Vtion
Wireless Anywhere

Annual Report
2014

VTION WIRELESS TECHNOLOGY AG

Vtion Wireless Technology at a glance

		2014	2013	+/–%
Revenues	million €	46.33	59.95	-23
Gross profit	million €	9.04	11.47	-21
Gross profit margin	%	20	19	1PP
EBITDA	million €	3.73	5.55	-33
EBITDA margin	%	8	9	-1PP
EBIT	million €	3.23	5.03	-36
EBIT margin	%	7	8	-1PP
Net profit	million €	2.79	4.40	-37
Net profit margin	%	6	7	-1PP
Earnings per share	€	0.22	0.33	-33
Net cash flow from operations	million €	4.65	11.01	-58

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 was established in 2002 and currently has 238 employees, with offices in Fuzhou, Beijing, and Frankfurt.

Content

Letter from Vtion's CEO

Dear Fellow Shareholders,

I am pleased to present to you our operating results for the year 2014. It was another difficult year for the company due to continuing headwinds in our core business, but I am proud of the way our team performed given the current situation. In the fiscal year 2014, we achieved a total revenue of EUR 46 million, which fell slightly below our guidance for the year, which foresaw revenues of EUR 48 million. However, we were able to reach the guided EBIT margin of 7%.

Hardware sales, once again, contributed to the majority of our results. Wireless data cards sales accounted for approximately 48% of our total revenue, while wireless routers added another 32%. Our PCtoTV business and mobile camera sales accounted for 12% and 3% of sales respectively. Sales in our industry, computing solutions and software solutions specificly, remained relatively weak, contributing another 2% to the total sales.

Our software-focused business segments continue to account for a minimal portion of our revenues, after more than four years of investments. With similar average investment to the past it is impossible to reach break even in the near future. Therefore the Management Board decided to sell the 100% of equity stake of its subsidiary Vtion Anzhou to the Vtion Anzhuo management team via a Management Buyout (MBO). Under the current overall situation of dropping revenue and profit margin perssure, it is reasonable to sell Vtion Anzhuo from both profitability (no more net loss from Vtion Anzhuo) and cash flow (on average 10 million RMB investment saving per year) perspective. With the independent evaluation of "Ruihua Certified Public Accountants", the proposal was approved by the Supervisory Board on a special meeting on 23 March 2015.

The Management Board closely monitors the markets in which the group operates and in this context regularly discussed potential amendments of strategic focus of the group, as we maintain a close dialogue with our Supervisory Board regarding changes to our business model. Given that our newest business segments are progressing slower than originally planned, we will rely on continuing hardware sales to sustain the company during this transition. We expect to have several new product launches in our hardware segment over the course of the year, namely devices that are connected to the mobile networks and designed to transmit specific types of data.

By the end of 2014, our net cash position increased to EUR 141 million. This was primarily due to foreign exchange differences, as the operating cash flow of EUR 4.6 million was rougly equivalent to the amount we paid in dividends and used for share buyback programs over the course of the year 2014. Therefore we are well financed for further growth activities.

Vtion anticipates that 2015 will be a year of further transition and therefore challenging for the company. We have already published our guidance for the year, which predicts total revenues of around EUR 37 million and an EBIT margin of 6%.

I sincerely thank all of you for your continued patience and support.

Best regards,

Chen Guoping

CEO Vtion Wireless Technology AG

4G Wireless Router

Though the vast majority of the company’s hardware sales over the course of 2014 were products based on the older 3G technology standards, the company worked to develop a 4G mobile router for the TD-LTE technology standard in the last quarter of 2014. Given that competition in the 4G market has been more intense than it was with the 3G technology, Vtion will be judicious about allocating resources to 4G development over the course of 2015.

The mobile internet terminal based on the China mobile 4G technology standard, is able to offer portable and high-speed access to 4G network, additionally the router can support up to 10 persons with multiple WI-FI users connecting to the network simultaneously. These devices can be used for more than 300 hours in the standby-mode and 6 hours in the operation-mode. This implements super high-speed and stable network sharing.

Vtion Core Business

Vtion Group is one of the leading providers of wireless data solutions for mobile computing via mobile telecom networks in China, offering products in two key business segments: wireless data terminals and wireless intelligent terminals. Viton's two main products remain its "general-use" wireless data cards and mobile routers, which continue to account for over 80% of the company's sales. Recently, the company has started diversifying its hardware offerings through several "special-use" devices.

Specific-use Hardware devices

A greater emphasis on the company's part is on special-use hardware devices, such as the wireless data card the company developed to transmit transaction data to tax authorities. The company expects to release other special-use hardware devices over the course of 2015.

Vtion Product Groups

Wireless data terminals

E1920
Wireless Data Card

T8
Wireless Router

VT1
PCtoTV

DF1998
Wireless Data Card

E6+
Wireless Router

Wireless intelligent terminals

VCAM798
Wireless Home Monitor

Android applications -Vmarket

安卓商店
V Market

Insurance Industry solutions
(E-Agency Platform)

Highlights

Profitability Maintained
Vtion realized revenues of EUR 46 million in 2014 with an EBIT margin of 7%. Despite falling revenues the company remained profitable due to a lean cost structure and good capital management.

Business Development
In our wireless data terminal business, the customized data card for Tax control program increased its revenue contribution to 23% of total revenue. At the same time, the wireless router business continued to develop and increased its share on total sales from 22% to 32%. It is expected to account for more income in 2015.

Well Capitalized
Vtion concluded the year with a net cash position of EUR 141 million, an increase primarily due to foreign exchange effects. The company is well capitalized and has an equity ratio of approximately 94%.

Guidance for 2015
Vtion expects to achieve revenue of around EUR 37 million in 2015, with an EBIT margin of 6%. Given that Vtion is relying on the hardware segment to sustain the company, the company intends to roll out several specialized hardware products during 2015.

The Share

Market Environment

By the end of 2014, global economic growth as well as the stock market were sill affected by great uncertainty and volatility. On October 15' the stock market dropped sharply as global economic fears grew which were influenced by a fall in China's inflation rate and a decline in U.S. producer prices for the first time over a year. On September 4' European Central Bank (ECB) lowered the main refinancing operations rate to a historical low (0.05%) and also decreased the interest rate on the deposit facility to -0.2%. In the beginning of 2015, ECB launched a large-scale quantitative easing program (EUR 60 billion) buying bonds issued by euro area central governments, agencies and European institutions, in order to fight the Euro zone's slide towards deflation. Furthermore, the financial distress of the Russian economy also put further stress on the European economic environment. At the same time, the North American stock markets profited from high employment rate and the commitment by the FED to increasingly raise interest rates. All of the aforementioned events impacted heavily on the foreign exchange rates. On December 31st 2014, the Euro closed at USD 1.2141, down 11.96% against the US-Dollar compared to 2013. The continuing low level of interest rates in the euro area as well as general elections in Greece negativly effected the Euro, which closed at the lowest level of the past four and a half years. Over the course of 2014 Dow Jones added 7.52%, the S&P 500 11.39% and the Nasdaq Composite 13.4%, whereas the DAX Index could only gain 2.65% and the MDAX 2.17%. However, the Tec DAX was able to finish the year with a strong performance gaining 17.53%.

Vtion Share Performance

The Vtion share looks back on a volatile performance trading in a price range between EUR 1.95 and EUR 3.55, which is an indicator for the enduring lack of liquidity. In the first quarter, the share fell below the level of EUR 2.90 and recovered on 11 of April. Afterwards, the share price kept on moving and increased by 39.6% to the end of the month. On 19 of May, the share price surpassed the EUR 3.00 mark due to share repurchase and finally marking its intraday high of EUR 3.15 on May 30. In a weak stock market environment, the stock gradually recovered and reached the level of the 200-day line moving average at 3.14 again on June 23. In July, the share has been traded in the price range between EUR 3.31 and EUR 3.43. On August 21 the share price retreated over 7% to EUR 3.21and then stay around this level. Till September 23'the stock improved to EUR 3.48 again. During the third quarter, the level of EUR 3.00 worked out as a support of the Vtion shares. In December 2014, the share still stayed around the EUR 3.00 level, finally closed at the price of EUR 3.10, gained 3.33% on a monthly basis, but lost 10.66% for the year 2014.

Share Buyback

On September 23'the Management Board of Vtion resolved to redeem a total of 1,084,855 treasury shares which had been acquired under a voluntary public tender offer to all shareholders between April 11, 2014 and May 9, 2014 and to reduce the Company's share capital accordingly. The relevant documents have been effective since October 1, 2014, so the number of shares was reduced to 12,213,640 shares with effect as of 1 October 2014. The respective decrease of the share capital, however, only became effective upon registration in the commercial register, which only took place in March 2015. Therefore, the share capital as of 31 December 2014 still amounted to 13,298,495 and was divided into 13,298,495 no par value bearer shares with a notional amount of the company's share capital of EUR 1.00 each.

Dividend

In light of the company's financial result in 2014, Board of Management and Supervisory Board jointly propose to the annual general meeting not to pay a dividend this year.

Sponsorship and Research Coverage

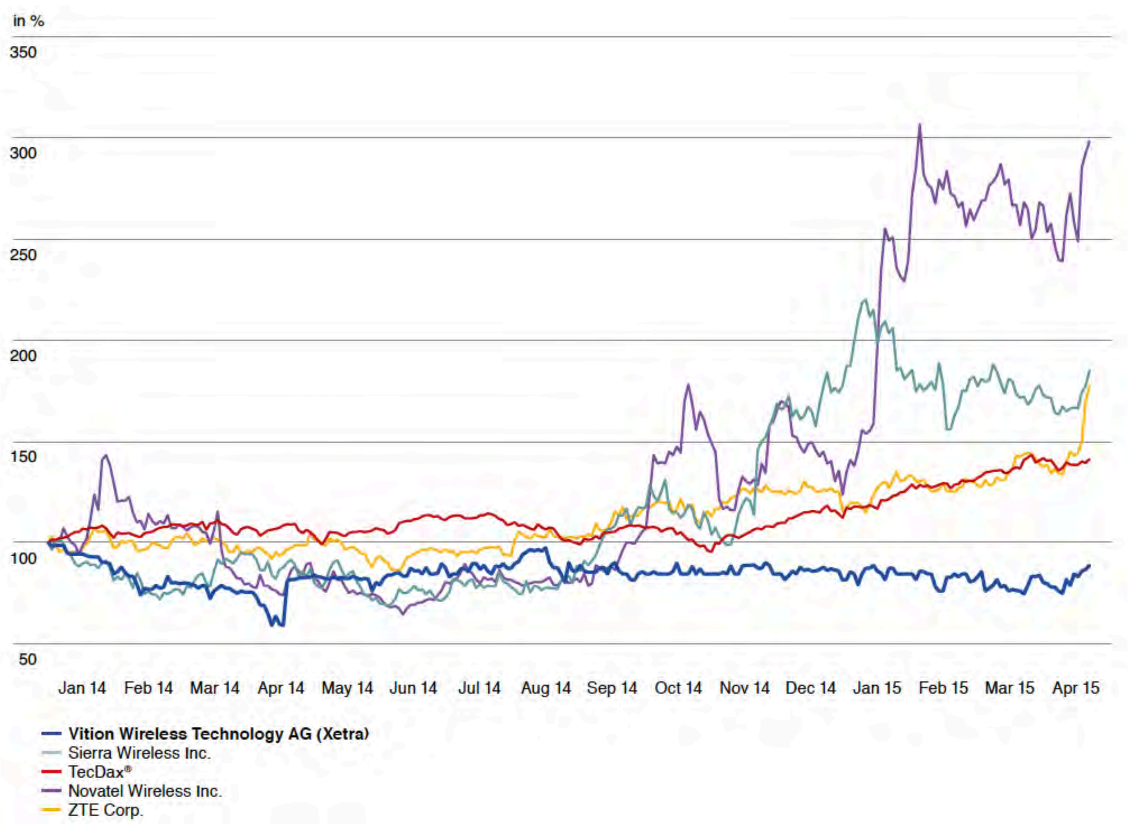
The company has had research coverage from M.M. Warburg since January 2010. Equinet AG is Vtion's market maker and designated sponsoring services provider.

Investor Relations

Vtion engaged in roadshows in Europe throughout the year to reach both current shareholders and new potential investors. The company presented itself at the German Equity Forum in Frankfurt on 24 to 26 November 2014 and is a regular participant in other conferences throughout the year. The company is committed to maintaining accessibility to its investors.

VTION STOCK PRICE

in Percent



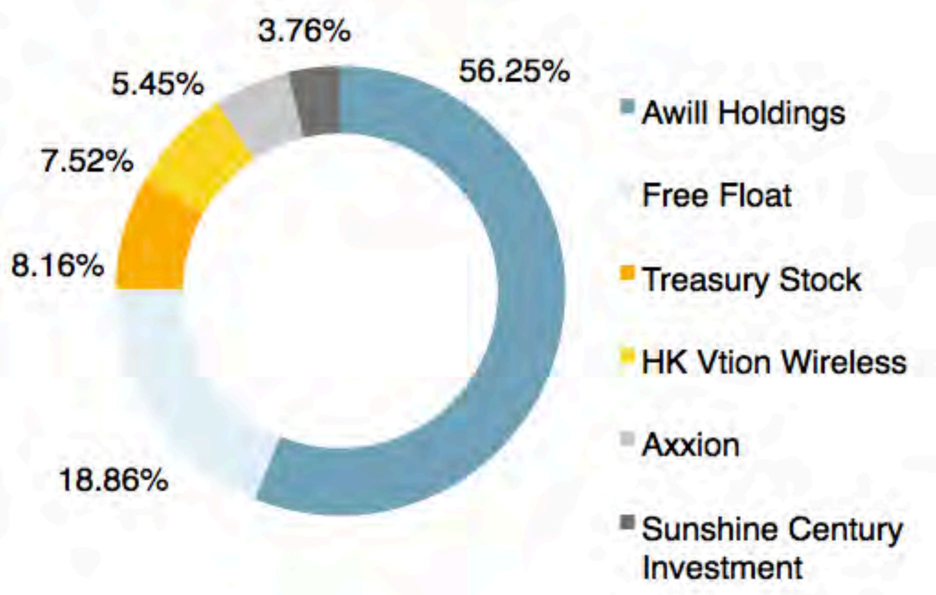
Vtion Master Data

as of December 31, 2014

		December 31, 2014
Number of shares	Shares	13,298,495
Closing price	€	3.10
Market Cap.	Mio €	41.225
Share price high (52 week)	€	3.55
Share price low (52 week)	€	1.95
Average trading volume per day	Shares	4,443

Vtion Shareholder Structure

as of December 31, 2014



Report of the Supervisory Board

Dear Shareholders,

2014 was another challenging year for Vtion Group. The markets in which the Group operates are still constantly changing, both regarding the needs and preferences of the people and the technical developments, thus bringing both challenges and opportunities for Vtion Group.

