

# Q3-2015

## INTERIM REPORT

## Vtion Wireless Technology at a glance

		Q3			9M		
		2015	2014	+/-%	2015	2014	+/-%
Revenues	million €	2.30	12.43	-81	18.55	35.34	-48
Gross profit	million €	0.30	2.42	-88	3.52	7.14	-51
Gross profit margin	%	13	20	-7PP	19	20	-1PP
EBITDA	million €	-0.08	1.02	-108	0.39	3.08	-87
EBITDA margin	%	-3	8	-11PP	2	9	-7PP
EBIT	million €	-0.08	0.88	-109	0.18	2.69	-93
EBIT margin	%	-3	7	-10PP	1	8	-7PP
Net profit	million €	0.11	0.51	-78	0.77	2.23	-65
Net profit margin	%	5	4	1PP	4	6	-2PP
Earnings per share	€	0.01	0.04	-67	0.06	0.17	-63
Net Cash flow from operations	million €	-9.11	-0.58	1,470	-7.77	-4.54	71

### 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 69 employees, with offices in Fuzhou, Beijing and Frankfurt.

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# The Share

## MARKET ENVIRONMENT

Overall, the market sentiment over the course of the third quarter 2015 remained tense. The TecDAX as the relevant benchmark for Vtion Wireless Technology AG developed comparatively volatile over the course of the third quarter. Starting the reporting period at 1,672 points it climbed up to its high of 1,828 points on July 20. After a period of comparative low volatility the index declined sharply to 1,575 points on August 24. The TecDAX closed at 1,747,740 points as of September 30. On a quarterly basis the index rose by 7%.

The index for small cap companies (SDAX) reached its peak with 9,156 points on August 6. Thereafter it reversed its course and showed strong volatile development as a result of the nervous financial markets in China. At the end of the nine-months period, the SDAX closed at 8,310 points. With respect to the beginning of the quarter, this represents a decrease of 5%.

The Euro/US-Dollar parity showed some volatility as well. The Euro was traded at 1.083 USD per euro on July 17 and had its peak on August 24 when it cost 1.158 USD per euro. Afterwards there was a decrease to 1.13 USD per euro at the end of the reporting period.

