

Q2·2014

INTERIM REPORT

4G

Vtion Wireless Technology at a glance

		Q2			H1		
		2014	2013	+/-%	2014	2013	+/-%
Revenues	million €	11.96	15.96	-25	22.92	27.80	-18
Gross profit	million €	2.52	3.01	-16	4.72	5.17	-9
Gross profit margin	%	21	19	2PP	21	19	2PP
EBITDA	million €	1.27	1.53	-17	2.06	2.34	-12
EBITDA margin	%	11	10	1PP	9	8	1PP
EBIT	million €	1.14	1.39	-18	1.81	2.07	-13
EBIT margin	%	10	9	1PP	8	7	1PP
Net profit	million €	0.96	1.19	-19	1.71	1.65	4
Net profit margin	%	8	7	1PP	7	6	1PP
Earnings per share	€	0.07	0.09	-22	0.13	0.12	8
Net Cash flow from operations	million €	-4.10	-3.61	n/a	-3.96	1.83	n/a

Company profile

The Vtion Group is a leading supplier of wireless data terminals and associated services for the mobile use of computers via broadband wireless networks in the People's Republic of China. Vtion operates its own online appstore and 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 228 employees, with offices in Fuzhou, Beijing, and Frankfurt.

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Letter from Vtion's CEO

Dear Fellow Shareholders,

I am pleased to present you with our operating results for the second quarter of 2014. Though we were able to show improvement over Q1, results were still sluggish in our core wireless data terminal business. Our software-related businesses showed continued user growth, but unfortunately still limited revenues.

For the quarter we achieved revenues of Euro 11.96 million, bringing our total for the half year to Euro 22.92 million. This is approximately 25% lower than our revenue figure for the same quarter of 2013, and 18% lower than our revenue for H1 2013. Our EBIT margin was 10% for the second quarter and 8% for the first half of the year.

As was the case in the first quarter, the wireless data terminal business segment was the primary source of our revenues in Q2. The majority of sales were wireless data card products, while mobile router sales recovered slightly compared to Q1 of this year. However, this market remains extremely difficult given that demand has stagnated while pricing pressure continues. In the mobile intelligent terminal business segment, VCAM sales decreased compared with the previous quarter. This is primarily because the carriers cancel the procurement for this product. Overall results in the Vtion Anzhuo businesses, namely mobile applications and industry-specific computing solutions, increased in comparison with both the previous quarter and the same period of last year, especially the sales from industry-specific computing solutions had a great increase in Q2.

In light of the fact that our numbers for the first half of the year fall behind where we expected to be operationally at this point. Thus, my management team and I have decided to adjust our guidance to reflect both the difficult market environment we have faced during the first half of the year as well as what operational results we consider realistically attainable for the remainder of the year. Thus, we now state our guidance for the whole year as 48 million Euros and a EBIT margin of 7.0%.

This was not a decision at which we arrived lightly. We want to be as up-front as possible with our investors in communicating our latest and most accurate expectations for what we will achieve. Our management team is very disappointed to be lowering our guidance instead of raising it, and we are working hard to begin moving things in the right direction again.

I would like to close by thanking all of you for your continued support; my management team and I continue working hard to bring you better results and create more shareholder value.

Best Regards,

Chen Guoping

CEO Vtion Wireless Technology AG

Highlights

Sequential Revenue Improvement

Vtion realized revenues of Euro 11.96 million in Q2 2014, a 9.2% improvement over revenue in Q1 2014 affected by the Chinese New Year, while the EBIT margin increased from 6% in Q1 2014 to 10% in Q2 2014.

Guidance Adjusted

Due to a more difficult than originally expected operating environment in the second half of the year, Vtion has adjusted its original guidance, which had called for revenue of at least Euro 60 million and an EBIT margin of approximately 8%. The company's new guidance calls for revenue of at least Euro 48 million, with an EBIT margin of approximately 7%.

Business Model Diversification

Vtion continues to see progress in its software-oriented business segments in terms of client development and user numbers, though monetization remains difficult. As of the end of the first half of 2014, the company has 11 clients in its industry-specific computing solutions area, while Vtion Anzhuo now offers a total of 9802 mobile applications.

Well Capitalized

Vtion finished the first half of the year with a net cash position of Euro 117 million, which implies net cash per share of Euro 8.78. The cash position is slightly lower compared to Q1 mainly due to cash used in the company's share buyback program early in Q2 2014. However, the company still has sufficient capital to meet its needs. This cash position allows the company to both return cash to shareholders, while keeping cash on hand for both working capital needs and investment opportunities.

The Share

Market Environment

World stock markets experienced a very bullish beginning in 2014, bolstered by a stronger than expected recovery in the United States economy along with continued accommodating monetary policy from central banks in the United States, Japan and elsewhere. Though it did not have the same run as did the indices in the US, the German DAX experienced a strong start to the year, breaking through 10,000 points for the first time in its history and finishing the first half of the year up 2.94% from the beginning of the year. The German MDAX was relatively flat, gaining just 1.45% over the first half of the year, while the SDAX experienced a very strong performance, gaining 8.79% in the same period. The TecDAX experienced the best first half year performance, gaining over 12% to being the year.

Vtion Share Performance

The reporting month of April showed a strong performance of 39.62% for the stock of Vtion Wireless Technology AG. After the announcement of a voluntary tender offer to buy back shares over a period from April 11 to May 9 of 2014, the shares jumped up by 38.5% to € 2.911 in April 11th. The Xetra volume strongly increased as well and climbed to 149,098 shares, posting the highest daily turnover since three years. In the following days, the stock consolidated with reduced volume around the offer price of € 2.95 and stabilised on this high level throughout the month, setting the closing price in April at € 2.96. In May the stock looked back on a positive performance again. The trading volume calmed down to 65,022 shares traded on XETRA. On 19th of May Vtion announced that its share -buyback program was completed and a total of 1,084,855 out of 1,329,849 shares were bought back at a price of € 2.95. The next day the share surpassed the € 3.00 level and finally marked its intraday high of € 3.15 on May 30th. The average daily trading volume in May decreased to 3,096. The news of Q1 2014 report published on May 28th had no bigger impact on volume and price. In June, Vtion share traded in a volatile way. In the first day of the month, the shares climbed above the 200-day moving average line and marked the highest of the month on June 9th. In a weak stock market environment, the stock gradually recovered and reached the level of the 200-day moving average line at € 3.14 again on June 23rd. This was also reflected in the lower daily Xetra volume, which fell from 3,096 shares in May to 1,425 shares in June. Towards the end of the month, the shares was still volatile and fell back in the last trading day. Finally, the stock of Vtion Wireless ended the month at € 3.001.

Share Buyback

By means of a public tender offer, with an offer period running from April 11, 2014 through May 9, 2014, the company offered to repurchase up to 1,329,849, representing 10% of the total share capital, at an offer price of Euro 2.95, which represented a 20% premium on the company's reference price. At the conclusion of the program, the company repurchased a total of 1,084,855 shares, at a total cost of Euro 3.2 million.

Dividend

At the 2014 Annual General Meeting, the shareholders followed the proposal of the Boards and decided to return cash to all shareholders through a dividend payment amounting to 15% of 2013 group net profit; Net profit in 2013 was Euro 4.40 million, which implied a total dividend payment of Euro 659,537 and a dividend per share of Euro 0.054.

