Vtion

Wireless Anywhere

Q1 2012 INTERIM REPORT

VTION WIRELESS TECHNOLOGY AG

Vtion Wireless Technology at a glance

		Q1 2012	Q1 2011	+/–%
Revenues	million €	17.85	12.62	41
Gross profit	million €	3.62	2.58	40
Gross profit margin	%	20	20	0PP
EBITDA	million €	2.08	1.15	80
EBITDA margin	%	12	9	3PP
EBIT	million €	1.93	1.03	86
EBIT margin	%	11	8	3PP
Net profit	million €	2.14	2.30	-7
Net profit margin	%	12	18	-6PP
Earnings per share	€	0.14	0.14	0
Net Cash flow from operations	million €	3.24	10.17	-68

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. The company also offers tablet PC and other products in its mobile intelligent terminals business segment. Vtion operates its own online appstore and serves as an aggregator and distributor of Android mobile applications through its wholly-owned subsidiary, Vtion Anzhuo. Vtion was established in 2002 and currently has 243 employees, with offices in Fuzhou, Beijing, and Frankfurt.

Content

Letter from Vtion's CEO

Dear Esteemed Shareholders,

I am pleased to present to you our operational results for the first quarter of 2012. We have met our internal goals for the first three months and also believe we are well-positioned for the remaining year.

Our business developed at a slower pace in the first quarter than the run rate we expect for the rest of the year, due to the reduced working days because of the Chinese New Year celebration. The New Year was celebrated earlier than usual this year, during the final week in January. I am pleased with the effort and results our team showed despite working in a somewhat constricted time frame.

For the first quarter 2012 we achieved total sales revenues of € 17.8 million, an increase of 41% compared to the corresponding period in the previous year. Our gross profit increased by 40% to € 3.6 million, representing a stable gross profit margin of 20%. EBIT was € 1.9 million, which entails an EBIT-margin of 11%.

Our revenues were driven primarily by the wireless data terminal business segment, which was boosted by continuing demand for wireless routers in addition to steady demand for wireless data cards. Our mobile intelligent terminal business slowed somewhat compared to the end of last year, as competition has intensified in the consumer market. We continue to sell our consumer-oriented tablet PC products to targeted demographics through our sales and distribution partners, but expect that our industry specific solutions will gradually constitute a greater portion of our mobile intelligent terminal sales going forward. We achieved initial agreements with two insurance industry clients over the course of the first quarter, from which sales will be recognized in the second quarter. Though the first sales from this business will be for smaller volumes, we will use this foothold to expand our business both with these clients, and as a successful case study to win other clients to our solutions.

Vtion Anzhuo only contributed revenues of € 9 thousand over the course of the first quarter. However, this is in line with our expectations as we expect the revenue contributions to come primarily in the second half of the year. Anzhuo currently offers over 10,000 mobile applications combined through its three sales platforms. The company operates its own mobile applications online store, the V-Market, sells applications through a shop-in-shop cooperation model with China's telecom operators and works as a white label store designer for device manufacturers. In the latter business area Anzhuo has strengthened its capacities and sales in order to take advantage of a growing number of device manufactures who lack the capacity to create and operate their own online application stores. Given that we continue to face the challenge of monetizing applications within the Android space, working as a service provider avails us a new revenue stream that is not dependent on users paying for their application downloads.

We affirm our guidance for a full year revenue figure of between € 80 million and € 100 million and EBIT margins to stay consistent with those of 2011 (2011 EBIT margin 10.3%), which we reiterate given that we believe we remain on pace to reach this after the first quarter 2012.

Again I thank all of you for your continued support of our company. Though we still have a long road ahead, we believe we will deliver many positive results to the market over the course of 2012.

Best Regards,

Chen Guoping
CEO

Vtion Wireless Technology AG

Highlights

Revenue Growth

Vtion achieved revenues of Euro 17.85 million for the first quarter of 2012, representing 41% growth over the same period in 2011. Despite reduced working days due to the Chinese New Year holiday, Vtion experienced a strong start to the year, with significant growth over the previous year.

Evolving Strategy

Though revenues for the first quarter of 2012 were still primarily driven by the wireless data terminal business segment, the quarter's results show that Vtion's strategic adaptation is beginning to bear fruit. The wireless intelligent terminal business segment accounted for 22% of total revenue, while in the mobile applications space Vtion Anzhuo now boasts over 10,000 total offerings through its various sales channels.

Well-Capitalized

Vtion remains strongly capitalized, concluding the first quarter with a net cash position of Euro 123 million. Vtion will keep cash on hand to meet operational needs, while also returning some cash to shareholders through both a dividend and share buyback program.

Strong EBIT Margin

Vtion achieved an EBIT margin of 11% for the first quarter, above its stated guidance of a margin of 10% for the year. This is attributable to the fact that the company maintains a very efficient cost structure, and is also due to increasing sales of higher-end hardware products.

Share Buyback Program

Vtion initiated a share buyback program in May 2011, and as of May 4, 2012 had repurchased a total of 906,859 shares at an average price of Euro 3.587 for a total consideration of Euro 3,252,988. Vtion will continue this program until it has reached the total 1.598 million shares repurchased as authorized by the 2010 AGM.

Outlook

Vtion expects its newer business segments to continue to grow thoughout the year. Vtion Anzhuo continues to strengthen its presence in the operators' online appstores while building up its own user base, and is expected to make its first significant revenue contributions in the second half of 2012. For the full year the company expects sales revenues of between Euro 80 million and Euro 100 million, with an EBIT margin largely consistent with that of 2011 (2011: EBIT margin 10.3%).

The Share

Robust market environment

Global stock markets have started strong in 2012 and were able to gain momentum until the end of the first quarter 2012. Also in Germany the stock market indices improved in the first three months. The German stock index SDAX has evolved in the first quarter. He completed 30 March 2012 at 5,220 points, representing an increase of 18% since the beginning.

Slight improvement to beginning of the year

The Vtion share emerged from a difficult 2011 by showing some improvement in both liquidity and price level during the opening months of 2012. After concluding 2011 at a share price of Euro 3.10, the Vtion share rebounded to a high of Euro 4.10 on March 22, 2012. Vtion's share completed first quarter 2012 at 3.95, an increase of approx. 27% compared to the starting price. As of Friday, May 4, 2012, the share was trading at Euro 3.78. Volume lagged over the course of the first quarter compared to 2011, as an average of 57,390 shares were traded daily in 2011, compared to an average daily volume of 16,414 shares for Q1 2012.