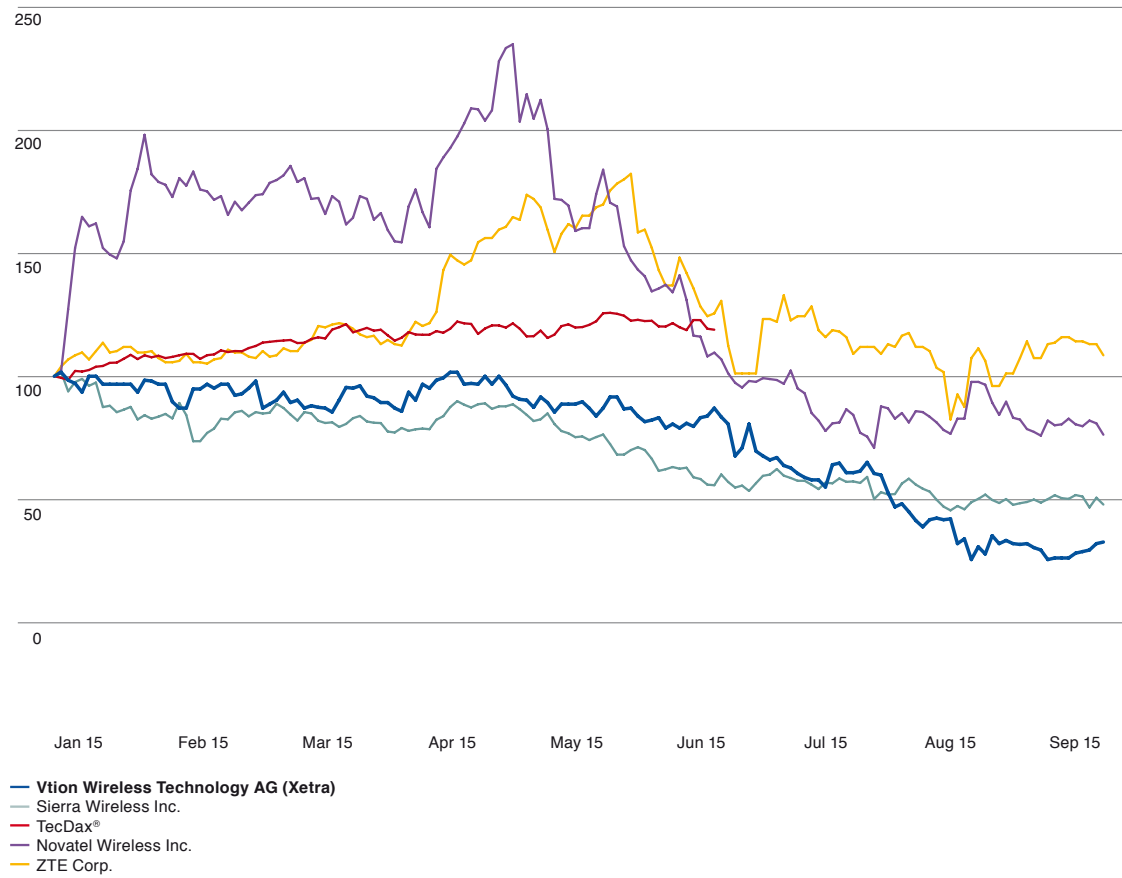
## VTION SHARE PERFORMANCE

During the third quarter 2015 the share price showed a volatile development with the trend to a decline. It decreased from its high of EUR 2.50 on July 7 to its low of EUR 0.65 on August 27. A day before Vtion announced the postponement of the half-year-report 2015. By the beginning of September the share price started to increase up to EUR 1.10. At the end of the reporting period on September 30 it closed at EUR 1.02.

The average daily trading volume at XETRA was about 3,146 shares during the third quarter 2015. Therefore it stays nearly on the same level compared to the previous quarter's average volume of 3,999 shares per day.

**VTION STOCK PRICE**

in Percent

**Vtion Master Data**

as of September 30, 2015

		<b>September 30, 2015</b>
Number of shares	Shares	12,213,640
Closing price	€	1.02
Market Cap.	Mio. €	12.458
Share price high (July 7, 2015)	€	2.50
Share price low (August 27, 2015)	€	0.65
Average trading volume per day	Shares	6.371

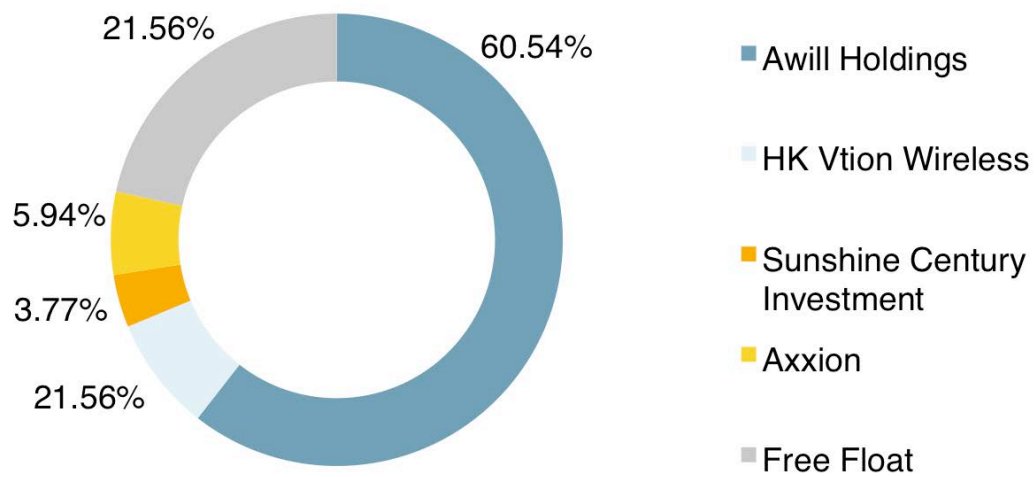
### SPONSORSHIP AND RESEARCH COVERAGE

Equinet AG is Vtion's market maker and designated sponsoring services provider.