Sponsorship and Research Coverage

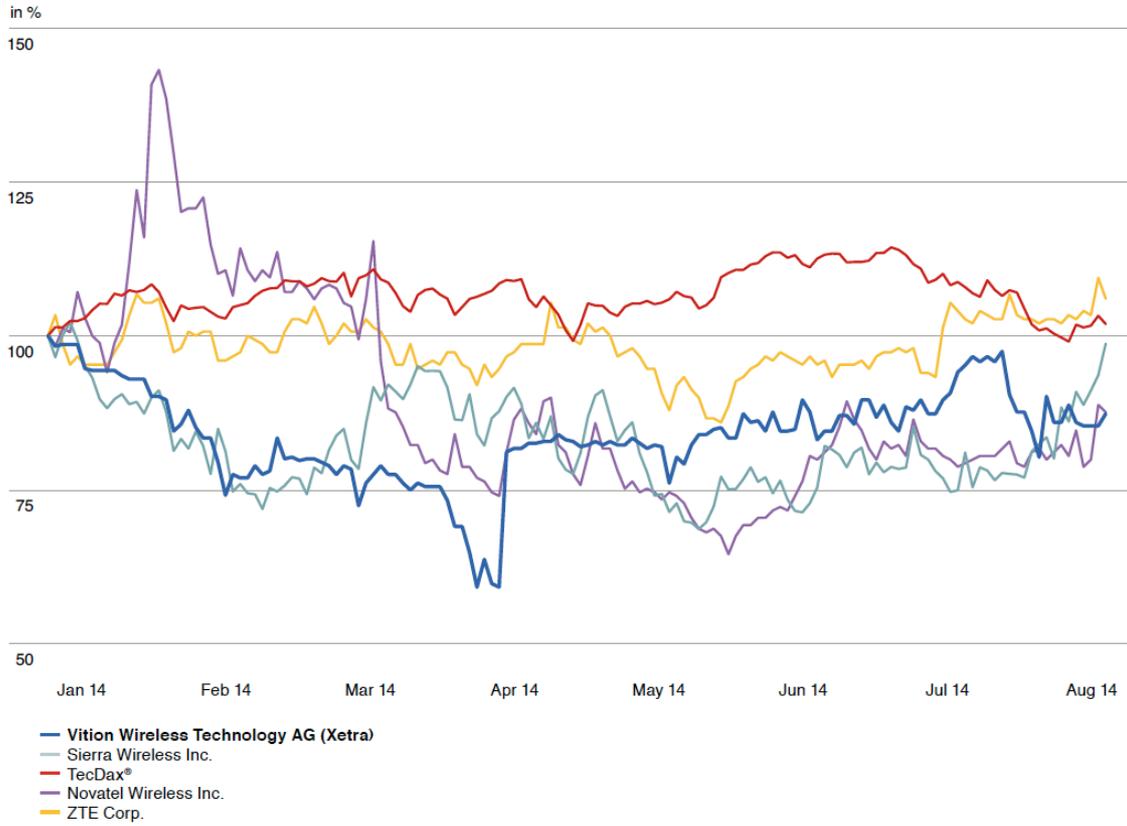
The company has had research coverage from M.M. Warburg since January 2010. Equinet AG is Vtion's market maker and designated sponsoring services provider.

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



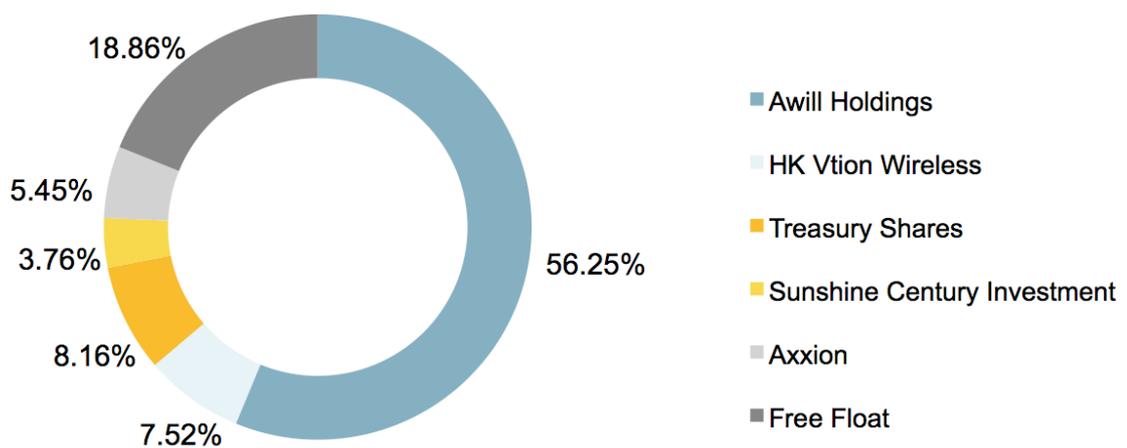
Vtion Master Data

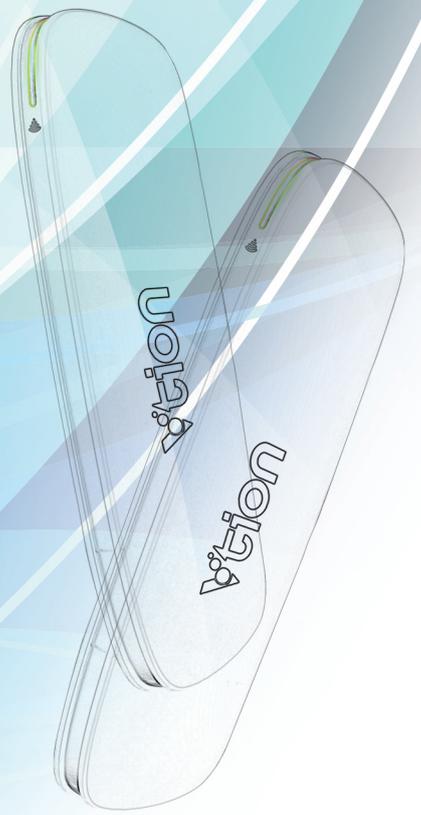
as of June 30, 2014

		June 30, 2014
Number of shares	Mio Shares	13.298
Closing price	€	3.05
Market Cap.	Mio €	40.56
Share price high (24 week)	€	3.55
Share price low (24 week)	€	1.95
Average trading volume per day	Shares	5,286

Vtion Shareholder Structure

as of June 30, 2014





Interim Management Report

Business and Operating Environment

OVERVIEW

Slowing growth in China's economy has been a major theme over the course of the beginning of 2014, as the government has sought to move the economy to a more consumption-based model. For the second quarter, the economy grew at an overall rate of 7.5%, largely consistent with the government's stated target for the year.¹

GENERAL MARKET CONDITIONS AND BUSINESS DEVELOPMENT

According to data from the China Internet Network Information Commission, by the end of May 2014, the total number of internet users in China reached 647 million, which represents a penetration rate of 47.4%.²

With continued growth in the mobile internet, the market has also seen the beginning of technological change. China mobile has already begun initial operation of its TD-LTE based 4G network. This has resulted in clear differentiation between China mobile and the other two operators, China Unicom and China Telecom, which have not yet received LTE FDD operating license for 4G technologies.

Overall growth in the Chinese telecom space remains strong, though it is primarily driven by growth in smartphone users and tablet PC users. Wireless data card sales and mobile router market growth remains rather slow.

Vtion has continued to rely on the three major telecom operators in the wireless data terminals business segment, which accounted for 26% of the company's total revenue over the course of H1 2014. Though many of the users that the operators have recently added opt for smartphones or tablet PC's as a favored means of connectivity, there is still a base of laptop users who show demand for wireless data cards to allow for laptop usage when outside of Wifi network coverage. Further, increasing coverage of the 3G and 3.5G networks has created a market opportunity for Vtion's wireless 3G/3.5G routers, which can take a signal from the wireless networks and emit a Wifi signal that can support multiple devices. This is particularly useful for areas where a fixed line connection is not available. Going forward, Vtion will seek to further adapt its wireless data terminal offerings to suit the needs of the telecom operators as the market continues to change and evolve.

With steady results in its wireless data terminal business segment, in the second quarter the revenue contribution from VCAM mobile camera product decrease sharply. This is primarily because the clients cancel the procurement for this product. The original sale model for the VCAM was that the clients provide handset packages bound with the Vcam to the final consumers. However, impacted by the tax discipline reform in China, the original sale model of the pricing package will cause more taxes and more costs. In order to save cost and keep profit, the clients cancel the original sale model (pricing package) and stopped purchasing more VCAM from the second quarter of 2014.

