review processes as described above ensure a correct and responsible accounting system. The system also ensures that the assets and liabilities are determined, declared and valued correctly in the financial statements and the consolidated financial statements. It is also ensured that relevant information is provided completely, promptly and reliably.

Compensation Report

For the fiscal year 2013, the members of the management board received the following fixed remuneration in excess of which they are not entitled to receive any further, particularly performance-based remuneration.

Name	2013	2012
	in kEUR	in kEUR
Chen, Guoping	50.7	51.1
Zheng, Hongbo	44.1	44.4
He, Zhihong	44.1	44.4
Ding, Chaojie	58.8	59.2
Fei, Ping	44.1	44.4
Total	**241.8**	**243.5**

The Chairman of the Supervisory Board receives a basic remuneration of EUR 50,000 per calendar year and the Deputy Chairman of the Supervisory Board receives a basic remuneration of EUR 35,000 per calendar year. Each further member of the Supervisory Board receives a basic remuneration of EUR 25,000 per calendar year. In addition, Supervisory Board members who serve as members of committees established by the Supervisory Board receives an additional fixed remuneration in the amount of EUR 20,000 (chairman of a committee) or EUR 10,000 (member of a committee), respectively. The members of the Supervisory Board further receive reimbursements for expenses with regards to their office as member of the Supervisory Board as well as VAT, if applicable. The annual general meeting held on 27 June 2013 resolved that the Supervisory Board consists of three members. The Supervisory Board proposed Mr. Norbert Quinkert for election as chairman of the Supervisory Board. The annual general meeting confirmed this proposal. The Supervisory Board members Mr. Volker Potthoff, Mr. Yangsheng Liu and Mr. Huaying Shu declared towards the Company to voluntarily resign from their offices effective as of 27 June 2013 when the registration of the amendment of the articles of association was effective.

In 2013, the supervisory board members received the following fixed remuneration:

Name	2013	2012
	in kEUR	in kEUR
Qian, Yingyi (until 16 Jul. 2012)	0.0	25.0
Nobert Quinkert	65.5	56.5
Volker Potthoff (until 27 June 2013)	22.5	35.0
Liu, Yangsheng (until 27 June 2013)	12.5	25.0
Wang, Ning	25.0	25.0
Yang, Hua	40.0	35.0
Shu, Huaying, (from 19 Oct. 2012 to 27 June 2013)	12.5	6.3
Total	**178.0**	**207.8**

Report by the Management Board regarding dealings among group companies

According to sec. 312 AktG (German Stock Corporations Act) the Management Board compiled a Dependency Report, which includes all transactions between Vtion Wireless Technology AG and related parties and declared the following:

“Our company has, in the transactions stated in the related parties’ report that were known to us at the time the transactions were conducted, received adequate compensation in each of these transactions. Furthermore no measures were initiated by or conducted in the interest of the controlling company or of one of its affiliated companies.”

Statements and report pursuant to sec. 289 para 4, sec. 315 para 4 HGB (German Commercial Code)

1. Subscribed capital

The share capital of Vtion Wireless Technology AG amounts to EUR 14,495,086 and is divided into 14,495,086 no par value bearer shares with a notional amount of EUR 1.00 each.

2. Restrictions regarding voting rights and the right to transfer shares

The Management Board is not aware of restrictions regarding voting rights and the right to transfer shares. As of the date of this report, the Company held 1,196,591 shares in treasury. Pursuant to Section 71b of the German Stock Corporation Act, the Company is not entitled to any voting or other rights with respect to these treasury shares.

3. Direct or indirect participation in shares

At the time of the issue of the consolidated Management Report the Chairman of the Management Board of Vtion Wireless Technology AG, Mr. Chen Guoping, held 55.05% of the shares of Vtion Wireless Technology AG through Awill Holdings Ltd., and Sunshine Century Investment Ltd., of which Awill Holdings Ltd. held 51.6% of the shares of Vtion Wireless Technology AG and Sunshine Century Investment Ltd. held 3.45% of the shares of Vtion Wireless Technology AG. Awill Holdings Ltd. and Sunshine Century Investment Ltd. are two entities wholly owned by Mr. Chen Guoping. Shenzhen Capital Group held at the time of the issue of the consolidated management report 4.8% of the shares of Vtion Wireless Technology AG. Axxion held 5.0% of the shares of Vtion Wireless Technology AG.

4. Shares with exclusive rights

There are no shares with exclusive rights which grant control rights.

5. Exercise of voting rights of employees

Employees, who are shareholders in Vtion Wireless Technology AG, exercise their voting rights on their own discretion or by an authorized person.

6. Appointment and Dismissal of Management Board Members

The Management Board of Vtion Wireless Technology AG currently comprises five members appointed by the Supervisory Board pursuant to sec 84 German Stock Corporation Act (AktG) for a period not exceeding five years in each case. Any extension of the term of office requires a Supervisory Board resolution and may be adopted no earlier than one year prior to expiry of the current term of office. In urgent cases, the local court (Amtsgericht) may appoint a missing and required management board member upon application by any person with interests meriting protection (e.g. other management board members) (sec 85 AktG).

This office would, however, then be terminated as soon as the deficiency could be rectified, e.g. as soon as the supervisory board has appointed a missing management board member. Dismissal of a management board member is permissible only with good cause (sec 84 section 3 sentences 1 and 3 AktG). Good cause includes gross negligence of duties, inability to duly perform duties or revocation of confidence by the Annual General Shareholders' Meeting, unless confidence was revoked for obvious unobjective reasons. Pursuant to sec 8 para. 2 of the Articles of Association of Vtion Wireless Technology AG, the Supervisory Board may appoint a chairman as well as a deputy chairman of the management board. Vtion Wireless Technology AG currently has a chairman and a deputy chairman of the Management Board.

7. AMENDMENTS OF THE ARTICLES OF ASSOCIATION

Pursuant to sec. 179 AktG, the Articles of Association can be amended by a resolution of the annual general meeting. Pursuant to sec. 179 para. 2 AktG, an amendment of the articles of association requires a majority of three fourths of the share capital represented at the passing of the resolution. The articles of association may provide for a different majority. The articles of association of Vtion Wireless Technology AG make use of this option. Pursuant to sec. 26. para. 1 of the articles of association of the Company, resolutions of the annual general meeting shall require a simple majority of the votes cast and, in the event a capital majority is required, a simple majority of the share capital represented at the passing of the resolution, unless otherwise prescribed by mandatory law or the articles of association. The requirement of a simple majority shall also apply – to the extent permitted by law – to amendments of the articles of association or capital measures. Beside this the Supervisory Board is, pursuant to sec. 18 para. 3 of the articles of association, entitled to make changes to the articles of association, provided that these changes only concern the wording or form.

8. AUTHORITY OF MANAGEMENT BOARD TO ISSUE SHARES

8.1 Authorized Capital

According to section 4 para. 4 of the articles of association, the Management Board is authorized to increase the share capital of the Company with the consent of the Supervisory Board until 26 June 2018 once or several times by up to EUR 7,247,543.00 by issue of up to 7,247,543 new bearer shares no par value in consideration of contributions in cash or in kind (Authorized Capital 2013). In each case ordinary shares and/or preference shares may be issued. The Management Board is further authorized, in each case with the consent of the Supervisory Board, to provide that the pre-emption-right of the shareholders is excluded. An exclusion of the pre-emption-right, however, is only admitted in the following cases:

- if the new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
- for fractional amounts;
- to list shares of the Company or certificates representing shares in the Company on domestic or foreign stock exchanges, where shares in the Company or certificates, representing such shares in the Company are not yet listed;
- for granting shares to employees and members of the management of the Company or of a connected enterprise in connection with employees' participation programs;
- if the shares are issued in consideration of contributions in cash at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emption rights is only applied to new shares that represent not more than 10 % of the share capital; for the calculation of the 10 % limitation any other exclusion of the pre-emption rights according to sect. 186 para. 3 sentence 4 Stock Cooperation Act (AktG) has to be taken into account;
- as far as necessary to grant holders of convertible bonds or participation rights granting conversion rights or option rights the pre-emption right as far as such rights are to be attributed to them as far as they would be entitled to such rights as shareholders in consequence of the realization of their respective conversion or option rights.

A capital increase where the pre-emption rights are excluded may not exceed 10 % of the share capital existing at the time when this authorization is made use of, if such capital increase serves for the realization of an employees' participation program.

8.2 Contingent Capital 2009

According to Section 4 para. 5 of the articles of association, the share capital is increased by up to EUR 500,000 and issues of 500,000 no par value bearer shares conditional on holders of Stock Options having exercised their subscription rights (Contingent Capital 2009).

The Contingent Capital 2009 serves the purpose of serving subscription rights under Stock Options that are granted to members of the Management Board and employees of the Company, as well as members of the management bodies and employees of consolidated companies. The issuance of Stock Options needs to be resolved by either the Supervisory Board, if the beneficiary is a Management Board Member, or the Management Board for all other beneficiaries. So far no such resolution has been made yet.

8.3 Contingent Capital 2010

Section 4 para. 6 of the articles of association provides for a further contingent capital increase (Contingent Capital 2010). According to the Contingent Capital 2010 as provided for in section 4 para. 6 of the articles of association the Company's share capital is increased by up to EUR 7,490,000 by issue of up to 7,490,000 new bearer shares no par value conditional on the exercise of subscription rights by holders of convertible bonds or options bonds.

By resolution of the annual general shareholders' meeting dated 22 June 2010, the Management Board is, subject to the prior approval of the Supervisory Board, authorized to issue convertible bonds or option bonds granting subscription rights for totally 7,490,000 new no par value bearer shares. This authorization is valid until 21 June 2015.

8.4 Treasury Shares

By resolution of the annual general shareholders' meeting dated 27 June 2013, the Company has been authorized to repurchase up to totally 1,329,849 treasury shares (10% of the share capital excluding treasury shares existing at the time of the annual general meeting) one time or several times until 26 June 2018.

By the end of 2013 the number of accumulated shares repurchased back was 1,196,591, representing 8.26% of shares of Vtion Wireless Technology AG as of 31 December 2013.

9. No Change of control provisions

There are no agreements existing with Vtion Wireless Technology AG, which are subject to the condition of a change of control due to a take-over offer.

10. No agreements on compensation in case of a take-over offer

There are no agreements existing between the members of the Management Board or employees and Vtion Wireless Technology AG which provide for compensation in case of a change of control due to a take-over offer.

Corporate Governance Statement

(including Corporate Governance Report)

Vtion Wireless Technology AG is committed to the principles of good and responsible Corporate Governance and focused on responsible long-term value creation. Management Board and Supervisory Board merit the trust of Vtion's shareholders and stakeholders through their close and constructive cooperation with each other. The close cooperation between the two boards is characterized by open communication and discussion on all matters as well as due care in relation to accounting, audit and risk management.

The Supervisory Board and Management Board of Vtion Wireless Technology AG explicitly support the German Corporate Governance Code (*Deutscher Corporate Governance Code* – the "Code") and its objectives. Since its implementation in 2002, the Code proved itself as a benchmark for good corporate governance in Germany.

In accordance with Item 3.10 of the Code and Section 289a of the German Commercial Code (*Handelsgesetzbuch – HGB*), the corporate governance report (*Corporate Governance Bericht*) of Vtion AG forms part of the corporate governance statement (*Erklärung zur Unternehmensführung*) of the Company.

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETINGS

The Shareholders exercise their rights and voting rights at the General Shareholders' Meetings. According to the statutory provisions and the Articles of Association, the General Shareholders' Meeting takes place within the first eight months of each financial year. Each share grants one vote in the General Shareholders' Meeting. There are neither shares conferring multiple voting rights nor limited voting rights nor are there preferred shares. The shareholders are entitled to exercise their voting rights in the General Shareholders' Meetings in person or by proxy, for which they can authorize a representative of their choice or a company-nominated proxy acting on their instructions. The invitation for the General Shareholders' Meeting will include provisions on the attendance, the procedure pertaining to the exercise of voting rights (in person or by proxy) as well as the rights of the shareholders. All reports and documents which are legally required to be made available for General Shareholders' Meetings, including the annual report, will be published on the Company's website at www.vtion.de together with the agenda. Following the completion of the General Shareholders' Meeting, the attendance quorum and the voting results can be found on said website.

COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

In accordance with statutory requirements, Vtion Wireless Technology AG has a so-called two-tier governance system which is characterized by the Management Board and the Supervisory Board being two separate and independent corporate bodies. The Management Board is responsible for managing the Company, developing the Company's strategy, agreeing upon this strategy with the Supervisory Board and implementing it. The Supervisory Board supervises and advises the Management Board and is directly involved in decisions which are of significant importance for the Company and, therefore, require the prior approval of the Supervisory Board.

The Management Board and the Supervisory Board work closely together in the interest of the Company. Their common goal is to ensure the continued existence of the Company and the sustainable creation of value. The internal rules of procedure within the Management Board and the Supervisory Board, as well as the cooperation between the two boards, are laid out in detail in the Company's by-laws for the Supervisory Board and the by-laws for the Management Board.

The Management Board provides the Supervisory Board with regular detailed reports and updates on business policy and all issues of relevance for the Company or the Group. This particularly includes the intended business policy, the Group's profitability, recent development of business activities, financial and economic status of the Company, strategy and business planning, actual risk situation and risk management as well as compliance. Matters of major importance are immediately reported to the Chairman of the Supervisory Board, who keeps close contact with the Management Board between Supervisory Board meetings.

For certain business transactions and measures as more specifically set forth in the by-laws for the Management Board, the Management Board must obtain the Supervisory Board's prior approval.

MANAGEMENT BOARD

The members of the Management Board are appointed by the Supervisory Board. The Management Board is responsible for the executive management of the Company. It sets out the strategic goals, the main business strategy and the Group's policy and organization. This includes the steering of the group, the management and investment policy pertaining to the Group's financial resources, the development of personnel strategy, the engagement of key employees and the presentation of Vtion Group to the capital markets and the public domain.

The Management Board of Vtion Wireless Technology AG is comprised of five members. The current members of the Management Board are Mr. Chen Guoping (Chairman and Chief Executive Officer), Mr. He Zhihong, Mr. Zheng Hong Bo, Mrs. Fei Ping and Mr. Ding Chaojie.

The Company has entered into a D&O insurance for the members of its Management Board which is in line with the statutory requirements of Section 93 para. 2 sentence 3 of the German Stock Corporation Act (*Aktiengesetz – AktG*).

Details pertaining to the remuneration of the members of the Management Board for the financial year 2013 can be found in the Remuneration Report in the annual report.

The members of the Management Board are obliged to disclose conflicts of interest to the Supervisory Board. The Supervisory Board has to report on any conflicts of interest to the shareholders. In case of Vtion AG, potential conflicts of interests may arise from the indirect shareholdings of Mr. Chen Guoping and Mr. He Zhihong in Vtion Wireless Technology AG as set out in the section "Information on the Corporate Governance Practice - Directors' Dealings". Generally, conflicts of interest are handled in accordance with statutory requirements, i.e. the affected Management Board members will abstain from voting or – if required – even from discussions within the Management Board where a concrete conflict of interest arises. During the reporting period, there were no circumstances which could have led to a concrete conflict of interest for the members of the Management Board.

SUPERVISORY BOARD

The main task of the Supervisory Board is to supervise and advise the Management Board. The Supervisory Board is furthermore responsible for the appointment of the members of the Management Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. In addition, the Supervisory Board is responsible to decide on granting the approval for business transactions which require the prior consent of the Supervisory Board.

Pursuant to Sections 95, 96 of the German Stock Corporation Act, the Supervisory Board of the Company has to consist of at least three members. Since its establishment, the Supervisory Board consisted of six members. The General Shareholders' Meeting held on 27 June 2013 resolved to reduce the number of Supervisory Board members to three by means of an amendment of the Articles of Association. Following the effectiveness of said resolution, the former Supervisory Board members Mr. Volker Potthoff, Mr. Yangsheng Liu and Mr. Huaying Shu voluntarily resigned from their offices in agreement with the Company. Consequently, the Supervisory Board of the Company currently comprises three members, namely Mr. Norbert Quinkert (chairman), Mr. Hua Yang (vice chairman) and Mr. Ning Wang, all of whom have been re-elected by the General Shareholders' Meeting held on 27 June 2013.

Following the reduction of the number of Supervisory Board members to three, the Supervisory Board decided not to establish any committees and to dissolve the existing strategy committee of the Supervisory Board, the reason being that under German stock corporation law supervisory board committees have to consist of at least three members – and hence in case of Vtion the entire Supervisory Board – to be able to adopt resolutions.

The Company has entered into a D&O insurance for the members of its Supervisory Board. The D&O insurance for Supervisory Board members does not provide for a deductible (*Selbstbehalt*) for the Supervisory Board members.

Details pertaining to the remuneration of the members of the Supervisory Board for the financial year 2013 can be found in the Remuneration Report in the annual report.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD

In 2012, the Supervisory Board resolved on the goals for its composition as recommended by the German Corporate Governance Code. In this respect, it resolved that the Supervisory Board shall be mainly composed of independent members and that it shall be ensured that there is sufficient international experience within the Supervisory Board (either based on foreign origin or on significant international experience). In addition, the Supervisory Board resolved that in view of proposals for the election of future members of the Supervisory Board, particularly qualified women shall be taken into consideration. The Supervisory Board intends to provide for an adequate representation of women in the Supervisory Board from the next ordinary Supervisory Board elections following the General Shareholders' Meeting 2013, where at least one female candidate shall be proposed for election to the Supervisory Board. A general age limit has not been introduced by the Supervisory Board, the reason being that it believes that election to the Supervisory Board should be based on qualification and experience rather than on age.

COMPLIANCE STATEMENT

The Compliance Statement (*Entsprechenserklärung*) pursuant to Section 161 of the German Stock Corporation Act was jointly issued by the Management Board and the Supervisory Board and has been made permanently available on the Company's website:

HTTP://WWW.IR-DE.VTION.DE/CORPORATE-GOVERNANCE.HTML.

CORPORATE GOVERNANCE PRACTICES

- Corporate Compliance: At Vtion Wireless Technology AG compliance, i.e. measures to ensure adherence to statutory provisions, internal statues and Company policies and observance of these measures and rules by affiliated companies, is a key management duty. The Company has developed internal rules as well as a code of conduct all employees of the Company and/or its affiliated entities are obliged to comply with. The Company puts great emphasis to fully comply with both German and Chinese statutory legal provisions and conventions.
- Risk Management: Good Corporate Governance includes dealing responsibly with risks. The Management Board keeps the Supervisory Board timely and duly informed about existing risks and their development. The Supervisory Board regularly deals with monitoring of the accounting process, the effectiveness of internal control, risk management and internal auditing systems as well as monitoring the auditing of the financial statements. BDO as the external auditor keeps communication and advising in the process of bookkeeping. The internal control, risk management and internal auditing systems are continuously evolved and adapted to changing conditions.
- Availability of Documents on Corporate Governance Practices: The Articles of Association (*Satzung*) of Vtion Wireless AG as well as the Compliance Statement (*Entsprechenserklärung*) pursuant to section 161 of the German Stock Corporation Act (*AktG*) are available on its website (www.vtion.de).

DIRECTORS' DEALINGS AND DIRECTORS' SHAREHOLDINGS

According to Section 15a of the Securities' Trading Act (*Wertpapierhandelsgesetz/WpHG*), the members of the Management Board and the Supervisory Board and/or persons close to them are obliged to disclose the purchase and sale of Vtion Wireless Technology AG shares and related financial instruments whenever the value of such transaction amounts to EUR 5,000 or more within a calendar year. For the financial year 2013 Vtion Wireless Technology AG has not been notified of any such transactions

On 31 December 2013, the total volume of shares in Vtion Wireless Technology AG directly or indirectly held by all members of the Management Board amounted to 55.05% of the aggregate amount of issued shares. [This was comprised of 51.6% of the shares held by Awill Holdings Limited, Hong Kong, and 3.45% of the shares held by Sunshine Century Investment Limited, Hong Kong, both companies are wholly owned by the Company's Chief Executive Officer (*Vorstandsvorsitzender*), Mr. Chen Guoping. In addition, 6.9% of the Company's shares are held by Hong Kong Vtion Wireless Technology Company Limited, British Virgin Islands, which is held by Mr. He Zhihong, the Company's Chief Technical Officer (Technischer Vorstand) (27%), and two brothers of Mr. Chen Guoping being Mr. Chen Guohe (51%), and Mr. Chen Guoshun (22%).]

The members of the Supervisory Board do not hold any shares in the Company.

ACCOUNTING AND AUDIT

Vtion Wireless Technology AG prepares its annual consolidated financial statements as well as all quarterly financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. The individual annual financial statements are prepared in accordance with the German generally accepted accounting principles and the statutory provisions of the German Commercial Code (*Handelsgesetzbuch/HGB*) and German Stock Corporation Act (Aktiengesetz/AktG). Sole basis for the profit distribution are the individual annual financial statements.

The individual and consolidated financial statements are prepared by the Management Board. The audit of the individual and consolidated annual financial statements is devoted to the auditor appointed by the General Shareholders' Meeting. For the financial year 2013, the General Shareholders' Meeting held on 27 June 2013 appointed BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg as auditor for both the consolidated and the individual financial statements.. The individual and consolidated financial statements as prepared by the Management Board and audited by the Company's auditor are reviewed and approved by the Supervisory Board.

TRANSPARENCY

Investors and shareholders as well as the interested public domain are provided with information on Vtion Wireless Technology AG and Vtion Group as well as on major business events particularly through financial reports (annual reports and quarterly reports), analyst meetings and conferences, balance sheet conferences, press releases, ad hoc notifications as well as corporate news notifications. All information is published in German and English. In addition, shareholders are provided with information at the Company's General Shareholders Meetings. The financial statements, ad hoc releases and notifications on directors' dealings as well as press releases can also be viewed on the Company's website at www.vtion.de. All shareholders and interested parties can subscribe to an electronic e-mail alert on the website or directly contact the company via the contact information also found on the company website.

Outlook

Vtion predicted revenues of 60 to 70 million € and an EBIT margin of 8 to 10% for 2013. Vtion achieved the forecast in 2013.

Vtion expects its near term operating environment to remain difficult through most of 2014, as there will be continued pricing pressure in the core wireless data terminal business segment, while monetization will continue to be a problem in the software-based business segments. To address this, the company will look to expand its specialized-use wireless data terminal product offerings, as well as its offerings of products based on the 4G technology standards, particularly TD-LTE operated by China Mobile.

Based on its current operating business and industry outlook, the Management Board anticipates revenue for the Vtion-Group for the full year 2014 to reach at least Euro 60 million, while its EBIT margin is expected to stay consistent with that of 2013 (2013 EBIT margin 8.39%). Projections for 2014 are based on the wireless data terminal business segment continuing to constitute the vast majority of the company's revenues, with monetization expected to remain difficult in the other business segments. Pricing pressure is expected to continue, which Vtion will seek to offset by maintaining a very lean cost structure.

While the wireless data terminal business segment has experienced falling margins for the past several years, the company expects margins to stabilize in the coming years. This is due to the introduction of higher-margin products, such as specialized data transmission devices used for the exchange of taxation and medical data. For the coming two years, the wireless data terminal business segment is expected to still account for majority of Vtion's revenues.

Vtion's industry-specific computing solutions business has been merged into the company's wholly-owned subsidiary, Vtion Anzhuo, in order to streamline the company's software-based business operations. Together, this segment is expected to contribute to a larger proportion of revenue and profits in 2014.

Expectations for the Wireless Intelligent Terminal business segment remain muted, given that Vtion has exited the end customer tablet PC business and currently offers a limited number of products in this business segment. The segment currently accounts for just under 10% of the company's total revenue, and is expected to stay at that level or slightly lower, depending on growth in other business segments.

Current projections for the company's future revenue mix are based on the management board's best estimate based on their current information and expectations. These could change depending on changes in the company's operational situation. Further, the management board is avidly exploring further business opportunities and could introduce new products and/or services into the Vtion business model, thus changing the revenue mix.