### VTION SHAREHOLDER STRUCTURE

as of September 30, 2015

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# INTERIM MANAGEMENT REPORT

## Business and Operating Environment

### 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 668 million, which represents a penetration rate of 48.8%.<sup>1</sup> These figures represent an increase of 18.94 million users and 0.09 percentage points respectively.

At the end of 2013, the Ministry of Industry and Information Technology of the People's Republic of China issued the operating licenses for the fourth-generation digital cellular mobile communication services (TD-LTE) towards three Telecom operators China Mobile, China Unicom and China Telecom. The development on the 4G networks has been slower than originally expected over the course of 2014, but has gradually progressed over the course of 2015. While the majority of mobile users are still connect to 3G networks, China now boasts 594 million mobile Internet users. While there is some overlap with the 668 million Internet users mentioned above, the fact that such a large number of the total are active on the mobile Internet is indicative of increasing network coverage and strength.

Over the first nine months of 2015, approximately 85% of Vtion's sales were realized by the company's two main products, namely wireless data cards and mobile routers. This is expected to continue over the course of 2015, given that the company has divested its software-related business segments through a management buyout and because the country's three largest telecom operators remain the largest and most reliable clients.

With pricing pressure and decreased sales due to weakening demand brought about by technological change that has shifted consumer preference away from mobile data cards and routers, Vtion has seen decreases in its operating figures. However, through the maintenance of a lean cost structure and other conservative measures, the company has managed to maintain profitability.

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<sup>1</sup><http://www.cnnic.cn/hlwfzyj/hlwfzxx/qwfb/201402/W020140226599021768966.pdf>

## Results of Operations

### INCOME STATEMENT – Group

January 1 – September 30

	Q3			9M		
	2015	2014	+/-%	2015	2014	+/-%
<b>Sales</b>	<b>2,302</b>	<b>12,427</b>	<b>-81</b>	<b>18,552</b>	<b>35,343</b>	<b>-48</b>
Cost of sales	-1,998	-10,003	-80	-15,032	-28,202	-47
<b>Gross profit</b>	<b>304</b>	<b>2,424</b>	<b>-87</b>	<b>3,520</b>	<b>7,141</b>	<b>-51</b>
Other operating income	-19	68	-128	24	104	-77
Selling and distribution expenses	-164	-321	-49	-909	-965	-6
Administrative expenses	-170	-1,287	-87	-2,421	-3,577	-32
Other operating expenses	-30	0	n/a	-31	-10	198
<b>Profit from operations (EBIT)</b>	<b>-78</b>	<b>884</b>	<b>-109</b>	<b>184</b>	<b>2,693</b>	<b>-93</b>
Finance income	175	441	-60	1,191	1,320	-10
Finance expenses	-1	-5	-89	-13	-17	-23
Investment income	-234	0	n/a	78	0	n/a
Foreign exchange gain or loss	245	-117	-309	149	-192	-177
Profit before income tax	107	1,203	-91	1,589	3,804	-58
Income tax	3	-690	-100	-818	-1,577	-48
<b>Profit for the period</b>	<b>110</b>	<b>513</b>	<b>-79</b>	<b>771</b>	<b>2,227</b>	<b>-65</b>
Earnings per share* (in EUR)	0.01	0.04	-79	0.06	0.17	-64

\*Computed on the basis of weighted average 12,213,640 shares for 9M 2015 and Q3 2015, weighted average 12,762,028 shares for 9M 2014 and 12,213,640 shares for Q3 2014 respectively.