The Supervisory Board has always critically and constructively accompanied the Management Board during the financial year 2014. During the reporting period, the Supervisory Board laid a particular focus on the long-term product and business development strategy of the Company and the Group, also with regard to the changing market environment described above, as well as other topics such as the enhancement of the Group's risk management systems.

COOPERATION WITH AND SUPERVISION OF THE MANAGEMENT BOARD

During the reporting period, the Supervisory Board continuously performed 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. In particular, The Supervisory Board has continuously supervised and advised the Management Board during the reporting period; and the Supervisory Board was comprehensively and timely involved in all matters of significant importance for the Group. The 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 experience in the telecom industry both in China and 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 matters pertaining to the management of the Company and continuously observed and supervised the conduct of business through intensive and open exchanges. Through a monthly reporting system, the Management Board kept the Supervisory Board informed of current developments on a regular basis, with particular attention to reporting on the Company’s financial situation, monthly sales figures, development on the capital markets and any extraordinary events. As mentioned earlier, given the constantly changing market environment in the People's Republic of China, a particular focus of the Supervisory Board's work in the reporting period was laid on the long-term product and business development strategy of the Company and the Group. In this respect, the Supervisory Board intensively and thoroughly analyzed and discussed the business situation, the operational and strategic development of the Company and its areas of business with the Management Board.

SUPERVISORY BOARD MEETINGS

In the financial year 2014, the Supervisory Board held four ordinary meetings. The meetings were usually attended by all Supervisory Board members. In some cases, resolutions were also adopted by written procedure or by means of a conference call.

At each Supervisory Board meeting, the Management Board reports on the financial and economic condition of the Company and the Group, recent developments, the business policy and business strategy, profitability, corporate planning and major projects. In this context, the respective quarterly numbers as well as any deviations from the business plans are discussed at the Supervisory Board meetings. Transactions requiring prior approval also form a standard agenda item of the Supervisory Board meetings.

A special topic throughout the Supervisory Board meetings in 2014 was the business development and the strategy of the Company and the Group for the coming years. Apart from the aforesaid topics, the main topics of the Supervisory Board' meetings in the financial year 2014 can be summarised as follows:

The main focus of the Supervisory Board meeting held on 23 April 2014 lay on the review and approval of the financial statements of the Company and the consolidated financial statements of the Group together with the Management Board and the auditor. The Supervisory Board unanimously approved the financial statements. Furthermore, the Supervisory Board resolved on the declaration of compliance (*Entsprechenserklärung*), the proposal for the distribution of a dividend and the agenda of the general shareholders' meeting 2014. Further, the business development on the Chinese intelligent health market as well as the consequences for Vtion's product and development strategy were extensively analysed and discussed during this Supervisory Board meeting. Finally, the Supervisory Board and the Management Board reviewed the proposed Risk Monitoring System and discussed possibilities to enhance the Group's risk management systems.

The main focuses of the 2nd Supervisory Board meeting on 24 June 2014 were the interim financial report for the first quarter of 2014 and the development of Vtion Group's business within the first five months of the financial year 2014. This also included an analysis of the development of Vtion's business segments and various potential future projects. In this context, the Supervisory Board also discussed the business development of the smart health operation project focusing on “Diabetes Doctor”.

The 3rd Supervisory Board meeting on 23 September 2014 primarily dealt with the financial and business development of the Group's segments for the first eight months of 2014 including a comparison with the respective forecasts and with a particular focus on the broadband operations, the smart health operations and Vtion Anzhou. In addition, the redemption of treasury shares was discussed and approved. Further topics were the general business development during the reporting period, investor relations activities as well as proposals on a closer connection and efficient communication between the two boards in the future.

Main topics of the Supervisory Board meeting on 11 December 2014 related to the financial results for the first three quarters of 2014 and the budget for the financial year 2015 which was thoroughly reviewed and approved during the meeting. The discussion also included the recent developments of the market environment, including the weak trend of data card devices and the potential market of mobile heath care devices as well as the implementation of an adjusted business strategy for the nascent 4G market. In addition, the financial calendar and the schedule of Supervisory Board meetings for the financial year 2015 were approved.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Vtion Wireless Technology AG has not established any committees. In order to constitute a quorum, Supervisory Board committees require at least three members. As the Supervisory Board of the Company comprises only three members, the establishment of committees does not promise any advantages.

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 at Vtion Wireless Technology in the corporate governance statement and the corporate governance report.

On 27 March 2015, 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 24 June 2014 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” on p. 50 of this annual report.

AUDIT OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The individual financial statements of Vtion Wireless Technology AG are 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 are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The General Shareholders' Meeting of the Company has elected BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as auditor of the Company and the Group. The Supervisory Board has thereupon awarded the auditor the audit order in accordance with the requirements of statutory law and the recommendations of the German Corporate Governance Code. In this context, the Supervisory Board has satisfied itself of the auditor's independence.

The auditor examined the individual and the consolidated financial statements as of 31 December 2014, the status report and the group status report as well as the report of the Management Board on the relations to affiliated entities and issued an unqualified audit opinion. The audit did not lead to any qualifications.

The aforesaid documents, including the report of the auditor, were timely distributed to all Supervisory Board members. The Supervisory Board comprehensively reviewed the documents in its meeting on 23 April 2015 in the presence of the Management Board and the auditor. The auditor reported on the main results of the audit and on the scope, focal points and costs of the audit. The Management Board explained the financial statements in the meeting. Both the Management Board and the auditor were available for questions and additional information. On the basis of its own examination and discussion of the aforesaid documents, the Supervisory Board came to the conclusion that no objections are to be raised with respect to the reports. The Supervisory Board therefore approved the individual and consolidated financial statements. The individual financial statements of Vtion Wireless Technology AG for the time period from 1 January until 31 December 2014 are, therefore, adopted.

The Supervisory Board also approved the status report and the group status report as well as the assessment of the further development of the Company and the Group.

The individual financial statements of Vtion Wireless Technology AG account for a net profit of EUR 7.34 million for the financial year as of and ended 31 December 2014.

DEPENDENCY REPORT

The Supervisory Board further reviewed the report prepared by the Management Board on the Company's relations to affiliated entities in accordance with section 312 of the German Stock Corporation Act as well as the related audit report prepared by the auditor. According to the report of the Management Board and the audit of the auditor, the Company has received adequate consideration for all transactions entered into with the controlling enterprise or at instigation of the controlling enterprise and has not suffered any other disadvantages at the instigation of the controlling enterprise. The report prepared by the Management Board on the Company's relations to affiliated entities was issued with an unqualified audit opinion by the auditor. The unqualified opinion of the auditor is as follows:

"According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, Vtion Wireless Technology AG received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures"

The auditor attended the deliberations of the Supervisory Board on 23 April 2015 and explained the results of the audit. The Supervisory Board agreed with the results of the audit by the auditor. No objections are to be raised to the statements of the Management Board regarding the Company's relation to affiliated companies.

Personnel Matters

No personnel decisions had to be made by the Supervisory Board in the financial year 2014.

Kind Regards,

Norbert Quinkert

Chairman of the Supervisory Board

Frankfurt, April 23, 2015

Corporate Management of Vtion AG

as of 31 December 2014

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 2014

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


关爱眼

关爱眼

Combined Management Report for the Financial Year 2014

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

China’s economy experienced its slowest growth in 22 years over the course of 2014, with GDP growth for the year only registering 7.4%.[1] This has been a cause of consternation both inside and outside of China, as economists worry this could be the signal for a new trend in the Chinese economy. Speaking at the 2015 Davos forum, however, Prime Minister Li Keqiang chose to paint the slowdown in a more positive light, contending that it signaled a hard landing had been avoided and this level of growth portends a “new normal” for the Chinese economy.[2]

Despite the fact that the government ostensibly welcomes the gradual slowing of economic growth, it has already undertaken some stimulus measures, such as lowering Deposit and Loan Interest rate and Reserve Requirement Ratios (RRR) at state-owned banks. It is expected that if economic growth remains slow in early 2015 then further stimulus efforts will follow, likely including further rate cut and more infrastructure investment.

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.stats.gov.cn/tjsj/zxfb/201502/t20150211_682459.html
[2] http://www.weforum.org/sessions/summary/global-impact-china-s-economic-transformation

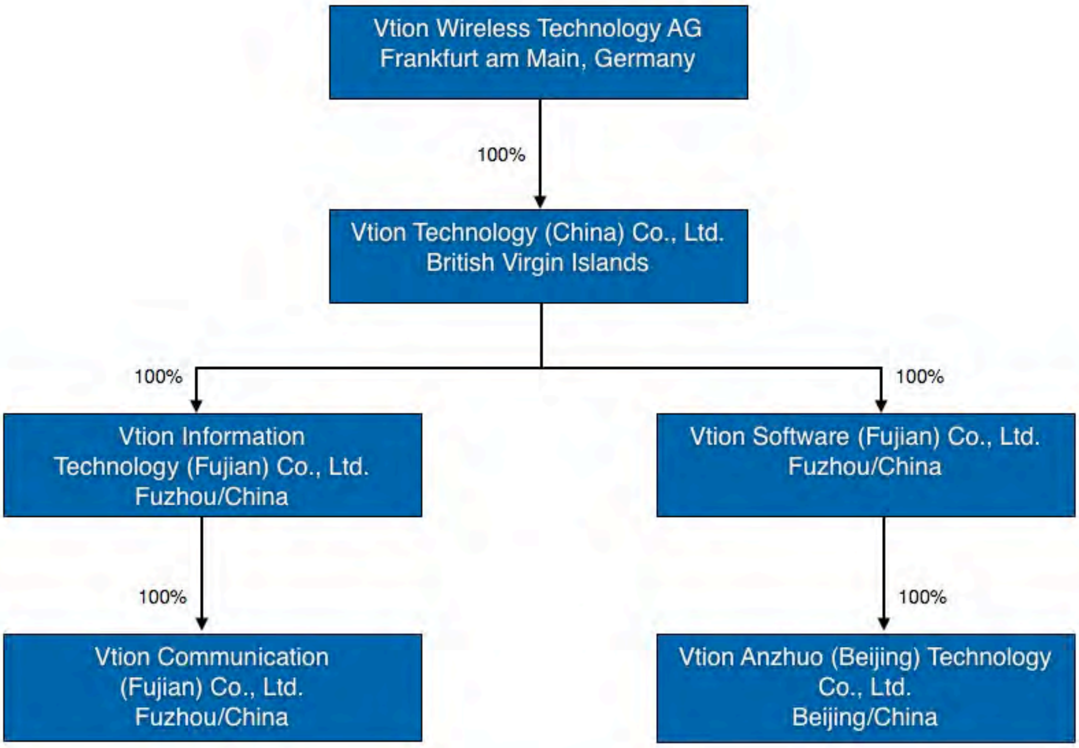
GROUP STRUCTURE

The operational business of Vtion Group in 2014 was 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 2013, Vtion Group cancelled the registration of Vtion Communication Technology Service (Fuzhou) Co., Ltd. under the laws of People's Republic of China in 2014. The current corporate structure as of 31 December 2014 of Vtion Group is shown in the chart below:



Vtion IT, Vtion Software, Vtion Communication and Vtion Anzhuo are limited liability companies formed under the laws of the PRC. The sole shareholder of Vtion Communication 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 million by 31 December 2014.

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 million by 31 December 2014.

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 million by 31 December 2014.

Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC (Vtion Anzhuo) was established on 14 January 2011 with registered capital of RMB 20 million under the laws of People's Republic of China. Per the agreement signed on 28 July 2014, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 20 million. After the additional investment, Vtion Software (Fujian) Co., Ltd still holds 100% shares of Vtion Anzhuo (Beijing) Technology Co., Ltd. The registered capital and fully paid up share capital of Vtion Anzhuo amounts to RMB 40 million by 31 December 2014.

Vtion Group cancelled the registration of Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC (Vtion Service) on 5 December 2014 which was established on 1 March 2011 with RMB 1 million of capital. As the sole shareholder, Vtion IT recouped the investment of RMB 853,877 after deducting the cumulative loss of RMB 146,123.

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 2014.

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. Further, the company offers specialized-use wireless data terminal products, such as terminals used to transmit transaction data for tax purposes.

Vtion's two main products remain its general-use wireless data cards and mobile routers, which continue to account for over 80% of the company's sales. The company has seen weakening demand and falling sales prices for these products in the past years, resulting in overall margin pressure. Despite these difficulties, this business segment remains the core of the company's business, which is expected to continue to be the case. Recently, the company has started diversifying its hardware offerings through several "special-use" devices.

In addition to wireless data terminals, Vtion's other hardware offerings include the PCtoTV device, which allows users to connect a laptop computer to a TV monitor through an HDMI cable. The device is intended particularly to be sold in second-tier cities, where other methods of monitor connectivity are less prevalent. Further, the company offers a mobile online camera, known as the "guan ai camera". The products USP lies in the fact that it can be connected via a wireless module to monitor the home, meaning that it does not always need a WiFi connection to work.

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 10 insurance companies.

Vtion began its segment of mobile applications business for the Android platform in April 2011. Vtion operates this business through Vtion Anzhuo, which is a 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 the "E-Agent Platform" and related business were merged into the Vtion Anzhou structure, meaning that all of Vtion's software-related businesses are now run out of this platform.

SALES AND MARKETING

Vtion's sales and marketing personnel slightly increased from 66 in 2013 to 67 as of 31 December 2014. Vtion's sales efforts remain primarily directed at the three major telecom operators, China Unicom, China Telecom and China Mobile in order to sell both the company's wireless data card and mobile router products, as well as to execute the company's shop-in-shop sales model for mobile applications, done in cooperation with the three operators. Sales of the company's other hardware products, namely the PCtoTV module and the "guan ai" mobile camera, are carried out through distribution agents and thus very little of Vtion's internal sales capacity is devoted to sales of such products.

Though Vtion also sells wireless data cards and mobile routers through distribution partners, the company generally enjoys higher margins when selling directly to the telecom operators and therefore priority is given to the operator sales channels for these products.

In the software-related businesses, the company executes both its own sales through its online store and through a shop-in-shop model in cooperation with the telecom operators. The company has also established B2B sales channels to insurance companies in order to sell the E-Agent Platform directly to them. Sales personnel tasked with selling mobile applications and the E-Agent Platform are located primarily in Beijing in order to be closer to the main headquarters of the insurance industry clients.