Given the fact that results have been flat and the company has experienced negative growth over the past several years, company management and supervisory board plan to comprehensively re-evaluate company strategy over the course of 2014, in order to set the company back on a growth path. Given that the company's core competencies lie in telecommunications hardware and IT infrastructure, the company will consider whether or not to continue expanding its software-based business ventures. All deliberations will be carefully deliberated with the supervisory board and investors will be updated in a timely expansion of any strategic expansion that the company plans to undertake. In summary Vtion plans for fiscal year 2014 revenues of € 60 million and reaching a margin at the previous year's level.

Vtion Wireless Technology AG will continue to receive dividends and interest income from the Group companies in the PRC in the future. The Management Board of the Company will manage the dividend income and interest income in a way to enable the company to continue to distribute dividends. The administrative costs of the holding company will remain at a similar level in the future. The assets and financial position of the Company will not change significantly.

Overall statement to the future development of the Group

Vtion Wireless Technology AG believes it is well positioned for a successful year 2014. Currently, the Management Board is verifying the Group's strategy together with the Supervisory Board. The goal is a sustainable, profitable development of the Company. For the long-term strategy the Company sets its focus on increasing the revenue share from industry-specific software solutions and online applications. At the same time the segment of mobile data terminals remains the important pillar of the Group. Despite the mentioned difficulties in the core business, the Company makes strives remain profitable of this segment.

Already at an early stage Vtion focused on the power of change and potentials of technological development and has a great expertise in the fields of mobile communication and software solutions. Therefore, the Company is well positioned for future challenges.

Frankfurt, 23 April, 2014

Management Board

Chen Gouping	Zheng Hongbo	Ding Chaojie	Fei Ping	He Zhihong

Financial Statements of Vtion Wireless Technology AG

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December,

	Notes	**2013**	**2012**
		EUR	EUR
Sales	*2.15, 4.1,4.3*	59,946,201	75,570,093
Cost of sales	*4.2*	-48,479,637	-61,995,900
Gross Profit		**11,466,564**	**13,574,193**
Other operating income	*2.15, 2.16, 4.1*	22,546	151,289
Selling and distribution expenses	*4.4*	-1,572,598	-1,802,088
Administrative expenses	*4.5*	-4,885,340	-5,074,626
Other operating expenses		-3,460	-2,591
Profit from operations		**5,027,712**	**6,846,177**
Finance income	*2.15, 6.3*	1,674,005	1,355,475
Finance expenses	*4.8, 6.3*	-18,686	-40,828
Foreign exchange loss	*4.9*	-109,751	-78,258
Profit before income tax		**6,573,280**	**8,082,566**
Income tax	*2.21, 4.10*	-2,173,652	-2,736,651
Profit for the period		**4,399,628**	**5,345,915**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		-2,142,196	-993,894
Exchange differences on translating foreign operations	*2.3*	-2,142,196	-993,894
Items that may not be reclassified subsequently to profit or loss		0,00	0,00
Other comprehensive income for the period		-2,142,196	**-993,894**
Total comprehensive income for the period		**2,257,432**	**4,352,021**
Earnings per share (basic and diluted)*		0.33	0.37

* Computed on the basis of weighted average 13,298,495 shares for 2013, and weighted average 14,481,671 shares for 2012, respectively

The profit and the total comprehensive income are completely attributable to the owners of the parent company.

Consolidated Statement of Financial Position

for the period ending 31 December

	Notes	31 Dec. 2013	31 Dec. 2012
		EUR	EUR
ASSETS			
Current assets			
Inventories	*2.7,2.10, 5.1*	2,255,805	2,362,348
Trade receivables	*2.2, 2.9, 5.2, 6.3*	18,411,081	25,629,642
Other receivables and prepayments	*2.9, 5.2, 6.3*	2,446,881	3,629,082
Short-term investment	*2.11*	-	4,900,000
Amounts due from related parties	*2.18, 5.3, 6.2,6.3*	101,379	148,912
Cash and cash equivalents	*2.8, 5.5, 6.3*	126,614,078	113,509,797
		149,829,224	**150,179,781**
Non-current assets			
Property, plant and equipment	*2.2, 2.4, 2.7, 4.7, 5.6*	816,446	837,336
Land use rights	*2.5, 4.7, 5.7,6.1*	276,378	574,320
Intangible assets	*2.6, 2.7, 4.7, 5.8*	793,895	937,422
Deferred tax assets	*5.9*	406,022	362,875
		2,292,741	2,711,953
Total assets		152,121,965	**152,891,734**
LIABILITIES			
Current liabilities			
Trade payables	*2.12, 5.10, 6.3*	13,422,085	12,161,729
Other payables	*2.12, 5.10, 6.3*	1,357,695	4,894,801
Provisions	*2.13, 5.11, 6.3*	508,892	423,874
Amounts due to related parties	*2.18, 6.2, 6.3*	-	0
Income tax payable		505,546	609,598
Total liabilities		15,794,218	**18,090,002**
CAPITAL AND RESERVES			
Share capital	*1.1, 2.12, 5.12.1*	14,495,086	14,495,086
Treasury stock	*5.12.1*	-1,196,591	-1,196,591
Capital reserves	*5.12.2*	40,435,655	40,435,655
Retained earnings	*5.12.2*	61,895,333	58,227,122
Foreign exchange differences	*2.3*	20,698,264	22,840,460
Total equity		136,327,747	134,801,732
Total liabilities and equity		152,121,965	**152,891,734**

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 December,

In EUR	**Share capital Vtion AG**	**Treasury stocks**	**Capital reserves**	**Retained earnings**	**Foreign exchange differences**	**Total equity**
Notes	*1.1, 2.12, 5.12.1*	*5.12.1*	*5.12.2*	*5.12.2*	*2.3*	
Balance as at 31 Dec. 2011	5,980,000	-747,602	46,231,087	53,678,437	23,834,354	138,976,276
Buyback ordinary share		-1,933,903	-5,795,432			-7,729,335
Treasury stock redemption	-1,484,914	1,484,914				
Dividend distribution	-			-797,230		-797,230
Total comprehensive income for the period	-			5,345,915	-993,894	4,352,021
Balance as at 31 Dec. 2012	14,495,086	-1,196,591	40,435,655	58,227,122	22,840,460	134,801,732
Balance as at 31 Dec. 2012	14,495,086	-1,196,591	40,435,655	58,227,122	22,840,460	134,801,732
Dividend distribution				-731,417		-731,417
Total comprehensive income for the period				4,399,628	-2,142,196	2,257,432
Balance as at 31 Dec. 2013	14,495,086	-1,196,591	40,435,655	61,895,333	20,698,264	136,327,747

Consolidated Cash Flow Statement

for the period from 1 January to 31 December,

	Notes	2013	2012
		EUR	EUR
Profit before income tax		**6,573,279**	**8,082,566**
Adjustments for:			
Amortization of intangible assets		203,724	247,438
Depreciation of land use rights		8,679	13,115
Allowance for doubtful trade debts		1,470	-
Depreciation of property, plant and equipment		313,734	347,150
Loss on disposal of property, plant and equipment		-16,989	787
Interest income		-1,674,005	-1,355,475
Interest expense		-	1,852
Bank charges		18,686	38,976
Foreign exchange loss		109,751	78,258
Operating cash flow before working capital changes		**5,538,330**	**7,454,667**
Working capital changes:			
(Increase)/decrease in:			
Inventories		71,799	-20,262
Trade receivables		6,978,620	-3,103,252
Other receivables and prepayments		1,690,294	1,424,523
Amounts due from related parties		46,266	917,543
Increase/(decrease) in:			
Trade payables		1,480,097	-1,693,654
Other payables and accruals		-3,446,452	-88,764
Amounts due to related parties		-	-12,338
Income tax payable		-96,817	164,861
Cash generated from/(used in) operations		**12,262,137**	**5,043,324**
Interest received		1,135,554	978,023
Interest expense		-0	-1,852
Income tax paid		-2,387,109	-2,502,282
Net cash generated from operating activities		**11,010,582**	**3,517,213**
Cash flow from investing activities			
Purchase of intangible assets		-71,696	-267,721
Purchase of land, property, plant and equipment		-395,979	-68,163
Disposal of land, property, plant and equipment		394,877	
Decrease of short term investment		4,900,000	-4,900,000
Cash flow from investing activities		**4,827,202**	**-5,235,884**
Cash flow from financing activities			
Payment in connection with share buyback		0	-7,729,336
Dividend paid to shareholders		-731,417	-797,230
Cash flow from financing activities		**-731,417**	**-8,526,566**
Net increase in cash and cash equivalents		**15,106,367**	**-10,245,237**
Cash at the beginning of the period	*5.5*	113,509,797	124,515,642
Foreign exchange differences		-2,002,086	-760,608
Cash at the end of the period	***5.5***	**126,614,078**	**113,509,797**

Notes to the Consolidated Financial Statements

For the financial year ended 31 December, 2013

1. Background and Basis of Preparation

1.1 THE COMPANY FORMATION, BUSINESS NAME, REGISTERED OFFICE, FINANCIAL YEAR AND TERM OF THE COMPANY

Vtion Wireless Technology AG has been formed by means of a notarial deed of incorporation (Gründungsurkunde), dated 1 October, 2007. The business name (Firma) of the Company is “Vtion Wireless Technology AG”. The formation of the Company became legally effective by registration in the commercial register (Handelsregister) with the local court (Amtsgericht) of Frankfurt am Main on November 12, 2007, where the Company is registered under the registration number HRB 81718. The legal domicile (Sitz) of the Company is Frankfurt am Main, Germany, and the Company has its current business address at 11-12,11F Westhafen Tower, Westhafenplatz 1, D-60327 Frankfurt/M. Germany. The Company’s financial year (Geschäftsjahr) is the calendar year (i. e. 1 January through 31 December). The duration of the Company (Dauer der Gesellschaft) is unlimited.

BUSINESS PURPOSE OF THE COMPANY

The Company’s corporate purpose is the holding, administration and sale of direct and indirect participations and investments in the telecommunications and IT sectors, and the provision of services for holding companies. The Company is also authorized to invest in infrastructure projects associated with telecommunications or IT, including research and development projects and business and industrial parks, investments in real estate and the leasing of office space, both at home and abroad.

According to section 2, para. 2 of the Articles of Association, the Company is entitled to conduct all measures and business transactions, which it deems necessary and useful for the implementation of the purpose of the Company. In particular, it may for this purpose establish branches in the country where it has its seat. Abroad, it may establish or acquire companies of the same or similar type, or acquire an interest in such companies, demerge parts of its business to subsidiaries and associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings.

RECENT CORPORATE STRUCTURING OF THE VTION GROUP

Compared to fiscal year 2012, the group structure had no change in 2013.

The operational business of Vtion Group in 2013 was carried out by Vtion Information Technology (Fujian) Co. Ltd. (“Vtion IT”), Fuzhou, Vtion Software (Fujian) Co. Ltd. (“Vtion Software”), Fuzhou, Vtion Communication (Fujian) Co., Ltd. (“Vtion Communication”) and Vtion Anzhuo (Beijing) Technology Co., Ltd.(“Vtion Anzhuo”). All of which are limited liability companies formed under the laws of the PRC.

The sole shareholder of Vtion Communication and Vtion Service is Vtion IT. The sole shareholder of Vtion Anzhuo is Vtion Software. The sole shareholder of Vtion IT and Vtion Software is Vtion Technology (China) Co. Ltd. (“Vtion BVI Holding”), a limited liability company formed under the laws of British Virgin Islands, which is a wholly-owned subsidiary of Vtion Wireless Technology AG (the “Company”).

The following subsidiaries of Vtion Wireless Technology AG are consolidated.