## SALES

In the first nine months of 2015, sales amounted to EUR 18.55 million, decreased by EUR 16.79 million or 48% compared with the same period in 2014 (9M 2014: EUR 35.3 million). If excluding the impact of exchange differences arising from currency translation, sales in 9M 2015 decreased by 56% in terms of RMB due to the decline of the sales generated from all segments comprising “Wireless Data Terminals”, “Wireless Intelligent Terminals”, and “All Others”.

In the first nine months 2015, Vtion Group recognized EUR 5 million of revenue from the segment “Wireless Data Cards”, which decreased by 68% from EUR 17.1 million in 2014. But if excluding the impact of exchange differences arising from currency translation, sales of the segment “Wireless Data Cards” in 9M 2015 decreased by 73% 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 routers decreased to EUR 10.3 million in 9M 2015 from EUR 11 million in 9M 2014 by EUR 0.7 million, or 6%. If excluding the impact of exchange differences arising from currency translation, sales of “wireless routers” decreased by 22% in terms of RMB in 9M 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.

Vtion generated EUR 3.0 million of revenue from wireless high definition shares (“PCtoTV”) in 9M 2015 (9M 2014: EUR 4.3 million). If excluding the impact of exchange differences arising from currency translation, sales of “PCtoTV” decreased by 50% in terms of RMB in 9M 2015 as a result of the decrease of unit price and sales volume.

Vtion generated EUR 2 thousands of revenue from “Network Camera” in 9M 2015 or a decrease of about 100% of compared with the same period in 2014 (EUR 1.2 million). In 9M 2015, sales from the segment “All Others” decreased to EUR 0.45 million by EUR 602 thousand, or 55% compared with the same period in 2014 (9M 2014: EUR 1 million). The decrease was mainly due to the decrease of sales from health self-checking instrument in connection with mobile health care, service provided to Android application developers and mobile application stores and service in connection with mobile application, mainly designed for insurance industry, partly offset by an increase of revenue from China Unicom broadband project.

In the third quarter of 2015, Vtion Group had generated EUR 2.3 million from all segments, decreased by EUR 10.1 million, or 81%, from EUR 12.4 million in Q3 2014. If excluding the impact of exchange differences arising from currency translation, sales in Q3 2015 decreased by 55% in terms of RMB due to the decline in the sales of all segments. The decrease of sales in Q3 2015 was mainly due to the decrease of “Wireless Data Terminals” in old versions, the decrease of the segments “Wireless Intelligent Terminals” and “All others” excluding China Unicom broadband project, partly offset by the increase of sales of 4G wireless routers and revenue from a China Unicom broadband project.

## COST OF SALES

Cost of sales decreased to EUR 13 million in 9M 2015 by EUR 5.2 million, or 47% from EUR 18.2 million in 9M 2014. If excluding the impact of exchange differences arising from currency translation, cost of sales in 9M 2015 decreased by 56% in terms of RMB due to the decrease in the cost of sales of all segments.

Cost of sales of the “Wireless Data Cards” decreased by 77% to EUR 4.4 million in 9M 2015 (9M 2014: EUR 19.1 million). But if excluding the impact of exchange differences arising from currency translation, cost of sales of the segment wireless data cards in 9M 2015 decreased by 81% in terms of RMB. Cost of sales of wireless routers decreased to EUR 8.4 million in 9M 2015 (9M 2014: EUR 8.8 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of wireless routers decreased by 20% in terms of RMB in 9M 2015.

Cost of sales of “PCtoTV” decreased to EUR 2.1 million in 9M 2015 (9M 2014: EUR 3.8 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of “PCtoTV” decreased by 45% in terms of RMB in 9M 2015.

Cost of sales of “Network Camera” decreased to EUR 2 thousand in 9M 2015 (9M 2014: EUR 3.5 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of “Network Camera” decreased by around 100% in terms of RMB in 9M 2015.