Dividend and Share Buyback

Concurrent with the release of its 2011 Annual Report, Vtion announced that it would distribute a dividend in 2012 of 15% of 2011 net profit. This payout ratio is consistent with the payout ratio for the dividend the company distributed in 2011, the first year that Vtion distributed a dividend. Vtion began purchasing shares through a share buyback program on May 6, 2011, and as of May 4, 2012, the company had repurchased a total of 906,859 shares at an average price of Euro 3.587. Vtion will continue repurchasing shares until it has reached the full amount of 1.598 million shares as authorized by its AGM.

Sponsorship and Research Coverage

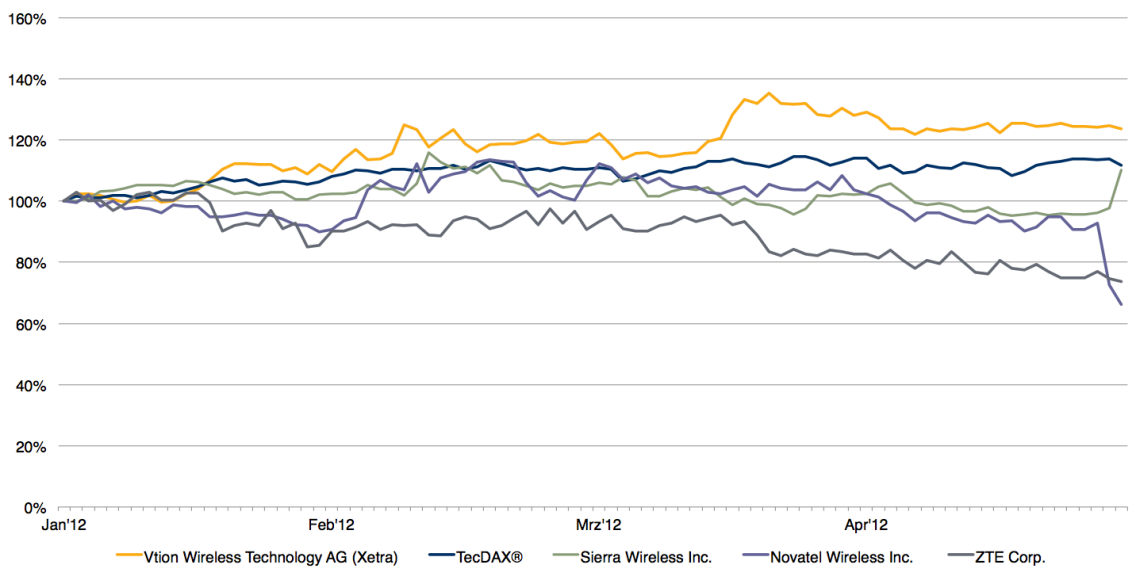
As of April 2010, the company has had designated sponsorship and research coverage from Macquarie Capital, which was also a co-manager of the company's IPO in 2009. The company has also had research coverage from Warburg Research since January of 2010.

Investor Relations

Vtion is committed to active investor communications and maintaining accessibility to its shareholders and interested potential investors. The company is a regular participant in investor conferences and regularly engages in roadshows with management. Vtion is particularly committed to accountability in its investor communications given the challenges associated with maintaining close contact with European investors when operations are located primarily in China. Vtion will be present at the Germany Equity Markets Forum from November 12-14, 2012.

VTION STOCK PRICE

1 Jan – 4 May 2012 / in percent



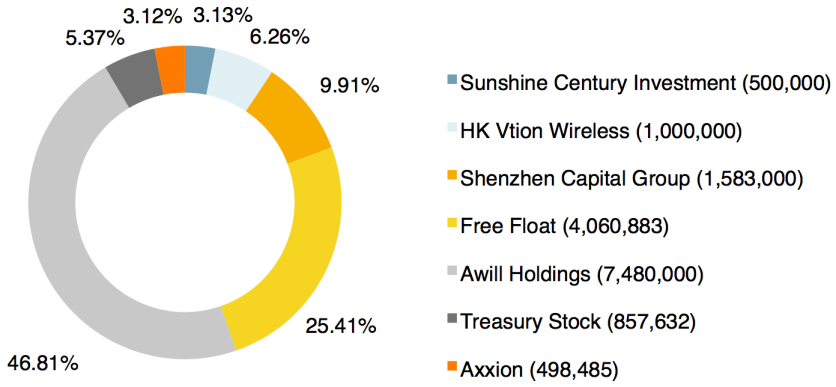
VTION MASTER DATA

as of March 31, 2012

		Q1 2012
Number of shares	Mio Shares	15,980,000
Closing price	€	3.95
Market Cap.	Mio €	63.1
High price	€	4.10
Low price	€	3.03

VTION SHAREHOLDER STRUCTURE

as of March 31, 2012



Interim Management Report

Business and Operating Environment

Vtion Group is one of the leading providers of wireless data solutions for mobile computing over wide area networks in China

OVERVIEW

In the first quarter of 2012, the Chinese economy grew at a rate slower than in 2011, with GDP growth of 8.1% for the first quarter. This is slower than the overall rate of growth for 2011, which was 9.2%, but slightly exceeds the government's projections for growth for the full year 2012, which was projected at 7.5%.[1] Overall growth prospects for the year remain unchanged, with increasing domestic consumption expected to compensate for weakening export demand. Inflation remains a concern for the government, but there was only a slight increase of the CPI in March of 0.2% and 3.6% for the full quarter, signaling that it is still under control.[2]

Government economic policy remained largely unchanged over the course of the first quarter, though any further slowdown in the economy's growth rate could prompt lowering interest rates of banks' reserve rate requirements. However, to this point the government has been reluctant to take such measures given that inflation remains such a significant concern.

General Market Conditions and Business Development

According to data from the China Internet Network Information, by the end of March 2012, total internet users in China reached 527 million users, which represents a penetration rate of 39.4%.[3] New user additions over the first two months of the year reached 10 million users, a pace that if maintained would result in 60 million new internet users for the course of the year, greater than the 55.8 million users that were added over the course of all of 2011. The growth in internet users, particularly in the mobile internet, continues to be driven largely over the course of the year by second and third-tier city users as well as rural internet users.