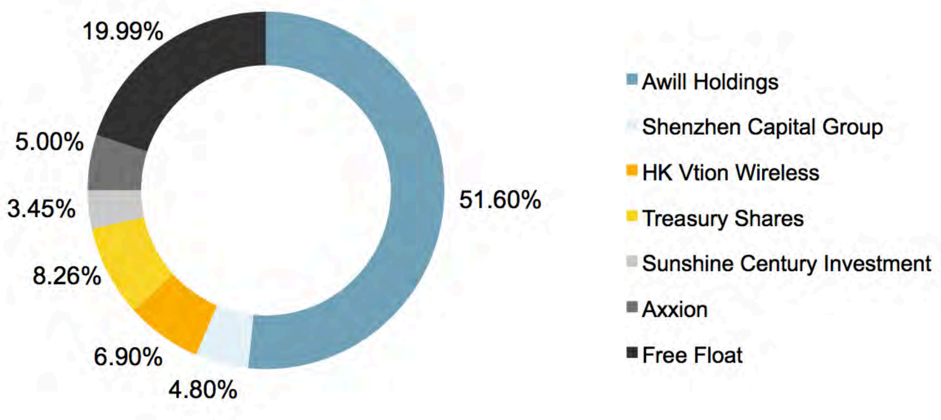
in kEUR	Share	Equity 31 Dec. 2013	Results from 1 Jan to 31 Dec. 2013
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	695	2,000
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	98,236	6,691
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	17,038	-843
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	810	32
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	-836	-1,301
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC	100%	107	-6

Vtion paid a dividend of EUR 6 cents per share in June 2013, representing 15% of the company's net profit after tax for the full year 2012.

Cash transfers from China to countries outside China require a formal approval form the State Administration of Foreign Exchange ("SAFE").

THE SHAREHOLDER STRUCTURE OF VTION WIRELESS TECHNOLOGY AG

AS OF 31 DECEMBER 2013



Vtion CEO Chen Guoping remains the largest single shareholder in Vtion Wireless Technology AG, with a total of 55.05% of the total shares, held in two holding companies, Awill Holdings, Ltd. and Sunshine Century Investment, Ltd. Shenzhen Capital, which became a shareholder through a round of private equity financing in April 2008 currently holds 4.80% of the company's shares, and Hong Kong Vtion Wireless Technology Company, Ltd., which is held jointly by the company's CTO, He Zhihong and the CEO's younger brothers Chen Guohe and Chen Guoshun, holds 6.9% of the Vtion shares. Axxion, which became a shareholder through public stock exchange in 2011, currently holds 5.00% of the company's shares.

1.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) and/or International Accounting Standards (IAS) as adopted by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRS IC) under consideration of aforementioned scope of consolidated financial statements. Regulations under commercial law pursuant to Section 315a of the German Commercial Code (HGB) were complementarily taken into account. The financial statements have been prepared under the going concern assumption.

The consolidated financial statements were generally prepared using the historical cost convention. The consolidated statement of comprehensive income was prepared using the cost of sales method. Individual line items have been summarized in the consolidated statement of comprehensive income and the consolidated statement of financial position to clarify the presentation. These items are disclosed and explained separately in the notes. The financial statements are presented in EUR, and all monetary amounts are rounded to full EUR except when otherwise stated.

The accounting policies correspond generally to those applied in the previous year. In addition, new standards and interpretations and amendments to existing standards and interpretations applicable for the financial year ending 31 December 2013 are:

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

Amendments to IAS 12 – Income taxes: Deferred tax - recovery of underlying assets

The amendments create a rebuttable presumption that deferred tax on investment properties, and on property, plant and equipment measured using the fair value model or the revaluation method should be determined on the basis that its carrying amount will be recovered through sale. The amendments are to be applied to annual periods beginning on or after 11 December 2012.

Amendments to IAS 19 – Employee benefits

The main changes as a consequence of the revision of IAS 19 include the elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognized in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods Amendments to the timing of recognition for liabilities for termination benefits Employee benefits expected to be settled (as opposed to 'due to be settled') wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendment deletes the fixed application date (01.01.2004) for the transition of national GAAP in IFRS. The fixed application date is substituted by a general expression referring to the date of conversion.

The amendment establishes rules for cases, where the entities functional currency was hyperinflationary before conversion into IFRS.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards - Government Loans

The amendments provide relief to first-time adopters by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAs 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.

Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

IAS 32 Financial Instruments: Presentation requires offsetting of financial assets and financial liabilities when certain criteria are met. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangement (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The disclosures should be provided retrospectively for all comparative periods.

IFRS 13 – Fair Value Measurement

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

Annual Improvements to IFRSs 2009-2011 Cycle (issued by IASB in May 2012)

IFRS 1 – repeated application

The amendments clarify that an entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in the past. An entity that does not elect to apply 1 must apply IFRSs retrospective as if there was no interruption.

IFRS 1 – borrowing costs

The amendments clarify that the borrowing costs capitalized under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalized at the transition date. Borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with IAs 23 borrowing costs.

IAS 1 – clarification of the requirements for comparative information

The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.

The amendments also clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. However, if additional comparative information is provided, the information should be presented in accordance with IFRSs, including related note disclosures of comparative information for any additional statements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements. However, the entity should present related note information for those additional statements.

IAS 16 – classification of servicing equipment

The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 1E and as inventory otherwise.

IAS 32 – tax effect of distribution to holders of equity instruments

The amendments clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 income taxes.

IAS 34 – interim financial reporting and segment information for total assets and liabilities

The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine. Under the interpretation, the costs from this waste removal activity (stripping), which provide improved access to is recognized as a non-current asset when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

This adoption did not result in changes to the Group's accounting policies and did not materially affect the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2013.

New IFRSs and Interpretations not adopted:

IFRS 10	Consolidated Financial Statements 2
IFRS 11	Joint Arrangements 2
IFRS 12	Disclosure of Interests in Other Entities 2
IFRS 10-12 Amendment	Transition Guidance
IFRS 10/ 12, IAS 27 Amendment	Investment Entities
IAS 27 (revised)	Separate Financial Statements 2
IAS 28 (revised)	Investments in Associates and Joint Ventures 2
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities 2
IAS 36 Amendments	Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting

The effects of the above described not yet effective standards on the consolidated financial standards were internally discussed. The standard will have/not have any material effect on the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2013.

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. As Vtion Group is absolutely characterized by 100% investments and control rights are only exercised based on direct voting rights the new IFRS 10 has no effect on Vtion's financial statements.

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. As Vtion group as no activities in joint arrangements the new IFRS 11 has no material effect on Vtion´s financial statement.

The Group did not exercise any options to apply Standards and Interpretations prior to their effective date. Apart from additional or modified disclosure requirements, no significant effects are expected on the consolidated financial statements.

[2] Effective for annual periods beginning on or after 1 January 2014

2. Significant accounting policies

2.1 Basis of Consolidation

A subsidiary is a company controlled by the Company. Control is obtained when the Company has the power, directly or indirectly, to govern its financial and operating policies of the company so as to acquire benefit from its activities. Investment in subsidiary, if any, is stated in the Company's balance sheet at cost less any impairment losses.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All inter-group balances, transactions, income, expenses, profits and losses resulting from inter-group transactions are fully eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Acquisitions of subsidiaries, if any, are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination, is recognized in the income statement on the date of acquisition after reassessment.

2.2 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenue and expenses during the reporting period.

The following estimates, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are disclosed below:

a) Allowance for Trade Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivables.

Management uses judgment to determine the allowance for doubtful receivables which are supported by historical write-off credit history of the customers and repayment records. The Group reviews its allowance for doubtful receivables regularly. Accounts balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

Regarding the detailed allowance method, please refer to sector 5.2 in notes.

b) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment used for the manufacturing process is depreciated on a straight-line basis over its estimated useful life. The management estimates the useful life of these property, plant and equipment excluding motor vehicles to be within 5 years, and the useful life of motor vehicle to be between 5 and 10 years. These are common life expectancies applied in machine manufacturing industry. The net carrying amount of the Group's plant and equipment as at 31 December, 2013 were EUR 816,446. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of these assets, therefore future depreciation charge could be revised.

Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

2.3. Functional and Presentation Currency

a) Functional Currency

The directors have determined the currency of the primary economic environment, in which the Group operates, to be Renminbi (“RMB”). Sales and major costs of the providing goods and services, including major operating expenses are primarily influenced by fluctuations in RMB.

b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the combined entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values are determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognized in the income statement except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign subsidiaries, which are recognized initially in a separate component of equity as foreign exchange differences in the consolidated balance sheet and recognized in the consolidated income statement on disposal of the subsidiary. Exchange differences arising on the translation of transactions in EUR to the group functional currency RMB, which occurred in the German holding company, are recognized in the consolidated statements of comprehensive income as profit or loss of the period.

c) Foreign Currency Translation

The presentation currency of the Group is EUR. The results and financial position of the combined entities which are measured in a currency other than EUR are translated from RMB into EUR as follows:

	RMB	
EUR	**2013**	**2012**
year end	8.3491	8.2207
average	8.1646	8.1052

Assets and liabilities for each balance sheet are presented at the closing rate ruling at the balance sheet date, and income and expenses for income statements are translated at average exchange rates for the year, which approximates the exchange rates at the date of transactions.

All resulting exchange differences are recognized in the currency translation reserve in other comprehensive income, a separate component of equity.

2.4 Property, Plant and Equipment

Property, plant and equipment are recorded at historic cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to amortize the costs of the assets over their estimated useful life, using the straight-line method, as follows:

Office equipment	5 years
Machinery	5 years
Motor vehicle	5 – 10 years
Electronic equipment	3 – 5 years
Leasehold improvement	5 years
Broadband network connections	10 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

At the end of a reporting period, the group reviews the carrying amounts of its assets to determine whether there is any indication that their assets have experienced an impairment loss. If any such were noticed, the recoverable amount of the particular asset is estimated in order to determine the extent of the impairment loss, if any.

2.5 Land Use Rights

The subsidiary Vtion IT in Fuzhou, China, acquired land use rights in 2007. The land use rights are amortized over a period of 50 years. These were stated as finance lease arrangements under tangible fixed assets. In 2013, Vtion IT was required to transfer back half of the land since the Fujian provincial government adjusted the purpose of the area around and Vtion had not constructed the ground building. As a government administrative action, the government took back the land use right and returned the transfer fund and deed tax Vtion IT paid before based on the land area transferred back. After this re-transfer back, as of 31 December, 2013, the acquisition cost of land use rights decreased to EUR 318,286, the remaining period of amortization was 521 months.

2.6 Intangible Assets

As at 31 December, 2013, intangible assets were as following:

Type of intangible Asset	Description	Book value EUR	Remaining period of amortization in months
Kingdee Software	for corporation management and financial system	12,925	13-46
Phone Software and platform system	for Android platform and applications	203,449	20-108
Insurance Software	for Insurance industry applications	74,858	100
Office software	for office application	34,834	2-50
Licenses	Licenses acquired from Qualcomm for wireless data products	449,863	66
Trademark	"Vtion" authenticated as "Chinese famous trademarks"	17,966	36
		793,895	

2.6.1 Software and licenses

Acquired software and licenses are capitalized on the basis of cost incurred to acquire and bring it to the intended use condition. Direct expenditure, which can enhance or extend the performance of the software or licenses and which can be measured reliably, is recognized as a capital improvement and added to the original cost of the software or licenses. Costs associated with maintaining the software or licenses are recognized as expense as incurred.

Software and licenses are stated at cost less accumulated amortization and any impairment losses. The costs are amortized using a straight-line method over its estimated useful life, as follows:

Software 3–5 years

Licenses 3–10 years

The amortization expense on software and licenses is recognized in Income Statement and is included within the cost of sales and administrative expenses line items depending on their use. Except that the amortization of software used in providing the service to generate software-related service revenue is classified as the cost of sales, the other amortization of software and license is included within the administrative expenses line items.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

At the end of a reporting period, the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that their assets have experienced an impairment loss. If any such were noticed, the recoverable amount of the particular asset is estimated in order to determine the extent of the impairment loss, if any.

2.6.2 Trademark

Trademarks are capitalized on the basis of cost incurred to acquire and bring it to the intended use condition.

Trademarks are stated at cost less amortization and any impairment losses. The costs are amortized using a straight-line method over its estimated useful life as five years.

2.7 Impairment of Non-financial Assets, if any

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss has been recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The reversal of an impairment loss is recognized in the income statement. After such a reversal, the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic base over its remaining useful life.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, bank deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changes in value.

