

Q1-2015

INTERIM REPORT

Vtion Wireless Technology at a glance

		Q1 2015	Q1 2014	+/- %
Revenues	million €	9.54	10.95	-13
Gross profit	million €	2.06	2.19	-6
Gross profit margin	%	22	20	2 PP
EBITDA	million €	0.78	0.79	-1
EBITDA margin	%	8	7	1 PP
EBIT	million €	0.64	0.67	-4
EBIT margin	%	7	6	1 PP
Net profit	million €	0.36	0.76	-53
Net profit margin	%	4	7	-3 PP
Earnings per share	€	0.03	0.06	-50
Net Cash flow from operations	million €	4.84	0.14	3,357

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 228 employees, with offices in Fuzhou, Beijing and Frankfurt.

Content

The Company	
3	Letter from Vtion's CEO
4	Highlights
5	The Share
Interim Management Report	
8	Business and Operating Environment
9	Results of Operations
14	Balance Sheet Structure
15	Current Assets
16	Non-current Assets
16	Liabilities
16	Equity
17	Financial Position
18	Human Resource
18	Research and Development
19	Risk Report
19	Report on Post-Balance Sheet Date Events
20	Outlook
Consolidated Financial Statements	
21	Consolidated Statement of Comprehensive Income
22	Consolidated Statement of Financial Position
23	Consolidated Statement of Changes in Equity
24	Consolidated Cash Flows Statement
25	Selected Notes to the Consolidated Financial Statements
36	Responsibility Statement by the Management
37	Credits, Financial Calendar

Letter from Vtion's CEO

Dear Fellow Shareholders,

I am pleased to present you our Q1 results for 2015. Consistent with our expectations, the first quarter was quite slow, as has been typical of our results in previous years. This was due to both the fact that network investments on the part of the major telecom operators are yet to fully ramp up this early in the year and because we lost a week of business due to the Spring Festival holiday. While we expect the remainder of the year to stay quite difficult operationally, our market should improve slightly later in the year in comparison to Q1.

For the first quarter we achieved revenues of EUR 9.54 million, representing a decrease of 13% in comparison to the same quarter a year ago. However, despite the drop in revenue, I am proud to report that we maintained a strong operating margin of 7%, which is actually one percent point higher than in the same period of last year. I attribute this to our very strict cost control at all levels of management, as well as the fact that we have maintained good relationships with clients and suppliers even in these trying times.

We have recognized that our ventures into software-related businesses have yet to bear fruit, and are in the process of adjusting our strategy accordingly. In the mobile applications space, the Chinese market is defined by a cutthroat competition for users, where massive investments are required to build a user base in a market where monetization models remain immature and ill-defined. Therefore, instead of joining this competition and the massive investments it would entail, we decided to divest our wholly-owned subsidiary Vtion Anzhuo through a management buyout. We believe this is a win-win for both parties, as Vtion will no longer need to consolidate the annual loss made by Vtion Anzhuo in our financial statements, and the management team at Anzhuo now has the freedom and motivation to develop the business as they see fit.

Electing to divest this subsidiary is part of a strategic re-alignment to re-focus on our core strengths, particularly in the hardware market. While margins remain in sharp decline for more generic hardware products, we are currently focusing on specific-use products that due to their more specialized nature generally command higher selling prices. For example, we have seen strong results from our tax information data module, which is imbedded in receipt printing machines to record and send data to provincial-level tax authorities. We are currently developing further special-use hardware products along these lines, in order to use our core competencies in a higher-margin market.

Further, we have increased the development of our 4G wireless router products, as we expect that market to expand greatly over the course of this year. For 2014, China Mobile with its TD-LTE network, was the only major player in China's 4G market. Over the course of 2015 we expect that China Unicom and China Telecom, having now received their own licenses for 4G technologies, will make significant investments in their networks. We thus are now prepared to offer wireless routers for both of their 4G technologies, as we expect demand to emerge over the course of this year.

While we are re-focusing our efforts on the traditional core competencies of our company, we still expect this year to remain difficult from an operational standpoint. For the year, we expect revenue of EUR 37 million, which would represent a further decrease compared to 2014. However, we expect our operating margin to remain consistent with that of last year, at approximately 6%.

I again thank you for your continued support and assure you that our management team is working tirelessly to make our strategic transition a successful one.

Best Regards,

Chen Guoping

CEO

Vtion Wireless Technology AG

Highlights

Profitability Maintained

Vtion maintained an EBIT margin of 7% in Q1 2015, consistent with that of the full year 2014 and an improvement of 1 percentage point compared to the same period a year ago. Despite declining revenues, strict cost control has kept Vtion profitable.

Strategic Re-Orientation

With the sale of the company's software-related businesses through the management buyout of Vtion Anzhuo, the company is now exclusively focused on using its traditional core strengths in the mobile connectivity space, particularly through expanding its offerings of specific-use data terminals.

Healthy Balance Sheet

Vtion finished the quarter with a cash position of EUR 164 million, which provides the company with security in an uncertain operating environment. The company's equity ratio at the end of the quarter stood at 93%.

Outlook

Vtion expects to achieve revenue of around EUR 37 million for the full year in 2015, with an EBIT margin of approximately 6%.

The Share

Market Environment

The announcements initiated by ECB President Draghi concerning „quantitative easing“ continued to impact the stock markets in the first quarter of 2015. And furthermore they continued their upward trends because of missing alternative investment opportunities and low interest rates. The stocks market could clearly continue their positive momentum. On January 15th the Swiss National Bank gave up its exchange rate policy concerning the Euro (1.20 Francs for a Euro) which meant a heavy burden for the Swiss economy and the tourist business. In the first reaction, the stock markets dropped but finally were pushed by ECB President Draghi's EUR 60 billion. Quantitative Easing Program, beginning in March 2015 and ending in September 2016. This program, totalling EUR 1.140 trillion for investments and structural reforms, was well above expectations and propelled the German Stock Market to several new all-time highs. In Germany the IFO Business Climate Index could climb the fourth time in a row to 106.8 points in February and also the GfK Consumer Climate Index could gain to 9.7 points for March. The last estimates for the GDP growth in Germany in 2015 were an increase of 2% for the full year. So Germany should furthermore be the economic engine for this year in the euro-zone. It has been the best quarter performance in the German market. As of March, the DAX increased by 22.03%, the MDAX by 22.14% and the TecDAX 17.80%. DAX and MDAX both made new all-time highs. The first quarter was furthermore strongly influenced by the monetary policy of the central banks. At the same time, the FED announced its strategy for a slow rate increase. The unemployment rate in the US had fallen to 5.5% in February and the Beige Book of the FED meanwhile showed further improvement of the US economy and implied a possible rate increase from June on with a more tightened monetary policy. As the negotiations between the lenders ECB, IMF and the EU partners dragged on and showed no results so far, the Euro further weakened against the US dollar and it finally fell to a twelve-year low of USD 1.0457 on March 15th. At its low, the Euro lost more than 12% against the US-Dollar since the beginning of the year. The exchange rate at the end of the month was USD 1.0728. In the euro zone the markets were stimulated by the fall of the Euro and more positive profit projections by the companies.