Each of the three telecom operators was able to add new 3G and mobile 3G users over the course of the quarter. China Unicom added approximately 9 million 3G users over the course of the quarter, bringing its total number of 3G users to 48.86 million. China Mobile has 59.56 million 3G users by increasing 8.35 million users over the first quarter of 2012[4]. And China Telecom's 3G user number is up to 43.55 million.[5]

Continued improvement of network coverage and ensuing growth in the number of 3G users has continued to drive demand in Vtion's wireless data terminal business segment. For the first quarter 2012, 78.2% of Vtion's total revenues came from the wireless data terminal segment. This was due to steady demand for wireless data cards augmented by continued growth in demand for 3G wireless routers. Vtion currently features a wireless router for all three of the 3G technology standards in China, which has served to drive sales within this product group.

The remaining 22% of Vtion's revenue for the quarter came from the wireless intelligent terminal business segment. Revenues in this segment continue to come almost exclusively from the V7 tablet PC, which is sold to consumers through Vtion's sales and distribution partners. The product continues to sell well based on its targeted marketing approach, namely featuring cosmetics and fashion applications developed both in China and Korea targeted at young female consumers. Vtion has also achieved initial agreements with two clients from the insurance sector for its tablet PC and imbedded applications over the course of the first quarter. The company expects to generate sales to insurance companies in the second quarter.

[1] http://www.stats.gov.cn/tjdt/gjtjjdt/t20120413_402798836.htm
[2] IBID
[3] http://www.cnnic.cn/research/zx/qwfb/201205/t20120504_24650.html
[4] http://www.c114.net/news/117/a686436.html
[5] http://www.c114.net/news/118/a684867.html

In the mobile applications business segment, Vtion reached a total of 10,000 total applications offered just after the end of the first quarter. The company has built up a strong foundation in this area. Monetizing applications on the Android operating system remains a challenge, but Vtion is moving towards a B2B model involving designing and operating online appstores for device manufacturers and other clients. This will reduce reliance on consumer-paid downloads and maximize revenue potential.

Result of Operations

The following table presents income statement data of the consolidated interim financial statements of the Company under IFRS for the first quarter ended 31 March 2012, with comparative information for the first quarter ended 31 March 2011.

INCOME STATEMENT – Group Jan. 1 – Mar. 31	Q1		
	2012	2011	+/-%
	kEUR	kEUR	
Sales	17,846	12,617	41
Cost of sales	-14,230	-10,036	42
Gross profit	3,616	2,581	40
Other operating income	4	1	461
Selling and distribution expenses	-601	-461	30
Administrative expenses.	-1,092	-1,086	1
Other operating expenses	-1	-1	73
Profit from operations (EBIT)	**1,926**	**1,034**	**86**
Finance income.	188	152	24
Finance costs	-5	-14	-65
Foreign exchange gain	489	1,302	-62
Profit before income tax	2,598	2,474	5
Income tax	-462	-173	168
Profit for the period	2,137	2,301	-7
Earnings per share (EUR)*	0.14	0.14	0

* Computed on the basis of weighted average 15,176,960 shares for Q1 2012 , and weighted average 15,980,000 shares for Q1 2011 respectively

SALES

In the first three months of 2012, sales amounted to € 17.8 million, increased by € 5.2 million or 41% compared with the same period in 2011 (Q1 2011: € 12.6 million). If excluding the impact of exchange differences arising from currency translation, sales increased by 30% in Q1 2012. This increase was primarily due to the increase in the sales of wireless router, VPAD and wireless high definition sharer named “PC to TV”, which was partly offset by the decrease of sales from wireless data cards, electrical book, mobile trade and Data Solution Service.

In Q1 2012, Vtion Group had generated € 4.3 million from wireless router business, increased by € 3 million, or 232% compared with the same period in 2011 (Q1 2011: € 1.3 million).

In Q1 2012, sales from VPAD and “PC to TV” amounted to € 3.6 million and € 0.8 million, VPAD and “PC to TV” were put on market in Q2 2011, so no sales generated from these two products in Q1 2011.

In Q1 2012, Vtion Group recognized € 8.9 million revenue from wireless data cards, which increased from € 8.6 million in Q1 2011 by € 0.3 million, or 4%. But if excluding the impact of exchange differences arising from currency translation, sales from wireless data cards decreased by RMB 3.4 million or 4% compared with that in Q1 2011, as a result of severe falling of unit price for 3G wireless data cards impacted by the fierce price competition and increasing usage of other connection to access the mobile internet.

In Q1 2012, Vtion Group had generated € 0.3 million from mobile trade comprising the sales of IPhone and other intelligent mobile phones, which decreased from € 1 million in Q1 2011 by € 0.7 million, or 72%. The decrease was due to the decrease of sales volume of IPhone package impacted by increasing suppliers and the decrease of the profit sharing ratio from phone bill.

In Q1 2012, Vtion Group stopped the sales of electrical book, so no sales generated from electrical book were recognized in Q1 2012 (Q1 2011: € 1.4 million).

Since the business club has been discontinued in its current form in 2011, no revenue generated from Data Solution Service in Q1 2012 (Q1 2011: € 0.4 million).

COST OF SALES

Cost of sales increased to € 14.2 million in Q1 2012 by € 4.2 million, or 42% from € 10 million in Q1 2011. If excluding the impact of exchange differences arising from currency translation, cost of sales actually increased by 30% compared with that in Q1 2011. This increase was primarily due to increase of sales volumes of VPAD, wireless router and "PC to TV", which was partly offset by the decrease of sales volumes of wireless data cards, electrical book and mobile trade.

GROSS PROFIT

The overall gross profit margin remained at 20% in Q1 2012 (Q1 2011: 20%) and slightly increased by 1% from 19% for the whole fiscal year 2011.

OTHER OPERATING INCOME

Other operating income was insignificant in Q1 2012 and Q1 2011.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased from k€ 461 in Q1 2011 by k€ 140, or 30%, to k€ 601 in Q1 2012. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses increased by RMB 819 thousand or 20% compared with that in Q1 2011 in term of RMB, primarily due to an increase in salary and welfare, carriage charges and rental expenses, partly offset by the decrease in royalty costs to copyright holders.

The ratio of selling and distribution expenses to total sales was 3.4% in Q1 2012 and 3.7% in Q1 2011.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from k€ 1,086 in Q1 2011 by k€ 6, or 1%, to k€ 1,092 in Q1 2012. If excluding the impact of exchange differences arising from currency translation, in Q1 2012 administrative expenses actually decreased by RMB 750 thousand, or 8% compared with that in Q1 2011.The decrease was primarily due to a decrease in organization cost, consulting expenses, amortization of intangible assets and research and development expenses, partly offset by an increase in local staff's salary and welfare, rental expenses and conference expenses.