2.9 Trade and Other Receivables

Trade and other receivables are recognized and carried at original amount less an allowance for any uncollectible amounts. Bad debts are written off when identified.

2.10 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost incurred in bringing the inventories to their present location and condition is accounted for as follows:

Raw materials:	Purchase cost on a weighted average basis
Finished goods and work-in-process:	Costs of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Against this backdrop inventories have been impaired to their net realizable value by EUR 28 thousand (EUR 14 thousand as of 31 December, 2012) as mentioned in note 5.1.

2.11 Investment

At the balance sheet date, the Group did not hold short-term investment. After the short-term investment expired in June 2013 which only comprised bank time deposits with original maturities of more than three months but less than twelve months, the Group discontinued other short-term investment in 2013. The interest of bank term deposits was recognized in the Consolidated Statement of Comprehensive Income at the end of each reporting period received when the bank term deposits expired in 2013.

2.12 Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include interest-bearing short-term bank loans, trade and other payables.

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and service received. Gains are recognized in the income statement when the payment obligation ceases to apply.

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issuance costs associated with the borrowing.

2.13 Provisions

If necessary provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the discounting effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expenses.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.14 Operating Lease and finance lease

When the Group is the lessee:

Leases of assets, under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as “operating leases”. Operating lease payments are charged as an expense on a straight-line basis over the period of the respective leases.

Leasing of assets with which the lessee assumes the opportunities and risks from the lease object are classed as “Finance Leases”. At the beginning of the leasing arrangement, the leased asset was capitalized by the lessee and depreciated over its useful life. Because of the obligation for payment of lease payments, a liability was booked at the same amount. In the event of a one-time advance payment, the leasing obligations are directly amortized in the acquisition period.

2.15 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

a) Sales of Goods

Revenue is recognized upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Rendering Service

Revenue from rendering service is recognized when the services are rendered and relating revenue can be measured reliably. Vtion Group provided rendering service of software update and maintenance to insurance industry, service for supporting mobile packages sales to operators, service to Android application users and repairment service.

c) Interest Income

Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective-yield basis.

2.16 Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognized in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognized as deferred capital grant on the balance sheet and is amortized to the income statement over the expected useful life of the relevant asset by equal annual installments.

2.17 Employee Benefits

The Group participates in national pension schemes as defined by the laws of the country in which it has operations. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

2.18 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2.19 Interest-Bearing Loans

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issuance costs associated with the borrowing.

All borrowing costs are expensed and not capitalized.

2.20 Derecognition of Financial Assets and Liabilities

a) Financial Assets

A financial asset is derecognized where:

- The contractual rights to receive cash flows from the assets have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

2.21 Taxation

Income tax for the financial year comprises current tax as well as deferred tax. Income tax is recognized in the income statement except for the extent that relates to items recognized directly in equity.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.22 Earnings per Share

Calculation of earnings per share is based on the profit of the period (after taxes, attributable to the parent company) and weighted average shares. The calculation has been computed on the basis of an average of 13,298,495 (2013) and 14,481,671 (2012) respectively. In 2012, no shareholders’ equity instruments diluted the earnings per share on the basis of the respective shares issued. The earnings per share in 2013 are EUR 0.33.

Change in accounting method according to IAS 8

Basically Vtion accounted in consideration of continuity of accounting methods. Accounting methods can and should be changed, despite the continuity principle, if under proper assessment of the individual case a better presentation of the assets, financial position and earnings performance can be achieved.

In previous reporting periods, these land use rights were disclosed as an intangible asset since the acquisition pursuant to IAS 38 and depreciated over the previous reporting periods. Vtion has reconsidered his treatment in the past as intangible assets and decided to make a change in accounting method because of an application notice from the German Financial Reporting Enforcement Panel.

The acquisition of land use rights is accounted according to the rules for a change in accounting policy (IAS 8) as a finance lease transaction in accordance with IAS 17. The land use rights are continued to be presented separately at the face of the consolidated statement of financial position. Due to the change in accounting policy the land use rights present a tangible asset

The change in accounting policy basically needs to be applied retrospectively. The change in accounting policy did not result in any changes of the statement of financial position, the comprehensive income, the earnings per share and the opening balance of the comparative period. With regard to the cash flow statement Vtion changed the presentation of the cash flow adjustments arising from land use rights from the item “amortization of intangible assets and land use rights” to “depreciation of land use rights”.

In the course of that amendment the depreciation in Appendix (note 4.5 and note 4.7) has been re-itemized, which also affected the previous year. The depreciation charge on the land use rights were reclassified to the tangible assets in the course of the change in accounting method.

Further information can be found in note 6.1.

3. Segment Analysis

The primary segment reporting format is determined to be business segment as Vtion Group's risks and rates of return are affected predominantly by differences in the products and service. The operating business is reported separately according to the nature of the products and services, with each representing a strategic business.

A) BUSINESS SEGMENT

Vtion Group's operating businesses are organized in three business segments, namely "Wireless Data Terminal", "Wireless Intelligent Terminal" and "All Others".

B) GEOGRAPHICAL BUSINESS

Vtion Group' is principally engaged in products supplying and services providing in People's Republic of China ("PRC") and all of its customers are based in PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographical segment analysis is presented.

C) ALLOCATION BASIS

Revenue and cost of sales are directly attributable to the segments. Other operating expenses and income are allocated to the segments on a reasonable basis.

Segment assets, liabilities and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the items which cannot be allocated reasonably.

Inter-segment sales are eliminated on consolidation.

The following tables (3.1 – 3.3) present the adoption of IFRS 8, revenue and results information regarding Vtion Group's business segments for the financial year ended 31 December, 2013.

3.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

Compared to the fiscal year 2012, there was minor change on the analytic basis of segment information reported in 2013, due to some change of operating business. The Group's reportable segments in 2013 under IFRS 8 were therefore as follows:

- Wireless Data Terminal
- Wireless Intelligent Terminal
- All Others

"Wireless Data Terminal" comprised the sales of wireless data cards, wireless routers and wireless high definition sharers.

"Wireless Intelligent Terminal" included the sales of VPAD (only for year 2012), intelligent mobile phone such as iPhone and network camera. Resulted from significant growth of sales of network camera from the second quarter of 2013, the revenue generated from network camera was about 10 percent of the Group's combined revenue in 2013, so network camera disclosed in "All Others" segment in 2012 was adjusted to be presented in "Wireless intelligent Terminals" combined with other intelligent terminals in 2013. The corresponding disclosure for the previous year is also adjusted to ensure comparability of the segment information.

"All Others" comprised software service in connection with Android application, the sales of accessories, service in connection with mobile application designed for the insurance industry and commission income from the China Union broadband network. As a new revenue source, the commission income from the broadband network was immaterial in 2013, so it was disclosed in "All Others" segment combined with others in 2013.

Information regarding the Group's reportable segments is presented below:

3.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit	
	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	51,667	64,396	5,963	9,271
Wireless Intelligent Terminal	7,718	10,626	1,113	533
All Others	561	548	-1,231	-1,970
Total for continuing operations	59,946	75,570	5,845	7,834
Central administration costs			-817	-987
Finance result			1,546	1,236
Profit before tax (continuing operations)			6,574	8,083

Revenue reported above represents revenue generated from external customers. The inter-segment sales in the year 2013 and year 2012 were eliminated. Segment profit is based on the results of the operating entities in China.

Reconciliation of the revenue

	Segment revenue	
	Year ended 31 Dec. 2013	Year ended 31 Dec. 2012
	kEUR	kEUR
Wireless Data Terminal	55,551	64,444
Inter-segment sales elimination	-3,884	-48
Wireless Intelligent Terminal	7,719	10,627
Inter-segment sales elimination	-1	-1
All others	570	552
Inter-segment sales elimination	-9	-4
Total for continuing operations	59,946	75,570

In 2013, Sales from the first major customer were EUR 15 million (EUR 20 million in 2012), 25% of the overall sales. Sales from the second major customers were EUR 10 million (EUR 13 million in 2012), 17% of the overall sales. These sales were mainly generated in the segment "Wireless Data Terminal" and "Wireless Intelligent Terminal" in 2013 and 2012.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance expenses and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3.3 Segment assets and liabilities

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
Segment assets		
Wireless Data Terminal	20,894	31,459
Wireless Intelligent Terminal	1,765	1,431
All others	1,028	424
Total segment assets	23,687	33,314
Unallocated	128,434	119,578
Consolidated assets	152,121	152,892
Segment liabilities		
Wireless Data Terminal	13,718	15,711
Wireless Intelligent Terminal	1,565	2,002
All others	16	190
Total segment liabilities	15,299	17,903
Unallocated	495	187
Consolidated liabilities	15,794	18,090

Unallocated assets mainly represented cash of EUR 126,614 thousand as of 31 December 2013.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments other than ‘other financial liabilities’, current and deferred tax liabilities, and ‘other’ liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

	Depreciation and amortization		Additions to non-current assets	
	Year ended 31 Dec. 2013	**Year ended 31 Dec. 2012**	**Year ended 31 Dec. 2013**	**Year ended 31 Dec. 2012**
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	328	332	28	42
Wireless Intelligent Terminal	52	72	66	274
All others	138	191	363	16
Unallocated	8	13	-	
	526	608	457	331

4. Notes to the Consolidated Statement of Comprehensive Income

4.1 Total income

	2013	2012
	EUR	EUR
Sale of goods	59,946,201	75,570,093
Other operating income	0	
Government grant	1,152	148,079
Service income	2,132	247
Others	19,262	2,963
	22,546	**151,289**
Finance income		
Interest income	1,674,005	1,355,475
Total income	**61,642,752**	**77,076,857**

Sale of goods represents the invoiced amount of delivered goods net of discounts, returns and valued added tax. All intra-group transactions are excluded from the revenue of the consolidated group.

Government grants represent the subsidies from the PRC government. In 2013, government grants were immaterial. Others were mainly due to the retransfer of 50% of land use right to Fujian government amounting to EUR 19.1 thousand in 2013.

4.2 Cost of Sales

The cost of sales mainly include the cost of materials consisting of expenses of raw materials and supplies as well as of purchased goods and services totaling EUR 48,479,637 (prior year: EUR 61,995,900).

	2013	2012
Split up of Cost of Sale	EUR	EUR
Cost of materials		
- primary products	17,463,527	24,159,912
- purchased finished goods	29,088,389	36,973,115
- services	1,400,516	437,711
- business taxes and surcharges	354,332	287,072
	48,306,764	61,857,810
Directly attributable payroll expenses and non-attributable shared costs	172,873	138,000
	48,479,637	**61,995,900**

4.3 Split-up of Sales

Split-up of sales	**2013** EUR	**2012** EUR
Sales to external customers		
Wireless Data Terminal	51,667,058	64,396,477
Wireless Intelligent Terminal	7,717,507	10,626,328
All Others	561,636	547,288
	59,946,201	**75,570,093**

The Group is principally engaged as manufacturing entity of computer accessories, broadband servers, and wireless communication products in People´s Republic of China ("PRC"). The majority of its customers are based in PRC.

4.4 Selling and Distribution Expenses

	2013	**2012**
	kEUR	kEUR
Payroll costs	818	662
Transportation expenses	387	387
Royalties	0	193
Others (travelling expenses, rental and utilities fee, entertainment expenses etc.)	368	560
	1,573	1,802

4.5 Administrative Expenses

	2013	**2012**
	kEUR	kEUR
Payroll costs	994	1,458
Research & development costs	1,448	760
Depreciation of property, plant and equipment and land use rights	219	272
Amortization of intangible assets	110	136
Others (travelling expenses, rental and utilities fee, consulting expenses etc.)	2,114	2,448
	4,885	5,074

Research costs, if any, are expensed in the period in which they incur. Development costs are only capitalized if all the cumulative recognition criteria listed in IAS 38 are fulfilled, if the research phase can be clearly distinguished from the development phase and if the costs arising can be directly allocated to individual project phases. No development costs were capitalized as per IAS 38 because the relevant criteria were not met. In particular, it is impossible to distinguish clearly between research and development activities due to countless interdependencies.