Overall Vtion saw moderate progress in its software-centric businesses, which are operated through the company's wholly-owned subsidiary, Vtion Anzhuo. In the industry-specific computing solutions segment, the company has now reached a total of 11 clients. The company's main focus for the remainder of the year will be more centered increasing revenues from current clients as opposed to winning new clients. The company has also continued to expand its offerings of mobile applications available through the company's VMarket and other online sales channels; as of the end of Q1 2014, the company now offers a total of 9802 mobile applications to its users.

¹ http://www.stats.gov.cn/tjsj/sjgd/201407/t20140716_582269.html

² <http://www.cnnic.cn/hlwfzyj/hlwfzxx/qwfb/201407/W020140723367843880937.pdf>

Result of Operations

The following table presents income statement data of the consolidated interim financial statements of the Company under IFRS for the second quarter ended 30 June 2014, with comparative information for the second quarter ended 30 June 2013 as well as half-year results of 2014 with comparative information for the first half year of 2013.

INCOME STATEMENT – Group

Jan. 1 – Jun. 30	Q2			H1		
	2014	2013	+/-%	2014	2013	+/-%
Sales	11,964	15,956	-25	22,916	27,795	-18
			-27		-	
Cost of sales	-9,441	-12,948		-18,199	22,627	-20
Gross profit	2,523	3,008	-16	4,717	5,168	-9
Other operating income	36	19	89	36	19	89
Selling and distribution expenses	-293	-345	-15	-644	-720	-11
Administrative expenses	-1,123	-1,287	-13	-2,290	-2,392	-4
Other operating expenses	0	-3	-100	-10	-3	233
Profit from operations (EBIT)	1,143	1,392	-18	1,809	2,072	-13
Finance income	428	347	23	879	793	11
Finance costs	-7	-5	40	-12	-9	33
Foreign exchange gain/loss	-118	63	n/a	-75	-152	-51
Profit before income tax	1,446	1,797	-20	2,601	2,704	-4
Income tax	-490	-605	-19	-888	-1,050	-15
Profit for the period	956	1,192	-20	1,713	1,654	4
Earnings per share*	0.07	0.09	-22	0.13	0.12	8

*Computed on the basis of weighted average 13,040,767 shares for H1 2014 and 12,785,871 shares for Q2 2014, weighted average 13,298,495 shares for H1 2013 and Q2 2013 respectively

SALES

In the first half of 2014, sales amounted to EUR 22.9 million, decreased by EUR 4.9 million or 18% compared with the same period in 2013 (H1 2013: EUR 27.8 million). The decrease was primarily due to the decrease in the sales of wireless data cards, network camera and wireless high definition sharer named "PCtoTV", which was partly offset by the increase of sales from wireless routers and service in connection with mobile application mainly designed for insurance industry.

In H1 2014, Vtion Group recognized EUR 11.4 million revenue from wireless data cards, which decreased from EUR 14.7 million in H1 2013 by EUR 3.3 million, or 22%, as a result of severe falling of demand for 3G wireless data cards of the current popular versions due to increasing usage of other devices to access the mobile internet, which was partly offset by the increase of sales from wireless data cards downloaded with taxation software.

In H1 2014, Vtion Group generated EUR 6.4 million from its wireless router business, an increase of EUR 0.4 million, or 7% compared with the same period in 2013 (H1 2013: EUR 6 million), as a result of an increase of sales of upgraded wireless routers with High-Fidelity, which was partly offset by a falling of sales of wireless routers of the old versions.

In H1 2014, Vtion Group generated EUR 2.5 million from "PCtoTV", a decrease of EUR 0.6 million, or 19% compared with the same period in 2013 (H1 2013: EUR 3.1 million).

In H1 2014, Vtion Group generated EUR 1.2 million from network camera, a decrease of EUR 1.5 million, or 56% compared with the same period in 2013 (H1 2013: EUR 2.7 million).

In H1 2014, Vtion Group generated EUR 0.6 million from mobile trade comprising the sales of iPhone and other smart phones and service income for supporting mobile package sales, which decreased from EUR 0.9 million in H1 2013 by EUR 0.3 million, or 33%.

In H1 2014, Vtion Group had generated sales from the category "All Others" increased to EUR 0.8 million by EUR 0.4 million, or 100% compared with the same period in 2013 (H1 2013: EUR 0.4 million). The increase was mainly due to the increase of sales from service in connection with mobile application mainly designed for insurance industry and health self-checking instrument in connection with mobile health care, partly offset by a decrease of sales from accessories to mobile phones.

In the second quarter of 2014, Vtion Group had generated EUR 12 million from all segments, decreased by EUR 4 million, or 25%, from EUR 16 million in Q2 2013. This decrease was mainly due to the decrease in the sales of network camera, wireless data cards, wireless high definition sharer named "PCtoTV", mobile trade and accessories to mobile phones, which was partly offset by the increase of sales from wireless routers and service in connection with mobile application mainly designed for insurance industry and health self-checking instrument in connection with mobile health care.

COST OF SALES

Cost of sales decreased to EUR 18.2 million in H1 2014 by EUR 4.4 million, or 19% from EUR 22.6 million in H1 2013. Cost of sales amounted to EUR 9.4 million in Q2 2014, a decrease of EUR 3.5 million, or 27% compared with the same period in 2013 (Q2 2013: EUR 12.9 million). The decrease was primarily due to the decrease of sales volumes of network camera, wireless data cards, wireless routers of the old version, "PCtoTV", and the decrease of cost of service for supporting mobile package sales, which was partly offset by the increase of sales volumes of wireless routers with High-Fidelity, health self-checking instrument and the increase of cost service in connection with mobile application mainly designed for insurance industry.

Cost of sales of wireless data cards decreased from EUR 11.6 million in H1 2013 to EUR 9.1 million in H1 2014, by EUR 2.5 million or 22%. Cost of sales of wireless routers decreased from EUR 5.4 million in H1 2013 to EUR 5.3 million in H1 2014 by 2%. If excluding the impact of exchange differences arising from currency translation, cost of sales of wireless routers increased by 2% in terms of RMB, which was mainly due to the increase of sales volumes of wireless routers with High-Fidelity, partly offset by the decrease of wireless routers of the old versions. Cost of sales of "PCtoTV" decreased from EUR 2.5 million in H1 2013 to EUR 1.9 million in H1 2014, by EUR 0.6 million or 24%. Cost of sales of network camera decreased from EUR 2.1 million in H1 2013 to EUR 0.9 million in H1 2014, by EUR 1.2 million or 57%. Cost of service for supporting mobile package sales decreased from EUR 0.7 million in H1 2013 to EUR 0.5 million in H1 2014, by EUR 0.2 million or 29%. Cost of sales of health self-checking instrument amounted to EUR 0.3 million in H1 2014, which was launched in Q4 2013. Cost of service in connection with mobile application amounted to EUR 169 thousand in H1 2014, an increase of EUR 135 thousand, or 397% compared with the same period in 2013 (H1 2013: EUR 34 thousand).

GROSS PROFIT

The overall gross profit margin was 21% in H1 2014, a slight increase from the margin of 20% for Q1 2014, and an increase from 19% in H1 2013.

OTHER OPERATING INCOME

In H1 2014, Vtion Group recognized other operating income amounting to EUR 36 thousand (H1 2013: EUR 19 thousand), mainly resulting from money subsidy amounting to RMB 0.3 million from Beijing government to Vtion Anzhuo to implement technologic innovation project.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased from EUR 720 thousand in H1 2013 by EUR 76 thousand, or 11%, to EUR 644 thousand in H1 2014. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses decreased by 7% in terms of RMB in H1 2014. The decrease was primarily due to a decrease of EUR 84 thousand in salary and welfare and a decrease of EUR 10 thousand in entertainment and marketing expenses, partly offset by the increase of EUR 20 thousand in travelling expenses. Selling and distribution expenses decreased from EUR 345 thousand in Q2 2013 by EUR 52 thousand, or 15%, to EUR 293 thousand in Q2 2014. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses decreased by 10% in terms of RMB in Q2 2014. The decrease was primarily due to a decrease of in salary and welfare, entertainment and marketing expenses, partly offset by an increase in rental expenses.