If excluding the impact of exchange differences arising from currency translation, research and development expenses decreased to RMB 1,580 thousand in Q1 2012 by RMB 140 thousand, or 8% compared with that in Q1 2011.

The ratio of administrative expenses to sales was 6.1% in Q1 2012 and 8.6% in Q1 2011.

OTHER OPERATING EXPENSES

Other operating expenses were insignificant in Q1 2012 and Q1 2011.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations increased from k€1,034 in Q1 2011 by k€ 892, or 86%, to k€ 1,926 in Q1 2012. f excluding the impact of exchange differences arising from currency translation, profit from operations increased by 71% compared with that in Q1 2011. The increase was largely due to the increase of sales generated from wireless router, VPAD and "PC to TV" in Q1 2012, and slight increase of gross profit margin of 3G wireless data cards compared with that in Q1 2011.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) increased from 8% in Q1 2011 to 11% in Q1 2012. This resulted from the increase of gross profit margin of all business segments.

FINANCE INCOME AND FINANCE EXPENSES

Finance income comprises interest income earned from bank deposit. Finance income increased from k€ 152 in Q1 2011by k€ 36, or 24% to k€ 188 in Q1 2012.

Finance expenses comprise bank charges. Finance expenses amounted to k€ 5 in Q1 2012.

FOREIGN EXCHANGE GAIN OR LOSS

Since the functional currency of the Group is RMB, the Group recognized foreign exchange gain k€ 489 in Q1 2012 arising from revaluing liquid assets and liabilities of Vtion Group at the balance sheet date, which decreased from k€ 1,302 in Q1 2011 by k€ 813. As of 31 March 2012, Euro to RMB exchange rate rose to 8.4089 by 3.1% from 8.1588 as at 31 December 2011, which had a positive impact on the valuation of assets denominated in Euros.

INCOME TAX

Income tax only comprises taxation actually payable. As 50% tax exemption time expired at December 31, 2011, both Vtion IT and Vtion Software apply an effective tax rate of 25% since year 2012 in accordance with the Income Tax Law of the People's Republic of China. Vtion Communication, Vtion Anzhuo and Vtion Servicc 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 k€ 462 in Q1 2012 based on an effective tax rate of 25% in China. Vtion Wireless Technology AG accumulated a net tax loss under German GAAP. So altogether Vtion Group recorded a net income tax expense of k€ 462 in Q1 2012.

NET PROFIT AND EPS

Net profit in the first three months of 2012 amounted to € 2.1 million, a decrease of 7% year-on-year. The earnings per share in Q1 2012 was EUR 0.14, remaining stable year-on-year.[6]

NET PROFIT MARGIN

The net profit margin decreased from 18% in Q1 2011 to 12% in Q1 2012. This decrease mainly resulted from the decrease of the foreign exchange gain.

[6] Computed on the basis of weighted average 15,176,960 shares for Q1 2012, and weighted average 15,980,000 shares for Q1 2011 respectively.

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of March 31, 2012 and December 31, 2011

	Mar. 31, 2012	Dec. 31, 2011
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	2,134	2,360
Trade receivables	21,672	22,741
Other receivables	3,865	5,072
Amounts due from related parties	131	1,062
Cash and cash equivalents	123,481	124,516
	151,283	**155,751**
Non-current assets		
Property, plant and equipment	1,030	1,122
Land use rights	571	592
Intangible assets	884	924
Deferred tax assets	655	668
	3,140	3,306
Total assets	**154,423**	**159,057**
LIABILITIES		
Current liabilities		
Short-term loans		
Trade payables	12,192	13,937
Other payables	4,570	5,056
Provisions	371	391
Amounts due to related parties	26	12
Income tax payable	701	450
Non-current liabilities		
Deferred tax liability	0	234
Total liabilities	**17,860**	**20,080**
CAPITAL AND RESERVES		
Share capital	15,980	15,980
Treasury stock	-858	-748
Capital reserves	45,954	46,231
Retained earnings	55,815	53,679
Foreign exchange differences	19,672	23,835
Total equity	**136,563**	**138,977**
Total liabilities and equity	**154,423**	**159,057**
Equity to total assets ratio	88%	87%

Current Assets

INVENTORIES

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

	Mar. 31, 2012	Dec. 31, 2011
	kEUR	kEUR
Goods and material	1,941	1,600
Advances to suppliers	193	760
	2,134	**2,360**

Inventories decreased from k€ 2,360 as at 31 December 2011 by k€ 226, or 10%, to k€ 2,134 as at 31 March 2012. There was an increase in goods and materials, but a decrease in advances to suppliers. The increase of goods and materials was primarily due to the merchandise of upgrade version wireless data cards and "PC to TV".

TRADE RECEIVABLES

Trade receivables decreased from k€ 22,741 as at 31 December 2011 by k€1,068, or 5%, to EUR 21,673 as at 31 March 2012. If excluding the impact of exchange differences arising from currency translation, trade receivables actually decreased by 2% due to accelerated collection of receivables in Q1 2012. The amount of trade receivable with a maturity of less than 90 days as at 31 March 2012 represented 82% of total trade receivable as at 31 March 2012, an improvement of 10 percentage points compared with that as at 31 December 2011.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments decreased from k€ 5,072 as at 31 December 2011 by k€ 1,207, or 24%, to k€ 3,865 as at 31 March 2012. The decrease was mainly resulted from the decrease of prepayments to suppliers.

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties decreased from k€ 1,062 as at 31 December 2011 by k€ 931 or 88%, to k€ 131 as at 31 March 2012, primarily due to receiving the amounts due from Fujian Vtion Telecom Information Service, Co., Ltd.

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 к€ 123,481 as at 31 March 2012. For a description of the changes in the first three months of 2012, see "Cash Flow Statement" in this section.

	Mar. 31, 2012	Dec. 31, 2011
	kEUR	kEUR
Cash on hand	30	32
Cash in banks	121,608	121,358
Deposit on bank's acceptance bill	1,843	3,126
	123,481	**124,516**

Non-current assets

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased from κ€ 1,122 as at 31 December 2011 by κ€ 92, or 8%, to κ€ 1,030 as at 31 March 2012. This mainly resulted from the depreciation charges, partly offset by the purchase of electronic equipment and office equipment.

INTANGIBLE ASSETS

Intangible assets decreased from k€ 924 at 31 December 2011 by k€ 40, or 4%, to k€ 884 at 31 March 2012. This was mainly due to the amortization of intangible assets, partly offset by the purchase of software in Vtion Anzhuo and trademark registration fees incurred in Q1 2012.