RESEARCH AND DEVELOPMENT

Vtion Wireless Data Terminals

Vtion's research and development efforts in the hardware segment are centered on the company's wireless data cards and mobile routers. Though the vast majority of the company's hardware sales over the course of 2014 were products based on the older 3G technology standards, the company worked to develop a 4G mobile router for the TD-LTE technology standard in the last quarter of 2014. Given that competition in the 4G market has been more intense than it was with the 3G technology, Vtion will be judicious about allocating resources to 4G development over the course of 2015. A greater emphasis on the company's part is on special-use hardware devices, such as the wireless data card the company developed to transmit transaction data to tax authorities. The company expects to release other special-use hardware devices over the course of 2015. The company also works on expanding its mobile router offerings, as those products have been sold well over the past year. Though the company will continue selling its PCtoTV devices and "Guan Ai" camera, no new iterations of these products are planned.

2014 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

Software-Related Businesses, Vtion Anzhuo

Vtion Anzhuo now serves as the integrated platform for all of the company's software-related businesses, including both mobile applications and insurance industry-specific computing solutions. This consolidation has helped the company to concentrate its software-related R&D efforts. The research and development team for the company's software offerings is located in Beijing, to make it easier to cooperate with other international companies as well as to attract top talents.

For its mobile applications business, Vtion Anzhuo uses a worldwide application procurement network that focuses primarily on acquiring applications from Taiwan, Japan, South Korea and other Asia Pacific countries to adapt them to the Chinese market. For its industry-specific computing solutions business, Vtion has a team of in-house software developers who have prior experience in the insurance industry. This team develops sales applications for the "E-Agent Platform" based on both their industry experience and software knowledge.

2014 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

2014 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

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 allows the company both to assure high quality through only partnering with top-level producers, as well as to 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 worked with three manufacturers over the course of 2014. 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 and intelligent TV.

EMPLOYEES

By the end of 2014, the total number of employees in Vtion increased to 238, compared to 231 in total at the end of 2013.This development is mainly because the personnel in the Administration increased from 66 in 2013 to 73 in 2014. The staff in the Sales and Marketing Department was increased from 66 in 2013 to 67 in 2014. The main reason of personal downsizing in R&D department which decreased from 76 to 47 was that Vtion Group restructured its operation on the industry application business in April 2014. Vtion Anzhuo combined the industry application service business from Vtion Software which operated this business before April 2014. Impacted by this business restructure and the great increase of the sales generated from industry application service, 33 employees for industry application services were separated to be an independent department for the better operation on this business, which belonging to the research and development department in 2013. Meanwhile, the production department included 8 staff as at the end of 2014 instead of 10 the year before. The number of employees in the Customer service & Call center decreased to 5 as at the end of 2014. There were constantly 5 management board members in the company in 2014. Vtion Anzhuo had 84 employees, which illustrated a big increase compared to 42 employees in 2013. Of these personnel, 16 were administrative, 33 persons belonged to the R&D department, only 2 were working in the Sales and Marketing Department and 33 personal were in application service department which Vtion Anzhuo set up for the operation on the industry application business in 2014.

Allocation of Employees
as of 31 December 2014

VALUE AND PERFORMANCE MANAGEMENT

The goal of the Vtion Group is to adapt and expand the 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 looks 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 seeks for further growth in the long term.

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 2014, the total number of internet users in China reached 641 million, which represents a penetration rate of 46.03%.[3]

At the end of 2013, the Ministry of Industry and Information Technology of the People's Republic of China issued the operating licensea for the fourth-generation digital cellular mobile communication services (TD-LTE) towards the three Telecom operators China Mobile, China Unicom and China Telecom. Development in the 4G sector has been slower than originally expected, due to technical issues with network coverage and cost issues for the consumer. To this point, the majority of users still connect to the older 3G networks in order to receive their coverage. For this reason, most of Vtion's sales over the course of 2014 were of 3G hardware products, namely wireless data cards and mobile routers.

During the year 2014, more than 80% of Vtion's sales were realized by the company's two main products, namely wireless data cards and mobile routers. The company expects that this will continue to be the case for 2015. In 2014, the majority of Vtion's hardware sales went to China Unicom, both for data cards and routers, as China Unicom has traditionally been Vtion's most important client. This is expected to continue in 2015.

Over the course of 2014, Vtion was able to successfully fully integrate its industry-specific computing solutions business completely into its subsidiary Vtion Anzhuo that is focused on software solutions and mobile applications. This will allow the company to better concentrate its resources in the software-related business it is running.

Vtion Anzhuo increased its revenues to account for nearly 2% of the total revenue in 2014, which was primarily from Insurance specific solution business. This represents an improvement and the company is pleased with the extent to which Vtion Anzhuo was able to expand its client base to 10 insurance companies over the course of 2014.

[3] http://www.cnnic.cn/hlwfzyj/hlwxzbg/201502/P020150203551802054676.pdf

Results of Operations

INCOME STATEMENT – Group 1 Jan. – 31 Dec.	2014 kEUR	2013 kEUR	% change
Sales	**46,327**	**59,946**	**-23**
Cost of sales	-37,287	-48,480	-23
Gross profit	**9,040**	**11,466**	**-21**
Other operating income	160	23	596
Selling and distribution expenses	-1,371	-1,573	-13
Administrative expenses	-4,593	-4,885	-6
Other operating expenses	-11	-3	267
Profit from operations (EBIT)	**3,225**	**5,028**	**-36**
Finance income	1,888	1,674	13
Finance expenses	-23	-18	28
Foreign exchange loss	-220	-110	100
Profit before income tax	4,870	6,574	-26
0Income tax	-2,083	-2,174	-4
Profit for the period	**2,787**	**4,400**	**-37**
Earnings per share* (in EUR)	0.22	0.33	-33
EBITDA[4]	3,733	5,554	-33
EBITDA margin[5]	8%	9%	-11
EBIT margin[6]	7%	8%	-13
Net profit margin[7]	6%	7%	-14

*Computed on the basis of weighted average 12,623,804 shares for 2014, weighted average 13,298,495 shares for 2013 respectively.

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

SALES

Compared to the last fiscal year, Vtion acquired revenues generated from new products in addition to those generated with existing products and services in 2014. 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 mainly to the 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. In addition to existing products in 2013, the segment also includes the 4G wireless data routers, which launched into the market in November 2014.

The segment “Wireless Intelligent Terminals” includes the sales of iPhones, other intelligent mobile phones and network cameras in 2014.

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 mainly designed for insurance industry, the sale of health self-checking instrument in connection with mobile health care and commission income from the China Unicom broadband network project.

Sales decreased from EUR 59,946 thousand in fiscal year 2013 by EUR 13,619 thousand, or 23%, to EUR 46,327 thousand in fiscal year 2014. This decrease was primarily due to the decreases in the sales of the segments of “Wireless Data Terminals” and “Wireless Intelligent Terminals”, partly offset by the increase of sales from the segment “All Others”.

Sales of the segment “Wireless Data Terminals” decreased from EUR 51,667 thousand in 2013 by EUR 8,910 thousand, or 17%, to EUR 42,757 thousand in 2014, This decrease was primarily due to the decrease in the sales of wireless data cards and wireless high definition shares, partly offset by the increase of wireless routers. Sales of wireless data cards decreased from EUR 32,250 thousand in 2013 by EUR 10,118 thousand, or 31%, to EUR 22,132 thousand in 2014, The reason for this development is a sharp decline in demand for 3G wireless data cards of the current popular versions due to increasing usage of other devices to access the mobile internet, Although this was partly offset by the increase of sales from wireless data cards downloaded with taxation software. Vtion generated EUR 5,716 thousand of revenue from wireless high definition sharer (“PCtoTV”) in 2014, which decreased from EUR 6,005 thousand in 2013 by EUR 289 thousand, or 5%, as a result of a decrease of unit price for more sales volume. Vtion generated EUR 14,909 thousand of revenue from wireless routers in 2014, which increased from EUR 13,412 thousand in 2013 by EUR 1,497 thousand, or 11%, as a result of an increase of sales of upgraded wireless router with High-Fidelity and 4G wireless routers, which was partly offset by a falling of sales of wireless routers of the old versions. Vtion generated EUR 277 thousand of revenue from the 4G wireless routers in 2014, which launched in November 2014 as a new product provided to China Mobile.

Sales of the segment “Wireless Intelligent Terminals” decreased from EUR 7,718 thousand in 2013 by EUR 5,565 thousand, or 72%, to EUR 2,153 thousand in 2014. This was due to the decrease in the sales of network camera and mobile trade. Sales of network camera decreased from EUR 5,897 thousand in 2013 by EUR 4,650 thousand, or 79%, to EUR 1,247 thousand in 2014. Resulting from that the cooperation with three China telecom operators about the network camera has been cancelled because more tax cost would be caused for original cooperation model owing to the tax discipline reform in China Vtion has decided to exit the mobile camera business with telecom operators except some retail selling to individual consumers in the second half of 2014. Sales of mobile trade which comprised the sales of iPhone, other intelligent mobile phones and service income for supporting mobile package decreased from EUR 1,821 thousand in 2013 by EUR 915 thousand, or 50%, to EUR 906 thousand in 2014, mainly due to the decrease of service income for supporting mobile package sales by EUR 848 thousand or 48% from EUR 1,751 thousand in 2013 to EUR 903 thousand in 2014. Except generating EUR 3 thousand of revenue from iPhones, Vtion discontinued the sales of other intelligent mobile phones (2013: EUR 23 thousand).

Sales from the category “All Others“ increased from EUR 561 thousand in 2013 by EUR 856 thousand, or 153%, to EUR 1,417 thousand in 2014. The mentioned increase mainly resulted from an increase of service income in connection with mobile application mainly designed for insurance industry, health self-checking instrument in connection with mobile health care and services provided to Android application developers and mobile application stores. The increase was partly offset by the decrease of sales of accessories. Revenue generated from service in connection with mobile application mainly designed for insurance industry increased from EUR 178 thousand in 2013 by EUR 587 thousand, or 330% to EUR 765 thousand in 2014. Revenue generated from services provided to Android application developers and mobile application stores increased from EUR 124 thousand in 2013 by EUR 64 thousand, or 52% to EUR 188 thousand in 2014. Vtion generated EUR 413 thousand of revenue from health self-checking instrument in 2014 with an increase of EUR 402 thousand from EUR 11 thousand in 2013. Vtion generated EUR 47 thousand of revenue from China Unicom broadband project in 2014, with an increase of EUR 37 thousand from EUR 10 thousand in 2013. Vtion generated EUR 4 thousand from accessories in connection with mobile phones in 2014 with a decrease of EUR 234 thousand from EUR 238 thousand in 2013.

COST OF SALES

Due to the business development in 2014, the 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 mainly designed for insurance industry as well as the costs of supporting mobile package sales and depreciation of construction cost for China Unicom 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 acquired 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 and health self-checking instrument 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 mainly 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 Unicom broadband network comprised depreciation of construction cost of the networks.

Cost of sales decreased from EUR 48,480 thousand in fiscal year 2013 by EUR 11,193 thousand, or 23%, to EUR 37,287 thousand in fiscal year 2014. The decrease was primarily due to the decrease in the costs of sales of the segments of “Wireless Data Terminals” and “Wireless Intelligent Terminals”, partly offset by the increase of the segment “All Others”.

Cost of sales of the segment “Wireless Data Terminals” decreased from EUR 42,057 thousand in 2013 by EUR 7,555 thousand, or 18%, to EUR 34,502 thousand in 2014. The decrease was primarily due to the decrease in the costs of raw materials of wireless data cards and “PCtoTV”, partly offset by the increase of cost of sales of wireless routers. Cost of sales of wireless data cards decreased from EUR 25,394 thousand in 2013 by EUR 7,748 thousand, or 31%, to EUR 17,646 thousand in 2014 as a result of the decrease of sales volume. Cost of sales of wireless high definition sharers (“PCtoTV”) decreased from EUR 4,787 thousand in 2013 by EUR 321 thousand, or 7%, to EUR 4,466 thousand in 2014 as a result of the decrease of unit purchasing cost. Cost of sales of wireless routers increased from EUR 11,876 thousand in 2013 by EUR 514 thousand, or 4%, to EUR 12,390 thousand in 2014 mainly due to the increase of sales volume of wireless routers with High-Fidelity and 4G wireless routers.

Cost of sales in the segment “Wireless Intelligent Terminals” decreased from EUR 6,057 thousand in 2013 by EUR 4,339 thousand, or 72%, to EUR 1,718 thousand in 2014. The decrease was due to the decrease in the cost of sales of network camera and mobile trade. Cost of sales of network camera decreased from EUR 4,567 thousand in 2013 by EUR 3,597 thousand, or 79%, to EUR 970 thousand in 2014 since Vtion has decided to exit the mobile camera business with telecom operators except some retail selling to individual consumers in the second half of 2014 resulting from more tax cost caused for original cooperation model owing to the tax discipline reform in China. Cost of sales of mobile trade decreased from EUR 1,490 thousand by EUR 742 thousand, or 50%, to EUR 748 thousand in 2014 mainly due to the decrease in the cost of service for supporting mobile package sales.

Cost of sales in the segment “All Others” increased from EUR 366 thousand in 2013 by EUR 701 thousand, or 192%, to EUR 1,067 thousand in 2014, which was mainly due to the increase of cost of sales of services to mobile application mainly designed for insurance industry and cost of sales of health self-checking instrument partly offset by the decrease of cost of sales of service to Android application developers and mobile application stores. Cost of sales of services to mobile application designed for insurance industry increased from EUR 81 thousand in 2013 by EUR 520 thousand, or 642%, to EUR 601 thousand in 2014. Costs of sales of health self-checking instrument increased from EUR 8 thousand in 2013 by EUR 367 thousand to EUR 375 thousand in 2014 due to the increase of sales volumes. Cost of sales of service to Android application developers and mobile application stores in 2014 decreased from EUR 57 thousand in 2013 by EUR 3 thousand, or 5%, to EUR 54 thousand in 2014. Cost for China Unicom broadband project increased from EUR 12 thousand in 2013 by EUR 21 thousand, or 175%, to EUR 33 thousand in 2014.

GROSS PROFIT

The overall gross profit margin slightly increased from 19% in 2013 to 20% in 2014. This small growth resulted from the increase of gross profit margins of wireless routers and wireless high definition sharers. Effective cost-control measures of wireless routers with the current popular version even under the price pressure in 2014 had a positive impact on increasing the gross profit margins. But this was partly offset by the slight decrease of gross profit margin of wireless data cards with the current popular version mainly due to the decrease of the unit prices. The overall gross profit margin in 2014 remained quite stable at 20% in the first three quarters of 2014 and declined to 17% in the last quarter 2014. 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, comprising monetary subsidy for technologic innovation project, monetary rebates on handling charges in connection with individual income tax, monetary compensation in connection with the transfer of land use right and corporation tax refund.