The ratio of selling and distribution expenses to total sales was 2.8% in H1 2014 and 2.6% in H1 2013.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from EUR 2,392 thousand in H1 2013 by EUR 102 thousand, or 4%, to EUR 2,290 thousand in H1 2014. If excluding the impact of exchange differences arising from currency translation, administrative expenses only decreased by 0.5% in terms of RMB in H1 2014. The decrease was primarily due to a decrease of EUR 66 thousand in remuneration of Supervisory Board, a decrease of EUR 59 thousand in research and development expenses, and a decrease of EUR 39 thousand in entertainment and marketing expenses, partly offset by an increase of EUR 28 thousand in rental expenses, an increase of EUR 22 thousand in consulting expenses, and an increase of EUR 16 thousand in salary and welfares. Administrative expenses decreased from EUR 1,287 thousand in Q2 2013 by EUR 164 thousand, or 13%, to EUR 1,123 thousand in Q2 2014. If excluding the impact of exchange differences arising from currency translation, administrative expenses decreased by 7% in terms of RMB in Q2 2014. The decrease was primarily due to a decrease in research and development expenses, remuneration of Supervisory Board and travel expenses, partly offset by the increase in expenses for share buyback and payroll expenses.

Research and development expenses decreased to EUR 573 thousand in H1 2014 by EUR 57 thousand, or 9% from EUR 630 thousand in H1 2013. If excluding the impact of exchange differences arising from currency translation, research and development expenses decreased by 6% in terms of RMB in H1 2014. The decrease was mainly due to the decrease of salary and welfares resulting from department reclassification in Q2 2014, partly offset by the increase of certification and testing expenses and amortization of intangible assets. After merging the industry specific computing solution business from Vtion Software, Vtion Anzhuo reclassified the department by function. The employees of industrial application department are divided from the Research and development to the Management and administration. As a result, the salary and welfares of industrial application department are recorded in administrative expenses rather than research and development expenses.

The ratio of administrative expenses to sales was 10.0% in H1 2014 and 8.6% in H1 2013.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations decreased to EUR 1,809 thousand in H1 2014 by EUR 263 thousand, or 13%, from EUR 2,072 thousand in H1 2013. The decrease was largely due to the decrease of sales and gross profit of wireless data cards and network camera, partly offset by the increase of gross profit of wireless routers and service in connection with mobile application mainly designed for insurance industry in H1 2014.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) increased from 7% in H1 2013 to 8% in H1 2014. This resulted from an increase of overall gross profit margin, but partly offset by an increase of ratio of administrative expenses to total sales.

FINANCE INCOME AND FINANCE EXPENSES

Finance income comprises interest income earned from bank deposit. Finance income increased from EUR 793 thousand in H1 2013 by EUR 86 thousand, or 11%, to EUR 879 thousand in H1 2014.

Finance expenses comprise bank charges. Finance expenses amounted to EUR 12 thousand in H1 2014 (H1 2013: EUR 9 thousand).

FOREIGN EXCHANGE GAIN OR LOSS

Since the functional currency of the Group is RMB, the Group recognized foreign exchange losses EUR 75 thousand in H1 2014 (H1 2013: EUR 152 thousand) mainly resulted from money exchange from RMB to EUR when the EUR/RMB exchange rate rose in May 2014. Vtion IT exchanged RMB to EUR 2.1 million when the average EUR/RMB rate was about 8.7113, rising by 4% compared with the rate as at 31 December, 2013. The EUR rose by 0.1284 or 1.5% from 8.3491 RMB (31 December, 2013) to 8.4722 RMB (30 June, 2014). This led to foreign exchange gains arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date which partly offset by the foreign exchange loss caused by the money exchange.

INCOME TAX

Income tax mainly comprises taxation actually payable. Vtion IT applies an effective tax rate of 25% in year 2014 in accordance with the Income Tax Law of the People's Republic of China. Vtion Software, Vtion Communication, Vtion Anzhuo and Vtion Service were exempted from the corporate income tax because of cumulative tax losses carried forward from the establishment. The Chinese companies of Vtion Group recorded an income tax charge of EUR 0.9 million in H1 2014 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 0.9 million in H1 2014.

NET PROFIT AND EPS

Net profit in the first half of 2014 amounted to EUR 1.7 million, an increase of 4% year-on-year. The earnings per share in H1 2014 was EUR 0.13, an increase of 8% year-on-year.³

NET PROFIT MARGIN

The net profit margin slightly increased from 6% in H1 2013 to 7% in H1 2014. The increase mainly resulted from the slight increase of EBIT margin, the increase of finance income and the decrease of foreign exchange loss.

³ Computed on the basis of weighted average 13,040,767 shares for H1 2014 and 12,785,871 shares for Q2 2014, weighted average 13,298,495 shares for H1 2013 and Q2 2013 respectively

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended June 30, 2014 and December 31, 2013

	Jun. 30, 2014	Dec. 31, 2013
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	3,680	2,256
Trade receivables	15,639	18,411
Other receivables	2,769	2,447
Amounts due from related parties	180	101
Cash and cash equivalents	116,767	126,614
	139,035	149,829
Non-current assets		
Property, plant and equipment	760	816
Land use rights	269	276
Intangible assets	676	794
Deferred tax assets	406	406
	2,111	2,292
Total assets	141,146	152,121
LIABILITIES		
Current liabilities		
Short-term loans		
Trade payables	6,607	13,422
Other payables	1,432	1,358
Provisions	479	509
Amounts due to related parties	2	0
Income tax payable	461	505
Total liabilities	8,981	15,794
CAPITAL AND RESERVES		
Share capital	13,298	14,495
Treasury stock	-1,085	-1,197
Capital reserves	38,320	40,436
Retained earnings	62,949	61,895
Foreign exchange differences	18,683	20,698
Total equity	132,165	136,327
Total liabilities and equity	141,146	152,121
Equity to total assets ratio	94%	90%

Current Assets

INVENTORIES

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

	Jun. 30, 2014	Dec. 31, 2013
	kEUR	kEUR
Goods and materials	3,259	2,248
Advances to suppliers	421	8
	3,680	2,256

Inventories increased from EUR 2,256 thousand as at 31 December 2013 by EUR 1,424 thousand to EUR 3,680 thousand as at 30 June 2014, due to the merchandise of wireless data cards and wireless high definition sharer named "PCtoTV for the sales in the next months.

TRADE RECEIVABLES

Trade receivables decreased from EUR 18,411 thousand as at 31 December 2013 by EUR 2,772 thousand, or 15%, to EUR 15,639 thousand as at 30 June 2014, mainly due to accelerated collection of receivables in H1 2014. The amount of trade receivables with a maturity of less than 90 days as at 30 June 2014 represented 79% of total trade receivable as at 30 June 2014, an increase of 4 percent compared with that of 31 December 2013. Meanwhile the part with a maturity of more than 90 days but below 180 days was 21% of the total trade receivables as at 30 June 2014, representing a decrease of 4 percent compared with that of 31 December 2013.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments increased from EUR 2,447 thousand as at 31 December 2013 by EUR 322 thousand, or 13% to EUR 2,769 thousand as at 30 June 2014. The increase mainly resulted from the increase of interest receivable of bank term deposit in H1 2014, which was partly offset by a decrease of prepayments to suppliers in H1 2014.

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties increased from EUR 101 thousand as at 31 December 2013 by EUR 79 thousand, or 78% to EUR 180 thousand as at 30 June 2014, primarily due to an increase of advance to Mr. Chen guoping for business trip and meeting expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash in bank accounts, bank deposit on bank's acceptance bill. Cash and cash equivalents amounted to EUR 116,767 thousand as at 30 June 2014. 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 half of 2014, see "Cash Flow Statement" in this section.