Liabilities

TRADE PAYABLES AND NOTES PAYABLE

Trade and notes payable decreased from k€ 13,937 as at 31 December 2011 by k€ 1,745, or 13% to k€ 12,192 as at 31 March 2012. If excluding the impact of exchange differences arising from currency translation, the trade and notes payable in term of RMB decreased by 10%, mainly resulted from the payment of bank notes (RMB 20 million) due in Q1 2012, partly offset by the increase of trade payable.

OTHER PAYABLES

Other payables decreased from k€ 5,056 as at 31 December 2011 by k€ 486, or 10% to k€ 4,570 as at 31 March 2012, mainly resulted from the decrease of VAT payable after the payment in Q1 2012 and the decrease of advances from customers

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio slightly increased from 87% as at 31 December 2011 to 88% as at 31 March 2012.

Financial Position

CASH FLOW STATEMENT

The following table was extracted from the cash flow data of the Company which was derived from the Company's consolidated financial statements under IFRS for Q1 2012 and Q1 2011.

	Q1 2012	Q1 2011
	kEUR	kEUR
Operating cash flow before working capital changes	2,079	1,154
Cash generated from/(used in) operations	3,525	10,401
Net cash generated from operating activities	3,240	10,172
Cash flow used in investing activities	-72	-40
Cash flow from financing activities	-387	0
Net increase in cash and cash equivalents	**2,781**	**10,132**
Cash at beginning of year	124,516	98,961
Foreign exchange difference	-3,816	-5,063
Cash at end of the period	**123,481**	**104,030**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a positive net cash flow from operations amounting to k€ 3,240 in the first three months of 2012, representing a decrease by k€ 6,932 compared with the net cash of k€ 10,172 generated from operating activities in Q1 2011. This decrease was mainly due to a decrease of collection of trade receivables. This effect was partly offset by the increase in operating cash flow before working capital changes.

CASH FLOW FROM FINANCING ACTIVITIES

The net cash outflow in financing activities in Q1 2012 amounted to k€ 387 used in the share buy-back program.

CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to k€ 123,481 as at 31 March 2012, which decreased by k€ 1,035 from the balance as at 31 December 2011. If excluding the impact of exchange differences arising from currency translation, Cash at the end of the period increased by 22.4 million in term of RMB from the balance as at 31 December 2011. The significant increase completely resulted from the significant cash inflow from operating activities.

Human Resource

Vtion concluded Q1 2012 with 243 employees, evidence of the company's determination to maintain a lean cost structure. Vtion finished the full year of 2011 with 248 employees. The total number of employees decreased over the course of Q1 2012, because number of sales and marketing personnel representing the vast majority of Vtion's employees decreased from 115 to 85. This decrease included 18 people who were reclassified from sales and marketing function into R&D function. The number of R&D department's employees increased from 31 to 59. Administrative personnel are still the second largest group, with 73 persons. Though Vtion's production is outsourced, the company does have an 11-person production department; these employees are primarily focused on product specification, testing and software interface. Vtion still has 10 employees in its customer service call center and a 5-member management board. Vtion's newest subsidiary, Vtion Anzhuo, which is focused on the design, integration and distribution of mobile applications for the Android platform in China, currently is comprised of 51 people. Of these personnel, 13 are Administrative, 17 are in R&D and 21 are in Sales and Marketing

Research and Development

Vtion's wireless data terminal R&D activities center around the development of wireless data cards, routers and the company's PCtoTV products. Currently, Vtion offers 2 models of wireless data cards for China Mobile's TD-SCDMA network. Vtion offers 4 models for China Unicom's network including 1 model for the newer 3.5G HSPA+ technology. For China Telecom's EVDO network the company offers 3 models. The company also offers wireless routers for both China Unicom and China Telecom, with models available for both companies' 3G and 3.5G technology. Vtion does not currently offer a wireless router for China Mobile's network, though it will release a 4G TD-LTE router in the second half of the year when China Mobile begins rolling out and building up this network.

The strength of Vtion's wireless data terminal R&D is based on the company's understanding of telecom operators' requirements, the ability to develop specifications and the close work with suppliers to ensure quality. Though production is outsourced, Vtion's unique design capability ensures that it continues to provide products with industry-leading quality for the Chinese market in its wireless data terminal segment.

In the wireless intelligent terminal business segment, Vtion's value chain is largely the same as that of wireless data terminals, with in-house product design and specification and outsourced production. Vtion's tablet PCs are high value for money products as they are designed with high quality but sold at a price level below that of major international brands. Vtion will continue developing new tablet PC products based on market trends.

In Vtion's mobile applications business segment, the company relies on a worldwide procurement model to seek out developers and applications that the company will be able to effectively distribute. However, Vtion also does mobile application development in-house, particularly the applications it has designed for the insurance industry. Vtion's on-going R&D activities in the mobile applications space involve developing new applications, optimizing existing applications and optimizing the company's online store and distribution software.

Risk Report

RISK AND OPPORTUNITY MANAGEMENT

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

The Vtion Group deploys accounting, control, and planning tools as an integral part of the risk management process. To closely monitor business development and risks, management regularly conducts sales volume and structural analysis, gross margin analysis, liquidity analysis and monitors the development of accounts receivable. Monthly and quarterly financial reporting processes are 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 unfavorable variations between actual and budget figures are identified and analyzed which serves as the basis of developing corrective measures.

An internal audit department has already been set up and is working to ensure the relevant policies and procedures are in place to safeguard shareholder value. 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 for the group as a whole, and within individual companies.

The largest shareholder, Mr. Chen Guoping, is the CEO of the company and involved in the day-to-day business management. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests. In addition, Vtion's Supervisory Board, Strategic Committee, auditors and other third party consultants help the company to appropriately manage 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.

Report on Post-Balance Sheet Date Events

DIVIDEND DISTRIBUTION

On 18 April, 2012, the Supervisory Board agreed with the suggestion of the Management Board to distribute a dividend in 2012 for 15% of the realized net profit in 2011.

ADDITIONAL INVESTMENT TO VTION ANZHUO

Per the agreement signed on 30 March, 2012, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 10 million and fully paid in 12 April, 2012. After the additional investment, the registered capital of Vtion Anzhuo increases to RMB 20 million and Vtion Software still holds 100% of shares of Vtion Anzhuo. All the other related procedures and executions were already finished by the end of April, 2012.

At the time of publication there were no other significant post-balance sheet date events to report.