Other operating income increased from EUR 23 thousand in fiscal year 2013 by EUR 137 thousand, or 596%, to EUR 160 thousand in fiscal year 2014. The increase was primarily due to more special monetary reward or subsidies granted by PRC government, more monetary compensation in connection with the transfer of land use right and Corporation Tax refund from German tax authority in 2014, partly offset by the decrease of service income. In 2014, Vtion Anzhuo received money subsidy amounting to EUR 54 thousand from Beijing government to implement technologic innovation project. 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 the rest 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 51 thousand for charges for some construction such as filling, geological survey, environmental assessment paid by Vtion IT before. In 2014 Vtion AG received the corporation tax refund of EUR 53 thousand paid in 2014.

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 1,573 thousand in fiscal year 2013 by EUR 202 thousand, or 13%, to EUR 1,371 thousand in fiscal year 2014. The decrease was primarily due to a decrease in salary and welfare, entertainment and marketing expenses which was partly offset by an increase in rental expenses and advertisement expenses.

The ratio of selling and distribution expenses to total sales was 3.0% in 2014 and 2.6% in 2013.

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 4,885 thousand in fiscal year 2013 by EUR 292 thousand, or 6%, to EUR 4,593 thousand in fiscal year 2014. The decrease was primarily due to a decrease in research and development expenses, remuneration of Supervisory Board, entertainment and marketing expenses which were partly offset by an increase in salary and welfare, rental expenses.

Research and development expenses decreased from EUR 1,448 thousand in 2013 by EUR 430 thousand, or 30%, to EUR 1,018 thousand in 2014, mainly due to a decrease in salary and welfare, rental expenses and travelling expenses which were partly offset by an increase in certification and test charges, design fee and amortization of intangible assets.

The ratio of administrative expenses to sales was 9.9% in 2014 compared to 8.1% in 2013.

Other operating expenses

Other operating expenses are insignificant in 2014 and 2013.

Profit from operations (EBIT)

Profit from operations decreased from EUR 5,028 thousand in fiscal year 2013 by EUR 1,803 thousand, or 36%, to EUR 3,225 thousand in fiscal year 2014. The decrease was largely due to the decrease of profit from operations of the segments of “Wireless Data Terminals” and “Wireless Intelligent Terminals” in 2014, partly offset by the decrease of unallocated central administration costs and the increase of profit from operations of the segment “All Others”. In products and provided services, the decrease of profit from operations was especially due to the dropping of sales and gross profit of wireless data cards and network camera, which was partly offset by the increase of gross profit of wireless routers and “All others” segment and the decrease of operating expenses.

EBIT Margin

Vtion Group’s EBIT margin (profit from operations divided by sales) decreased from 8% in 2013 to 7% in 2014. This mainly resulted from the increases in the ratios of operating expenses to sales, partly offset by the slight increase of overall gross profit margins. 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 1,674 thousand in fiscal year 2013 by EUR 214 thousand, or 13%, to EUR 1,888 thousand in fiscal year 2014, mainly due to the increase of interest income from term deposits in banks.

Finance Expenses

Finance expenses comprise bank charges.

Finance expenses increased from EUR 18 thousand in fiscal year 2013 by EUR 5 thousand to EUR 23 thousand in fiscal year 2014 due to the increase 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 220 thousand in fiscal year 2014, which increased from EUR 110 thousand in fiscal year 2013 by EUR 110 thousand. Foreign exchange loss recognized in 2014 mainly resulted from revaluing liquid assets and liabilities at the balance sheet date and money exchange from RMB to EUR when the EUR/RMB exchange rate rose in May 2014. Vtion IT exchanged RMB to EUR 2.1 million when the average EUR/RMB rate was about 8.7113, rising by 4% compared to the rate as at 31 December 2013. The EUR seriously dropped by 0.8133 or 9.7% from 8.3491 RMB (31 December 2013) to 7.5358 RMB (31 December 2014). This led to foreign exchange loss arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date.

Income Tax

Income tax mainly comprises taxation actually payable. Vtion IT applied an effective tax rate of 25% in the year 2014 in accordance with the Income Tax Law of the People’s Republic of China. Vtion Communication had accounting gains in 2014, but accumulated net tax losses as of 31 December 2014, so Vtion Communication was exempted from the corporate income tax in year 2014 in accordance with the Income Tax Law of the People’s Republic of China. Vtion Software, 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 2,083 thousand in 2014 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 2014, which remained unchanged compared with that as of 31 December 2013. Thus, altogether Vtion Group recorded a net income tax expense of EUR 2,083 thousand in 2014.

PROFIT FOR THE PERIOD AND EPS

Profit for the period in 2014 amounted to EUR 2,787 thousand, a decrease of 37% year-on-year. Earnings per share in 2014 was EUR 0.22, a decrease of 33% year-on-year.[8]

NET PROFIT MARGIN

The net profit margin decreased from 7% in 2013 to 6% in 2014. The decrease mainly resulted from the decrease of EBIT margin and the increase of the ratio of income tax expenses to sales in 2014, which was offset by an increase of the financial result.

OVERALL STATEMENT TO THE BUSINESS DEVELOPMENT

For 2014 Vtion predicted revenues of EUR 48 million and an EBIT margin of 7%. Vtion achieved a result slightly below the guidance for revenue, but reached the guidance for EBIT in the light of a difficult market environment.

The main reason behind the revenue deviation from guidance is that the Data Card sales to General Market is lower than expected due to increasing usage of other access to internet, especially with the more affordable 4G mobile phones with decreasing network traffic fees. The market of data card sales to general market is continuously shrinking, accordingly the focus for three telecom operators is also put more on Mobile Terminals and 4G routers. In 2015 the company will not sell wireless data cards to the General Market.

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[8] Computed on the basis of weighted average 12,623,804 shares for 2014, weighted average 13,298,495 shares for 2013, respectively

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended 31 December 2014 and 31 December 2013.

	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	2,130	2,256
Trade receivables	12,661	18,411
Other receivables	1,657	2,447
Amounts due from related parties	320	101
Cash and cash equivalents	140,705	126,614
	157,473	**149,829**
Non-current assets		
Property, plant and equipment	800	816
Land use rights	0	276
Intangible assets	808	794
Deferred tax assets	407	406
	2,015	**2,292**
Total assets	**159,488**	**152,121**
LIABILITIES		
Current liabilities		
Trade payables	6,934	13,422
Other payables	1,863	1,358
Provisions	511	509
Amounts due to related parties	2	0
Income tax payable	484	505
Total liabilities	**9,794**	**15,794**
CAPITAL AND RESERVES		
Share capital	13,298	14,495
Treasury stock	-1,085	-1,197
Capital reserves	38,320	40,436
Retained earnings	64,023	61,895
Foreign exchange differences	35,138	20,698
Total equity	**149,694**	**136,327**
Total liabilities and equity	**159,488**	**152,121**
Equity to total assets ratio	94%	90%

Current Assets

INVENTORIES

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

	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR
Goods and materials	2,130	2,248
Advances to suppliers	0	8
	2,130	**2,256**

Inventories decreased from EUR 2,256 thousand as at 31 December 2013 by EUR 126 thousand to EUR 2,130 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, inventories decreased by 15% in terms of RMB. The decrease was mainly due to a decrease of wireless data cards and wireless routers with the old versions, partly offset by an increase of merchandise of wireless data cards downloaded with taxation software and wireless routers with High-Fidelity for safe stock for the sales during the first quarter of 2015.

TRADE RECEIVABLES

Trade receivables decreased from EUR 18,411 thousand as at 31 December 2013 by EUR 5,750 thousand, or 31%, to EUR 12,661 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, trade receivables decreased by 38% in terms of RMB, mainly due to accelerated collection of receivables in 2014. The amount of trade receivables with a maturity of less than 90 days as at 31 December 2014 represented 79% of total trade receivables as at 31 December 2014, an increase of 4% compared with that of 31 December 2013. Meanwhile the part with a maturity of more than 90 days but below 180 days was 21% of the total trade receivables as at 31 December 2014, representing a decrease of 4% compared with that of 31 December 2013. The Management Board assesses this development positively.

OTHER RECEIVABLES

Other receivables mainly comprise loans granted to suppliers.

Other receivables decreased from EUR 2,447 thousand as at 31 December 2013 by EUR 790 thousand, or 32%, to EUR 1,657 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, other receivables decreased by 39% in terms of RMB, which mainly resulted from the decrease of advance to suppliers for wireless data cards and wireless routers for an updated version and the decrease of interest receivable of bank term deposit after collecting the interest due from the banks in 2014.

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties increased from EUR 101 thousand as at 31 December 2013 by EUR 219 thousand or 217%, to EUR 320 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, the amounts due from related parties increased by 185% in terms of RMB, primarily due to an increase 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 140,705 thousand as at 31 December 2014. For a further description of cash in banks, see item 5.4 Cash and Cash Equivalents in the notes to the consolidated financial statements. For a description of the changes in cash as at the end of 2014 compared with that in 2013, see "Cash Flow Statement" in this section.

	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR
Cash on hand	20	16
Cash in banks	139,092	125,340
Deposit on bank's acceptance bill	1,593	1,258
	140,705	**126,614**

Among the balance of cash and cash equivalents in 2014, EUR 140,048 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 816 thousand as at 31 December 2013 by EUR 16 thousand, or 2%, to EUR 800 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, property, plant and equipment decreased by 12% in terms of RMB, mainly resulted from the depreciation charges and the disposal of old office equipment, electronic equipment and motor vehicles, partly offset by the purchase of office equipment, electronic equipment and new motor vehicles and the increases of property for broadband network project and construction in progress.

LAND USE RIGHTS

Vtion Group didn't hold any land use rights as at 31 December 2014 due to the transfer of the rest half of land use rights to Fujian province government. 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 return the rest half of the land.

INTANGIBLE ASSETS

Intangible assets increased from EUR 794 thousand as at 31 December 2013 by EUR 14 thousand, or 2%, to EUR 808 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, intangible assets decreased by 8% in terms of RMB, mainly due to the amortization of intangible assets partly offset by the increase of other intangible assets comprising capitalized development costs for Android application platform operated by Vtion Anzhuo.

Liabilities

TRADE PAYABLES

Trade payables decreased from EUR 13,422 thousand as at 31 December 2013 by EUR 6,488 thousand, or 48% to EUR 6,934 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, trade payables and notes payable decreased by 53% in terms of RMB, which mainly resulted from the payment of trade payables for purchase of wireless data cards, wireless routers and network camera due in 2014.

OTHER PAYABLES

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

Other payables increased from EUR 1,358 thousand as at 31 December 2013 by EUR 505 thousand, or 37% to EUR 1,863 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, other payables increased by 24% in terms of RMB, which mainly resulted from the increase of tax payables in 2014, partly offset by the decrease of advances from customers.

PROVISIONS

Provisions mainly comprise accrued payroll and accrued expenses.

Provisions increased from EUR 509 thousand as at 31 December 2013 by EUR 2 thousand, or 0.4% to EUR 511 thousand as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, provisions decreased by 9% in terms of RMB, which was primarily due to a decrease of accrued payroll for members of Supervisory Board which consisted of fewer members from the second half year of 2013, partly offset by an increase of other accruals.

Equity

SHARE CAPITAL AND TREASURY STOCK

The share capital of the company decreased from EUR 14,495,086 as at 31 December 2013 to EUR 13,298,495 as at 31 December 2014 due to cancellations of treasury shares. The Executive Board resolved to reduce the share capital to EUR 13,298,495 on 2 April 2014 by means of cancellation of EUR 1,196,591 treasury shares acquired within the time period from 5 September to 26 September 2012. Within the time period from 11 April to 9 May 2014, the Company had acquired in total 1,084,855 Vtion shares over the stock exchange via a voluntary tender offer to all shareholders at the price of EUR 2.95 per share. On 23 September 2014, the Executive Board resolved to cancel EUR 1,084,855 treasury stocks, however, the respective decrease of the share capital only became effective upon registration in the commercial register, which took place in March 2015. Therefore, the share capital of the company as at 31 December 2014 still amounted to 13,298,495.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio increased from 90% in 2013 to 94% in 2014. The increase mainly resulted from an increase of total equity in 2014 compared to an increase of total assets. In 2014 the Company performed the share buyback program causing the decrease of equity. Compared to the total equity which was only reduced by EUR 731,417 for the dividend distribution in 2013, the increase of total equity was reduced due to dividend distribution by EUR 659,537 and by EUR 3,200,322 for the share buyback program in 2014. This was offset by the increase of foreign exchange difference arising from currency translation at the balance sheet date. 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.

	2014	2013
	kEUR	kEUR
Operating cash flow before working capital changes	3,693	5,538
Cash generated from/(used in) operations	4,159	12,262
Net cash generated from operating activities	4,646	11,010
Cash flow from investing activities	1	4,827
Cash flow from financing activities	-3,860	-731
Net increase in cash and cash equivalents	**787**	**15,106**
Cash at the beginning of the reporting period	126,614	113,510
Foreign exchange differences	13,304	-2,002
Cash at the end of the reporting period	**140,705**	**126,614**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a positive net cash flow amounting to EUR 4.6 million from operations as at 31 December 2014, representing a decrease by EUR 6.4 million, or 58%, compared with the net cash of EUR 11 million generated from operating activities in 2013. This decrease was mainly due to the decrease of profit before income tax, the increase of payment of trade payables and the decrease of collection of other receivables. This effect was partly offset by the increase of interest received, the decrease of payment of other payables and the decrease of income tax paid. The management board considers the positive net cash flow positively considering the overall tough economic and business environment faced by the company.

CASH FLOW FROM INVESTING ACTIVITIES

The Company generated EUR 1 thousand from investing activities as at 31 December 2014, representing a decrease of EUR 4,826 thousand compared with cash generated EUR 4.8 million from investing activities as at 31 December 2013. This mainly resulted from discontinuing the short-term investment in term deposit in banks in 2014 (2013: recouping EUR 4.9 million short-term investment) and the increased investment on development of Android application platform capitalized as part of intangible assets as per related criteria, which was partly offset by an increase of cash generated from the transfer of land use rights and a decrease of investments in property for broadband network project.

CASH FLOW FROM FINANCING ACTIVITIES

The net cash outflow in financing activities in 2014 amounted to EUR 3,860 thousand used in share buyback program (EUR 3,200 thousand) and dividend payment (EUR 660 thousand).

CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to EUR 140,705 thousand as at 31 December 2014, representing an increase of EUR 14,091 thousand compared with that of 2013. If excluding the impact of exchange differences arising from currency translation, cash and cash equivalents just increased by 0.3% in terms of RMB as at 31 December 2014, which mainly resulted from the collection of trade receivables and interest receivables, partly offset by the payment of trade payables and the payment for share buyback program in 2014.