	Jun. 30, 2014	Dec. 31, 2013
	kEUR	kEUR
Cash on hand	15	16
Cash in banks	115,335	125,340
Deposit on bank's acceptance bill	1,417	1,258
	116,767	126,614

Non-current Assets

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased from EUR 816 thousand as at 31 December 2013 by EUR 56 thousand, or 7%, to EUR 760 thousand as at 30 June 2014. The decrease mainly resulted from the disposal of old motor vehicle and depreciation charges in H1 2014, partly offset by the purchase of new motor vehicle and an increase of property for broadband network project and construction in progress.

INTANGIBLE ASSETS

Intangible assets decreased from EUR 794 thousand as at 31 December 2013 by EUR 118 thousand, or 15%, to EUR 676 thousand as at 30 June 2014 due to the amortization in H1 2014 ,

Liabilities

TRADE PAYABLES AND NOTES PAYABLE

Trade payables and notes payable decreased from EUR 13,422 thousand as at 31 December 2013 by EUR 6,815 thousand, or 51% to EUR 6,607 thousand as at 30 June 2014, mainly resulted from the payment of trade payables due in H1 2014.

OTHER PAYABLES

Other payables increased from EUR 1,358 thousand as at 31 December 2013 by EUR 74 thousand, or 5% to EUR 1,432 thousand as at 30 June 2014, mainly resulted from the increase of tax payables and advances from customers in H1 2014, partly offset by the decrease of other payables for consulting service.

Equity

SHARE CAPITAL

The share capital of the Company has been reduced from EUR 14,495,086 to EUR 13,298,495 as at 30 June, 2014 due to cancellation of EUR 1,196,591 treasury shares that were acquired by the Company pursuant to the authorization of the annual general meeting on 26 June, 2012.

TREASURY STOCK

The Executive Board has resolved on 2 April 2014 to reduce the share capital of the Company by means of redemption of EUR 1,196,591 treasury shares. Within the time period from 11 April to 9 May 2014, the Company had acquired in total 1,084,855 Vtion shares over the stock exchange via a voluntary tender offer to all shareholders. Following the share buyback program, the treasury stock balance was EUR 1,084,855 as at 30 June 2014.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio increased from 90% as at 31 December 2013 to 94% as at 30 June 2014.

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 H1 2014 and H1 2013.

	H1 2014	H1 2013
	kEUR	kEUR
Operating cash flow before working capital changes	2,074	2,319
Cash generated from/(used in) operations	-3,194	2,026
Net cash generated from operating activities	-3,963	1,832
Cash flow from investing activities	-125	4,981
Cash flow from financing activities	-3,860	-732
Net increase in cash and cash equivalents	-7,948	6,081
Cash at the beginning of the year	126,614	113,510
Foreign exchange difference	-1,899	2,768
Cash at the end of the period	116,767	122,359

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company used net cash of EUR 4.0 million in operation activities in the first half of 2014, representing a decrease by EUR 5.8 million compared with that of EUR 1.8 million generated from operation activities in H1 2013. The decrease was mainly due to the decrease of profit before income tax, a decrease of collection of trade receivables, an increase of payment of trade payables and an increase of inventory, which was partly offset by an increase of collection of other receivable and prepayment and a decrease of payment of other payables and accruals.

CASH FLOW FROM INVESTING ACTIVITIES

The net cash outflow in investing activities in H1 2014 amounted to EUR 125 thousand mainly in investment of motor vehicles and the property for broadband network project (H1 2013: EUR 4,981 thousand net cash inflow mainly due to liquidation of EUR 4.9 million of short-term investment).

CASH FLOW FROM FINANCING ACTIVITIES

The net cash outflow in financing activities in H1 2014 amounted to EUR 3.9 million, which were used in share buyback program (EUR 3.2 million) and dividend paid to shareholders (EUR 0.7 million) in H1 2014 (H1 2013: EUR 0.7 million in dividend paid).

CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to EUR 116.8 million as at 30 June 2014, representing a decrease of EUR 9.8 million from the cash balance as at 31 December 2013. The decrease mainly resulted from the payment of trade payable and payment for share buyback program H1 2014, partly offset by the collection of trade receivables.

Human Resources

In light of margin pressure and decreasing demand in its core business, the company has made concerted efforts to maintain a lean cost structure in order to remain profitable. As of the end of the first half of 2014, the company had a total of 228 employees. This represented a decrease of 1 person in comparison with the end of the first quarter of 2014. The R&D department had 40 employees, decreased from 86 employees at the end of the first quarter of 2014 mainly due to the reclassification of industry application department. From April, on average 43 persons of the industry application department were reclassified from R&D department in Q2 2014. The number of employees in sales and marketing increased from 52 to 56. Meanwhile the customer service and call center had only 5 persons instead of 6. There are constantly 5 management board members in the company and Vtion maintains a small production department that has the primary role of product testing and quality control. Currently, Vtion's wholly-owned subsidiary in the mobile applications market, Vtion Anzhuo had 85 persons in total. Of the personnel, the number of persons in R&D department decreased to 27 while the number of persons in administrative department increased to 55 in 30 June 2014, due to the reclassification of the industry application department. Sales and Marketing Department included 3 persons.

Research and Development

Vtion's wireless data terminal R&D activities center on the development of wireless data cards and mobile 3G routers. Currently, Vtion offers wireless data cards for each of the mobile networks currently in use in the Chinese market, namely the HSPA+ network of China Unicom, China Telecom's EVDO Rev.B network and the TD-SCDMA network operated by China Mobile. The company also offers 3G mobile routers for both China Unicom's and China Telecom's networks. Given that demand for mobile routers has grown despite a decline in the wireless data card market, the company will focus its future R&D efforts on developing further router offerings. While the company currently does not offer a mobile router for China Mobile's TD-SCDMA network, it has recently completed work on a router for China Mobile's fourth generation TD-LTE technology standard. Product offerings for the networks operated by China Telecom and China Unicom remain centered on the two companies' 3.5G technologies primarily because the manner in which they will enter the 4G market remains relatively uncertain.

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 Vtion's software-oriented business segments, namely the industry-specific computing solutions and mobile applications, the company relies heavily on sourcing from outside software and application providers. However, the company has taken steps to increase its in-house software development capacity and is continuing to build these resources. For example, the company's E-Agency platform that is sold to insurance companies was developed entirely in-house. The company employs a team of professionals who were formerly employed as database managers at various insurance companies, in order to better understand client needs and develop customized products for them. As Vtion looks to begin offering industry-specific solutions to other sectors, the company will seek to expand its internal expertise to other sectors on a case-by-case basis.

Vtion Anzhuo has continued to build up its online appstore construction and operation capacities. Recently, major focuses of the Vtion Anzhuo R&D efforts have centered on the gaming sector, particularly games that are free downloaded but featured a pay-for-play or a pay-for-use model. Further, Vtion Anzhuo is focusing R&D efforts on applications designed for large screen devices, to take advantage of the growing market in China for IPTV and related applications. Vtion Anzhuo is also currently working on expanding its sales reach in order to be a more attractive option as a publisher for smaller application developers. Going forward Vtion will continue to increase its in-house software capacity in order to reduce reliance on outside providers and increase its competitive advantages.

Risk Report

Risk and opportunity management

Vtion Group's business relies on solid experiences, 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 receivables. 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 been set up and is working to support the necessary processes to enhance the overall integrity and accountability. Vtion is making efforts to continuously implement improvements on internal control systems. As in prior periods Vtion Group has a continuous 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 other Management Board Members, 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. 91 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 warning system is reviewed regularly by the management board members and escalated to supervisory board members for further review.

Report on Post-Balance Sheet Date Events

Transfer of land use rights

In July 2014, as the former owner, Vtion IT was required to transfer back the rest half of the land use right to Fujian province government since the government adjusted the purpose of the area around. As a government administrative action, the government took back the land use rights and returned the proportionate share of the transfer costs and corresponding fees Vtion IT paid before. Meanwhile, the government compensated for some construction expenses paid by Vtion IT before. After this re-transfer, as of 30 June, 2014, Vtion IT did not hold any land use rights.