Outlook

For 2012, Vtion expects revenue of Euro 80 million to Euro 100 million, the bottom end of which would imply growth of approximately 5% compared to 2011. Vtion believes a minimum of 5% revenue growth is sustainable for the next three years at a minimum, relying only on organic growth of the company businesses. Vtion's expectation for its operating margin (EBIT basis) is that it will remain consistent for the next two years as well, which implies a margin of approximately 10%. Vtion expects that though it will encounter pricing pressure in its hardware business, namely the wireless data terminal and wireless intelligent terminal segments, it has a strong handle on costs and will be able to offset pricing pressure to a significant extent for the next two years. Further, in the mobile applications business, operated through the subsidiary Vtion Anzhuo, the company expects to see an operating margin of 15%-18%, which will help enhance the company's overall operating margin.

Vtion expects that the wireless data terminal business segment will remain profitable for at least the next two years and contribute to approximately 50% of revenues over the course of 2012. Though the company does not expect this to again become a growth driver, it views this business segment as stable income source that generates strong cash flow and is able to support the newer growth-driving businesses.

Vtion expects to see an EBIT margin of approximately 15% in its wireless intelligent terminal business segment, a segment that could grow to account for over 50% of total revenues within the next three years. Though there is strong competition in the consumer space for these products, Vtion expects both higher margins and stable sales by selling mobile computing hardware and imbedded application solutions to insurance industry clients.

Vtion Anzhuo is expected to contribute 15%-20% of total company revenue by 2015. Though its contribution in 2012 will be minimal, this is the highest-margin business for the company and one that management looks upon most favorably as a future growth driver, given the massive potential of the market. Vtion will continue to operate a business model divided into the aforementioned three major segments, and expects to maintain steady revenue growth through organic development at approximately a 10% EBIT margin for the next three years at minimum

Frankfurt/Main, May 13, 2012

Management Board

Chen Gouping Zheng Hongbo Ding Chaojie Fei Ping He Zhihong

Financial Statements Vtion Wireless Technology AG

Consolidated Statement of Comprehensive Income

for the period from January 1 to March 31, 2012

	Notes	Q1 2012	Q1 2011
		EUR	EUR
Sales	6.1,6.2	17,846,063	12,617,100
Cost of sales		-14,229,836	-10,036,285
Gross Profit		**3,616,228**	**2,580,815**
Other operating income	6.1	3,682	656
Selling and distribution expenses		-600,556	-460,653
Administrative expenses		-1,091,855	-1,086,141
Other operating expenses		-1,348	-781
Profit from operations		**1,926,151**	**1,033,897**
Finance income	6.1	188,127	152,197
Finance expenses	6.5	-5,044	-14,298
Foreign exchange gain	6.1	489,160	1,301,713
Profit before income tax		**2,598,394**	**2,473,510**
Income tax	6.6, 6.7	-461,587	-172,505
Profit for the period		**2,136,807**	**2,301,005**
Other comprehensive income:			
Exchange differences on translating foreign operations		-4,162,596	-6,772,097
Other comprehensive income for the period		**-4,162,596**	**-6,772,097**
Total comprehensive income for the period		**-2,025,789**	**-4,471,092**
Earnings per share (basic and diluted)*		0.14	0.14

*Computed on the basis of weighted average 15,176,960 shares for Q1 2012, and weighted average 15,980,000 shares for Q1 2011, 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 March 31, 2012

	Notes	Mar. 31, 2012	Dec. 31, 2011
		EUR	EUR
ASSETS			
Current assets			
Inventories	*7.1*	2,134,398	2,360,143
Trade receivables	*7.2*	21,672,523	22,741,227
Other receivables	*7.2*	3,864,814	5,071,780
Amounts due from related parties	*7.3*	130,608	1,061,555
Cash and cash equivalents	*7.4*	123,481,341	124,515,642
		151,283,683	**155,750,347**
Non-current assets			
Property, plant and equipment		1,029,849	1,121,595
Land use rights		570,947	591,706
Intangible assets		883,942	924,384
Deferred tax assets	*7.5*	654,789	668,291
		3,139,528	3,305,976
Total assets		**154,423,211**	**159,056,323**
LIABILITIES			
Current liabilities			
Trade payables	*7.6*	12,191,982	13,936,526
Other payables	*7.6*	4,569,579	5,056,168
Provisions	*7.7*	370,943	391,040
Amounts due to related parties		26,267	12,257
Income tax payable		701,247	450,445
Non-current liabilities			
Deferred tax liabilities	*7.8*	0	233,611
Total liabilities		**17,860,018**	**20,080,047**
CAPITAL AND RESERVES			
Share capital		15,980,000	15,980,000
Treasury stock		-857,632	-747,602
Capital reserves		45,953,824	46,231,087
Retained earnings		55,815,243	53,678,437
Foreign exchange differences		19,671,758	23,834,354
Total equity		136,563,193	138,976,276
Total liabilities and equity		**154,423,211**	**159,056,323**

Consolidated Statement of Changes in Equity

for the period from January 1 to March 31, 2012

in €	Share capital Vtion AG	Treasury stocks	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2010	15,980,000	-	48,162,668	51,705,264	13,538,995	129,386,927
Buy-back ordinary share						-
Dividend distribution	-					-
Total comprehensive income for the period	-			2,301,005	-6,772,097	-4,471,092
Balance as at March 31, 2011	15,980,000	-	48,162,668	54,006,269	6,766,897	124,915,835
Balance as at December 31, 2011	15,980,000	- 747,602	46,231,088	53,678,437	23,834,354	138,976,276
Buy-back ordinary share		-110,030	-277,263			-387,293
Dividend distribution	-					-
Total comprehensive income for the period	-			2,136,807	-4,162,596	-2,025,790
Balance as at March 31, 2012	15,980,000	-857,632	45,953,824	55,815,243	19,671,758	136,563,193

Total comprehensive income for the period comprises the other comprehensive income of EUR -4,162,596 (Q1 2011: EUR -6,772,097) due to the foreign exchange differences. The foreign exchange difference is a technical effect that does not affect the cash position of Vtion.