Vtion Share Performance

The reporting month of January 2015 was again characterized by volatile trading in the stock of Vtion Wireless Technology AG. In opposite to the global stock markets, the Vtion share price performed well in the first trading days of the year and rose to the high of the month of EUR 3.19 on January 8th. However, the stock fell back and traded in a fixed range between EUR 3.00 and EUR 3.099, before it came under pressure on January 27th again, trading at EUR 2.901 in the low on that day. In the last trading days of January, the stock recovered and closed the month at EUR 3.00. In February, the stock came heavily under pressure and fell to EUR 2.69 on February 4th. From these low levels, the stock price recovered strongly within the following days and climbed back to a price of EUR 3.01 on February 12th. In the second half of the month, the volatility remained high and the share price traded between EUR 2.70 and EUR 3.04. The average daily Xetra volume rose from 2,222 shares in January to 2,951 shares in the reporting month. And the share ended the reporting month with a discount of 3.37% at EUR 2.899. During the reporting month of March, the share price retreated and fell back to EUR 2.60 intraday on March 5th, marking the low of the month at that point. The daily trading average Xetra volume in March rose to 4,516 shares from 2,951 in February. In a positive stock market environment, the share price strongly increased and rose to EUR 3.04 on March 20th. The volatility that day was pretty high and rose to 6.2%. After reaching these high levels, the stock decreased again and the share price lost all the recent profits. A strong rebound in share price on March 30th brought the stock back to the level of the 38-day moving average line at EUR 2.85. On the last trading day, a very high volatility of nearly 9% was visible and the share price fluctuated between EUR 2.795 and EUR 3.04 to finally end the reporting month at EUR 2.795.

Sponsorship and Research Coverage

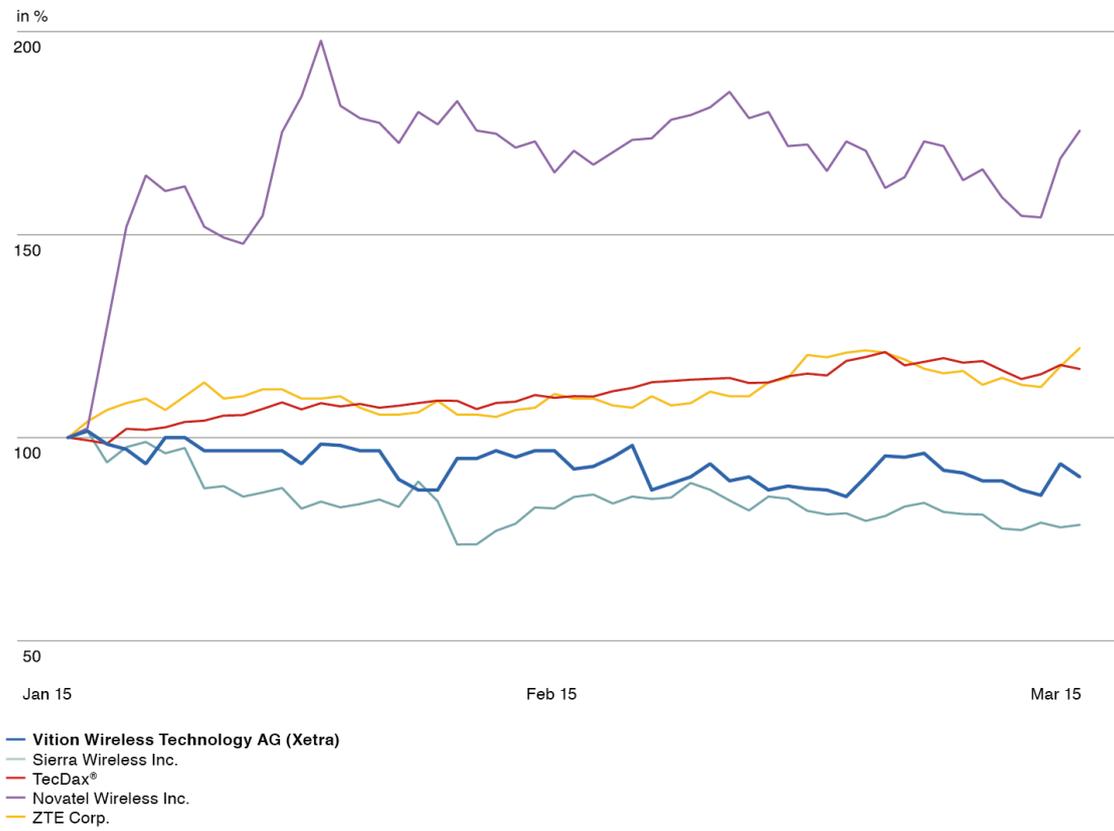
The company has had research coverage from M.M. Warburg since January 2010. Equinet AG is Vtion's market maker and designated sponsoring services provider.

Investor Relations

Vtion engages in roadshows in Europe throughout the year to reach both current shareholders and new potential investors. The company will present at the Germany Equity Capital Markets Forum in Frankfurt 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