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. 2014 – 31 Dec. 2014	01 Jan. 2013 – 31 Dec. 2013
	kEUR	kEUR
other operating income	975	45
Staff costs	-12	-12
other operating expenses and depreciation	-822	-976
Income from participating interests in subsidiaries	6,064	599
Income from long-term loans	1,217	1,257
Interest expenses	-77	-70
Net profit for the year before income tax	**7,345**	**843**
Tax on income	0	0
Net profit for the year	**7,345**	**843**
Profit brought forward	1,152	1,040
Dividend	-660	-731
Cost of treasury stock acquisition	-2,115	-
Net accumulated profit	**5,722**	**1,152**

In fiscal year 2014 Vtion AG's net income significantly increased by EUR 6.50 million (813%) from EUR 0.84 million to EUR 7.34 million, mainly because of the increase of income from investments in affiliated companies and other operating income. The income from investments in affiliated companies increased from EUR 0.6 million to EUR 6.1 million due to the resolution of dividend from subsidiaries (RMB 52 million). The other items almost keep at the same level as the previous year. The accumulated profit carried forward decreased to EUR -1.624 million due to the share buy-back (EUR 2.11 million) and dividend to shareholders (EUR 0.66 million) both prompted in the second quarter of 2014.

The decrease in other operating expense from EUR 976 thousand to EUR 822 thousand was mainly induced by savings of foreign exchange losses, legal costs and remuneration of supervisory boards. Simultaneously the other operating income gravely increased by EUR 0.9 million mainly caused by foreign exchange gains from revaluation of the dividend about RMB 52 million above mentioned with spot price.

Asset and Financial Position of Vtion AG

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

	31 Dec. 2014	31 Dec. 2013
Assets	kEUR	kEUR
Investment in subsidiaries and loans to subsidiaries	56,139	57,024
Receivables from affiliated companies and other assets	13,158	7,619
Cash and cash equivalents	68	1,251
Prepayments deferred charges	43	42
	69,408	**65,936**
	31.12.2014	**31.12.2013**
Equity and liabilities	kEUR	kEUR
Equity	66,399	62,914
Other provisions	303	326
Liabilities		
1. Trade payables	113	179
2. Payables to affiliated companies	2,594	2,517
	2,706	2,696
	69,408	**65,936**

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, 2014 were EUR 69.4 million (2013: EUR 65.9 million), which was EUR 3.5 million more than at the start of the year. Non-current assets declined by EUR 0.9 million (around 1.6%) due to a pay back of EUR 2.1 million from affiliated companies which party offset by the ongoing interests from the loans to affiliated companies. Similarly the current assets rose by EUR 4.3 million to EUR 13.2 million. (2013: EUR 8.9 million) which was induced by the dividend of RMB 52 million from affiliated companies partly offset by a strong decline of cash about EUR 1.2 million which was mainly spent on dividend to shareholders in May 2014 (EUR 0.66 million) and paying miscellaneous bills.

As at the end of 2014 Vtion AG had equity of EUR 66.4 million (2013: EUR 62.9 million), a strong increase of EUR 3.5 million. The main reason behind Equity increase was the realization of net profit of EUR 5.7 million in 2014, partly offset by the EUR 0.66 million dividend payment to shareholders. In addition provisions and liabilities totally decreased by EUR 14 thousand in specific (provision decreased by EUR 23 thousand and Liabilities slightly increased by EUR 9 thousand respectively). Largely due to strong positive net profit realized in 2014 the equity ratio went up to 95.7% (2013: 95.4%) while the provision and liabilities stayed steady. 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

The cancellation of EUR 1,084,855 treasury stocks became effective upon registration in the commercial register in March 2015, which reduced the share capital of the Parent Company to EUR 12,213,640 at the end of March 2015.

With more than four years' investment, the growth of Vtion Anzhuo is still slower than expected. Under current circumstances, it is anticipated that the operating loss will continue in the next few years. The management board proposed to sell the whole stake of Vtion Anzhuo to the core management team of Vtion Anzhuo via Management Buyout (MBO). Referring to the Valuation report submitted by the independent third party "Ruihua Certified Public Accountants", the deal price is set as 6 million RMB. On a special Supervisory board meeting held on 23, March 2015, Supervisory Board members unanimously approved the deal.

Report on Opportunities and Risks

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 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.

According to sec. 01 para. 2 AktG, an early risk monitoring system has been established to cover the whole group, which is an important part of the overall risk management system. The key risks are identified, analyzed, assessed, managed and the resolutions to cope with different risks are recommended and implemented accordingly. The early risk monitoring system is reviewed and updated regularly by the management board members and escalated to supervisory board members for further review if necessary.

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 is striving to improve the 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 2014.

- **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. 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 that 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.

- **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 2014 the company is very well-capitalized with EUR 141 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.

- **Liquidity Risk and Solvency Risk**

Due to the fact that current and liquid asset is largely composed of cash and cash equivalents, liabilities is well covered. In 2014, Current ratio is 16 and liquid ratio is 15.86. The liquidity risk is very remote. As the company has no long term liabilities (bank loan etc.), the solvency risk is also very low.

- **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 2014 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. The adoption of the 4G standards will allow Vtion to launch 4G products.

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 NUMBER 5 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 AG and 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 AG and 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 of Vtion AG and the consolidated financial statements of Vtion AG. It is also ensured that relevant information is provided completely, promptly and reliably.

Compensation Report

For the fiscal year 2014, 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	2014	2013
	in kEUR	in kEUR
Chen Guoping	50.6	50.7
Zheng Hongbo	44.0	44.1
He Zhihong	44.0	44.1
Ding Chaojie	58.6	58.8
Fei Ping	44.0	44.1
Total	**241.2**	**241.8**

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. 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.

In 2014, the supervisory board members received the following fixed remuneration:

Name	2014	2013
	in kEUR	in kEUR
Nobert Quinkert	59.5	65.5
Volker Potthoff (until 27 June 2013)	0	22.5
Liu Yangsheng (until 27 June 2013)	0	12.5
Wang Ning	25	25
Yang Hua	35	40
Shu Huaying, (until 27 June 2013)	0	12.5
Total	**119.5**	**178**

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

Since the cancellation of EUR 1,084,855 treasury stocks became effective upon registration in the commercial register in March 2015, the share capital of Vtion Wireless Technology AG amounts to EUR 12,213,640 and is divided into 12,213,640 no par value bearer shares with a notional amount of EUR 1.00 each from the end of March 2015. As at 31 December 2014, the share capital of Vtion Wireless Technology AG still amounted to EUR 13,298,495.

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 didn’t hold any shares in treasury.

3. Direct or indirect participation in shares

At the time of the issue of the combined Management Report the Chairman of the Management Board of Vtion Wireless Technology AG, Mr. Chen Guoping, held indirect 65.34% of the shares of Vtion Wireless Technology AG through Awill Holdings Ltd., and Sunshine Century Investment Ltd., of which Awill Holdings Ltd. held direct 61.24% of the shares of Vtion Wireless Technology AG and Sunshine Century Investment Ltd. held direct 4.09% 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. Axxion held 5.94% 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 25 June 2014, the Company has been authorized to repurchase up to totally 1,221,364 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 24 June 2019.

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)

OVERVIEW

Ever since its listing in Germany, Vtion Wireless Technology AG is committed to the principles of good and responsible corporate governance. It is the joint goal of the Management Board and the Supervisory Board to gain and maintain the trust of shareholders, customers, employees and other stakeholders by managing the Company in a responsible and transparent manner. In particular, 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.

In order to achieve these goals, the Management Board and the Supervisory Board closely cooperate in all matters that are important to Vtion Wireless Technology and/or the Group. The 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. Both the Management Board and the Supervisory Board are focused on sustainable growth and by this to create shareholder value.

The following is a reproduction of the Company's corporate governance statement (*Erklärung zur Unternehmensführung*). 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*) forms part of the corporate governance statement (*Erklärung zur Unternehmensführung*) of the Company.

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETINGS

The shareholders of the Company exercise their rights, particularly their 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. 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, shareholders' associations, credit institutions 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. 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. All reports and documents related to the 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 also 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 all decisions which are of significant importance for the Company or the Group.

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 Management Board and the by-laws for the Supervisory 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 of significant importance for the Company and/or the Group, as more specifically set forth in the by-laws for the Management Board, the Management Board has to 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 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 is also in charge of managing the day-to-day business of the Company and the Group.

The Management Board of Vtion Wireless Technology AG comprises 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 responsibilities of each member of the Management Board are defined in the organizational chart of the Management Board. However, certain areas, such as developing the Group's strategy, negotiating key agreements, co-ordinating the daily operations as well as financial reporting, fund raising, investor relations and reporting to the Supervisory Board, are joint responsibilities of all members of the Management Board.

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 specific conflict of interest arises. During the reporting period, there were no circumstances which led to a specific conflict of interest for the members of the Management Board.

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 2014 can be found in the Compensation Report (see page 46).

SUPERVISORY BOARD

The Supervisory Board's main task is to supervise and advise the Management Board, including the granting or refusal of its approval for business transactions or measures of significant importance for the Company and/or the Group as well as the review and approval of the annual financial statements of the Company and the Group. It is also responsible for the appointment and withdrawal of the members of the Management Board, the conclusion of service agreements with Management Board members and particularly the determination of their remuneration.

The Supervisory Board consists of three members, namely Mr. Norbert Quinkert (chairman), Mr. Yang Hua (vice chairman) and Mr. Wang Ning. Given the small size of the Supervisory Board, it has not established any committees.

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. Deviating from the respective recommendation in the German Corporate Governance Code, 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.

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 2014 can be found in the Compensation Report (see p. 46).

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 transactions in the aggregate amounts to EUR 5,000 or more within a calendar year. For the financial year 2014, Vtion Wireless Technology AG has not been notified any transactions that would have to be notified pursuant to said rules.

On 31 December 2014, the total volume of shares in Vtion Wireless Technology AG directly or indirectly held by all members of the Management Board amounted to 62.04% of the aggregate amount of issued shares. Of such 62.04%, 60.01% are being attributable to Mr. Chen Guoping and 2.03% are being attributable to Mr. He Zhihong. The members of the Supervisory Board do not hold any shares in the Company.

ACCOUNTING AND THE ADDITIONAL REQUIREMENTS OF THE GERMAN COMMERCIAL CODE PURSUANT TO SECTION 315 PARA 1 HGB

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 by the EU and the additional requirements of the German Commercial Code pursuant to Section 315 para 1 HGB. The individual annual financial statements are prepared in accordance with the German generally accepted accounting principles, the statutory provisions of the German Commercial Code (*Handelsgesetzbuch/HGB*) and the German Stock Corporation Act. Sole basis for the profit distribution are the individual annual financial statements.

The individual and consolidated financial statements are prepared by the Management Board and are audited by an independent auditor appointed by the General Shareholders' Meeting. For the financial year 2014, the General Shareholders' Meeting held on 26 June 2014 elected 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

For 2015 Vtion expects further operational difficulties, due to a secular slowdown in the Chinese economy and headwinds particular in the company's core business.

From Macro perspective, It is expected that in 2015. The GDP Growth Rate of China will continue to reduce from 7.4% in 2014 down to 7%[9].
It is expected that wireless data terminal sales, particularly wireless data cards and mobile routers, will comprise the majority of the company's sales (80%). Though the telecom operators worked throughout 2014 to roll out and expand their 4G mobile networks, coverage remains far better from the 3G networks. Therefore Vtion expects an improving demand for that technology and more hardware sales in 2015 will come from 4G technology-based mobile routers.

Due to the shrinking of the market for data cards sold to the general market as well as the telecom operator's policy shifting towards mobile terminals and routers, Vtion will stop selling wireless data cards to the general market during the year 2015. At the same time, a major task for the course of 2015 will be for the company to continue introducing specific-use hardware products, such as the wireless data module the company developed that transmits transaction data to tax authorities. By the end of 2014, the customized data card for Tax control program gained more revenue contribution gradually. Given the margin pressure Vtion is facing in its core business, the company will try to introduce more sophisticated data modules into its product pallet in 2015.

With more than four years' investment and continuous operating loss, the management board decided to sell 100% of stake in Vtion Anzhuo to the core management team of Vtion Anzhuo through Management Buyout (MBO). By referring to the independent Valuation report provided by "Ruihua Certified Public Accountants", the deal price is finally determined as 6 million RMB. On the supervisory board meeting held on 23 March 2015, supervisory board members unanimously approved the transaction.

Vtion intends to further evaluate its strategic options in the face of an ongoing difficult operating environment. The company on the one hand seeks to improve its situation in its core business and on the other hand tries to explore approaches in other sectors that will unlock shareholder value. Anyway, as a dynamic industry, the mobile industry market will attract more companies and the competition will become much fiercer gradually. Vtion will monitor the progress of the business closely to grasp opportunities to grow and manage risks effectively. With the exit of Data Card Business sales to the general market, Vtion will suffer from revenue decrease and margin pressure in 2015 compared with 2014.

Vtion Wireless Technology AG will continue to receive interest income from the Group companies in the PRC in 2015. 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.

For 2015, the company expects a further downturn of our main financial indicators. Revenues will be somewhere around EUR 37 million with an EBIT margin of approximately 6%. We assume an stable EUR:RMB exchange rate and generally stable or improving trading conditions. 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 either.