Full Year Guidance Adjustment

In the Press release sent out on 28 July, 2014, the full year guidance of Vtion Wireless Technology AG was adjusted down to revenues of 48 million Euros and an EBIT margin of 7.0 per cent.

Capital increase of Vtion Anzhuo

Per the agreement signed on 28 July, 2014, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 20 million. By means of debt-to-equity swap, the registered capital of Vtion Anzhuo was increased by about RMB 15 million, and the rest of the investment of RMB 5 million will be paid by Vtion Software in the following months. After the additional investment, Vtion Software (Fujian) Co., Ltd still holds 100% shares of Vtion Anzhuo (Beijing) Technology Co., Ltd.

Outlook

Based on H1 2014 operating results that lagged behind company expectations, combined with a market environment that presumably will be more difficult than originally expected in the second half of the year, the company has decided to adjust its 2014 full year guidance. Originally Vtion expected to achieve revenues of at least Euro 60 million, with an EBIT margin of approximately 8%. This has since been revised to revenue of at least 48 Million Euros, and an EBIT margin of approximately 7%.

For the near term, Vtion expects that the traditional core business, wireless data terminals, will continue to contribute the majority of the company's revenues. With ongoing pricing pressure in the hardware space and limited core demand for wireless data cards and PCtoTV in traditional consumer market, the company intends to promote more specialized products (e. g. taxation software) in order to keep profit in the segment. In contrast to this, the revenue from wireless routers has improved because of its multifunction. During the first half of 2014 the three Chinese mobile carriers intend to put R&D focus and promote wireless routers rather than wireless data cards in the 4G market. Therefore, Vtion adjusts its 4G product scheme according to the demand of the three Chinese mobile carriers and will concentrate on developing 4G wireless routers in the remainder of this year.

In the wireless intelligent terminal business segment, the cooperation with the three Chinese telecom operators to promote VCAM has been cancelled because based on the original cooperation model more tax expenses would occur owing to the tax discipline reform in China. Hence Vtion has decided to exit the VCAM mobile cameras business in the second half of the year.

In its broadband project carried out in conjunction with China Unicom the company has so far established a total of 11371 connections, with a further 4700 expected by the end of the year. However, revenue for the business is still quite minimal, given that Vtion will receive a commission month by month from China Unicom not before its connections are activated for the first time.

Vtion Anzhuo has increased its portfolio of mobile application offerings, particularly those offered through the online appstore V-Market. Further, it has strengthened its presence as a third party designer and operator of online application stores for other companies, particularly other device manufacturers. In order to increase revenues, Vtion Anzhuo will look to increase its presence in the more profitable gaming sector, as well as target companies offering large-screen devices such as Internet TV's, as competition is not as intense in this space as it is in the more mature handset and tablet markets. In its industry-specific computing solutions business, there are a total of 11 clients and this business has made a big improvement in the revenue contribution during the period. The company expects to gain more revenue from the business over the course of the remainder of the year.

Generally, due to the ongoing difficult environment for its core business segment, the company is seeking to keep profits by emphasizing the B2B model in the wireless data card business and developing cooperations with large-screen manufacturers through Vtion Anzhuo as well as increasing the revenue from current clients in the industry-specific computing solutions segment. In response to the change of 4G market, Vtion will expand its wireless routers business in 2014 and develop more 4G products based on the demand of the three Chinese telecom operators in the future.

Frankfurt/Main, August 20, 2014

Management Board

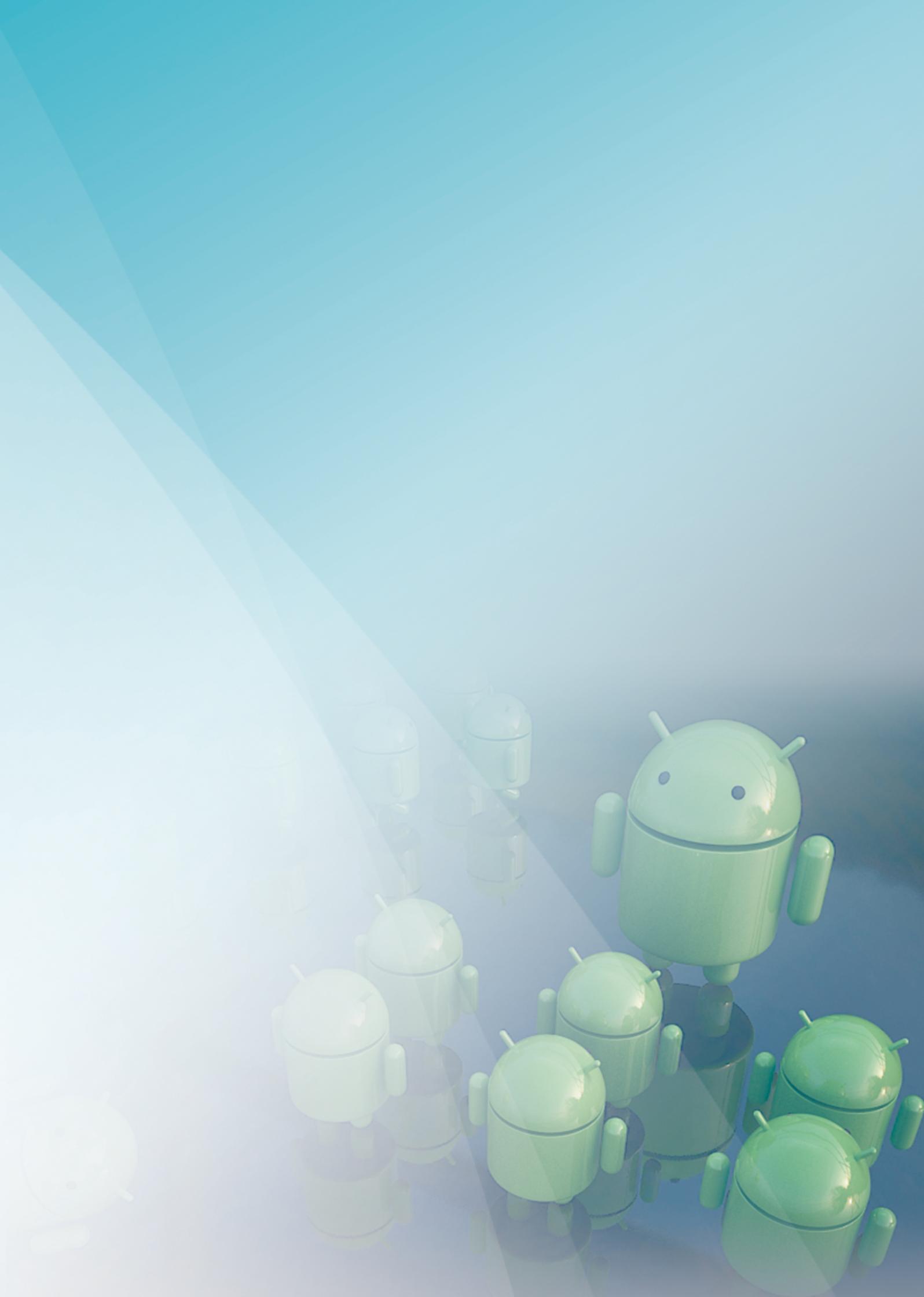
Chen Goupeng

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 June 30,

	Notes	Q2		H1	
		2014	2013	2014	2013
Sales		11,963,770	15,955,781	22,915,984	27,795,241
Cost of sales		-9,441,181	12,947,800	-18,199,047	-22,627,535
Gross Profit		2,522,589	3,007,981	4,716,937	5,167,706
Other operating income		35,844	19,196	36,331	19,196
Selling and distribution expenses		-292,412	-345,453	-644,372	-719,893
Administrative expenses		-1,122,761	1,286,952	-2,289,601	-2,391,751
Other operating expenses		-42	-3,116	-10,206	-3,116
Profit from operations		1,143,218	1,391,656	1,809,089	2,072,142
Finance income		427,504	346,739	878,784	793,229
Finance expenses		-6,286	-4,984	-11,728	-9,182
Foreign exchange gain/loss		-118,277	63,210	-75,262	-152,603
Profit before income tax		1,446,159	1,796,621	2,600,883	2,703,586
Income tax		-489,745	-604,466	-887,500	-1,049,699
Profit for the period		956,414	1,192,155	1,713,383	1,653,887
Other comprehensive income:					
Exchange differences on translating foreign operations		1,600,435	1,173,644	-2,016,404	3,256,416
Other comprehensive income for the period		1,600,435	1,173,644	-2,016,403	3,256,416
Total comprehensive income for the period		2,556,849	18,511	-303,021	4,910,303
Earnings per share (basic and diluted)*		0.07	0.09	0.13	0.12