4.6 Average number of employees/Payroll costs

	2013	2012
Average number of employees		
Management and administration	84	86
Research and development	74	67
Sales	82	90
	240	243

	2013	2012
	EUR	EUR
Payroll costs		
Wages and salaries	2,397,303	2,294,258
Social security costs	395,647	349,492
Welfare	66,065	47,308
	2,859,015	2,691,058

Defined contribution plan

Vtion Group participated in national pension schemes as defined by the PRC laws and German laws. In 2013, the total cost from payments made under national pension schemes amounted to EUR 396 thousand (2012: EUR 349 thousand).

4.7 Amortization and impairment loss of Intangible Assets and Depreciation of Property, Plant, Equipment and Land use rights

	2013	2012
	EUR	EUR
Amortization and impairment loss of intangible assets		
Software	113,958	157,014
Licenses	83,642	84,255
Trademark	6,124	6,169
Sum	203,724	247,438
Depreciation of land use rights	8,679	13,115
Depreciation of property, plant and equipment	313,734	347,150
Total of amortization and depreciation	526,137	607,703

Except about EUR 9,186 of amortization of intangible assets was booked as part of “cost of sales” for service business operated by Vtion Software for insurance industry in 2013, the amortization of intangible assets was booked in “Administrative expenses” in 2013. Since the game software for business operated by Vtion Anzhuo have been wholly amortized and other intangible assets are kinds of platform systems which are used for research and development activities, the amortization of intangible assets of Vtion Anzhuo was booked in “Administrative expenses” in 2013.

4.8 Finance Expenses

	2013	2012
	EUR	EUR
Finance Expense		
Interest expense	0	1,852
Bank charges	18,686	38,976
	18,686	40,828

4.9 Foreign exchange loss

The Group recognized EUR 109,751 foreign exchange loss (EUR 78,258 in 2012). This mainly relates to money exchange from EUR to RMB when the EUR/RMB exchange rate devalued in 2013. Vtion Software exchanged EUR 4.8 million to RMB when the average EUR/RMB rate was about 7.9651 dropped by 3% compared the rate as at 31 December, 2012. The EUR rose by 0.1284 or 1.6% from 8.2207 RMB (31 December, 2012) to 8.3491 RMB (31 December, 2013), This led to foreign exchange gain arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date which partly offset foreign exchange loss caused by the money exchange.

4.10 Income Tax

4.10.1 Major Components of Income Tax Expense

	2013	2012
	EUR	EUR
Current income tax (ordinary activities)	2,223,480	2,667,143
Deferred income tax induced by:		
-tax rate change		
-temporary differences	2,111	-233,670
-tax loss carry forward	-51,939	303,178
Income tax recognized in profit and loss	2,173,652	2,736,651

Deferred income tax relates to the following:

	31 Dec. 2013		31 Dec. 2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	6,959	-	3,620	-
Trade receivable	-	-	5,544	-
Other receivable and other asset	-	-	-	-
Tax losses carried forward	399,063	-	353,711	-
Total	406,022	-	362,875	-

4.10.2 Applicable Tax Rate

The applicable group tax rate is based on the German Tax Laws for a corporate entity. The tax rate amounts to 31.925%. Vtion IT applied an effective tax rate of 25% in year 2013 in accordance with the Corporate Tax Law of the People's Republic of China. Vtion Communication started to have accounting gains in 2013 and accumulated a net gain as of 31 December, 2013. So Vtion Communication applied an effective tax rate of 25% in year 2013 in accordance with the Corporate Tax Law of the People's Republic of China.

Vtion Software incurred accounting losses in 2013, so there was no tax expense in 2013. The applicable tax rate for Vtion Service and Vtion Anzhuo, established under the laws of the PRC, is based on the Corporate Tax Law of the People's Republic of China for a corporate entity. The tax rate amounts to 25%. Vtion Service and Vtion Anzhuo accumulated a net loss as of 31 December, 2013.

4.10.3 Relationship Between Tax Expense and Accounting Profit

Reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate is as follows:

	2013	2012
	kEUR	kEUR
Accounting (loss)/profit before income tax	6,573	8,083
Applicable tax rate	32%	32%
Tax at respective companies income tax rate	2,099	2,580
Tax differences on Chinese companies	504	297
Thereof effect from tax exemption	884	812
Thereof effect from lower local tax rate	(380)	(515)
Tax effect of expenses not deductible for tax purpose	60	(6)
Tax effect of loss not taxable for tax purpose	(372)	(204)
Recognition and measurement of deferred tax assets and liabilities	(117)	70
Income tax expense recognized in profit and loss	2,174	2,737
Group tax rate	33.1%	33.9%

For a share of the tax loss carryforward no dererred tax asset was recorded due to earings forecasts which did not justify a deferred tax asset. This share amounts to kEUR 3,497. For kEUR 2,636 the utilization period is not limited, for kEUR 861 the utilization period is limited.

5. Notes to the Consolidated Statement of Financial Position

5.1 Inventories

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Inventory-advances to supplier	8,050	0
Goods and materials	2,275,591	2,376,829
Less: stock provision	-27,836	-14,481
	2,255,805	2,362,348

As of 31 December, 2013, inventory amounted to EUR 2,256 thousand, all of which were recognized in acquisition cost without goods and material recognized in net realizable value in accordance with IAS 2.36 (current year Euro 0 thousand; in 2012: EUR 55 thousand of goods and material recognized in net realizable value).

5.2 Trade and other Receivables

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Trade receivables		
Trade receivables	18,411,081	25,651,818
Allowance for trade receivables	(0)	(22,176)
	18,411,081	25,629,642

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Other receivables		
Other receivables	2,363,204	3,559,263
Prepaid expenses	83,677	69,819
	2,446,881	3,629,082

All trade receivables are non-interest bearing. They are recognized at their originally invoiced amounts which represent their attributable fair values on initial recognition.

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Within 30 days	6,100,427	7,141,062
31-90 days	7,771,365	9,926,777
91-180 days	4,539,289	8,560,344
181-360 days	0	0
361-1,080 days	0	3,649
More than 1,080 days	0	19,986
	18,411,081	25,651,818

Allowance for doubtful receivables

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Provision for trade receivables	0	22,176
		22,176

The Group establishes allowances through profit and loss to account for doubtful receivables. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The aging of receivables is used in applying the allowance method. As of December 31, 2013, all trade receivable was with a maturity of less than 180 days, so no allowance was established in 2013. The percentage of allowance applied to each age classification group is as follows:

Aging	% of allowance for bad debt
0 –180 days	0%
180–360 days	5%
1–2 years	30%
2–3 years	60%
>3 years	100%

5.3 Amounts due from related parties

Amounts due from related parties are non-interest bearing and are repayable on demand. All related parties receivables are unsecured.

	31 Dec. 2013	31 Dec. 2012
Related parties	EUR	EUR
Amount due from related parties - trade	0	0
Amount due from related parties - non-trade	101,379	148,912
Allowance for amount due from related parties	0	0
	101,379	148,912

5.4 Short-term investment

As of December 31, 2013, the Group did not hold Short-term investment (2012: EUR 4.9 million bank deposits of with a maturity of more than three months but less than twelve months).

5.5 Cash and Cash Equivalents

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Cash on hand	16,029	24,896
Cash in banks	125,340,339	112,207,548
of Mainland China	123,546,706	109,072,751
of Germany and offshore	1,793,633	3,134,797
Deposit on bank's acceptance bill (in China)	1,257,710	1,277,355
	126,614,078	113,509,797

The deposit on bank's acceptance bill is pledged. As the deposits are security deposits for banks acceptance bill, Vtion has access to this funds on short notice.

Among the balance of cash and cash equivalents in 2013, EUR 124,804 thousand are held in countries in which prior approval is required to transfer funds abroad. Nevertheless if the Group can comply with those criteria, such liquid funds can be transferred within a reasonable period of time.

5.6 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Leasehold improvement	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition Costs							
At 31 Dec. 2011	166,808	409,560	130,954	1,030,314	160,844	79,933	1,978,414
Additions	2,082	38,789	0	10,956	0	15,378	67,205
Reclassification							0
Disposal	2,956	9,821	0	0	0	0	12,777
Exchange differences	-1,255	-3,084	-986	-7,758	-1,211	-602	-14,896
At 31 Dec. 2012	164,680	435,444	129,968	1,033,513	159,633	94,709	2,017,946
Accumulated depreciation and impairment							
At 31 Dec. 2011	94,747	224,441	97,034	383,360	57,237	0	856,819
Charged for the FY	26,874	74,761	21,549	184,152	39,814	0	347,150
Reclassification	0	0	0	0	0	0	
Disposal	2,837	9,193	0	0	0	0	12,030
Exchange differences	-1,090	-2,740	-1,033	-5,474	-990	0	-11,328
At 31 Dec. 2012	117,694	287,268	117,550	562,038	96,061	0	1,180,610
Net carrying amount							
At 31 Dec. 2011	72,062	185,119	33,920	646,954	103,608	79,933	1,121,595
At 31 Dec. 2012	46,985	148,175	12,418	471,475	63,573	94,709	837,336

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Leasehold Improve-ment	Broad-band network	Construc-tion in progress	Total
	EUR	EUR	EUR	EUR	EUR		EUR	EUR
Acquisition Costs								
At 31 December 2012	164,680	435,444	129,968	1,033,513	159,633	0	94,709	2,017,946
Additions	372	23,444	0	0	0	185,822	177,591	387,229
Reclassification	0	0	0	0	0	0	0	0
Disposal	0	21,086	0	0	0	0	86,418	107,505
Exchange differences	-2,530	-6,697	-1,999	-15,894	-2,455	0	-1,457	-31,031
At 31 December 2013	162,522	431,104	127,969	1,017,618	157,178	185,822	184,425	2,266,639
Accumulated depreciation and impairment								
At 31 December 2012	117,694	287,268	117,550	562,038	96,061	0	0	1,180,610
Charged for the FY	20,531	72,298	8,402	173,915	17,156	21,432	0	313,734
Reclassification	0	0	0	0	0	0	0	
Disposal	0	19,065	0	0	0	0	0	19,065
Exchange differences	-2,261	-6,016	-1,993	-12,487	-1,856	-474	0	-25,087
At 31 December 2013	135,963	334,486	123,958	723,466	111,361	20,958	0	1,450,193
Net carrying amount								
At 31 December 2012	46,985	148,175	12,418	471,475	63,573	0	94,709	837,336
At 31 December 2013	26,559	96,618	4,011	294,152	45,818	164,863	184,425	816,447

5.7 Land Use Rights

	2013	2012
	EUR	EUR
Acquisition Costs		
Balance at the beginning of financial year	646,514	651,419
Disposal	318,286	
Exchange differences	-9,942	-4,905
Balance at the end of financial year	318,286	646,514
Accumulated amortization		
Balance at the beginning of financial year	72,194	59,713
Amortization for the FY	8,679	13,115
Disposal	38,515	
Exchange differences	-450	-634
Balance at the end of financial year	41,908	72,194
Net carrying amount		
Balance at the beginning of financial year	574,320	591,706
Balance at the end of financial year	276,378	574,320

In 2013, the disposal of land use rights resulted from a government administrative action that Vtion IT was required to return half of the land since Fujian government adjusted the purpose of the area around and Vtion had not constructed the ground building. After this retransfer, as of 31 December, 2013, the acquisition cost of land use rights decreased to EUR 318,286.