Frankfurt, 23 April 2015

Management Board

Chen Gouping	Zheng Hongbo	Ding Chaojie	Fei Ping	He Zhihong

[9] http://english.gov.cn/archive/publications/2015/03/05/content_281475066179954.htm


Vtion
ChinaNet-LTE


Vtion
ChinaNet-LTE

Financial Statements of Vtion Wireless Technology AG, Frankfurt am Main

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December,

	Notes	**2014**	**2013**
		EUR	EUR
Sales	*2.15, 4.1*	46,327,381	59,946,201
Cost of sales	*4.2*	-37,286,817	-48,479,637
Gross Profit		**9,040,564**	**11,466,564**
Other operating income	*2.15, 2.16, 4.1*	159,537	22,546
Selling and distribution expenses	*4.3*	-1,370,815	-1,572,598
Administrative expenses	*4.4*	-4,593,009	-4,885,340
Other operating expenses		-11,067	-3,460
Profit from operations		**3,225,210**	**5,027,712**
Finance income	*2.15, 6.3*	1,887,969	1,674,005
Finance expenses	*4.7, 6.3*	-23,050	-18,686
Foreign exchange loss	*4.8*	-220,076	-109,751
Profit before income tax		**4,870,053**	**6,573,280**
Income tax	*2.20, 4.9*	-2,083,386	-2,173,652
Profit for the period		**2,786,667**	**4,399,628**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		**14,438,898**	**-2,142,196**
Exchange differences on translating foreign operations	*2.3*	14,438,898	-2,142,196
Other comprehensive income for the period		**14,438,898**	**-2,142,196**
Total comprehensive income for the period		**17,225,565**	**2,257,432**
Earnings per share (basic and diluted)*		0.22	0.33

* Computed on the basis of weighted average 12,623,804 shares for 2014, weighted average 13,298,495 shares for 2013, 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 1 January - 31 December 2014

	Notes	**31 Dec. 2014**	**31 Dec. 2013**
		EUR	EUR
ASSETS			
Current assets			
Inventories	*2.7,2.10, 5.1*	2,130,232	2,255,805
Trade receivables	*2.2, 2.9, 2.12.1, 5.2, 6.3*	12,661,159	18,411,081
Other receivables	*2.9, 2.12.1, 5.2, 6.3*	1,656,874	2,446,881
Amounts due from related parties	*2.12.1, 2.18, 5.3, 6.2,6.3*	320,175	101,379
Cash and cash equivalents	*2.12.1, 2.8, 5.4, 6.3*	140,704,745	126,614,078
		157,473,185	**149,829,224**
Non-current assets			
Property, plant and equipment	*2.2, 2.4, 2.7, 4.6, 5.5*	800,169	816,446
Land use rights	*2.5, 4.6, 5.6,6.1*	-	276,378
Intangible assets	*2.6, 2.7, 4.6, 5.7*	808,114	793,895
Deferred tax assets	*5.8*	406,773	406,022
		2,015,056	2,292,741
Total assets		159,488,241	152,121,965
LIABILITIES			
Current liabilities			
Trade payables	*2.12.2, 5.9, 6.3*	6,934,390	13,422,085
Other payables	*2.12.2, 5.9, 6.3*	1,863,427	1,357,695
Provisions	*2.13, 5.10, 6.3*	511,105	508,892
Amounts due to related parties	*2.18, 6.2, 6.3*	1,991	–
Income tax payable	*4.9*	483,875	505,546
Total liabilities		**9,794,788**	**15,794,218**
CAPITAL AND RESERVES			
Share capital	*1.1, 5.11.1*	13,298,495	14,495,086
Treasury stock	*5.11.1*	-1,084,855	-1,196,591
Capital reserves	*5.11.2*	38,320,188	40,435,655
Retained earnings	*5.11.2*	64,022,463	61,895,333
Foreign exchange differences	*2.3*	35,137,162	20,698,264
Total equity		149,693,453	136,327,747
Total liabilities and equity		**159,488,241**	**152,121,965**

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	1.1,5.11.1	5.11.1	5.11.2	5.11.2	2.3	
Balance as at December 31, 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 December 31, 2013	14,495,086	-1,196,591	40,435,655	61,895,333	20,698,264	136,327,747
Balance as at December 31, 2013	14,495,086	-1,196,591	40,435,655	61,895,333	20,698,264	36,327,747
Buy-back ordinary share		-1,084,855	-2,115,467			-3,200,322
Treasury stock redemption	-1,196,591	1,196,591				0
Dividend distribution				-659,537		-659,537
Total comprehensive income for the period				2,786,667	14,438,898	17,225,565
Balance as at December 31, 2014	13,298,495	-1,084,855	38,320,188	64,022,463	35,137,162	149,693,453

Consolidated Cash Flow Statement

for the period from 1 January to 31 December,

	Notes	2014	2013
		EUR	EUR
Profit before income tax		**4,870,053**	**6,573,279**
Adjustments for:			
Amortization of intangible assets		212,493	203,724
Depreciation of land use rights		4,329	8,679
Allowance for doubtful trade debts		1,004	1,470
Depreciation of property, plant and equipment		290,530	313,734
Loss on disposal of property, plant and equipment		-41,043	-16,989
Interest income		-1,887,969	-1,674,005
Bank charges		23,050	18,686
Foreign exchange loss		220,076	109,751
Operating cash flow before working capital changes		**3,692,523**	**5,538,330**
Working capital changes:			
(Increase)/decrease in:			
Inventories		339,731	71,799
Trade receivables		7,122,665	6,978,620
Other receivables		287,634	1,690,294
Amounts due from related parties		-191,352	46,266
Increase/(decrease) in:			
Trade payables		-7,306,175	1,480,097
Other payables and accruals		282,160	-3,446,452
Amounts due to related parties		1,832	–
Income tax payable		-70,180	-96,817
Cash generated from/(used in) operations		**4,158,838**	**12,262,137**
Interest received		2,570,731	1,135,554
Income tax expenses		-2,083,386	-2,387,109
Net cash generated from operating activities		**4,646,183**	**11,010,582**
Cash flow from investing activities			
Purchase of intangible assets		-146,705	-71,696
Purchase of land, property, plant and equipment		-233,791	-395,979
Disposal of land, property, plant and equipment		381,624	394,877
Decrease of short term investment		-	4,900,000
Cash flow from investing activities		**1,128**	**4,827,202**
Cash flow from financing activities			
Payment in connection with share buyback		-3,200,322	0
Dividend paid to shareholders		-659,537	-731,417
Cash flow from financing activities		**-3,859,859**	**-731,417**
Net increase in cash and cash equivalents		**787,452**	**15,106,367**
Cash at the beginning of the period	*5.4*	126,614,078	113,509,797
Foreign exchange differences		13,303,215	-2,002,086
Cash at the end of the period	***5.4***	**140,704,745**	**126,614,078**

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2014

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 2013, the group structure had some changes in 2014:

Vtion Group cancelled the registration of Vtion Communication Technology Service (Fuzhou) Co., Ltd. (Vtion Service) under the laws of People's Republic of China in 2014.

Per the agreement signed on 28 July 2014, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 20 million. After the additional investment, Vtion Software (Fujian) Co., Ltd still holds 100% shares of Vtion Anzhuo (Beijing) Technology Co., Ltd. The registered capital and fully paid up share capital of Vtion Anzhuo amounts to RMB 40 million by 31 December 2014.

The operational business of Vtion Group in 2014 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 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 (parent company) are consolidated. Vtion AG performs as the parent company a controlling influence to the following consolidated subsidiaries.

in kEUR	Share	Equity December 31, 2014	Results from January 1 to December 31, 2014
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	2,305	7,766
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	108,461	6,005
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	18,279	-550
Vtion Communication (Fujian) Co. Ltd.,Fuzhou, PRC	100%	906	8
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	474	-1,154
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC (closed in 2014)	100%	0	-5

On 5 December 2014, Vtion Group cancelled the registration of Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC under the laws of People's Republic of China. On the date of cancellation of the registration, Vtion TS had no liabilities and other assets except the cash in bank amounting to RMB 853,877. As the sole shareholder, Vtion IT recouped the investment by transferring the net asset of RMB 853,877 cash in bank from Vtion Service after deducting the cumulative loss of RMB 146,123 since the establishment of Vtion Service.

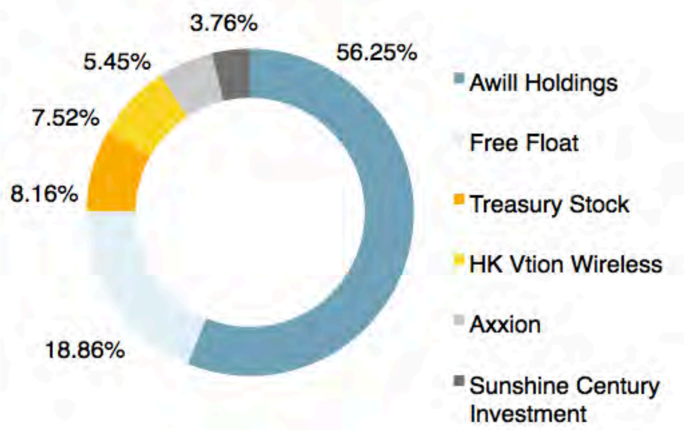
The comparability of the current year's consolidated financial statements to those of the prior year had not been affected.

Vtion paid a dividend of EUR 0.05 per share in June 2014 (a dividend of EUR 0.06 per share paid in June 2013), representing 15% of the company’s net profit after tax for the full year 2013.

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 2014



Vtion CEO Chen Guoping remains the largest single shareholder in Vtion Wireless Technology AG, with a total of 60.01% of the total shares, held in two holding companies, Awill Holdings, Ltd. and Sunshine Century Investment, Ltd. 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 7.52% of the Vtion shares together. Axxion, which became a shareholder through public stock exchange in 2011, currently holds 5.45% 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.

ADOPTION OF NEW IFRSs

1.2.1 New IFRSs adopted

The Group has adopted all EU IFRSs that were effective on or before 1 January 2014 for the preparation of the consolidated financial statements for the financial years ended 31 December 2014.

IFRS 10 – Consolidated Financial Statements

IFRS 10 is issued to replace the requirements relating to the preparation of consolidated financial statements in IAS 27. IAS 27 shall be applied in accounting for investments in subsidiaries, joint ventures and associates to present separate financial statements in the future. The general principles of full consolidation in IAS 27 and for special purpose entities in SIC 12 are maintained in IFRS 10. In addition, IFRS 10 includes a uniform concept of control. A parent-subsidiary-relationship is determined according to three criteria, i.e. power over the investee, variability in returns and link between power and returns.

IFRS 11 Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. It is issued to replace IAS 31 and SIC 13. Joint arrangements are now classified into two types: joint operations and joint ventures. "Jointly controlled assets" in IAS 31 is classified in IFRS 11 as joint operations.

Proportionate consolidation as an accounting treatment for an investment in jointly controlled entities according to IAS 31 is not allowed in IFRS 11. Instead, it is obligatory to account for investment in joint arrangements classified as joint ventures using equity method. Joint operations shall be proportionately consolidated in the consolidated financial statement as before.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 replaced the disclosure requirements in IAS 27, IAS 28, IAS 31 and SIC 12. It is a combined disclosure standard for interest in all types of other entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity, as well as the effects of those interests on its financial position, financial performance and cash flows.

IAS 27 Separate Financial Statements

As a consequence of the issuance of the new consolidation package (IFRS 10 and IFRS 11), a revised IAS 27 is issued to address accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 Investments in Associates and Joint Ventures

Because of the changes in the standards about the basis for consolidation, a revised IAS 28 is issued. IAS 28 sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The equity method is defined as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee.
An associate is an entity over which the investor has significant influence. The existence of significant influence depends on, whether the investor has the power to participate in the financial and operating policy decisions of the investee.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

As a consequential amendment to IFRS 13, some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets were modified. However, one of the amendments potentially resulted in the disclosure requirements being broader than originally intended. The recoverable amount of cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is to be disclosed regardless of the existence of an impairment loss. Through the new amendments, an entity is only required to disclose the recoverable amount of a cash-generating unit for which the entity has recognized or reversed an impairment loss during the reporting period.

In addition, the new amendments clarify and broaden the disclosure requirements for impaired individual assets, the recoverable amount of which is determined based on fair value less costs of disposal.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

The objective of the amendments is to avoid the financial reporting effects that arise from discontinuing hedge accounting for hedging relationships in which a derivative designated as a hedging instrument is novated following the introduction of a new law or regulation. Through the amendments, a derivative designated as a hedging instrument is not expired or terminated and the hedging relationship is continuing, when novation of the derivative meets certain criteria.

Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arragements and Disclosure of Interests in Other Entities: Transition Guidance

The Amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12. Furthermore, the amendments limit the requirement to provide adjusted comparative information to only the preceding comparative period.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments to IFRS 10, IFRS 12 and IAS 27 give the definition of an "investment entity". An investment entity is required to measure particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statement. Furthermore, the amendments set out disclosure requirements for investment entities in IFRS 12 and the revised IAS 27.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The application guidance in IAS 32 was amended to clarify the accounting treatments relating to offsetting financial assets and financial liabilities in the balance sheet.

The offsetting model maintain unchanged. The amendments have only concretized the model. For the offsetting, an entity must currently have a legally enforceable right to set off the recognized amounts. It means, the right must not be contingent on a future event, and must be legally enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy.

1.2.2 New IFRSs and Interpretations not adopted

The Group has not applied the following new and revised EU-IFRSs that have been issued but are not yet effective, in these financial statements. The Group does not expect any material impact on the consolidated financial statements from the adoption of these amendments.

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IAS 19 Amendments	Employee Contributions
IFRIC 21	Levies
Annual Improvements to IFRSs 2011 - 2013 Cycle	
IFRS 1 Amendments	Meaning of effective IFRSs
IFRS 3 Amendments	Scope of exception for joint ventures
IFRS 13 Amendments	Scope of paragraph 52 (portfolio exception)
IAS 40 Amendments	Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property
Annual Improvements to IFRSs 2010 - 2012 Cycle	
IFRS 2 Amendments	Definition of “Vesting condition”
IFRS 3 Amendments	Accounting for contingent consideration in a business combination
IFRS 8 Amendments	Aggregation of operating segments
	Reconciliation of the total of the reportable segments’ assets to the entity’s assets
IFRS 13 Amendments	Short-term receivables and payables
IAS 16 Amendments	Revaluation method - proportionate restatement of accumulated depreciation
IAS 24 Amendments	Key management personnel
IAS 38 Amendments	Revaluation method - proportionate restatement of accumulated amortisation

The effects of the above described not yet effective standards on the consolidated financial standards were internally discussed. The standard will 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 2014.

2. Significant accounting policies

2.1 Basis of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full. If the group loses control of a subsidiary, the group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

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. 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 non-controlling 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 2014 were EUR 800,169. 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	2014	2013
year end	7.5358	8.3491
average	8.1857	8.1646

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 2014, Vtion IT was required to transfer back the rest 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 2014, Vtion Group didn't hold any land use rights.

2.6 Intangible Assets

As at 31 December 2014, 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	7,283	1-34
Phone Software and platform system	for Android platform and applications	123,450	8-96
Insurance Software	for Insurance industry applications	72,985	88
Office software	for office applications	23,976	1-38
Licenses	Licenses acquired from Qualcomm for wireless data products	407,793	54
Trademark	"Vtion" authenticated as "Chinese famous trademarks"	13,270	24
Capitalized development costs	Capitalized expenditure for development of Android applications	159,357	unamortized in construction
		808,114	

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 3–10 years

Licenses 3–10 years

The amortization expense on software and licenses is recognized as profit or loss and is included within the cost of sales and administrative expenses line items depending on their use.

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 management 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.

2.6.3 Capitalized development Costs

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. The costs capitalized include the cost of materials, direct labor and other directly attributable expenditure that serves to prepare the asset for use. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally ten years. Such capitalized costs are included in line item Development in progress. In 2014, about EUR 159,357 of development costs were capitalized as part of intangible assets because the relevant criteria were met, which was for the development of Android application platform operated by Vtion Anzhuo.