Consolidated Cash Flow Statement

for the period from January 1 to March 31, 2012

	Q1 2012	Q1 2011
	EUR	EUR
Profit before income tax	**2,598,394**	**2,473,510**
Adjustments for:		
Amortization of intangible assets and land use rights	66,904	43,761
Allowance for doubtful trade debts	-	-
Depreciation of property, plant and equipment	85,772	75,785
Loss on disposal of property, plant and equipment	15	652
Interest income	-188,127	-152,197
Interest expense	-	
Bank charges	5,044	14,298
Foreign exchange loss	-489,160	-1,301,713
Operating cash flow before working capital changes	**2,078,842**	**1,154,094**
Working capital changes:		
(Increase)/decrease in:		
Inventories	225,745	-9,110
Trade receivables	1,068,703	13,547,225
Other receivables and prepayments	1,206,966	-70,801
Amounts due from related parties	930,949	85,588
Increase/(decrease) in:		
Trade payables	-1,744,544	-2,563,895
Other payables and provisions	-506,686	-1,505,854
Amounts due to related parties	14,011	10,654
Income tax payable	250,801	-246,773
Cash generated from/(used in) operations	**3,524,787**	**10,401,129**
Interest received	138,068	129,172
Interest expense	-	
Income tax paid	-422,758	-358,647
Net cash generated from operating activities	**3,240,097**	**10,171,654**
Cash flow from investing activities		
Purchase of intangible assets	-45,880	-
Purchase of land, property, plant and equipment	-25,974	-40,023
Disposal of land, property, plant and equipment		
Cash flow used in investing activities	**-71,854**	**-40,023**
Cash flow from financing activities		
Payment in connection with share buy-back	-387,293	
Increase in short-term bank borrowings		-
Interest paid		-
Dividend paid to shareholders		
Cash flow from financing activities	**-387,293**	**-**
Net increase in cash and cash equivalents	**2,780,949**	**10,131,631**
Cash at beginning of year	124,515,642	98,961,058
Foreign exchange difference	-3,815,250	-5,062,602
Cash at end of the period	**123,481,341**	**104,030,087**

Selected Notes to the Consolidated Financial Statements

for the period from January 1 to March 31, 2012

1. Background and Basis of Preparation

1.1 Basis of Preparation

The condensed interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), and/or International Accounting Standards (IAS) as adopted by International Accounting Standards Board (IASB) and by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) at the balance sheet date. The condensed interim consolidated financial statements comply with all IFRSs that had to be adopted by the balance sheet date. The interim financial statements are presented in Euro, and all monetary amounts are rounded to full Euro except when otherwise stated.

The following subsidiaries of Vtion Wireless Technology AG are consolidated. In summary:

in k €	Share	Equity Mar.31, 2012	Results from January 1 to March 31, 2012
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	1,176	-849[7]
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	91,659	1,745
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	18,124	65
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	827	-26
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	143	-330
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC	100%	116	-1

2. Significant accounting policies

The condensed interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU at the balance sheet date. The condensed interim consolidated financial statements comply with all IFRSs that had to be adopted by the balance sheet date.

With regard to the preparation of the interim consolidated financial statements, in accordance with IAS 34 <Interim Financial Reporting>, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates. In the interim consolidated financial statement as of March 31, 2012, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of December 31, 2011.

[7] Vtion BVI had an accounting loss k€ 849 in Q1 2012, mainly due to the foreign exchange loss. Since the EUR exchange rate to RMB rose up by 3.1% compared to the rate as of December 31 2011, Vtion BVI had to recognize a foreign exchange loss amounting to k€ 971 arising from the revaluation of amounts due to Vtion AG at the balance sheet date, which can be totally eliminated on the level of Vtion group and did not have an impact on the consolidated profit of Vtion Group in Q1 2012

3. Functional and Presentation Currency

The functional currency of the Group is Renminbi ("RMB") as the currency of the primary economic environment in which the Group operates. Because of its status as a German holding company, the presentation currency of the Group is EUR.

The currency rates for the translation from RMB to EUR are:

	RMB	
EUR	Q1 2012	Q1 2011
March 31	8.4089	9.3036
Average first 3 months	8.2692	9.0028

4. Impairment of Non-financial Assets, if any

In Q1 2012 and Q1 2011 no non-financial asset has been impaired, except as mentioned in note 7.1. For inventory an impairment provision of k€ 15 has been recorded as of March 31, 2012 (k€ 20 as of December 31, 2011).

5. Segment Analysis

A) Business Segment

Vtion Group's operating businesses are organized in three business segments, namely "Wireless Data Terminals", "Wireless Intelligent Terminals" and "All Other Segments". Since Vtion Group has not generated deferred revenue from Data Solution Service in 2012, Data Solution Service will be an immaterial segment from 2012. As a result, the information for Data Solution Service will be presented in "All Other Segments" segment in 2012 combined with others (disclosed in "Wireless Data Terminals and others" segment in 2011). The corresponding disclosure for the previous year is also adjusted to assure the segment information comparable.

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

	Segment revenue		Segment profit	
	Period from Jan. 1 to Mar. 31, 2012	Period from Jan. 1 to Mar. 31, 2011	Period from Jan. 1 to Mar. 31, 2012	Period from Jan. 1 to Mar. 31, 2011
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	13,941	9,848	2,363	775
Wireless Intelligent Terminal	3,887	2,407	293	336
All Other Segments	18	362	-382	247
Total for continuing operations	**17,846**	**12,617**	**2,274**	**1,358**
Central administration costs			-348	-324
Finance income			672	1,440
Profit before tax (continuing operations)			**2,598**	**2,474**

6. Notes to the Consolidated Statement of Comprehensive Income

6.1 TOTAL INCOME

	Q1 2012	Q1 2011
	EUR	EUR
Sale of goods	**17,846,063**	**12,617,100**
Other operating income		
Government grant	3,628	545
Service income	54	111
	3,682	**656**
Finance income		
Interest income	188,127	152,197
Foreign exchange gain	489,160	1,301,713
	677,287	**1,453,910**
Total income	**18,527,032**	**14,071,666**

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

Government grants represent the subsidies from the PRC government. In Q1 2012, the government grant was a rebate k€ 4 for exhibitions by the government of Fujian province.

Since the exchange rate as of March 31, 2012 from EUR to RMB was increased by 3.1% compared with the rate as of December 31, 2011, the company recognized k€ 489 of foreign exchange gain in Q1 2012.

6.2 Split-up of Sales

Split-up of sales	Q1 2012 EUR	Q1 2011 EUR
Sales to external customers		
Wireless Data Terminals	13,941,263	9,847,571
Wireless Intelligent Terminals	3,886,871	2,407,079
All Other Segments	17,929	362,450
	17,846,063	**12,617,100**

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.