*Computed on the basis of weighted average 13,040,767 shares for H1 2014 and 12,785,871 shares for Q2 2014, weighted average 13,298,495 shares for H1 2013 and Q2 2013 respectively

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

Consolidated Statement of Financial Position

for the period ending June 30

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
ASSETS		
Current assets		
Inventories	3,679,829	2,255,805
Trade receivables	15,638,978	18,411,081
Other receivables and prepayments	2,768,686	2,446,881
Short-term investment		-
Amounts due from related parties	179,906	101,379
Cash and cash equivalents	116,766,524	126,614,078
	139,033,923	149,829,224
Non-current assets		
Property, plant and equipment	759,695	816,446
Land use rights	269,226	276,378
Intangible assets	675,936	793,895
Deferred tax assets	405,920	406,022
	2,110,777	2,292,741
Total assets	141,144,700	152,121,965
LIABILITIES		
Current liabilities		
Trade payables	6,606,548	13,422,085
Other payables	1,432,146	1,357,695
Provisions	478,630	508,892
Amounts due to related parties	1,771	-
Income tax payable	460,738	505,546
Total liabilities	8,979,833	15,794,218
CAPITAL AND RESERVES		
Share capital	13,298,495	14,495,086
Treasury stock	-1,084,855	-1,196,591
Capital reserves	38,320,188	40,435,655
Retained earnings	62,949,179	61,895,333
Foreign exchange differences	18,681,860	20,698,264
Total equity	132,164,867	136,327,747
Total liabilities and equity	141,144,700	152,121,965

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30,

in EUR	Share capital Vtion AG	Treasury stocks	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2012	14,495,086	-1,196,591	40,435,655	58,227,122	22,840,460	134,801,732
Buyback ordinary share						
Treasury stock redemption						
Dividend distribution				-731,417		-731,417
Total comprehensive income for the period	-			1,653,887	3,256,416	4,910,303
Balance as at June 30, 2013	14,495,086	-1,196,591	40,435,655	59,149,592	26,096,876	138,980,618
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	-1,196,591	1,196,591				
Dividend distribution				-659,537		-659,537
Total comprehensive income for the period				1,713,383	-2,016,404	-303,021
Balance as at June 30, 2014	13,298,495	-1,084,855	38,320,188	62,949,179	18,681,860	132,164,867

Consolidated Cash Flow Statement

for the period from January 1 to June 30,

<i>Notes</i>	H1 2014	H1 2013
	EUR	EUR
Profit before income tax	2,600,883	2,703,586
Adjustments for:		
Amortization of intangible assets	106,703	98,245
Depreciation of land use rights	3,145	5,449
Allowance for doubtful trade debts	-	-
Depreciation of property, plant and equipment	144,816	160,486
Gain on disposal of property, plant and equipment	10,087	-17,322
Interest income	-878,784	-793,229
Interest expense	-	-
Bank charges	11,728	9,183
Foreign exchange loss	75,262	152,603
Operating cash flow before working capital changes	2,073,840	2,319,001
Working capital changes:		
(Increase)/decrease in:		
Inventories	-1,460,627	66,976
Trade receivables	2,511,173	6,971,961
Other receivables and prepayments	363,596	-3,274,286
Amounts due from related parties	-80,210	-86,551
Increase/(decrease) in:		
Trade payables	-6,637,909	-2,474,215
Other payables and accruals	71,497	-1,459,142
Amounts due to related parties	1,775	20,914
Income tax payable	-37,561	-59,054
Cash generated from/(used in) operations	-3,194,426	2,025,604
Interest received	156,891	1,002,833
Interest expense	0	-
Income tax paid	-925,061	-1,196,739
Net cash generated from operating activities	-3,962,596	1,831,699
Cash flow from investing activities		
Purchase of intangible assets	0	-36,720
Purchase of land, property, plant and equipment	-125,642	-277,523
Disposal of land, property, plant and equipment	0	394,877
Decrease of short term investment		4,900,000
Cash flow from investing activities	-125,642	4,980,633
Cash flow from financing activities		
Payment in connection with share buyback	-3,200,322	
Dividend paid to shareholders	-659,537	-731,417
Cash flow from financing activities	-3,859,859	-731,417
Net increase in cash and cash equivalents	-7,948,097	6,080,915
Cash at the beginning of the period	126,614,078	113,509,797
Foreign exchange differences	-1,899,457	2,768,076
Cash at the end of the period	116,766,524	122,358,788

Selected Notes to the Consolidated Financial Statements

For the period from January 1 to June 30, 2014

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 Jun. 30, 2014	Results from Jan. 1 to Jun. 30, 2014
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	-359	5,107
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	93,129	2,465
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	16,558	-233
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	821	22
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	-1,373	-551
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC	100%	103	-3

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 June 30, 2014, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of December 31, 2013.

In 2013, Vtion has decided to make a change in accounting method of land use rights because of an application notice from the German Financial Reporting Enforcement Panel. The acquisition of land use rights is accounted according to the rules for a change in accounting policy (IAS 8) as a finance lease transaction in accordance with IAS 17. The land use rights are continued to be presented separately at the face of the consolidated statement of financial position. Due to the change in accounting policy the land use rights present a tangible asset. The corresponding disclosure of cash flow statements and related notes for H1 2013 is also adjusted to assure the information comparable.

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	
	2014	2013
June 30	8.4722	8.0280
Average first six month	8.4500	8.1285

4. Impairment of Non-financial Assets, if any

In the six months of 2014 and 2013 no non-financial asset has been impaired, except as mentioned in note 7.1. For inventory an impairment provision of EUR 27 thousand has been recorded as of June 30, 2014 (EUR 28 thousand as of December 31, 2013).

5. Segment Analysis

A) BUSINESS SEGMENT

Vtton Group’s operating businesses are organized in three business segments, namely “Wireless Data Terminals”, “Wireless Intelligent Terminals” and “All Others”. From the second quarter of 2013, network camera has been adjusted to be presented in “Wireless Intelligent Terminals” rather than “All Others”. So the corresponding disclosures of the segment information for the second quarter and the first half year of 2014 and 2013 are comparable.

B) GEOGRAPHICAL BUSINESS

Vtton 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 ended Jun. 30, 2014	Period ended Jun. 30, 2013	Period ended Jun. 30, 2014	Period ended Jun. 30, 2013
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	20,322	23,782	2,395	2,905
Wireless Intelligent Terminal	1,749	3,661	209	541
All Others	845	352	-505	-1,031
Total for continuing operations	22,916	27,795	2,099	2,415
Central administration costs			-290	-343
Finance result			792	632
Profit before tax (continuing operations)			2,601	2,704

6. Notes to the Consolidated Statement of Comprehensive Income

6.1 TOTAL INCOME

	Q2		H1	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Sale of goods	11,963,770	15,955,781	22,915,984	27,795,241
Other operating income				
Government grant	35,503	0	35,503	0
Service income	6	55	12	55
Others	335	19,140	816	19,140
	35,844	19,196	36,331	19,196
Finance income				
Interest income	427,504	346,739	878,784	793,229
Total income	12,427,118	16,321,716	23,831,099	28,607,666

Sales of goods represent 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 grant in H1 2014 was due to money subsidy amounting to EUR 36 thousand from Beijing government to Vtion Anzhuo to implement technologic innovation project.