2.7 Impairment of Non-financial Assets

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 as profit or loss. 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 initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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 31 thousand (EUR 28 thousand as of 31 December 2013) 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 term deposits with original maturities of more than three months but less than twelve months, the Group discontinued other short-term investment from July 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 INSTRUMENTS

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

2.12.1 FINANCIAL ASSETS

The classification of financial assets depends on the nature and purpose. At the balance sheet date, the Group held financial assets comprising cash and cash equivalents (highly liquid investments with original maturities of three months or less), trade receivables, other receivables and amounts due from related parties.

Financial assets recognized in the Consolidated Statements of Financial Position (including cash and cash equivalents, trade and other receivables and amounts due from related parties) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost less impairment losses.

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.

2.12.2 FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangement entered into. At the balance sheet date, the Group held financial liabilities comprising interest-bearing short-term bank loans, trade payables, other payables and amounts due to related parties.

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.

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.

2.13 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 repair 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 as profit or loss 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 as profit or loss 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 fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less any provision for impairment.

Interest attributed to self-generated immaterial assets etc. has to be capitalized if interest bearing loans exist.

2.20 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.

Deferred tax is recognized for all temporary differences, unless the deferred tax arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

2.21 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 12,623,804 (2014) and 13,298,495 (2013) respectively. In 2014, no shareholders' equity instruments diluted the earnings per share on the basis of the respective shares issued. The earnings per share in 2014 are EUR 0.22 (2013: EUR 0.33).

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 SEGMENTS

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 (3.2 – 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 2014.

3.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

Compared to the financial year 2013, there was no change on the analytic basis of segment information reported in 2014. The Group's reportable segments in 2014 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 intelligent mobile phone such as iPhone and network camera.

"All Others" comprised software service in connection with Android application, service in connection with mobile application mainly designed for the insurance industry, commission income from the China Union broadband network, the sales of accessories, the sales of health self-checking instrument in connection with mobile health care.

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 EBIT	
	Year ended 31 Dec. 2014	**Year ended 31 Dec. 2013**	**Year ended 31 Dec. 2014**	**Year ended 31 Dec. 2013**
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	42,757	51,667	4,795	5,963
Wireless Intelligent Terminal	2,153	7,718	199	1,113
All Others	1,417	561	-1,158	-1,231
Total for continuing operations	46,327	59,946	3,836	5,845
Central administration costs			-611	-817
Finance result			1,645	1,546
Profit before income tax (continuing operations)			4,870	6,574

Revenue reported above represents revenue generated from external customers. The inter-segment sales in the year 2014 and year 2013 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. 2014	**Year ended 31 Dec. 2013**
	kEUR	kEUR
Wireless Data Terminal	43,738	55,551
Inter-segment sales elimination	-981	-3,884
Wireless Intelligent Terminal	2,154	7,719
Inter-segment sales elimination	-1	-1
All others	1,448	570
Inter-segment sales elimination	-31	-9
Total for continuing operations	46,327	59,946

In 2014, Sales from the first major customer were EUR 7 million (EUR 15 million in 2013), 16% of the overall sales. Sales from the second major customers were EUR 4 million (EUR 10 million in 2013), 9% of the overall sales. These sales were mainly generated in the segment "Wireless Data Terminal" and "Wireless Intelligent Terminal" in 2014 and 2013.

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. 2014	31 Dec. 2013
	kEUR	kEUR
Segment assets		
Wireless Data Terminal	15,800	20,894
Wireless Intelligent Terminal	596	1,765
All others	1,326	1,028
Total segment assets	17,722	23,687
Unallocated	141,766	128,434
Consolidated assets	159,488	152,121
Segment liabilities		
Wireless Data Terminal	8,653	13,718
Wireless Intelligent Terminal	365	1,565
All others	198	16
Total segment liabilities	9,216	15,299
Unallocated	578	495
Consolidated liabilities	9,794	15,794

Unallocated assets mainly represented cash of EUR 140,705 thousand as of 31 December 2014.

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. 2014	Year ended 31 Dec. 2013	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	323	328	50	28
Wireless Intelligent Terminal	34	52	245	66
All others	146	138	121	363
Unallocated	4	8		–
	507	526	416	457

4. Notes to the Consolidated Statement of Comprehensive Income

4.1 TOTAL INCOME

	2014	2013
	EUR	EUR
Sales	46,327,381	59,946,201
Other operating income		
Government grant	54,728	1,152
Service income	25	2,132
Others	104,784	19,262
	159,537	**22,546**
Finance income		
Interest income	1,887,969	1,674,005
Total income	**48,374,887**	**61,642,752**

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

	2014	2013
Split-up of sales	EUR	EUR
Sales to external customers		
Wireless Data Terminal	42,757,252	51,667,058
Wireless Intelligent Terminal	2,153,202	7,717,507
All Others	1,416,927	561,636
	46,327,381	**59,946,201**

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.

Government grants represent the subsidies from the PRC government. In 2014, government grants increased to EUR 55 thousand from EUR 1 thousand in 2013, which mainly resulted from money subsidy of EUR 54 thousand from Beijing government to Vtion Anzhuo to implement technologic innovation project. Others increased to EUR 105 thousand in 2014 from EUR 19 thousand in 2013, which mainly resulted from a net gain of EUR 51 thousand due to the retransfer of the rest half of land use right to Fujian government, and Corporation Tax refund of EUR 53 thousand from German tax authority to Vtion AG in 2014.

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 37,286,817 (prior year: EUR 48,479,637).

	2014	2013
Split up of Cost of Sale	EUR	EUR
Cost of materials		
- primary products	13,326,002	17,463,527
- purchased finished goods	22,189,105	29,088,389
- services	1,354,174	1,400,516
- business taxes and surcharges	271,046	354,332
	37,140,327	48,306,764
Directly attributable payroll expenses and non-attributable shared costs	146,490	172,873
	37,286,817	**48,479,637**

4.3 Selling and Distribution Expenses

	2014	2013
	kEUR	kEUR
Payroll costs	601	818
Transportation expenses	385	387
Entertainment and marketing expenses	122	169
Others (travelling expenses, rental and utilities fee etc.)	263	199
	1,371	1,573

4.4 Administrative Expenses

	2014	2013
	kEUR	kEUR
Payroll costs	1,140	994
Research & development costs	1,018	1,448
Depreciation of property, plant and equipment and land use rights	184	219
Amortization of intangible assets	118	110
Others (travelling expenses, rental and utilities fee, consulting expenses etc.)	2,133	2,114
	4,593	4,885

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. As per IAS 38, about EUR 159,357 of development costs were capitalized as part of intangible assets because the relevant criteria were met in 2014, which was for the development of Android application platform operated by Vtion Anzhuo. Since the development was still in progress as at 31 December 2014, it should be depreciated after completion.

4.5 Average number of employees/Payroll costs

	2014	2013
Average number of employees		
Management and administration	87	84
Research and development	52	74
Sales	66	82
Industry application service	30	0
	235	240

	2014	2013
	EUR	EUR
Payroll costs		
Wages and salaries	2,483,697	2,397,303
Social security costs	380,485	395,647
Welfare	80,328	66,065
	2,944,510	2,859,015

In April 2014, Vtion Group restructured its operation on the industry application business. Vtion Anzhuo combined the industry application service business from Vtion Software which operated this business before April 2014. Impacted by this business restructure and the great increase of the sales generated from industry application service, the employees for industry application services were separated to be an independent department for the better operation on this business, which belonged to research and development department in 2013.

Defined contribution plan

Vtion Group participated in national pension schemes as defined by the PRC laws and German laws. In 2014, the total cost from payments made under national pension and medical schemes amounted to EUR 380 thousand (2013: EUR 396 thousand).

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

	2014	2013
	EUR	EUR
Amortization and impairment loss of intangible assets		
Software	122,959	113,958
Licenses	83,426	83,642
Trademark	6,108	6,124
Sum	212,493	203,724
Depreciation of land use rights	4,329	8,679
Depreciation of property, plant and equipment	290,530	313,734
Total of amortization and depreciation	507,352	526,137

Except about EUR 9,162 of amortization of intangible assets was booked as part of “cost of sales” for insurance industry in 2014, the amortization of intangible assets was booked in “Administrative expenses” in 2014. Except about EUR 3,305 of depreciation of property, plant and equipment used for development of

Android application platform was capitalized as part of intangible assets of Vtion Anzhuo in 2014, the depreciation of property, plant and equipment was expensed in 2014.

The capitalized development costs are amortized if Vtion completes the development activities for new or improved products or processes and to use or sell the related assets. No amortization for the capitalized development was booked in 2014 since Vtion still continues the development activities as of 31 December 2014.

4.7 Finance Income and Expenses

	2014	2013
	EUR	EUR
Finance income		
Interest income	1,887,969	1,674,005
Finance Expense		
Bank charges	23,050	18,686

4.8 Foreign exchange loss

The Group recognized EUR 220,076 foreign exchange loss in 2014 (EUR 109,751 in 2013). In May 2014, Vtion IT exchanged RMB to EUR 2.1 million when the average EUR/RMB rate was about 8.7113, rising by 4% compared to the rate as at 31 December 2013, which caused the foreign exchange loss of EUR 93 thousand. Revaluing liquid assets and liabilities at the balance sheet date was the other negative factor on foreign exchange loss in 2014. The EUR seriously dropped by 0.8133 or 9.7% from 8.3491 RMB (31 December 2013) to 7.5358 RMB (31 December 2014). This led to foreign exchange loss arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date.

4.9 Income Tax

4.9.1 Major Components of Income Tax Expense

	2014	2013
	EUR	EUR
Current income tax (ordinary activities primarily in China)	2,083,386	2,223,480
Deferred income tax induced by:		
-tax rate change		
-temporary differences	0	2,111
-tax loss carry forward	0	-51,939
Income tax recognized in profit and loss	2,083,386	2,173,652

Deferred income tax relates to the following:

	31 Dec. 2014		31 Dec. 2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	7,710	–	6,959	–
Trade receivables	–	–	–	–
Tax losses carried forward	399,063	–	399,063	–
Total	406,773	–	406,022	–

As of 31 December 2014, deferred tax assets were the same with that as of 31 December 2013 in terms of RMB. The change of the amount in EUR was just due to the change of exchange rate.

4.9.2 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% (Corporate tax including solidarity tax rate of 15.825% and trade tax rate of 16.1%). Vtion IT applied an effective tax rate of 25% in year 2014 in accordance with the Corporate Tax Law of the People's Republic of China.

Vtion Communication continued to have accounting gains in 2014, but accumulated net tax losses as of 31 December 2014. Vtion Software, Vtion Anzhuo and Vtion Service (before cancellation of the registration) incurred accounting losses in 2014. These four subsidiaries were exempted from the corporation income tax because of cumulative tax losses carried forward.

4.9.3 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:

	2014	2013
	kEUR	kEUR
Accounting profit before income tax	4,870	6,573
Applicable tax rate	32%	32%
Tax at respective companies income tax rate	1,555	2,099
Tax differences on Chinese companies	(775)	504
Thereof effect from tax exemption	(170)	884
Thereof effect from lower local tax rate	(605)	(380)
Tax effect of expenses not deductible for tax purpose	70	60
Tax effect of loss not taxable for tax purpose	1,233	(372)
Recognition and measurement of deferred tax assets and liabilities	0	(117)
Income tax expense recognized in profit and loss	2,083	2,174
Group tax rate	42.8%	33.1%

For a share of the tax loss carryforward no deferred tax asset was recorded due to earnings forecasts which did not justify a deferred tax asset. This share amounts to EUR 2,495 thousand. For EUR 1,234 thousand the utilization period is not limited, for EUR 1,261 thousand the utilization period is limited.

5. Notes to the Consolidated Statement of Financial Position

5.1 Inventories

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Inventory-advances to supplier	0	8,050
Goods and materials	2,161,072	2,275,591
Less: stock provision	-30,840	-27,836
	2,130,232	2,255,805

As of 31 December 2014, inventory amounted to EUR 2,130 thousand, all of which were recognized in acquisition cost without goods and material recognized in net realizable value in accordance with IAS 2.36.

5.2 Trade and other Receivables

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Trade receivables		
Trade receivables	12,662,249	18,411,081
Allowance for trade receivables	(1,090)	(0)
	12,661,159	18,411,081

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Other receivables		
Other receivables	1,567,437	2,363,204
Prepaid expenses	89,437	83,677
	1,656,874	2,446,881

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. 2014	31 Dec. 2013
	EUR	EUR
Within 30 days	4,630,374	6,100,427
31-90 days	5,403,598	7,771,365
91-180 days	2,620,711	4,539,289
181-360 days	4,717	0
361-1,080 days	2,849	0
More than 1,080 days	0	0
	12,662,249	18,411,081

Allowance for Doubtful Receivables

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Provision for trade receivables	1,090	0
	1,090	0

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, 2014, EUR 7,566 of trade receivable was with a maturity of more than 180 days, so EUR 1,090 of allowance was established in 2014. Other receivables mainly comprised the short-term prepayment and deposits for rental, no allowance for other receivables since there was no objective evidence that the Company will not be able to collect the amounts. 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. For a description of the changes in amounts due from related parties as at the end of 2014 compared with that in 2013, see 6.2.C in this section

	31 Dec. 2014	31 Dec. 2013
Related parties	EUR	EUR
Amount due from related parties - trade	0	0
Amount due from related parties - non-trade	320,175	101,379
Allowance for amount due from related parties	0	0
	320,175	101,379

5.4 Cash and Cash Equivalents

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Cash on hand	20,516	16,029
Cash in banks	139,091,697	125,340,339
of Mainland China	138,455,059	123,546,706
of Germany and offshore	636,638	1,793,633
Deposit on bank's acceptance bill (in China)	1,592,532	1,257,710
	140,704,745	126,614,078

The deposit on bank's acceptance bill is pledged for the note payables which has a maturity of no longer than 6 months. As the deposits are security deposits for banks acceptance bill, the pledged deposit will be offset while the notes become due.

Among the balance of cash and cash equivalents in 2014, EUR 140,048 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.