5.8 Intangible Assets

	Licenses	Office Software	Trademark	Total
	EUR	EUR	EUR	EUR
Acquisition Costs				
At 31 Dec. 2011	1,007,062	576,270	0	1,583,331
Additions	0	233,549	30,411	263,960
Disposal	0	0	0	0
Exchange difference	-7,583	-4,288	0	-11,871
At 31 Dec. 2012	999,479	805,531	30,411	1,835,421
Accumulated amortization and impairment				
At 31 Dec. 2011	309,687	349,260		658,947
Amortization for the FY	84,255	130,875	6,169	221,299
Impairment for the FY	0	26,140		26,140
Reclassification	70,077	-70,077		0
Disposal for the FY	0	0		0
Exchange difference	-4,500	-3,800	-87	-8,387
At 31 Dec. 2012	45,519	432,398	6,082	897,999
Net carrying amount				
At 31 Dec. 2011	697,375	227,010	0	924,384
At 31 Dec. 2012	539,960	373,133	24,329	937,422

	Licenses	Office Software	Trademark	Total
	EUR	EUR		EUR
Acquisition Costs				
At 31 Dec. 2012	999,479	805,531	30,411	1,835,421
Additions	0	70,111	0	70,111
Disposal	0	0	0	0
Exchange difference	-15,371	-12,283	-468	-28,122
At 31 Dec. 2013	984,108	863,359	29,943	1,877,410
Accumulated amortization				
At 31 Dec. 2012	459,519	432,398	6,082	897,999
Amortization for the FY	83,642	113,958	6,124	203,724
Reclassification	0	0	0	0
Disposal for the FY	0	0	0	0
Exchange difference	-8,916	-9,063	-229	-18,208
At 31 Dec. 2013	534,245	537,293	11,977	1,083,515
Net carrying amount				
At 31 Dec. 2012	539,960	373,088	24,374	937,422
At 31 Dec. 2013	449,863	326,066	17,966	793,895

The intangible assets do not comprise any internally generated intangible assets.

As of 31 December, 2013 there was no binding agreement about the purchase of intangible assets.

5.9 Deferred Tax Assets

In 2013 Vtion IT recognized deferred tax assets resulting from the timing difference between the accounting profit and the taxable profit calculated in accordance with Income Tax Law of the People's Republic of China.

Vtion Wireless Technology AG ("Vtion AG") accumulated net profit of EUR 1.2 million (EUR 1 million in previous year) under German GAAP since the establishment of the company, which include a net income for the year amounting to EUR 0.8 million generated in 2013. The change in the net profit is due to the net income for the year generated in 2013 of EUR 844 thousand and the dividend distribution of EUR 731 thousand during the fiscal year. Under German Corporation Income Tax regulations, deducted 95% of dividend income which is not taxable, Vtion AG accumulated a tax loss at 31 December, 2013. Vtion AG expects a net taxable income of the holding company by lending parts of the proceeds raised during the IPO to its subsidiaries. Therefore Vtion AG recalculated at 31 December, 2013 a deferred tax asset on the tax losses carried forward from first time recognition. The amount recognized as a deferred tax asset EUR 399 thousand has been calculated based on the estimation of net taxable income of the next five years. As a result, the deferred tax assets are not recognized for the unused tax losses of EUR 842 thousand.

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
Deferred tax asset of Vtion AG	399	310
Deferred tax asset of Vtion IT, Vtion Com and Vtion Software	7	53
	406	363

5.10 Trade and Other Payables

All trade payables are non-interest bearing. The fair value of trade payable as well as other payables has not been disclosed, since, due to their short duration, management considers the carrying amounts recognized at the balance sheet to be a reasonable estimate of their fair value. The trade payables include notes payable, which amount to RMB 21 million and remained unchanged compared to that as of 31 December, 2012. 50% of the corresponding funds (EUR 1,258 thousand) are kept as a cash deposit on bank acceptance bills, which was the same as that of 31 December, 2012 in terms of RMB. Please see “cash and cash equivalents”.

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Other payables		
VAT payable	1,041,328	1,956,059
Other payable	135,598	2,824,521
Advances from customers	90,448	0
Other tax payables	90,321	114,221
	1,357,695	4,894,801

Other payable decreased to EUR 136 thousand mainly due to the payment in full of the liabilities from the grant of license fees for the use and subsequent sale of memory chips amounting to EUR 2,802 thousand.

5.11 Provisions

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
Provisions		
Accrued payroll	254,937	302,045
Other accruals	253,955	121,829
	508,892	423,874

Other accruals included the accrued expenses for annual audit charge, service charges for external consultant agencies, and lawyer fees.

Except the payable remuneration of EUR 15 thousand for who serve as members of committees established by the Supervisory Board, other provisions of EUR 409 thousand as of 31 December, 2012 were utilized after payment in 2013. Vtion recognized EUR 509 thousand on the accrual basis for payable payroll and expenses as of 31 December, 2013.

5.12 Equity

5.12.1 Share Capital and treasury stock

The share capital of the Parent Company remained EUR 14,495,086 as at 31 December, 2013.

number of shares	31 Dec. 2013	31 Dec. 2012
Share capital	14,495,086	14,495,086
Treasury stocks	-1,196,591	-1,196,591
Circulation stocks	13,298,495	13,298,495

Free float shares	Number of shares
At 31 Dec. 2012	2,266,123
effect of selling by shareholders	630,901
At 31 Dec. 2013	2,897,024

5.12.2 Reserves and retained earnings

a) Reserves

The reserves remained unchanged compared to the last year as at 31 December, 2013

b) Retained earnings

The retained earnings comprise the cumulative changes resulted from net gains or losses recognized in the consolidated income statement and the changes due to the dividend distribution. In June 2013, Vtion paid a dividend of 6 cents per share, representing 15% of the company's net profit after tax for the full year 2012, which decreased the retained earnings by EUR 731,417 due to dividend distribution.

5.12.3 Foreign exchange differences

The foreign exchange differences mainly results from the conversion of the financial statements into the reporting currency EUR of the Group.

5.13 Current assets and liabilities

The company does not expect any assets or liabilities which are presented as current to be settled within more than twelve months after balance sheet date.

6. Notes – other

6.1 Commitments and Contingencies

Operating lease/finance lease commitments

The Vtion Group leased several warehouses and offices under particular operating lease agreements. The leases have varying terms and conditions. There are no restrictions placed upon the Group by entering into these leases. The operating lease payment recognized as expense in the income statement in every financial year is as follows:

	2013	2012
	EUR	EUR
Lease payment recognized as expense	458,510	441,385

Future minimum lease payments under non-cancellable operating leases are as follows:

	31 Dec. 2013	31 Dec. 2012
	EUR	EUR
No later than one year	446,543	388,245
Later than one year but no later than five years	412,900	326,367
Later than five years	0	0
	859,443	714,612

Concerning the lease contracts with related parties various terms and conditions are documented and disclosed below:

Contract	Renewal terms	Price terms	Purchase Options
Office in Fuzhou (Vtion IT)	preferred option	fixed rental	No purchase option in the contract
Office in Fuzhou (Vtion Communication)	preferred option	fixed rental	No purchase option in the contract
Warehouse in Changle (Vtion IT)	Contract renews automatically for further 2 years	fixed rental	No purchase option in the contract

In the reporting period, Vtion held 12,141 square meters o land use rights by means of finance leasing. The net book value of the land use rights on the reporting date was EUR 276,378. Due to a one time payment at the beginning of the leasing arrangement, there are no periodical nor future leasing payments.

There is no renewal or purchase option with respect to the finance leasing agreement that was concluded.

Contingent Liabilities

The Company does not have any contingent liabilities as of 31 December, 2013.

6.2 Related Party Disclosures

An entity or individual is considered a related party of the Company for the purposes of the financial statements if: It possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or it is subject to common control or common significant influence.

A) RELATED PARTY INFORMATION

Name of related party	Relationship	Registered Office	Remark
Fujian Vtion Communication & Telecom Equipment Co., Ltd.	Other company controlled by shareholder's direct family member	PRC	
Mobile Multimedia Co., Ltd. (Beijing)	Other company controlled by shareholder	PRC	
DADI (China) Holding Co., Ltd.	Other company controlled by shareholder's direct family member	PRC	
Fujian DADI Concrete Pile Co., Ltd.	Other company controlled by shareholder's direct family member	PRC	
Fujian CH-DIGITAL Technology Co., Ltd.	Equity participated company by shareholder	PRC	
Fujian Aiwei Garment Co., Ltd. (formerly named "Fujian FORFREE Garment Co., Ltd.")	Other company controlled by shareholder's direct family member	PRC	
Shareholders of listed company and their direct family members, director and senior management etc.			
Chen Guoping	Shareholder of listed company, CEO		
Huang Yuhua	Direct family member of shareholder on the listed company		
He Zhihong	Shareholder of the listed company, VP, CTO		
Chen Guoshun	Shareholder of the listed company, shareholder's direct family member		
Chen Guohe	Shareholder of listed company, shareholder's direct family member		

B) SALES AND PURCHASE OF GOODS AND SERVICE

The following transactions took place between the Group and related parties during the financial year:

	2013	2012
	EUR	EUR
Rental fee paid to a related party	135,218	136,209

Rental of plant transactions with related parties were based on market price. Rental fees paid by Vtion IT and Vtion Communication in connection with related parties were paid to Mr. Chen Guoping (EUR 66 thousand), Mrs. Huang Yuhua (Direct family member of Mr. Chen Guoping, EUR 37 thousand) and Fujian Aiwei Garment Co., Ltd.(EUR 32 thousand), which were the same as that paid in 2012 in terms of RMB. The rental fee in 2013 in EUR was changed from that in 2012 due to the change of exchange rate of EUR to RMB.

C) DUE FROM/TO RELATED PARTIES

	31 Dec. 2013	31 Dec. 2012
	kEUR	kEUR
Due from related parties	**101**	**149**
Trade	0	0
Non-trade	101	149
Allowance for doubtful trade debts	0	0
Due to related parties	**0**	**0**
Trade	0	0
Non-trade	0	0

As of 31 December, 2013, the amount due from or to related parties resulted from non-trade was in connection with Mr. Chen Guoping and Fujian Aiwei Garment Co., Ltd. The transactions with the related parties were based on market price.

D) KEY MANAGEMENT REMUNERATION

	2013	2012
	kEUR	kEUR
Key management of the Group	242	244

The remuneration paid to key management personnel consists solely of fixed compensation. No variable remuneration was paid in 2012 and 2013. For more information on remuneration, please refer to the compensation report.

6.3 DISCLOSURE OF FINANCIAL INSTRUMENTS

The Group's financial instruments at the closing day comprise cash and liquid resources, some short-term debtors and creditors, together with normal trade debtors and creditors, The main risks which arise from these financial instruments relate to liquidity, interest and exchange rates.

Disclosures IFRS 7:

Carrying amounts, amounts recognized and fair values by category:

	Category in accordance with IAS 39	Carrying amount 31 Dec. 2013	Amounts recognized in balance sheet according to IAS 39 at amortized cost	Carrying amount 31 Dec. 2012	Amounts recognized in balance sheet according to IAS 39 at amortized cost
		EUR	EUR	EUR	EUR
Trade receivables	LaR	18,411,081	18,411,081	25,629,642	25,629,642
Other receivables	LaR	2,446,881	2,446,881	3,629,082	3,629,082
Amounts due from related parties	LaR	101,379	101,379	148,912	148,912
Short-term investment	LaR	0	0	4,900,000	4,900,000
Cash and cash equivalents	LaR	126,614,078	126,614,078	113,509,797	113,509,797
Trade payables	FLAC	13,422,085	13,422,085	12,161,729	12,161,729
Other payables and provisions	FLAC	1,866,587	1,866,587	5,318,675	5,318,675
Amounts due to related parties	FLAC	0	0	0	0
Of which: aggregated by category in accordance with IAS 39					
Cash and receivables	LaR	147,573,419	147,573,419	147,817,433	147,817,433
Financial liabilities measured at amortized cost	FLAC	15,288,672	15,288,672	17,480,404	17,480,404

(LaR = Loans and receivables; FLAC = Financial liabilities at cost)

In 2013 and 2012 there are no amounts recognized in the balance sheet according to IAS 39 at fair value.

Cash and cash equivalents, trade and other receivables as well as amounts due from related parties have a short time to maturity (within 1 year). Short-term investment represents bank deposits of EUR 4.9 million with a maturity of more than three months but less than twelve months (only for 2012). For this reason, their carrying amounts at the reporting date approximate the fair values. (In accordance with level 1 of the fair value hierarchy pursuant to IFRS 7)

Trade and other financial liabilities generally have a short time to maturity (within 1 year); the values approximate the fair values. (In accordance with level 1 of the fair value hierarchy pursuant to IFRS 7)

Net gain/loss by category:

	from interest	2013	2012
	EUR	EUR	EUR
Cash and receivables	1,673,887	1,673,887	1,253,977
Short-term investment	118	118	101,498
Financial liabilities measured at amortized cost	0	-128,437	-119,086
	1,674,005	1,545,568	1,236,389

Interest from financial instruments is recognized in finance expenses.