Cost of sales of the segment “All others” decreased to EUR 0.1 million in 9M 2015 (9M 2014: EUR 1.6 million). If excluding the impact of exchange differences arising from currency translation, cost of sales of the segment “All others” decreased by around 100% in terms of RMB, mainly due to the decrease of sale volumes of health self-checking instrument in connection with mobile health care and cost for service in connection with mobile application mainly designed for insurance industry, partly offset by an increase of cost for a China Union broadband project and service provided to Android application developers and mobile application stores. In the third quarter of 2015, cost of sales decreased to EUR 2.0 million (Q3 2014: EUR 10.0 million). If excluding the impact of exchange differences arising from currency translation, cost of sales decreased by 80% in terms of RMB due to the decrease in the cost of sales of all segments in Q3 2015.

#### **GROSS PROFIT**

Gross profit decreased to EUR 3.5 million in 9M 2015 by 51% from EUR 7.2 million in 9M 2014. If excluding the impact of exchange differences arising from currency translation, gross profit decreased by 59% in terms of RMB. The overall gross profit margin was 19% in 9M 2015, a slight decrease from a margin of 20% in 9M 2014, and decreased by 2 percentage points from 17% in Q2 2015 due to lower gross profit margins of all segments.

**OTHER OPERATING INCOME**

Other operating income amounted to EUR 24 thousand resulting from the recognition of other payables due to cancellation of liability in 9M 2015 (9M 2014: EUR 104 thousand).

**SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased from EUR 965 thousand in 9M 2014 by EUR 56 thousand, or 6%, to EUR 909 thousand in 9M 2015. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses decreased by 8% in terms of RMB in 9M 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. Selling and distribution expenses decreased from EUR 321 thousand in Q3 2014 by EUR 157 thousand, or 49%, to EUR 164 thousand in Q3 2015. If excluding the impact of exchange differences arising from currency translation, selling and distribution expenses decreased by 58% in terms of RMB in Q3 2015. The decrease was primarily due to a decrease in travel expenses and transportation expenses, partly offset by an increase in rental expenses.

The ratio of selling and distribution expenses to total sales was 4.9% in 9M 2015 and 2.7% in 9M 2014.

**ADMINISTRATIVE EXPENSES**

Administrative expenses decreased from EUR 3,577 thousand in 9M 2014 by EUR 1,156 thousand, or 34%, to EUR 2,421 thousand in 9M 2015. If excluding the impact of exchange differences arising from currency translation, administrative expenses decreased by 44% in terms of RMB in 9M 2015. The decrease was primarily due to a decrease in research and development expenses, salary and welfare, consulting expenses and rental expenses, partly offset by an increase of stock provision, bad-debt provision and impairment of intangible assets. Administrative expenses decreased from EUR 1,287 thousand in Q3 2014 by EUR 53 thousand, or 87%, to EUR 170 thousand in Q3 2015. If excluding the impact of exchange differences arising from currency translation, administrative expenses decreased by 89% in terms of RMB in Q3 2015. The decrease was primarily due to a decrease in salary and welfare, research and development expenses, consulting expenses and rental expenses, partly offset by an increase of stock provision, bad-debt provision and impairment of intangible assets.

The ratio of administrative expenses to total sales was 13.0% in 9M 2015 and 10.1% in 9M 2014.

**PROFIT FROM OPERATIONS (EBIT)**

Profit from operations decreased to EUR 184 thousand in 9M 2015 by EUR 2,509 thousand, or 93%, from EUR 2,693 thousand in 9M 2014. If excluding the impact of exchange differences arising from currency translation, profit from operations decreased by 94% in terms of RMB in 9M 2015. The decrease was largely due to the decrease of sales and gross profit of all segments in 9M 2015.

**EBIT MARGIN**

Vtion Group's EBIT margin (profit from operations divided by sales) was 1% in 9M 2015 and decreased by 7% compared to 9M 2014. This resulted from a decrease of overall gross profit margin and 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 decreased from EUR 1,320 thousand in 9M 2014 to EUR 1,191 thousand in 9M 2015. If excluding the impact of exchange differences arising from currency translation, finance income decreased by 25% in terms of RMB in 9M 2015. Finance expenses comprise bank charges. Finance expenses amounted to EUR 13 thousand in 9M 2015 (9M 2014: EUR 17 thousand).