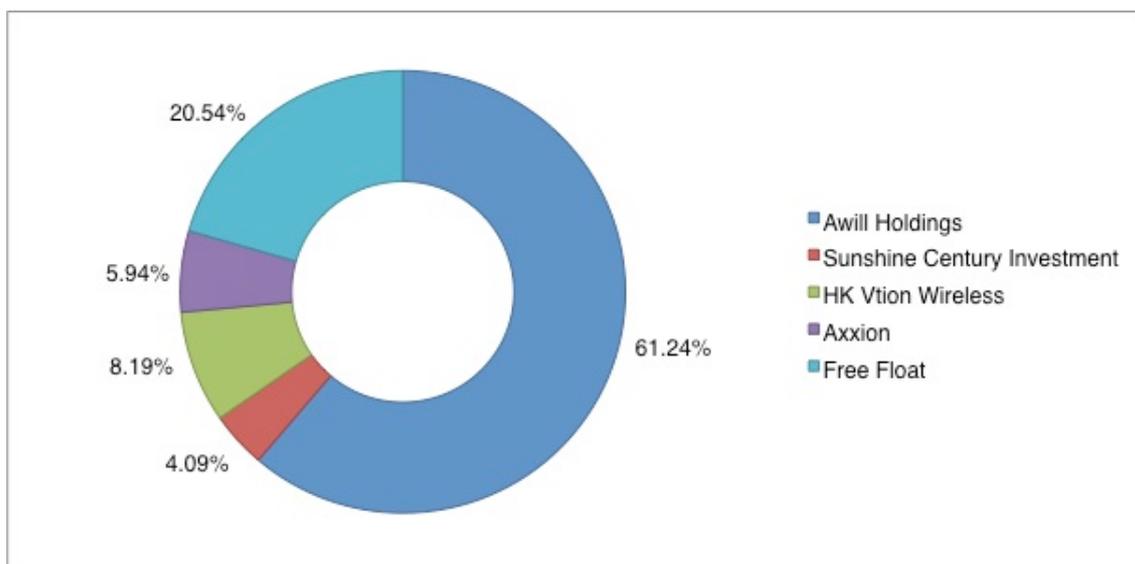
Vtion Master Data

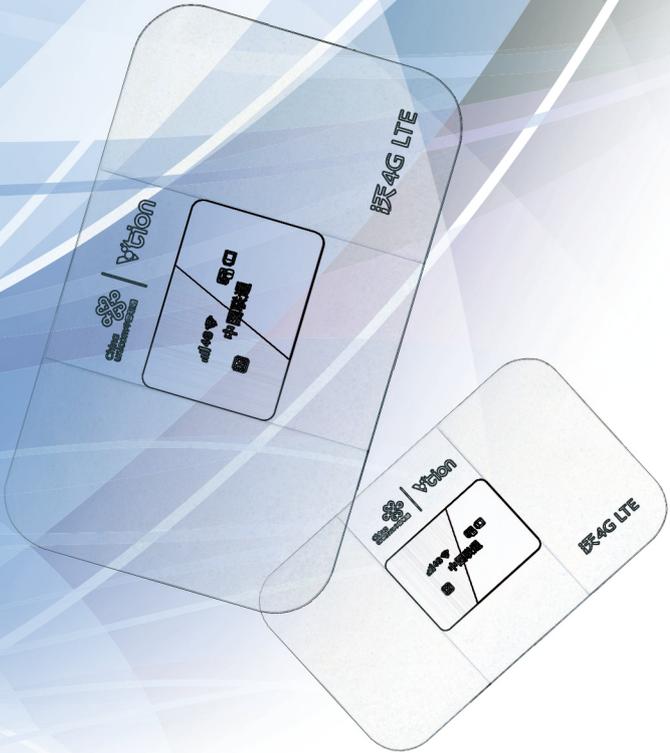
as of March 31, 2015

		March 31, 2015
Number of shares	Shares	12,213,640
Closing price	€	2.795
Market Cap.	Mio. €	34.137
Share price high (Jan 8th 2015)	€	3.19
Share price low (March 5th 2015)	€	2.60
Average trading volume per day	Shares	3,292

Vtion Shareholder Structure

as of March 31, 2015





INTERIM MANAGEMENT REPORT

Business and Operating Environment

OVERVIEW

Economic growth in China continued to slow over the course of the first quarter of 2015, registering 7.0%.¹ Though this is lower than the 7.4% achieved for the full year in 2014, it remains in line with the administration's stated target of "around 7%" for the full year. Weaker manufacturing data, however, has led many to question whether or not 7% can be achieved for the year.

Fiscal and monetary easing continued early in 2015, with further reductions of interest rates and reserve requirement ratios among the country's state-owned banks. Over the remainder of the year there could be further stimulus if it appears that growth is slowing to a point that it is beginning to affect employment levels. Currently the government is willing to allow slower growth in order to achieve a consumption-oriented transition in the economic structure, but will initiate stimulus measures when employment rates start to fall.

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 649 million, which represents a penetration rate of 47.9%.² User statistics have not yet been released for the first quarter of 2015, but overall growth is expected to again be strong.

A particular point of emphasis on the part of all three of the country's telecom operators has been to build out their 4G networks over the end of 2014 and particularly early in 2015. This is due to the fact that instead of only China Mobile having a 4G network operating license, as was the case for most of 2014, now China Telecom and China Unicom also boast 4G operating licenses, meaning that competition for users in the 4G space has intensified, as the networks look to switch users onto their networks. They have been quite successful in doing so, as Q1 2015 saw an increase in total 4G users nationwide of 60 million, bringing the total number of 4G users to 160 million.³ Vtion has been building up its product portfolio of 4G mobile routers over the course of Q1 2015 in order to take advantage of this development.

The vast majority of Vtion's revenues continue to derive from its hardware businesses, namely the wireless data terminal and mobile intelligent terminal business segments. While there was revenue contribution from the company's software-related businesses run through its wholly-owned subsidiary Vtion Anzhuo, the company's strategic orientation has largely returned to its traditional core competencies in the hardware space. To this end, Vtion Anzhuo was sold via a management buyout in March 2015, leaving the company with an exclusively hardware-centric business model. Overall sales were relatively slow in the first quarter 2015, due to the lost time resulting from the annual Spring Festival Holiday, and to the fact that build out of the 4G networks remains a work in progress for all three telecom operators, particularly the two newer 4G participants, China Telecom and China Unicom, which have also traditionally been Vtion's strongest clients

¹ http://www.stats.gov.cn/english/PressRelease/201504/t20150420_717716.html

² <http://www.cnnic.cn/hlwfzyj/hlwxzbg/201502/P020150203551802054676.pdf>

³ <http://www.chinainternetwatch.com/13279/4g-q1-2015/>

Results of Operations

INCOME STATEMENT – Group

Jan. 1 – March 31

	Q1 2015	Q1 2014	% change
	kEUR	kEUR	
Sales	9,541	10,952	-13
Cost of sales	-7,481	-8,758	-15
Gross profit	2,060	2,194	-6
Other operating income	43	0	n/a
Selling and distribution expenses	-386	-352	10
Administrative expenses	-1,074	-1,166	-8
Other operating expenses	0	-10	-100
Profit from operations (EBIT)	642	666	-4
Finance income	506	451	12
Finance expenses	-4	-5	-20
Foreign exchange gain or loss	-97	43	n/a
Profit before income tax	1,047	1,155	-9
Income tax	-692	-398	74
Profit for the period	355	757	-53
Earnings per share* (in EUR)	0.03	0.06	-50

* Computed on the basis of weighted average 12,213,640 shares for Q1 2015, weighted average 13,298,495 shares for Q1 2014 respectively.

SALES

In the first three months of 2015, sales amounted to EUR 9.5 million, decreased by EUR 1.5 million or 14% compared with the same period in 2014 (Q1 2014: EUR 11 million). If excluding the impact of exchange differences arising from currency translation, sales in Q1 2015 decreased by 27% in terms of RMB due to the decrease in the sales of all segments comprising “Wireless Data Terminals”, “Wireless Intelligent Terminals”, and “All Others”.

In Q1 2015, Vtion Group recognized EUR 9.3 million of revenue from the segment “Wireless Data Terminals”, which increased by 1% from EUR 9.2 million in Q1 2014. But if excluding the impact of exchange differences arising from currency translation, sales of the segment “Wireless Data Terminals” in Q1 2015 decreased by 14% in terms of RMB. The decrease in RMB was primarily due to the decrease in the sales of wireless data cards and wireless high definition shares, partly offset by the increase of sales of wireless routers. Sales of wireless data cards decreased to EUR 2.7 million in Q1 2015 from EUR 5.3 million in Q1 2014 by EUR 2.6 million, or 49%. If excluding the impact of exchange differences arising from currency translation, sales of wireless data cards decreased by 56% in terms of RMB in Q1 2015. The reason for the decreases was 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, which was partly offset by the increase of sales from wireless data cards downloaded with taxation software. Vtion generated EUR 1.3 million of revenue from wireless high definition shares (“PCtoTV”) in Q1 2015 (Q1 2014: EUR 1.2 million). If excluding the impact of exchange differences arising from currency translation, sales of “PCtoTV” decreased by 7% in terms of RMB in Q1 2015 as a result of a decrease of unit price for more sales volume. Vtion generated EUR 5.3 million of revenue from wireless routers, an increase of EUR 2.6 million, or 96% compared with the same period in 2014 (Q1 2014: EUR 2.7 million). If excluding the impact of exchange differences arising from currency translation, sales of wireless routers in Q1 2015 increased by 65% in terms of RMB compared with Q1 2014, 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.