5.5 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Leasehold Improvement	Broad-band network	Construc-tion in progress	Total
	EUR	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

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Leasehold improvement	Broadband network	Construction in progress	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Acquisition Costs								
At 31 December 2013	162,522	431,104	127,969	1,017,618	157,178	185,822	184,425	2,266,639
Additions	1,753	35,526	0	106,413	0	163,797	120,636	428,124
Reclassification	0	0	0	0	0		-171,723	-171,723
Disposal	3,319	10,218	0	135,875	0		0	149,412
Exchange differences	17,523	46,527	13,811	109,826	16,963	20,055	19,904	244,609
At 31 December 2014	178,478	502,939	141,780	1,097,982	174,142	369,673	153,242	2,618,237
Accumulated depreciation and impairment								
At 31 December 2013	135,963	334,486	123,958	723,466	111,361	20,958	0	1,450,193
Charged for the FY	13,590	50,463	63	168,005	27,121	31,288	0	290,530
Reclassification	0	0	0	0	10,872	-10,872		
Disposal	2,401	9,653	0	92,158	0	0		104,212
Exchange differences	15,835	40,451	13,384	92,569	14,358	4,960	0	181,557
At 31 December 2014	162,987	415,747	137,406	891,882	163,710	46,335	0	1,818,068
Net carrying amount								
At 31 December 2013	26,559	96,618	4,011	294,152	45,818	164,863	184,425	816,447
At 31 December 2014	15,491	87,192	4,375	206,100	10,431	323,338	153,242	800,169

5.6 Land Use Rights

	2014	2013
	EUR	EUR
Acquisition Costs		
Balance at the beginning of financial year	318,286	646,514
Additions	7,927	0
Disposal	360,563	318,286
Exchange differences	34,350	-9,942
Balance at the end of financial year	0	318,286
Accumulated amortization		
Balance at the beginning of financial year	41,908	72,194
Amortization for the FY	4,329	8,679
Disposal	47,073	38,515
Exchange differences	836	-450
Balance at the end of financial year	0	41,908
Net carrying amount		
Balance at the beginning of financial year	276,378	574,320
Balance at the end of financial year	0	276,378

In 2014, the disposal of land use rights resulted from a government administrative action that Vtion IT was required to return the rest 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, Vtion Group does not hold any land use rights as of 31 December 2014.

5.7 Intangible Assets

	Licenses	Office Software	Trademark	Total
	EUR	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

	Licenses	Office Software	Trademark	Development in progress	Total
	EUR	EUR	EUR	EUR	EUR
Acquisition Costs					
At 31 December 2013	984,108	863,359	29,943	0	1,877,410
Additions				159,357	159,357
Disposal					0
Exchange difference	106,209	92,441	3,232		201,882
At 31 December 2014	1,090,317	955,800	33,175	159,357	2,238,649
Accumulated amortization					0
At 31 December 2013	534,245	537,293	11,977		1,083,515
Amortization for the FY	83,426	122,959	6,108		212,493
Reclassification					0
Disposal for the FY					0
Exchange difference	64,853	67,855	1,820		134,528
At 31 December 2014	682,524	728,107	19,905	0	1,430,536
Net carrying amount					0
At 31 December 2013	449,863	326,066	17,966	0	793,895
At 31 December 2014	407,793	227,693	13,270	159,357	808,114

Vtion Group capitalized about EUR 159,357 of development costs in line item Development in progress in 2014, since the recognition criteria were fulfilled as per IAS 38. These capitalized development costs were for the development of Android application platform operated by Vtion Anzhuo.

As of 31 December 2014 there was no binding agreement about the purchase of intangible assets.

5.8 Deferred Tax Assets

In 2014 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 5.7 million (EUR 1.2 million in previous year) under German GAAP since the establishment of the company, which includes a net income for the year amounting to EUR 5.2 million generated in 2014. The change in the net profit is due to the net income for the year generated in 2014 of EUR 5,230 thousand and the dividend distribution of EUR 660 thousand during the financial 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 2014. 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 2014 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 not recognized for the unused tax losses of EUR 1,234 thousand (2013: EUR 2,636 thousand).

	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR
Deferred tax asset of Vtion AG	399	399
Deferred tax asset of Vtion IT	8	7
	407	406

5.9 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 24 million and increased by RMB 3 million compared to that as of 31 December 2013. Notes payable of EUR 21 million as of 31 December 2013 were utilized after payment in 2014. 50% of the corresponding funds for notes payable as of 31 December 2014 (EUR 1,593 thousand) are kept as a cash deposit on bank acceptance bills. Please see "cash and cash equivalents".

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Other payables		
VAT payables	1,528,775	1,041,328
Other payables	179,395	135,598
Advances from customers	29,207	90,448
Other tax payables	126,050	90,321
	1,863,427	1,357,695

5.10 Provisions

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
Provisions		
Accrued payroll	241,565	254,937
Other accruals	269,540	253,955
	511,105	508,892

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

Other provisions of EUR 509 thousand as of 31 December 2013 were utilized after payment in 2014. Vtion recognized EUR 511 thousand on the accrual basis for payable payroll and expenses as of 31 December 2014.

5.11 EQUITY

5.11.1 SHARE CAPITAL AND TREASURY STOCK

The share capital of the Parent Company has been reduced from EUR 14,495,086 as at 31 December 2013 to EUR 13,298,495 as at 31 December 2014 due to cancellations of treasury shares. The Executive Board resolved to reduce the share capital to EUR 13,298,495 on 2 April 2014 by means of cancellation of EUR 1,196,591 treasury shares acquired within the time period from 5 September to 26 September 2012. Within the time period from 11 April to 9 May 2014, the Company had acquired in total 1,084,855 Vtion shares over the stock exchange via a voluntary tender offer to all shareholders. On 23 September 2014, the Executive Board resolved to cancel EUR 1,084,855 treasury stocks, however, the respective decrease of the share capital only became effective upon registration in the commercial register, which took place in March 2015. Therefore, the share capital of the company as at 31 December 2014 still amounted to 13,298,495.

Number of shares	31 Dec. 2014	31 Dec. 2013
Share capital	13,298,495	14,495,086
Treasury stocks	-1,084,855	-1,196,591
Circulation stocks	12,213,640	13,298,495

Free float shares	Number of shares
At 31 Dec. 2013	2,897,024
Effect of selling by shareholders	696,471
Effect of share buy-back	-1,084,855
At 31 Dec. 2014	2,508,640

5.11.2 RESERVES AND RETAINED EARNINGS

A) RESERVES

The changes of the reserves presented in the statement of changes of equity as of 1 January 2014 and 31 December 2014 relates to share buyback program in 2014. As of 31 December 2014, capital reserve decreased by EUR 2,115,467 to EUR 38,320,188, resulting from the cumulative share premium of repurchasing 1,084,855 ordinary shares of no par value within the time period from 11 April to 9 May 2014. The capital reserves include statutory reserves attributed to the purpose of satisfying Chinese legal requirements.

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 2014, Vtion paid a dividend of EUR 0.05 per share (2013: EUR 0.06 per share), representing 15% of the company's net profit after tax for the full year 2013, which decreased the retained earnings by EUR 659,537 due to dividend distribution.

5.11.3 FOREIGN EXCHANGE DIFFERENCES

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

5.12 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:

	2014	2013
	EUR	EUR
Lease payment recognized as expense	527,750	458,510

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

	31 Dec. 2014	31 Dec. 2013
	EUR	EUR
No later than one year	289,330	446,543
Later than one year but no later than five years	259,826	412,900
Later than five years	0	0
	549,156	859,443

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

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 2014.

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	
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 with control of listed company, CEO		
Huang Yuhua	Direct family member of shareholder on the listed company		
He Zhihong	Shareholder of the listed company, CTO		
Chen Guoshun	Shareholder of the listed company, shareholder's direct family member		
Chen Guohe	Shareholder of listed company, shareholder's direct family member		
The Supervisory Board.			
Norbert Quinkert	Chairman of Supervisory Board		
Yang, Hua	Member of Supervisory Board		
Wang, Ning	Member of Supervisory Board		

B) Sales and Purchase of Goods and Service

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

	2014	2013
	EUR	EUR
Rental fee paid to a related party	134,869	135,218

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 2013 in terms of RMB. The rental fee in 2014 in EUR was changed from that in 2013 due to the change of exchange rate of EUR to RMB.

C) DUE FROM/TO RELATED PARTIES

	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR
Due from related parties	320	**101**
Trade	0	0
Non-trade	320	**101**
Allowance for doubtful trade debts	0	0
Due to related parties	**2**	**0**
Trade	0	0
Non-trade	2	0

As of 31 December 2014, the amount due from or to related parties resulted from non-trade was in connection with Mr. Chen Guoping (advance for travel expenses) and Fujian Aiwei Garment Co., Ltd. (office rent). The advance for travelling expenses was granted interest free and was partially repaid in 2015 (EUR 207,855). The office rent was based on market price.

D) KEY MANAGEMENT REMUNERATION

	2014	2013
	kEUR	kEUR
Key management of the Group	241	242

The remuneration paid to key management personnel consists solely of fixed compensation. No variable remuneration was paid in 2013 and 2014. 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 2014	Amounts recognized in balance sheet according to IAS 39 at amortized cost	Carrying amount 31. Dec 2013	Amounts recognized in balance sheet according to IAS 39 at amortized cost
		EUR	EUR	EUR	EUR
Trade receivables	LaR	12,661,159	12,661,159	18,411,081	18,411,081
Other receivables	LaR	1,656,874	1,656,874	2,446,881	2,446,881
Amounts due from related parties	LaR	320,175	320,175	101,379	101,379
Cash and cash equivalents	LaR	140,704,745	140,704,745	126,614,078	126,614,078
Trade payables	FLAC	6,934,390	6,934,390	13,422,085	13,422,085
Amounts due to related parties	FLAC	1,991	1,991	0	0
Of which: aggregated by category in accordance with IAS 39					
Cash and receivables	LaR	155,342,953	155,342,953	147,573,419	147,573,419
Financial liabilities measured at amortized cost	FLAC	6,936,381	6,936,381	13,422,085	13,422,085

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

In 2014 and 2013 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).

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 2 of the fair value hierarchy pursuant to IFRS 13.)

Net gain/loss by category:

	from interest	2014	2013
	EUR	EUR	EUR
Cash and receivables	1,887,969	1,887,969	1,673,887
Short-term investment	0	0	118
Trade receivable	0	-1,091	0
Financial liabilities measured at amortized cost	0	-243,126	-128,437
	1,887,969	1,643,752	1,545,568

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, foreign currency risk 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 (short 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 2014 is EUR 155,343 thousand (previous year: EUR 147,573 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, the Group has no other significant interest-bearing assets and liabilities. Its interest-bearing assets are only 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 703 thousand (previous year: EUR 633 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. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	kEUR	kEUR	kEUR	kEUR
EUR	697	1,878	416	423
USD	221	196	–	238
Other	2	2	–	–
	920	2,076	416	661

The EUR assets decreased from EUR 1,878 thousand as of 31 December 2013 to EUR 697 thousand as of 31 December 2014, which mainly resulted from dividend distribution (EUR 660 thousand). The USD assets relate to cash in banks.

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			
	2014	2014	2013	2013
	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB
Foreign exchange gain/loss	13	11	69	-2

	5% decrease			
	2014	2014	2013	2013
	EUR/RMB	USD/RMB	EUR/RMB	USD/RMB
Foreign exchange gain/loss	-15	-12	-77	2

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 December 2014						
Trade payable	4,674	1,837	12	411	6,934	6,934
Other	2,373	-	-	1	2,374	2,374
Total	7,047	1,837	12	412	9,308	9,308
As of 31 December 2013						
Trade payable	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

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 2014, the Company did not execute the Management Stock Option Plan. As of 31 December 2014, 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 2014, the shareholders' equity ratio of the company was 94%, when taking total assets (EUR 159,488 thousand) and total equity (EUR 149,694 thousand) as basis (previous year: 90%). 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 2% in financial year 2014, when taking profit for the period (EUR 2,787 thousand) and total equity (EUR 149,694 thousand) as basis (previous year 3%).

8. Members of the Management and Supervisory Board

MANAGEMENT BOARD OF THE PARENT COMPANY

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

Zheng Hongbo: merchant, CFO, Beijing, PRC

He Zhihong: merchant, Fujian, PRC

Ding Chaojie: merchant, Fujian, PRC

Fei Ping: merchant, Beijing, PRC

SUPERVISORY BOARD OF THE PARENT COMPANY

Norbert Quinkert: merchant, Frankfurt am Main, 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 financial year 2014 and 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; furthermore the management board is not entitled to receive a specific remuneration if contracts would be terminated prematurely or regularly.

Name	2014	2013
	in kEUR	in kEUR
Chen Guoping	50.6	50.7
Zheng Hongbo	44.0	44.1
He Zhihong	44.0	44.1
Ding Chaojie	58.6	58.8
Fei Ping	44.0	44.1
Total	**241.2**	**241.8**

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. 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.

In 2014 and 2013, the supervisory board members received the following fixed remuneration:

Name	2014	2013
	in kEUR	in kEUR
Nobert Quinkert	59.5	65.5
Volker Potthoff (until 27 June 2013)	0.0	22.5
Liu Yangsheng (until 27 June 2013)	0.0	12.5
Wang Ning	25.0	25.0
Yang Hua	35.0	40.0
Shu Huaying, (from 19 Oct. 2012 to 27 June 2013)	0.0	12.5
Total	**119.5**	**178.0**

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 5.4.

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 2014. 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.

	2014	2013
	kEUR	kEUR
Audit of financial statements	120	120
Other assurance services	85	84
Other services	0	50
	205	254

12. Events after Balance Sheet Date

The cancellation of EUR 1,084,855 treasury stocks became effective upon registration in the commercial register in March 2015, which reduced the share capital of the Parent Company to EUR 12,213,640 at the end of March 2015.

With more than four years' investment, the growth of Vtion Anzhuo is still slower than expected. Under current circumstance, it is anticipated that operating loss will continue in the next few years. The management board proposed to sell whole stake of Vtion Anzhuo to the core management team of Vtion Anzhuo via MBO (Management Buyout). Referring to the Valuation report submitted by the independent third party-Ruihua Certified Public Accountants", the deal price is set as 6 million RMB. On the special board meeting held on 23, March 2015, Supervisory Board members unanimously approved the deal.

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 2014 reflect net accumulated profit of EUR 5,722 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 2015.

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 2015.

Frankfurt, 23 April 2015

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, 2014 to December 31, 2014. 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 27, 2015

BDO Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Zemke Wirtschaftsprüfer (German Public Auditor)	sgd. Glaser 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 2015

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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Financial Calendar

Publication of
Annual Report 2014
Tuesday, 28 April 2015

Publication of
Interim report 1st Quarter 2015
Thursday, 28 May, 2015

Annual General Meeting, Frankfurt
Thursday, 25 June 2015

Publication of
Interim report 2nd Quarter 2015
Thursday, 27 August 2015

Publication of
Interim report 3rd Quarter 2015
Thursday, 19 November 2015

Eigenkapitalforum 2015
(Analyst Meeting)
23 – 25 November 2015

Annual Report 2014

VTION WIRELESS TECHNOLOGY AG

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