### **INVESTMENT INCOME**

Vtion Group gained an investment income of EUR 78 thousand from the deal of VtionAnzhuo buyout in during the reporting period 9M 2015.

### **FOREIGN EXCHANGE GAIN OR LOSS**

Since the functional currency of Vtion Group is RMB, the Group recognized foreign exchange gain of EUR 149 thousand in 9M 2015 (9M 2014 loss: EUR 192 thousand) arising from revaluing liquid assets and liabilities of Vtion Group at the balance sheet date. As of September 30, 2015, Euro to RMB exchange rate dropped to 6.9408 by 11% from 7.5358 as at December 31, 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 2015 in accordance with the Income Tax Law of the People's Republic of China. Vtion Software 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 818 thousand in 9M2015 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 818 thousand in 9M 2015.

### **NET PROFIT AND EPS**

Net profit in the first nine months of 2015 amounted to EUR 0.8 million, a decrease of 65% year-on-year. EPS (Earnings Per Share) in 9M 2015 was EUR 0.06, a decrease of 63% year-on-year.<sup>2</sup>

### **NET PROFIT MARGIN**

The net profit margin decreased from 6% in 9M 2014 to 4% in 9M 2015. The decrease mainly resulted from the decrease of EBIT margin, partly offset by an increase of investment income.

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<sup>2</sup>Computed on the basis of weighted average 12,213,640 shares for 9M 2015 and Q3 2015, weighted average 12,762,028 shares for 9M 2014 and 12,213,640 shares for Q3 2014 respectively

## Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended September 30, 2015 and December 31, 2014

	Sep. 30, 2015	Dec. 31, 2014
	kEUR	kEUR
<b>ASSETS</b>		
<b>Current assets</b>		
Inventories	611	2,130
Trade receivables	11,600	12,661
Other receivables	7,921	1,657
Amounts due from related parties	509	320
Cash and cash equivalents	141,930	140,705
	162,571	157,473
<b>Non-current assets</b>		
Property, plant and equipment	657	800
Intangible assets	75	808
Deferred tax assets	503	407
	1,235	2,015
<b>Total assets</b>	<b>163,806</b>	<b>159,488</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade payables	3,690	6,934
Other payables	607	1,863
Provisions	167	511
Amounts due to related parties	166	2
Income tax payable	0	484
<b>Total liabilities</b>	<b>4,630</b>	<b>9,794</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	12,214	13,298
Treasury stock	0	-1,085
Capital reserves	38,320	38,320
Retained earnings	64,794	64,023
Foreign exchange differences	43,849	35,138
<b>Total equity</b>	<b>159,177</b>	<b>149,694</b>
<b>Total liabilities and equity</b>	<b>163,807</b>	<b>159,488</b>
<b>Equity to total assets ratio</b>	<b>97%</b>	<b>94%</b>

## Current Assets

### INVENTORIES

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

	Sep. 30, 2015	Dec. 31, 2014
	kEUR	kEUR
Goods and materials	611	2,130
Advances to suppliers	0	0
	<b>611</b>	<b>2,130</b>

Inventories decreased from EUR 2,130 thousand as at December 31, 2014 by EUR 1,038 thousand to EUR 611 thousand as at September 30, 2015 as a result of a decrease in goods and materials of wireless data cards and wireless routers due to closing-down sales of 3G products, less purchasing and an increase of stock provision.

### TRADE RECEIVABLES

Trade receivables increased from EUR 12,661 thousand as at December 31, 2014 by EUR 1,101 thousand, or 9%, to EUR 11,560 thousand as at September 30, 2015. The decrease mainly due to accelerated collection of receivables in 9M 2015.