In Q1 2015, Vtion Group recognized EUR 24 thousand of revenue from the segment “Wireless Intelligent Terminals”, which decreased by 98% from EUR 1,282 thousand in Q1 2014 due to the decrease in the sales of network camera and mobile trade. Sales of network camera decreased to EUR 0.5 thousand in Q1 2015 since Vtion has decided to exit the mobile camera business with telecom operators except some retail selling to individual consumers from the second half of 2014 (Q1 2014: EUR 963 thousand) resulting from more tax costs related to the original cooperation model owing to the tax discipline reform of telecommunication industry in China. Sales of mobile trade which comprised the sales of iPhone, other intelligent mobile phones and service income for supporting mobile package decreased to EUR 23.6 thousand in Q1 2015 (Q1 2014: EUR 319 thousand), mainly due to the decrease of service income for supporting mobile package sales.

In Q1 2015, sales from the segment “All Others” decreased to EUR 200 thousand by EUR 326 thousand, or 62% compared with the same period in 2014 (Q1 2014: EUR 526 thousand). The decrease was mainly due to the decrease of sales from health self-checking instrument in connection with mobile health care and service provided to Android application developers and mobile application stores, partly offset by an increase of sales from service in connection with mobile application mainly designed for insurance industry and revenue from China Unicom broadband project.

COST OF SALES

Cost of sales decreased to EUR 7.5 million in Q1 2015 by EUR 1.3 million, or 15% from EUR 8.8 million in Q1 2014. If excluding the impact of exchange differences arising from currency translation, cost of sales in Q1 2015 decreased by 28% in terms of RMB due to the decrease in the cost of sales of all segments.

Cost of sales of the segment “Wireless Data Terminals” decreased to EUR 7.3 million by 1% in Q1 2015 (Q1 2014: EUR 7.4 million). But if excluding the impact of exchange differences arising from currency translation, cost of sales of the segment “Wireless Data Terminals” in Q1 2015 decreased by 18% in terms of RMB. The decrease was mainly due to the decrease of sales volume of wireless data cards and wireless routers of the old versions, which was partly offset by the increase of sales volume of wireless data cards downloaded with taxation software, upgraded wireless router with High-Fidelity and 4G wireless routers. Cost of sales of wireless data cards decreased to EUR 2.1 million in Q1 2015 by 50% (Q1 2014: EUR 4.2 million). Cost of sales of “PCtoTV” increased to EUR 1.1 million in Q1 2015 (Q1 2014: EUR 0.9 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of “PCtoTV” decreased by 5% in terms of RMB in Q1 2015. Cost of sales of wireless routers increased to EUR 4.1 million in Q1 2015 by 78% (Q1 2014: EUR 2.3 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of wireless routers increased by 50% in terms of RMB.

Cost of sales of the segment “Wireless Intelligent Terminals” decreased to EUR 20 thousand by 98% in Q1 2015 (Q1 2014: EUR 1,001 thousand) due to the decrease in the cost of sales of network camera and mobile trade. Cost of sales of network camera decreased to EUR 0.4 thousand in Q1 2015 (Q1 2014:

EUR 747 thousand). Cost of sales of mobile trade decreased to EUR 19.7 thousand in Q1 2015 (Q1 2014: EUR 254 thousand).

Cost of sales of the segment "All others" decreased to EUR 199 thousand in Q1 2015 (Q1 2014: EUR 349 thousand). If excluding the impact of exchange differences arising from currency translation, cost of sales of the segment "All others" decrease by 52% in terms of RMB, mainly due to the decrease of sale volumes of health self-checking instrument in connection with mobile health care, partly offset by an increase of cost for service in connection with mobile application mainly designed for insurance industry and service provided to Android application developers and mobile application stores.

GROSS PROFIT

The overall gross profit margin was 22% in Q1 2015, a slight increase from a margin of 20% for the whole fiscal year 2014, and increased by 2 percentage points from 20% in Q1 2014. This increase was mainly due to a higher gross profit margin of 4G wireless routers and stable gross profit margin of wireless data cards, partly offset by the decrease of gross profit margins of the segments "Wireless Intelligent Terminals" and "All others".

OTHER OPERATING INCOME

Other operating income amounted to EUR 43 thousand resulting from the derecognition of other payables due to cancellation of liability in Q1 2015 (Q1 2014: EUR 487).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased from EUR 352 thousand in Q1 2014 by EUR 34 thousand, or 10%, to EUR 386 thousand in Q1 2015. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses decreased by 8% in terms of RMB in Q1 2015. The decrease was primarily due to a decrease in entertainment and marketing expenses and travel expenses, partly offset by the increase in salary and welfare.

The ratio of selling and distribution expenses to total sales was 4.0% in Q1 2015 and 3.2% in Q1 2014.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from EUR 1,166 thousand in Q1 2014 by EUR 92 thousand, or 8%, to EUR 1,074 thousand in Q1 2015. If excluding the impact of exchange differences arising from currency translation, administrative expenses decreased by 23% in terms of RMB in Q1 2015. The decrease was primarily due to a decrease in research and development expenses, partly offset by an increase of stock provision.

Research and development expenses decreased to EUR 52 thousand in Q1 2015 by EUR 272 thousand, or 84% from EUR 324 thousand in Q1 2014. The reason of the decrease was that development costs of EUR 172 thousand for Android application platform operated by Vtion Anzhuo were capitalized as part of intangible assets in Q1 2015.

The ratio of administrative expenses to total sales was 11.3% in Q1 2015 and 10.7% in Q1 2014.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations decreased to EUR 642 thousand in Q1 2015 by EUR 24 thousand, or 4%, from EUR 666 thousand in Q1 2014. If excluding the impact of exchange differences arising from currency translation, profit from operations decreased by 19% in terms of RMB in Q1 2015. The decrease was largely due to the decrease of sales and gross profit of wireless data cards, network camera and health self-checking instrument in connection with mobile health care, partly offset by the increase of gross profit of wireless routers in Q1 2015.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) was 6.7 % in Q1 2015 and slightly increased from that of 6.1% in Q1 2014. This resulted from an increase of overall gross profit margin and increased other operating income, but partly offset by an increase of ratios of operating expenses to total sales.

FINANCE INCOME AND FINANCE EXPENSES

Finance income comprises interest income earned from bank deposit. Finance income increased from EUR 451 thousand in Q1 2014 to EUR 506 thousand in Q1 2015. If excluding the impact of exchange differences arising from currency translation, finance income decreased by 6% in terms of RMB in Q1 2015.

Finance expenses comprise bank charges. Finance expenses amounted to EUR 4 thousand in Q1 2015 (Q1 2014: EUR 5 thousand).