6.3 Average number of employees/Payroll costs

	Q1 2012	Q1 2011
Average number of employees		
Management and administration	99	117
Research and development	56	27
Sales	84	65
	239	**209**

	Q1 2012 EUR	Q1 2011 EUR
Payroll costs		
Wages and salaries	520,931	329,288
Social security costs	103,710	68,663
Welfare	15,777	18,453
	640,417	**416,404**

6.4 Amortization of Intangible Assets and Land use rights and Depreciation of Property, Plant and Equipment

	Q1 2012 EUR	Q1 2011 EUR
Amortization of intangible assets and land use rights		
Software	43,045	6,302
Licenses	20,646	34,507
Land use rights	3,214	2,952
	66,904	43,761
Depreciation of property, plant and equipment	85,772	75,785
Total of amortization and depreciation	**152,676**	**119,546**

Except EUR 37,097 of amortization of intangible assets was booked as part of "cost of sales" for new software business operated by Vtion Anzhuo in Q1 2012, the remaining amortization of intangible assets was booked in "Administrative expenses" in Q1 2012.

6.5 Finance Expenses

	Q1 2012	Q1 2011
	EUR	EUR
Finance Expense		
Bank charges	5,044	14,298
	5,044	**14,298**

6.6 Income Tax

	Q1 2012	Q1 2011
	EUR	EUR
Current income tax (ordinary activities)	698,562	134,465
Deferred income tax induced by:		
-temporary differences	-229,322	40,447
-tax loss carry forward	-7,652	-2,407
Income tax recognized in profit and loss	**461,587**	**172,505**

6.7 Applicable Tax Rate

As the 50% tax exemption time expired at December 31, 2011, both Vtion IT and Vtion Software apply an effective tax rate of 25% since year 2012 in accordance with the Income Tax Law of the People's Republic of China.

Vtion Communication, Vtion Anzhuo and Vtion Service incurred accounting losses for the first three months of operation, and accumulated net losses as of March 31, 2012, therefore had no taxable income in Q1 2012.

7. Notes to the Consolidated Statement of Financial Position

7.1 Inventories

	Mar. 31, 2012	Dec. 31, 2011
	EUR	**EUR**
Inventory-advances to supplier	193,017	760,602
Goods and material	1,956,665	1,620,035
Less: stock provision	-15,284	-20,494
	2,134,398	**2,360,143**

7.2 Trade and other Receivables

	Mar. 31, 2012	Dec. 31, 2011
	EUR	EUR
Trade receivables		
Trade receivables	21,694,203	22,763,571
Allowance for trade receivables	(21,680)	(22,344)
	21,672,523	**22,741,227**

	Mar. 31, 2012	Dec. 31, 2011
	EUR	EUR
Other receivables		
Other receivables	3,758,717	4,963,417
Prepaid expenses	106,097	108,363
	3,864,814	**5,071,780**

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

7.3 Amounts due from related parties

Amounts due from related parties are non-interest bearing and are repayable on demand. All related parties receivables are without collateral and are to be settled in cash. There is no allowance for doubtful debts arising from the non-trade outstanding balance.

	Mar. 31, 2012	Dec. 31, 2011
Related parties	EUR	EUR
Amount due from related parties - trade	0	933,313
Amount due from related parties - non-trade	130,608	128,242
	130,608	**1,061,555**

7.4 Cash and Cash Equivalents

	Mar. 31, 2012	Dec. 31, 2011
	EUR	EUR
Cash on hand	29,615	32,282
Cash in banks	121,608,351	121,357,809
– of Mainland China	109,971,022	109,243,597
– of Germany and offshore	11,637,329	12,114,212
Deposit on bank's acceptance bill (in China)	1,843,374	3,125,552
	123,481,341	**124,515,642**

The deposit on bank's acceptance bill is pledged.

Among the balance of cash and cash equivalents as of March 31, 2012, EUR 111,814 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.

7.5 Deferred Tax Assets

Vtion IT, Vtion Software and Vtion Communication 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 a tax loss under German GAAP till March 31, 2012. At the balance sheet date the company didn't adjust the estimation of net taxable income of the next five years which was basis for the calculation of deferred tax asset.

7.6 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 31 million and decreased by RMB 20 million as compared with that as of December 31, 2011. 50% of the funds received (kEUR 1,843) are kept as a cash deposit on bank acceptance bills. Please see "cash and cash equivalents".

	Mar. 31, 2012	Dec. 31, 2011
	EUR	EUR
Other payables		
VAT payable	1,703,665	2,056,301
Other payable	2,731,634	2,786,526
Advances from customers	904	88,290
Other tax payables	133,376	125,051
	4,569,579	**5,056,168**

Other payable included the cumulative rebates payable to copyright holder amounting to EUR 2,632 thousand.

7.7 Provisions

	Mar. 31, 2012	Dec. 31, 2011
	EUR	EUR
Provisions		
Accrued payroll	214,574	267,996
Other accruals	156,369	123,044
	370,943	**391,040**

7.8 Deferred tax liabilities

Due to good collection of receivables, there was no deferred tax liabilities based on different trade receivables recognized and different revenue recognized in connection with data solution service.

8. Notes - other

8.1 Contingent Liabilities

The Company does not have any contingent liabilities as at March 31, 2012.

8.2 Related Party Disclosures

Sales and Purchase of Goods and Service

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

	Q1 2012	Q1 2011
	EUR	EUR
Sales of finished goods to a related party	0	360,465
Rental fee paid to a related party	33,377	23,326
	33,377	**383,791**

9. Events after Balance Sheet Date

Dividend Distribution

On 18 April, 2012, the Supervisory Board agreed with the suggestion of the Management Board to distribute a dividend in 2012 for 15% of the realized net profit in 2011.

Additional Investment to Vtion Anzhuo

Per the agreement signed on 30 March, 2012, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 10 million and fully paid in 12 April, 2012. After the additional investment, the registered capital of Vtion Anzhuo increases to RMB 20 million and Vtion Software still holds 100% of shares of Vtion Anzhuo. All the other related procedures and executions were already finished by the end of April, 2012.

Other Developments

At the time of publication there were no other significant post-balance sheet date events to report.

10. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2012.

Frankfurt, May 13, 2012

Chen Guoping Zheng Hongbo Ding Chaojie Fei Ping He Zhihong

Responsibility Statement of the Management

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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, May 13, 2012

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

INTERIM REPORT 1ST QUARTER 2012

Monday, May 14, 2012

ANNUAL GENERAL MEETING, FRANKFURT

Tuesday, June 26, 2012

PUBLICATION OF

INTERIM REPORT 2ND QUARTER 2012

Monday, August 13, 2012

PUBLICATION OF

INTERIM REPORT 3RD QUARTER 2012

Thursday, November 15, 2012

VTION WIRELESS TECHNOLOGY AG

www.vtion.com.cn