### OTHER RECEIVABLES

Other receivables primarily comprise interest receivables from bank deposit. Other receivables increased from EUR 1,657 thousand as at December 31, 2014 by EUR 6,264 thousand, or 378% to EUR 7,921 thousand as at September 30, 2015. The increase mainly resulted from the increase of advanced suppliers in 9M 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 increased from EUR 320 thousand as at December 31, 2014 to EUR 509 thousand as at September 30, 2015, which was mainly due to an increase of amount due from Awill Holdings partly offset by receiving the advance to Mr. Chen Guoping for travelling expenses in 9M 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 141,930 thousand as at September 30, 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 nine months of 2015, see "Cash Flow Statement" in this section.

	Sep. 30, 2015	Dec. 31, 2014
	kEUR	kEUR
Cash on hand	2	20
Cash in banks	140,664	139,092
Deposit on bank's acceptance bill	1,264	1,593
	<b>141,930</b>	<b>140,705</b>

## Non-current Assets

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased from EUR 800 thousand as at December 31, 2014 by EUR 143 thousand, or 9%, to EUR 657 thousand as at September 30, 2015. This mainly resulted from the depreciation charges and the Management Buyout of VtionAnzhuo, partly offset by the purchase of electronic equipment.

### INTANGIBLE ASSETS

Intangible assets decreased from EUR 808 thousand as at 31 December 2014 by EUR 733 thousand, or 91%, to EUR 75 thousand as at September 30, 2015. This was due to a decrease of intangible assets resulting from the Management Buyout of VtionAnzhuo, the amortization and impairment of licenses for old-version wireless data cards in 9M 2015.

## Liabilities

### TRADE PAYABLES AND NOTES PAYABLE

Trade payables and notes payable decreased from EUR 6,934 thousand as at December 31, 2014 by EUR 3,244 thousand, or 47% to EUR 3,690 thousand as at September 30, 2015. The decrease mainly resulted from the payment of trade payables due in 9M 2015.

### OTHER PAYABLES

Other payables decreased from EUR 1,863 thousand as at 31 December 2014 by EUR 1,256 thousand, or 67% to EUR 607 thousand as at 30 September 2015. The decrease mainly resulted from the decrease of value added tax payables in 9M 2015.

## Equity

### SHARE CAPITAL AND TREASURY STOCK

The share capital of the Company has been reduced to EUR 12,213,640 as at September 30, 2015 due to cancellation of EUR 1,084,855 treasury shares. After this redemption, the Company didn't have any treasury stock as at September 30, 2015.

### EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio increased from 94% as at December 31, 2014 to 97% as at September 30, 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 9M 2015 and 9M 2014.

	9M 2015	9M 2014
	kEUR	kEUR
Operating cash flow before working capital changes	974	3,035
Cash generated from/(used in) operations	-6,885	-3,190
Net cash generated from operating activities	-7,766	-4,542
Cash flow used in investing activities	853	241
Cash flow from financing activities	0	-3,860
<b>Net increase in cash and cash equivalents</b>	<b>-6,913</b>	<b>-8,161</b>
Cash at beginning of the year	140,705	126,614
Foreign exchange difference	8,139	9,219
<b>Cash at the end of the period</b>	<b>141,930</b>	<b>127,672</b>

### NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a negative net cash flow amounting to EUR 7,766 thousand from operations in the first nine months of 2015, representing a loss by EUR 3,24 thousand compared with that of EUR 4,542 thousand used in operating activities in 9M 2014. The decrease was mainly due to an increase of payment of trade payables and inventory, 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 inflow in investing activities in 9M 2015 amounted to EUR 853 thousand mainly from the deal of selling the subsidiary company Vtion Anzhuo.

### CASH AT THE END OF THE PERIOD

Cash at the end of the period amounted to EUR 141,930 thousand as at September 30, 2015, representing an increase of EUR 1,225 thousand compared with the balance as at December 31, 2014. The increase resulted from the collection of trade receivables and other receivable and cash inflow from the deal of VtionAnzhuo buyout, partly offset by the payment of trade payables, other payables and income tax.