FOREIGN EXCHANGE GAIN OR LOSS

Since the functional currency of Vtion Group is RMB, the Group recognized foreign exchange loss of EUR 97 thousand in Q1 2015 (Q1 2014: EUR 43 thousand foreign exchange gain) arising from revaluing liquid assets and liabilities of Vtion Group at the balance sheet date. As of 31 March 2015, Euro to RMB exchange rate dropped to 6.671 by 11% from 7.5358 as at 31 December 2014, which had a negative impact on the valuation of assets denominated in Euros.

INCOME TAX

Income tax mainly comprises taxation actually payable. Vtion IT applies an effective tax rate of 25% in year 2015 in accordance with the Income Tax Law of the People's Republic of China. Vtion Software, Vtion Anzhuo and Vtion Communication were exempted from the corporate income tax because of cumulative tax losses carried forward. The Chinese companies of Vtion Group recorded an income tax charge of EUR 692 thousand in Q1 2015 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 EUR 692 thousand in Q1 2015.

NET PROFIT AND EPS

Net profit in the first three months of 2015 amounted to EUR 355 thousand, a decrease of 53% year-on-year. EPS (the earnings per share) in Q1 2015 was EUR 0.03, a decrease of 50% year-on-year.⁴

NET PROFIT MARGIN

The net profit margin decreased from 7% in Q1 2014 to 4% in Q1 2015. The decrease mainly resulted from the foreign exchange loss and higher tax expenses.

⁴ Computed on the basis of weighted average 12,213,640 shares for Q1 2015, weighted average 13,298,495 shares for Q1 2014 respectively.

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended March 31, 2015 and December 31, 2014

	31 Mar. 2015	31 Dec. 2014
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	1,882	2,130
Trade receivables	13,346	12,661
Other receivables	997	1,657
Amounts due from related parties	127	320
Cash and cash equivalents	163,802	140,705
	180,154	157,473
Non-current assets		
Property, plant and equipment	829	800
Land use rights	0	0
Intangible assets	1,026	808
Deferred tax assets	427	407
	2,282	2,015
Total assets	182,436	159,488
LIABILITIES		
Current liabilities		
Trade payables	10,215	6,934
Other payables	1,448	1,863
Provisions	562	511
Amounts due to related parties	35	2
Income tax payable	703	484
Total liabilities	12,963	9,794
CAPITAL AND RESERVES		
Share capital	12,213	13,298
Treasury stock	0	-1,085
Capital reserves	38,320	38,320
Retained earnings	64,378	64,023
Foreign exchange differences	54,562	35,138
Total equity	169,473	149,694
Total liabilities and equity	182,436	159,488
Equity to total assets ratio	93%	94%

Current Assets

INVENTORIES

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

	Mar. 31, 2015	Dec. 31, 2014
	kEUR	kEUR
Goods and materials	1,882	2,130
Advances to suppliers	0	0
	1,882	2,130

Inventories decreased from EUR 2,130 thousand as at 31 December 2014 by EUR 248 thousand to EUR 1,882 thousand as at 31 March 2015 as a result of a decrease in goods and materials of wireless data cards and an increase of stock provision.

TRADE RECEIVABLES

Trade receivables increased from EUR 12,661 thousand as at 31 December 2014 by EUR 685 thousand, or 5%, to EUR 13,346 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, trade receivables decreased by 7% in terms of RMB, mainly due to accelerated collection of receivables in Q1 2015. The amount of trade receivables with a maturity of less than 90 days as at 31 March 2015 represented 86% of total trade receivable as at 31 March 2015, an increase of 7% compared with that of 31 December 2014. Meanwhile the part with a maturity of more than 90 days but below 180 days was 14% of the total trade receivables as at 31 March 2015, representing a decrease of 7% compared with that of 31 December 2014.

OTHER RECEIVABLES

Other receivables decreased from EUR 1,657 thousand as at 31 December 2014 by EUR 660 thousand, or 40% to EUR 997 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, other receivables decreased by 47% in terms of RMB. The decrease mainly resulted from the decrease of advance to suppliers in Q1 2015, which was partly offset by an increase of interest receivable of bank term deposit.

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties decreased from EUR 320 thousand as at 31 December 2014 to EUR 127 thousand as at 31 March 2015 as a result of that the advance to Mr. Chen Guoping for travelling expenses was repaid in Q1 2015.

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 163,802 thousand as at 31 March 2015. For a further description of cash in banks, see item 7.4 Cash and Cash Equivalents in the notes. For a description of the changes in the first three months of 2015, see "Cash Flow Statement" in this section.

	Mar. 31, 2015	Dec. 31, 2014
	kEUR	kEUR
Cash on hand	18	20
Cash in banks	162,360	139,092
Deposit on bank's acceptance bill	1,424	1,593
	163,802	140,705

Non-current Assets

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased from EUR 800 thousand as at 31 December 2014 by EUR 29 thousand, or 4%, to EUR 829 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, property, plant and equipment decreased by 8% in terms of RMB. This mainly resulted from the depreciation charges, partly offset by the purchase of electronic equipment.

INTANGIBLE ASSETS

Intangible assets increased from EUR 808 thousand as at 31 December 2014 by EUR 218 thousand, or 27%, to EUR 1,026 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, intangible assets increased by 12% in terms of RMB. This was due to an increase of capitalized development in progress amounting to EUR 172 thousand, partly offset by the amortization in Q1 2015.

Liabilities

TRADE PAYABLES AND NOTES PAYABLE

Trade payables and notes payable increased from EUR 6,934 thousand as at 31 December 2014 by EUR 3,281 thousand, or 47% to EUR 10,215 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, trade payables and notes payable increased by 30% in terms of RMB. The increase mainly resulted from the purchase of wireless routers, partly offset by the payment of notes payable due in Q1 2015.

OTHER PAYABLES

Other payables decreased from EUR 1,863 thousand as at 31 December 2014 by EUR 415 thousand, or 22% to EUR 1,448 thousand as at 31 March 2015. If excluding the impact of exchange differences arising from currency translation, other payables decreased by 31% in terms of RMB, which mainly resulted from the decrease of VAT payables in Q1 2015, partly offset by the increase of advances from customers.

Equity

SHARE CAPITAL AND TREASURY STOCK

The share capital of the Company has been reduced to EUR 12,213,640 as at 31 March, 2015 due to cancellation of EUR 1,084,855 treasury shares. After this redemption, the Company didn't have any treasury stock as at 31 March, 2015.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio decreased from 94% as at 31 December 2014 to 93% as at 31 March 2015.

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 2015 and Q1 2014.

	Q1 2015	Q1 2014
	kEUR	kEUR
Operating cash flow before working capital changes	851	805
Cash generated from/(used in) operations	5,440	577
Net cash generated from operating activities	4,838	138
Cash flow used in investing activities	-172	-127
Cash flow from financing activities	0	0
Net increase in cash and cash equivalents	4,666	11
Cash at beginning of the year	140,705	126,614
Foreign exchange difference	18,431	-3,173
Cash at the end of the period	163,802	123,452

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a positive net cash flow amounting to EUR 4,838 thousand from operations in the first three months of 2015, representing an increase by EUR 4,700 thousand compared with that of EUR 138 thousand generated from operating activities in Q1 2014. The increase was mainly due to an increase of trade payables, which was partly offset by the decrease of collection of trade receivables, the decrease of profit before income tax, and an increase of payment of other payables and accruals.