6.2 SPLIT-UP OF SALES

	Q2		H1	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Split-up of sales				
Sales to external customers				
Wireless Data Terminals	11,177,824	12,817,066	20,321,893	23,782,208
Wireless Intelligent Terminals	467,205	2,964,895	1,749,189	3,661,301
All Other Segments	318,741	173,820	844,902	351,732
	11,963,770	15,955,781	22,915,984	27,795,241

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

6.3 COST OF SALES

	Q2		H1	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Split up of Cost of Sale				
Cost of materials				
- raw materials	1,998,945	5,050,883	5,078,513	9,189,459
- purchased goods	6,991,510	7,355,681	12,323,889	12,401,129
- services	369,367	433,337	624,868	751,122
- business taxes and surcharges	60,468	103,427	111,975	245,466
	9,420,290	12,943,328	18,139,245	22,587,176
Directly attributable payroll expenses and non-attributable shared costs	20,891	4,472	59,802	40,359
	9,441,181	12,947,800	18,199,047	22,627,535

6.4 AVERAGE NUMBER OF EMPLOYEES/PAYROLL COSTS

	H1 2014	H1 2013
Average number of employees		
Management and administration	106	80
Research and development*	58	72
Sales	63	87
	227	239

	H1 2014	H1 2013
	EUR	EUR
Payroll costs		
Wages and salaries	1,163,017	1,144,889
Social security costs	172,919	188,389
Welfare	41,452	29,402
	1,377,388	1,362,680

*the decrease of average number of employees of the Research and development department was mainly due to the department reclassification in Q2 2014. The employees of industrial application department are divided by function from the Research and development to the Management and administration.

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

	H1 2014	H1 2013
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	63,336	53,163
Licenses	40,408	42,006
Trademark	2,959	3,076
Sum	106,703	98,245
Depreciation of Land use rights	3,145	5,449
Depreciation of property, plant and equipment	144,816	160,486
Total of amortization and depreciation	254,664	264,180

Except about EUR 4,438 of amortization of intangible assets was booked as part of "cost of sales" for insurance industry in H1 2014 (H1 2013: EUR 4,613), the remaining amortization of intangible assets was booked in "Administrative expenses" in H1 2014.

6.6 FINANCE EXPENSES

	Q2		H1	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Finance Expense				
Bank charges	6,286	4,984	11,728	9,182
	6,286	4,984	11,728	9,182

6.7 FINANCE FOREIGN EXCHANGE LOSS

The Group recognized EUR 75,262 foreign exchange loss in H1 2014 (H1 2013: EUR 152,603), mainly resulted from money exchange from RMB to EUR when the EUR/RMB exchange rate rose in May 2014. Vtion IT exchanged RMB to EUR 2.1 million when the average EUR/RMB rate was about 8.7113, rising by 4% compared to the rate as at 31 December, 2013. The EUR rose by 0.1231 or 1.5% from 8.3491 RMB (31 December, 2013) to 8.4722 RMB (30 June, 2014). This led to foreign exchange gain arising from revaluing liquid assets and liabilities of the Vtion Group at the balance sheet date which partly offset foreign exchange loss caused by the money exchange.

6.8 INCOME TAX

	Q2		H1	
	2014	2013	2014	2013
	EUR	EUR	EUR	EUR
Current income tax (ordinary activities)	489,745	620,357	887,500	1,137,685
-temporary differences	0	23,219	0	23,264
-tax loss carry forward	0	-39,110	0	-111,250
Income tax recognized in profit and loss	489,745	604,466	887,500	1,049,699

6.9 APPLICABLE TAX RATE

Vtion IT applied an effective tax rate of 25% in H1 2014 in accordance with the Income Tax Law of the People's Republic of China.

Vtion Communication incurred accounting gains for the first six months of operation, but Vtion Software, Vtion Anzhuo and Vtion Service incurred accounting losses for the first six months of operation. These four Chinese subsidiaries were exempted from the corporation income tax because of cumulative tax losses carried forward.

7. Notes to the Consolidated Statement of Financial Position

7.1 INVENTORIES

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Inventory-advances to supplier	420,469	8,051
Goods and material	3,286,791	2,275,591
Less: stock provision	-27,431	-27,836
	3,679,829	2,255,805

7.2 TRADE AND OTHER RECEIVABLES

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Trade receivables		
Trade receivables	15,638,978	18,411,081
Allowance for trade receivables	0	(0)
	15,638,978	18,411,081

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Other receivables		
Other receivables	2,702,028	2,363,204
Prepaid expenses	66,658	83,677
	2,768,686	2,446,881

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

	Jun. 30, 2014	Dec. 31, 2013
Related parties	EUR	EUR
Amount due from related parties - non-trade	179,906	101,379
	179,906	101,379

7.4 CASH AND CASH EQUIVALENTS

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Cash on hand	15,236	16,029
Cash in banks	115,334,773	125,340,339
of Mainland China	114,289,698	123,546,706
of Germany and offshore	1,045,075	1,793,633
Deposit on bank's acceptance bill (in China)	1,416,515	1,257,710
	116,766,524	126,614,078

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

Among the balance of cash and cash equivalents as of June 30, 2014, EUR 115,706 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 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 June 30, 2014. 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 payable as well as other payables has not been disclosed, since, due to their short duration, management considers the carrying amounts recognized at the balance sheet to be a reasonable estimate of their fair value. The trade payables include notes payable, which amount to RMB 24 million and increased by RMB 3 million as compared with that as of December 31, 2013. 50% of the funds received (EUR 1,417 thousand) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Other payables		
VAT payable	1,152,327	1,041,328
Other payable	87,627	135,598
Advances from customers	94,029	90,448
Other tax payables	98,163	90,321
	1,432,146	1,357,695

7.7 PROVISIONS

	Jun. 30, 2014	Dec. 31, 2013
	EUR	EUR
Provisions		
Accrued payroll	254,570	254,937
Other accruals	224,060	253,955
	478,630	508,892

8. NOTES – OTHER

8.1 CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at June 30, 2014.

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:

	H1 2014	H1 2013
	EUR	EUR
Rental fee paid to a related party	65,325	67,909
	65,325	67,909

9. Events after Balance Sheet Date

Transfer of land use rights

In July 2014, as the former owner, Vtion IT was required to transfer back the rest half of the land use right to Fujian province government since the government adjusted the purpose of the area around. As a government administrative action, the government took back the land use rights and returned the proportionate share of the transfer costs and corresponding fees Vtion IT paid before. Meanwhile, the government compensated for some construction expenses paid by Vtion IT before. After this re-transfer, as of 30 June, 2014, Vtion IT did not hold any land use rights.

Full Year Guidance Adjustment

In the Press release sent out on 28 July, 2014, the full year guidance of Vtion Wireless Technology AG was adjusted down to revenues of 48 million Euros and an EBIT margin of 7.0 per cent.

Capital increase of Vtion Anzhuo

Per the agreement signed on 28 July, 2014, Vtion Software (Fujian) Co., Ltd increased the investment to Vtion Anzhuo (Beijing) Technology Co., Ltd by RMB 20 million. By means of debt-to-equity swap, the registered capital of Vtion Anzhuo was increased by about RMB 15 million, and the rest of the investment of RMB 5 million will be paid by Vtion Software in the following months. After the additional investment, Vtion Software (Fujian) Co., Ltd still holds 100% shares of Vtion Anzhuo (Beijing) Technology Co., Ltd.

10. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on August 20, 2014.

Frankfurt, August 20, 2014

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, August 20, 2014

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

Report on the Review of the half-year financial report

To the VTION WIRELESS TECHNOLOGY AG

We have reviewed the condensed interim consolidated financial statements of Vtion Wireless Technology AG, comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes, together with the interim group management report of Vtion Wireless Technology AG, Frankfurt am Main, for the period from January 1, 2014 to June 30, 2014, that are part of the semi annual financial report pursuant to § [Article] 37w WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, August 21, 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Gebhard Zemke
Wirtschaftsprüfer
[German Public Auditor]

Ulrich Glaser
Wirtschaftsprüfer
[German Public Auditor]

Credits

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Financial Calendar

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