6.4 Financial Risks Management Objectives and Policies

IFRS 7 requires the disclosure of sensitivity analysis which shows the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Group, this mainly relates to currency rate risks. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the balance sheet date. It is assumed that the balance at the reporting date is representative for the year as a whole.

As outlined, the Group is in general only exposed to interest rate and other market risks arising in the normal course of business. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest rates and foreign exchange rates as there is no real requirement to do so from today's point of view considering that the main assets of the company are liquidity assets (long term assets).

a) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the Group. The Group has adopted the policy of only dealing with creditworthy counter parties and monitors their balances. The Group's credit risk is primarily attributable to its trade and other receivables. Cash is placed with creditworthy financial institutions. The trade and other receivables presented in the balance sheet are net of an allowance for doubtful receivables, estimated by management based on current economic conditions. The carrying amount of financial assets recorded in the financial statements net of any allowance for doubtful receivables, represents the Group's maximum exposure to credit risk. The carrying amount of financial assets as of 31 December, 2013 is EUR 147,573 thousand (previous year: EUR 147,817 thousand)

b) Interest Rate Risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group in the current reporting period and in future years. Other than the bank deposits and borrowings, the Group has no other significant interest-bearing assets and liabilities. Its interest-bearing assets are mainly current bank deposits. The majority of the Group's income and operating cash flows is independent of changes in market interest rates. The Group's policy is to secure all of its borrowings at fixed borrowing rates.

If interest rate had been 50 basis points higher or lower, the financial result on the basis of the Group's investment strategy would have been around EUR 633 thousand (previous year: EUR 592 thousand) higher or lower.

c) Foreign Currency Risk

Foreign exchange risk refers to the risk that movement in foreign currency exchange rates against the Group's functional or reporting currency will affect the Group's financial results and cash flows.

Relevant risk variables are, in principle, all other currencies in which the Groups financial instruments are used. The Group holds EUR bank deposits in the holding company in Germany and subsidiaries in China and Hong Kong; possible exchange rate fluctuations of the RMB against the EUR can affect the Group's financial results. Similarly, the group is due to be exposed to USD assets and liabilities which will be impacted by the exchange rate fluctuations of the RMB against the USD.

The following exposure is the overall foreign currency of the Group:

	Assets		Liabilities	
	31 Dec. 2013	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
	kEUR	kEUR	kEUR	kEUR
EUR	1,878	8,044	423	223
USD	196	2,905	238	3,712
Other	2	2	-	-
	2,076	10,951	661	3,935

The EUR assets decreased from EUR 8,044 thousand as of 31 December, 2012 to EUR 1,878 thousand as of 31 December, 2013, which mainly resulted from currency exchange from EUR to RMB (EUR 4.8 million) and dividend distribution (EUR 731 thousand). The USD assets and liabilities mainly relate to the transaction with the suppliers.

The following table illustrates the effect on the consolidated net income if the exchange rate would be 5% higher/lower and all other variables were held constant:

	5% increase			
	2013	**2013**	**2012**	**2012**
	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB
Foreign exchange gain/loss	69	-2	372	-38
	5% decrease			
	2013	**2013**	**2012**	**2012**
	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB
Foreign exchange gain/loss	-77	2	-412	42

The Management Board observes the Company's exposure to foreign currencies and carefully considers necessary hedging transactions.

d) Liquidity Risk

Liquidity risk arises from the possibility that the Group is unable to meet its obligations towards other counter parties. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Considering the Group's overall solid cash flows situation and the fact that Vtion has no interest-bearing liabilities, there is no real liquidity risk.

in kEUR	**Less than 3 months**	**3-6 months**	**6-12 months**	**More than one year**	**Cash outflows**	**Book value**
As of 31 Dec. 2013						
Trade payables	5,688	5,551	1,704	479	13,422	13,422
Other	1,867	-	-	-	1,867	1,867
Total	7,555	5,551	1,704	479	15,289	15,289
As of 31 Dec. 2012						
Trade payables	4,274	6,297	654	937	12,162	12,162
Other	2,528	-	2,791	-	5,319	5,319
Total	6,802	6,297	3,445	937	17,481	17,481

e) Fair Values

The carrying amounts of the financial assets and financial liabilities in the financial statements approximate their fair values.

6.5 Management Stock Option Plan ("SOP")

Since the average stock price of the Company's shares was lower than the IPO price, in 2013, the Company did not execute the Management Stock Option Plan. As of 31 December, 2013, there has been no formal decision on the stock option plan.

7. Additional Comments on Capital Management

The capital management of Vtion Group is based on monitoring equity and liabilities and investment based on its current high liquidity.

The Company's target of the investment policy is to maintain the strong and profitable growth path in the business in order to create shareholder value. Surplus cash will generate interest rate income while being deposited at reputable financial institutions. As of 31 December 2013, the shareholders' equity ratio of the company was 90%, when taking total assets (EUR 152,121 thousand) and total equity (EUR 136,327 thousand) as basis (previous year: 88%). The return on shareholders' equity – the ratio of the share of consolidated income of the Group's shareholders and the shareholders' equity on the report date – amounted to 3% in financial year 2013, when taking profit for the period (EUR 4,400 thousand) and total equity (EUR 136,327 thousand) as basis (previous year 4%).

8. Members of the Management and Supervisory Board

Management Board of the parent company

Chen, Guoping: merchant, CEO, Fujian, PRC, Chairman

He, Zhihong: merchant, CTO, Fujian, PRC

Zheng, Hongbo: merchant, CFO, Beijing, PRC

Fei, Ping, procurist: Beijing, PRC

Ding, Chaojie: sales and marketing, Beijing, PRC

Supervisory Board of the parent company

Norbert Quinkert: merchant, Frankfurt, Germany (Chairman)

Yang, Hua: merchant, Beijing, PRC (Vice Chairman)

Wang, Ning: vice president of China Electronic Chamber of Commerce, Beijing, PRC (Member)

9. Remuneration of the Management Board and Supervisory Board

For the fiscal year 2013 and 2012, the members of the management board received the following fixed remuneration in excess of which they are not entitled to receive any further, particularly performance-based remuneration; furthermore the management board is not entitled to receive a specific remuneration if contracts would be terminated prematurely or regularly.

Name	2013	2012
	in kEUR	in kEUR
Chen, Guoping	50.7	51.1
Zheng, Hongbo	44.1	44.4
He, Zhihong	44.1	44.4
Ding, Chaojie	58.8	59.2
Fei, Ping	44.1	44.4
Total	241.8	243.5

The Chairman of the Supervisory Board receives a basic remuneration of EUR 50,000 per calendar year and the Deputy Chairman of the Supervisory Board receives a basic remuneration of EUR 35,000 per calendar year. Each further member of the Supervisory Board receives a basic remuneration of EUR 25,000 per calendar year. In addition, Supervisory Board members who serve as members of committees established by the Supervisory Board receives an additional fixed remuneration in the amount of EUR 20,000 (chairman of a committee) or EUR 10,000 (member of a committee), respectively. The members of the Supervisory Board further receive reimbursements for expenses with regards to their office as member of the Supervisory Board as well as VAT, if applicable. The annual general meeting held on 27 June 2013 resolved that the Supervisory Board consists of three members and the Supervisory Board intended to propose Mr. Norbert Quinkert for election as chairman of the Supervisory Board. The annual general meeting approved this proposal. The Supervisory Board members Mr. Volker Potthoff, Mr. Yangsheng Liu and Mr. Huaying Shu declared towards the Company to voluntarily resign from their offices effective as of 27 June 2013 when the registration of the amendment of the articles of association was effective.

In 2013 and 2012, the supervisory board members received the following fixed remuneration:

Name	2013	2012
	in kEUR	in kEUR
Qian, Yingyi (until 16 Jul. 2012)	0.0	25.0
Nobert Quinkert	65.5	56.5
Volker Potthoff (until 27 June 2013)	22.5	35.0
Liu, Yangsheng (until 27 Jun. 2013)	12.5	25.0
Wang, Ning	25.0	25.0
Yang, Hua	40.0	35.0
Shu, Huaying, (from 19 Oct. 2012 to 27 June 2013)	12.5	6.3
Total	**178.0**	**207.8**

10. Notes to the consolidated cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and is classified by net cash flows from operating, investing and financing activities. Net cash flow from operating activities is presented using the indirect method, while net cash flows from investing and financing activities are presented using the direct method. Cash funds are composed of cash and cash equivalents such as short-term deposits. We refer also to Section 5.5.

11. Audit

BDO AG Wirtschaftsprüfungsgesellschaft ("BDO"), Hamburg, Germany has been appointed as auditor of the individual and consolidated financial statements of the company for fiscal year 2013. The following table gives an overview about the fees of BDO recognized (including out of pocket expenses and VAT, if any) in the business year.

	2013	2012
	kEUR	kEUR
Audit of financial statements	120	120
Other assurance services	84	84
Other services	50	0
	254	204

12. Events after Balance Sheet Date

On April 2, 2014, the Vtion management board and supervisory board resolved to cancel 1,196,591 treasury shares that had been purchased via a public tender offer between September 5 and September 26, 2012, and consequently reduce the company's total share capital to 13,298,495 shares.

Further, the management board resolved, based on the authorization grated at the company's 2013 AGM, to make a tender offer to further repurchase 1,329,849 shares for a price of Euro 2.95. The offer period is from April 11, 2014 to May 9, 2014..

13. Proposal on the utilization of net retained profits

The Individual financial statements of Vtion Wireless Technology AG prepared according to German GAAP as of 31 December, 2013 reflect net accumulated profit of EUR 1,152 thousand. At the Annual General Meeting, the Executive Board and the supervisory Board will propose that the net accumulated profit will be carried forward to 2014.

14. Declaration of Compliance with the German Corporate Governance Code

The Management Board and the Supervisory Board have jointly issued a Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code pursuant to section 161 German Stock Corporation Act (Aktiengesetz) in its current version, and made this declaration permanently accessible to shareholders on the Company's website at www.vtion.de.

15. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on 23 April, 2014.

Frankfurt, 23 April, 2014

Chen Guoping Zheng Hongbo Ding Chaojie Fei Ping He Zhihong

Auditor's Report

The free translation of the auditor`s report states as follows:

"We have audited the consolidated financial statements prepared by the Vtion Wireless Technology AG, Frankfurt am Main, comprising the statement of comprehensive income, the statement of financial position, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1, 2012 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Hamburg, April 23, 2013

BDO Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Glaser
Wirtschaftsprüfer
(German Public Auditor)

sgd. ppa. Sichting
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement of the Management

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt, 23 April, 2014

Vtion Wireless Technology AG

Management Board

Chen Guoping Zheng Hongbo Ding Chaojie Fei Ping He Zhihong

Cautionary Note Regarding Forward-Looking Statement

This document contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Vtion. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Vtion and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Vtion’s control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and other involved in the marketplace. Vtion neither plans nor undertakes to update any forward-looking statements.

Credits

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Vtion Wireless Technology AG

11-12 11F Westhafen Tower

Westhafen Platz 1

60327 Frankfurt am Main

Germany

Phone: 0049 69 71 04 56-249

CONCEPT AND DESIGN:

Kirchhoff Consult AG, Hamburg

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Vtion Wireless Technology AG

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Investor Relations

Phone: 0049 69 71 04 56-249

Fax: 0049 69 71 04 56-248

E-mail: IR@vtion.de

Internet: http://www.ir-en.vtion.de

Financial Calendar

PUBLICATION OF
ANNUAL REPORT 2013

Tuesday, 29 April, 2014

PUBLICATION OF

INTERIM REPORT 1ST QUARTER 2014

Wednesday, 28 May, 2014

ANNUAL GENERAL MEETING, FRANKFURT

Wednesday, 25 June, 2014

PUBLICATION OF

INTERIM REPORT 2ND QUARTER 2014

Thursday, 21 August, 2014

PUBLICATION OF

INTERIM REPORT 3RD QUARTER 2014

Thursday, 27 November, 2014

VTION WIRELESS TECHNOLOGY AG

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