CASH FLOW FROM INVESTING ACTIVITIES

The net cash outflow in investing activities in Q1 2015 amounted to EUR 172 thousand mainly in investment of development in progress and electronic equipment.

CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to EUR 163,802 thousand as at 31 March 2015, representing an increase of EUR 23,097 thousand compared with the balance as at 31 December 2014. If excluding the impact of exchange differences arising from currency translation, the cash and cash equivalents actually increased by RMB 32,340 thousand in terms of RMB as at 31 March 2015, which mainly resulted from the collection of trade receivables and other receivable, partly offset by the payment of other payables.

Human Resources

As at March 31, 2015, there were 228 employees in Vtion, representing a decrease of 10 persons in comparison with 238 employees at the end of 2014. Since Vtion AG sold its subsidiary company Vtion Anzhuo through MBO in April, the personal downsizing would be primarily because of Vtion Anzhuo buyout, but for the first quarter we still kept the employees from this subsidiary. The personnel in the Administration increased from 73 to 74 in March 31, 2015. Meanwhile, there were still 8 staff in the production department and 5 staff in Customer service & Call center at the end of the first quarter of 2015. Constantly, there are 5 management board members in the company in Q1 2015. Personnel in the R&D department slightly decreased from 47 at the end of 2014 to 45 in March 31, 2015. Personals in Sales & Marketing department decreased to 63. The staff in Application Service department decreased from 33 to 28 at the end of March 2015. As at 31 March 2015 Vtion Anzhuo had 81 persons in total instead of 84 as at the end of 2014.

Research and Development

Consistent with a strategic re-orientation to re-focus on the company's traditional core strengths in the hardware business, Vtion is in the process of allocating the majority of its R&D resources to the new generation of hardware products. To this end, the company has devoted both personnel and financial resources to developing specific-use data storage and transfer devices, such as the mobile tax data device. While working on a newer version of this product the company is concurrently exploring options for similar devices in other industries or sectors. Vtion expects to have at least one new industry in which it can sell such products by the end of the year.

Vtion's research and development activities are undertaken with a strong focus on adapting to and staying consistent with macro-market developments. Therefore, research and development department near the end of 2014 and into 2015 has taken a much stronger focus on developing wireless data terminal product solutions for 4G technology. Given that China Mobile already has the strongest 4G network, Vtion first developed a TD-LTE mobile router. Over the course of 2015, having recently received licenses for 4G network technology, China Unicom and China Telecom are expected to make major investments in their networks over the course of the year. In anticipation of demand arising out of this network expansion, Vtion has expanded its R&D activities for these operators' 4G technologies. Product development is presently focused on mobile routers as opposed to wireless data cards. This is due to the fact that the propagation of smartphones and tablet PC's has significantly reduced demand for wireless data cards, and there is more demand for products that enable connectivity for these devices, such as mobile routers.

After the sale of Vtion's software-related businesses through the management buyout of Vtion Anzhuo in 2015, the company has correspondingly reduced its software-centric R&D activities. Presently, software-related research and development efforts are centered around software solutions that support the company's products, such as the user interface for the specific-use data modules and connectivity protocols for the mobile routers. Given the strategic orientation towards higher-end hardware products, the company does not anticipate ramping up software research and development activities in the near term.

Risk Report

Risk and opportunity management

Vtion Group's business relies on solid experience, clear focus on high quality products, broad product portfolio, deep market insights, and strong business relationship with existing and potential customers. 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 daily business management. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests. In addition, Vtion's Supervisory Board, auditor and other third party consultants help the company to prepare for and hedge against various risks to minimize the potentially negative impact on the company.

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

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.

Report on Post-Balance Sheet Date Events

The deal to sell the whole stake of Vtion Anzhuo to the core management team of Vtion Anzhuo via Management Buyout (MBO) was completed, and all payment for this deal has been received till 14 April 2015.

At the supervisory board meeting on 23 April 2015 the Vtion Group resolved no to propose a dividend at the 2014 AGM, which will take place on 25 June 2015.

Mr. He Zhihong, the CTO of Vtion AG, has resigned from office effective from 16 May 2015. The resignation is to avoid conflicts of interest related to his role in the former subsidiary Vtion Anzhuo, which was divested from the Vtion Group in March 2015. The personnel decision has been taken consensually by the Management Board and the Supervisory Board. Both boards decided that there is no need to appoint a successor of Mr. He Zhihong. His responsibilities will be taken over by two of the remaining four members of the Management Board and the operational duties are assumed by the Chief Technology Officers of the Company's subsidiaries Vtion Information and Vtion Software. On 23 March 2015, Vtion AG had decided to sell the whole equity stake of its subsidiary Vtion Anzhou to the management team via a management buyout. Among them is Mr. He Zhihong who now is responsible for the company offering software-related business services that among these is an appstore as well as insurance industry solutions.

Outlook

Vtion expects that the operational difficulty it has experienced over the past three years will continue for both 2015 and the foreseeable future. This is due to pricing pressure in the company's core hardware business segment. Despite this pricing pressure, Vtion remains committed to this business segment given that the company is better competitively positioned in this segment compared to the software and mobile applications sectors. Given that these areas require massive investment in order to acquire users, with unclear prospects for monetization, the company has divested its business in these areas through the management buyout of the former wholly-owned subsidiary, Vtion Anzhuo. Going forward there are no plans to re-enter the sectors that were divested through this transaction, and the company will likely maintain a hardware-centric focus.

In order to counteract the declining prices in this core business segment, the company will focus on developing more specific-use wireless data terminal products, similar to the company's tax data storage and transmission product. Further, consistent with market developments, the company intends to increase its offerings of 4G products, particularly those designed for the networks operated by China Telecom and China Unicom. This will be focused on mobile routers, given that demand for wireless data cards has fallen amid the rising popularity of smartphones and tablet PC's.

As the company's strategic focus for the mid-term-perspective within the next three to five years will remain in the hardware sector, the management anticipates continued pricing pressure and difficulties in increasing revenues. For 2015, Vtion expects revenue of EUR 37 million. For subsequent years the Management Board expects that revenue will remain flat and could slightly decrease further. Profitability is expected to remain at current levels. For 2015 an EBIT margin of 6% is expected, consistent with that of 2014. Management expects that operating margins will remain at approximately this level in the near term, as the company has implemented strict cost control measures and maintains good relationships with suppliers and clients. Outside of the strategic adjustments currently underway, no structural changes are planned in the near to mid-term future.

Frankfurt/Main, May 27, 2015

Management Board

Chen Gouping

Zheng Hongbo

Ding Chaojie

Fei Ping

He Zhihong

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



Insurance Industry solutions
(E-Agency Platform)

Financial Statements Vtion Wireless Technology AG

Consolidated Statement of Comprehensive Income

for the period from January 1 to March 31

	Q1 2015	Q1 2014
	EUR	EUR
Sales	9,540,679	10,952,214
Cost of sales	-7,480,346	-8,757,866
Gross Profit	2,060,333	2,194,348
Other operating income	42,716	487
Selling and distribution expenses	-386,469	-351,960
Administrative expenses	-1,074,439	-1,166,840
Other operating expenses	0	-10,164
Profit from operations	642,141	665,871
Finance income	506,015	451,280
Finance expenses	-3,804	-5,442
Foreign exchange gain or loss	-97,570	43,015
Profit before income tax	1,046,782	1,154,725
Income tax	-691,624	-397,756
Profit for the period	355,158	756,969
Other comprehensive income:		
Exchange differences on translating foreign operations	19,424,367	-3,616,839
Other comprehensive income for the period	19,424,367	-3,616,839
Total comprehensive income for the period	19,779,525	-2,859,870
Earnings per share (basic and diluted)*	0.03	0.06

*Computed on the basis of weighted average 12,213,640 shares for Q1 2015, weighted average 13,298,495 shares for Q1 2014 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

	Mar. 31, 2015	Dec. 31, 2014
	EUR	EUR
ASSETS		
Current assets		
Inventories	1,882,017	2,130,232
Trade receivables	13,346,066	12,661,159
Other receivables	997,484	1,656,874
Amounts due from related parties	126,881	320,175
Cash and cash equivalents	163,801,882	140,704,745
	180,154,330	157,473,185
Non-current assets		
Property, plant and equipment	828,808	800,169
Land use rights	-	-
Intangible assets	1,025,955	808,114
Deferred tax assets	427,296	406,773
	2,282,059	2,015,056
Total assets	182,436,389	159,488,241
LIABILITIES		
Current liabilities		
Trade payables	10,215,410	6,934,390
Other payables	1,447,553	1,863,427
Provisions	562,165	511,105
Amounts due to related parties	35,222	1,991
Income tax payable	703,061	483,875
	12,963,411	9,794,788
Total liabilities	12,963,411	9,794,788
CAPITAL AND RESERVES		
Share capital	12,213,640	13,298,495
Treasury stock	-	-1,084,855
Capital reserves	38,320,188	38,320,188
Retained earnings	64,377,621	64,022,463
Foreign exchange differences	54,561,529	35,137,162
Total equity	169,472,978	149,693,453
Total liabilities and equity	182,436,389	159,488,241

Consolidated Statement of Changes in Equity

for the period from January 1 to March 31

in EUR	Share capital Vtion AG	Treasury stocks	Capital reserves	Retained earnings	Foreign exchange differ- ences	Total equity
Balance as at December 31, 2013	14,495,086	-1,196,591	40,435,655	61,895,333	20,698,264	136,327,747
Buyback ordinary share						
Treasury stock redemption						
Dividend distribution						
Total comprehensive income for the period	-			756,969	-3,616,839	-2,859,870
Balance as at March 31, 2014	14,495,086	-1,196,591	40,435,655	62,652,302	17,081,425	133,467,877
Balance as at December 31, 2014	13,298,495	-1,084,855	38,320,188	64,022,463	35,137,162	149,693,453
Buyback ordinary share						
Treasury stock redemption	-1,084,855	1,084,855				
Dividend distribution						
Total comprehensive income for the period				355,158	19,424,367	19,779,525
Balance as at March 31, 2015	12,213,640	-	38,320,188	64,377,621	54,561,529	169,472,978

Consolidated Cash Flow Statement

for the period from January 1 to March 31

	Q1 2015	Q1 2014
	EUR	EUR
Profit before income tax	1,046,782	1,154,725
Adjustments for:		
Amortization of intangible assets	64,367	54,143
Depreciation of land use rights	-	1,590
Stock provision	70,278	
Allowance for doubtful trade debts	3,051	-
Depreciation of property, plant and equipment	71,570	73,072
Loss on disposal of property, plant and equipment	-	10,044
Interest income	-506,015	-451,280
Interest expense	-	-
Bank charges	3,804	5,442
Foreign exchange loss	97,570	-43,015
Operating cash flow before working capital changes	851,407	804,720
Working capital changes:		
(Increase)/decrease in:		
Inventories	427,803	-515,628
Trade receivables	905,430	3,133,550
Other receivables	1,229,038	1,025,008
Amounts due from related parties	223,029	
Increase/(decrease) in:		
Trade payables	2,262,652	-3,642,422
Other payables and accruals	-638,916	-101,798
Amounts due to related parties	31,320	1,795
Income tax payable	148,614	-128,037
Cash generated from/(used in) operations	5,440,377	577,187
Interest received	107,331	86,343
Interest expense	-0	-
Income tax paid	-710,169	-525,793
Net cash generated from operating activities	4,837,539	137,737
Cash flow from investing activities		
Purchase of intangible assets	-171,779	
Purchase of land, property, plant and equipment	-243	-126,561
Increase of short term investment		-
Cash flow from investing activities	-172,022	-126,561
Cash flow from financing activities		
Payment in connection with share buyback		
Cash flow from financing activities	0	0
Net increase in cash and cash equivalents	4,665,517	11,176
Cash at the beginning of the period	140,704,745	126,614,078
Foreign exchange differences	18,431,620	-3,173,345
Cash at the end of the period	163,801,882	123,451,909

Selected Notes to the Consolidated Financial Statements

For the period from January 1 to March 31, 2015

1. Background and 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 kEUR	Share	Equity Mar. 31, 2015	Results from Jan. 1 to Mar. 31, 2015
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	5,760	2,997
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	124,876	2,237
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	20,465	-175
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	974	-47
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	293	-231

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, 2015, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of December 31, 2014.

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:

EUR	RMB	
	2015	2014
March 31	6.671	8.5754
Average first three month	7.0231	8.3576

4. Impairment of Non-financial Assets, if any

In Q1 2015 and Q1 2014 no non-financial asset has been impaired, except as mentioned in note 7.1. For inventory an impairment provision of EUR 109 thousand has been recorded as of March 31, 2015 (EUR 31 thousand as of December 31, 2014).

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

	Segment revenue		Segment profit	
	Year ended 31 Mar. 2015	Year ended 31 Mar. 2014	Year ended 31 Mar. 2015	Year ended 31 Mar. 2014
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	9,317	9,144	1,223	866
Wireless Intelligent Terminal	24	1,282	-50	161
All Others	200	526	-454	-213
Total for continuing operations	9,541	10,952	719	815
Central administration costs	0	0	-77	-149
Finance result	0	0	405	489
Profit before tax (continuing operations)	0	0	1,047	1,155

Revenue reported above represents revenue generated from external customers. The inter-segment sales in Q1 2015 and Q1 2014 were eliminated. Segment profit is based on the results of the operating entities in China.

Reconciliation of the revenue

	Segment revenue	
	Year ended 31 Mar. 2015	Year ended 31 Mar. 2014
	kEUR	kEUR
Wireless Data Terminal	9,317	10,102
Inter-segment sales elimination	-	-958
Wireless Intelligent Terminal	24	1,282
Inter-segment sales elimination	-	-
All others	209	536
Inter-segment sales elimination	-9	-10
Total for continuing operations	9,541	10,952

6. Notes to the Consolidated Statement of Comprehensive Income

6.1 TOTAL INCOME

	Q1 2015	Q1 2014
	EUR	EUR
Sales of goods	9,540,679	10,952,214
Other operating income		
Service income	0	6
Others	42,716	481
	42,716	487
Finance income		
Interest income	506,015	451,280
Foreign exchange gains	0	43,015
	506,015	494,295
Total income	10,089,410	11,446,996

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.

	Q1 2015	Q1 2014
	EUR	EUR
Split-up of sales		
Sales to external customers		
Wireless Data Terminals	9,317,032	9,144,070
Wireless Intelligent Terminals	24,087	1,281,984
All Other Segments	199,560	526,160
	9,540,679	10,952,214

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.

6.2 COST OF SALES

	Q1 2015	Q1 2014
Split up of Cost of Sale	EUR	EUR
Cost of materials		
- raw materials	2,220,453	3,079,568
- purchased goods	5,001,555	5,332,379
- services	212,740	255,501
- business taxes and surcharges	11,577	51,507
	7,446,325	8,718,955
Directly attributable payroll expenses and non-attributable shared costs	34,021	38,911
	7,480,346	8,757,866

6.3 AVERAGE NUMBER OF EMPLOYEES/PAYROLL COSTS

	Q1 2015	Q1 2014
Average number of employees		
Management and administration	89	83
Research and development	45	78
Sales	70	66
Industry application service	28	0
	232	227

	Q1 2015	Q1 2014
	EUR	EUR
Payroll costs		
Wages and salaries	738,268	575,206
Social security costs	136,143	99,536
Welfare	53,047	29,308
	927,458	704,050

*Impacted by the restructure of the industry application business, the employees for industry application services were separated to be an independent department for the better operation on this business from April 2014, which belonged to research and development department in Q1 2014.

6.4 AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT, EQUIPMENT AND LAND USE RIGHTS

	Q1 2015	Q1 2014
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	38,278	32,220
Licenses	24,309	20,428
Trademarks	1,780	1,496
Sum	64,367	54,143
Depreciation of Land use rights	0	1,590
Depreciation of property, plant and equipment	71,570	73,072
Total of amortization and depreciation	135,937	128,805

Except about EUR 33,645 of amortization of intangible assets was booked as part of "cost of sales" for insurance industry and mobile application in Q1 2015 (Q1 2014: EUR 2,243 for insurance industry), the remaining amortization of intangible assets was booked in "Administrative expenses" in Q1 2015. Except about EUR 2,272 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 Q1 2015, the remaining depreciation of property, plant and equipment was expensed in Q1 2015.

6.5 FINANCE INCOME AND EXPENSES

	Q1 2015	Q1 2014
	EUR	EUR
Finance Income		
Interest income	506,015	451,280
Finance Expense		
Bank charges	3,804	5,442

6.6 INCOME TAX

	Q1 2015	Q1 2014
	EUR	EUR
Current income tax (ordinary activities)	710,169	397,756
Deferred income tax induced by:		
-temporary differences	-18,545	0
-tax loss carry forward	0	0
Income tax recognized in profit and loss	691,624	397,756

6.7 APPLICABLE TAX RATE

Vtion IT applied an effective tax rate of 25% in Q1 2015 in accordance with the Income Tax Law of the People's Republic of China.

Vtion Communication, Vtion Software and Vtion Anzhuo incurred accounting losses for the first three months of operation, and accumulated net losses as of March 31, 2015, therefore had no taxable income in Q1 2015.

7. Notes to the Consolidated Statement of Financial Position

7.1 INVENTORIES

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Inventory-advances to supplier	0	0
Goods and materials	1,990,842	2,161,072
Less: stock provision	-108,825	-30,840
	1,882,017	2,130,232

7.2 TRADE AND OTHER RECEIVABLES

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Trade receivables		
Trade receivables	13,350,511	12,662,249
Allowance for trade receivables	(4,445)	(1,090)
	13,346,066	12,661,159

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Other receivables		
Other receivables	930,445	1,567,437
Prepaid expenses	67,039	89,437
	997,484	1,656,874

All trade receivables are non-interest bearing. They are recognized at their originally invoiced amounts which represent their attributable 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.

	31 Mar. 2015	31 Dec. 2014
Related parties	EUR	EUR
Amount due from related parties - non-trade	126,881	320,175
	126,881	320,175

7.4 CASH AND CASH EQUIVALENTS

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Cash on hand	18,120	20,516
Cash in banks	162,359,538	139,091,697
- of Mainland China	161,537,322	138,455,059
- of Germany and offshore	822,216	636,638
Deposit on bank's acceptance bill (in China)	1,424,224	1,592,532
	163,801,882	140,704,745

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 as of March 31, 2015, EUR 162,962 thousand were 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 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, 2015. At the balance sheet date the company didn't adjust the estimation of net taxable income of the next five years.

7.6 TRADE AND OTHER PAYABLES

All trade payables are non-interest bearing. The fair value of trade payables 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 19 million and decreased by RMB 5 million compared to that as of 31 December 2014 due to the payment for some notes payable due in Q1 2015. 50% of the corresponding funds for notes payable as of March 31, 2015 (EUR 1,424 thousand) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Other payables		
VAT payable	689,864	1,528,775
Other payable	463,833	179,395
Advances from customers	191,796	29,207
Other tax payables	102,060	126,050
	1,447,553	1,863,427

7.7 PROVISIONS

	31 Mar. 2015	31 Dec. 2014
	EUR	EUR
Provisions		
Accrued payroll	258,680	241,565
Other accruals	303,485	269,540
	562,165	511,105

8. NOTES – OTHER

8.1 CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at March 31, 2015.

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 2015	Q1 2014
	EUR	EUR
Rental fee paid to a related party	44,277	33,024
	44,277	33,024

Rental of plant transactions with related parties were based on market price. Rental fees paid to a related party increased to EUR 44,277 due to an increase of the offices rental from January 2015.

9. Events after Balance Sheet Date

The deal to sell the whole stake of Vtion Anzhuo to the core management team of Vtion Anzhuo via Management Buyout (MBO) was completed, and all payment for this deal has been received till 14 April 2015.

At the supervisory board meeting on 23 April 2015 the Vtion Group resolved no to propose a dividend at the 2014 AGM, which will take place on 25 June 2015.

Mr. He Zhihong, the CTO of Vtion AG, has resigned from office effective from 16 May 2015. The resignation is to avoid conflicts of interest related to his role in the former subsidiary Vtion Anzhuo, which was divested from the Vtion Group in March 2015. The personnel decision has been taken consensually by the Management Board and the Supervisory Board. Both boards decided that there is no need to appoint a successor of Mr. He Zhihong. His responsibilities will be taken over by two of the remaining four members of the Management Board and the operational duties are assumed by the Chief Technology Officers of the Company's subsidiaries Vtion Information and Vtion Software. On 23 March 2015, Vtion AG had decided to sell the whole equity stake of its subsidiary Vtion Anzhou to the management team via a management buyout. Among them is Mr. He Zhihong who now is responsible for the company offering software-related business services that among these is an appstore as well as insurance industry solutions.

10. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2015.

Frankfurt, May 27, 2015

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 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, May 27, 2015

Vtition 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 Vtition. 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 Vtition 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 Vtition'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. Vtition neither plans nor undertakes to update any forward-looking statements.

Credits

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Financial Calendar

ANNUAL GENERAL MEETING

FRANKFURT / MAIN

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



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