## Human Resources

As at September 30, 2015, there were 69 employees in Vtion Group, representing a decrease of 169 employees in comparison with 238 employees at the end of 2014. Since Vtion Wireless Technology AG sold its subsidiary company VtionAnzhuo through MBO in April 2015, the personal downsizing was primarily because of VtionAnzhuo buyout. The personnel in the administration decreased from 73 to 36 in September 30, 2015. Meanwhile, there were still 8 employees in the production department and 5 employees in Customer service & Call centre at the end of the September 2015. The personnel in the R&D department decreased from 47 at the end of 2014 to 2 employees in September 30, 2015 resulting from VtionAnzhuo buyout. The personnel in Sales & Marketing department decreased to 11 employees.

On October 31, 2015, Mr. Zheng Hong Bo, CFO and Member of the Management Board resigned from offices due to personal reasons.

## Research and Development

Vtion's research and development efforts continue to concentrate on wireless data terminal products, which after the divestment of the company's software-related businesses comprise nearly the entirety of the company's sales. Current efforts focus heavily on 4G data terminals, particularly since three-channel modules are much cheaper to produce, but wireless carriers have started to require five-channel modules, which require more sophisticated technology. Particularly, different chipset solutions are needed for a five-channel module, with a limited number of companies that are able to provide such a chipset solution. Currently Vtion is researching how to produce a more efficient five-channel product for the country's expanding 4G networks. Though the company currently sells an even mix of 3G and 4G products, research and development efforts are currently focused exclusively on developing solutions for 4G technologies. Particularly, given that Vtion's early 4G research and development efforts focused almost exclusively on China Mobile's TD-LTE technology as it was first to market, the company has expanded efforts for research and development regarding China Telecom's and China Unicom's 4G technologies as those networks continue to expand. In these research and development activities, more emphasis is placed on mobile routers than wireless data cards.

Vtion also continues its research and development efforts into specific-use wireless data terminals. The company has seen success with its tax-monitoring wireless data card, which securely transfers transaction data to tax authorities. Vtion is currently working on a set of similar solutions given that the specific-use nature of these products generally entails higher margin and better protection from competition.

## Risk Report

### Risk and opportunity management

Vtion Group's business relies on solid experience, clear focus on high quality products deep market insights, and strong business relationships 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 only engages in risks 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, the 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 analysed 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 shareholders 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 Research and Development, 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

By the end of October 2015, Mr. Zheng Hong Bo, CFO and member of the Management Board resigned from office due to personal reasons.

## Outlook

China's GDP growth of first half in 2015 is generally in line with Chinese government's "around 7 percent" annual target. As fixed asset investment, export and industrial output is cooling down more rapidly than domestic consumption catches up, many economists predict that China has to implement more stimulus simply to meet the growth target. In fact, the Chinese government is well aware of the challenging situation, judging from the fact that the central bank has already cut its benchmark interest rate four times since November 2014 and has lowered the bank reserve ratio three times. Such dramatic loosening did not result in a powerful rebound but mere stabilization. There is no clear evidence that China will be able to solve the interconnected and deep-rooted issues of the real estate bubble, industrial overcapacity and shadow banking overnight. Hence the outlook for China's economy is gloomy in the short-run.

Vtion expects further operational difficulties in 2015, due to both a secular slowdown in the Chinese economy and headwinds particular to the company's core business. For 2015, the Company expects that revenues will be somewhere around EUR 20 million with an EBIT margin of approximately 1.2%.

It is expected that in 2015 wireless data terminal sales, particularly wireless data cards and mobile routers, will comprise the majority of the company's sales, particularly due to the divestment of the company's software-related business segments in 2014 via a management buyout. Vtion currently sells a mix of 3G and 4G wireless data terminals and will do so until the end of 2015. Until the rest of the year, 4G products will begin to have a greater share of overall sales. This is contingent on the continued network rollouts, on the part of the operators as well as current data and trends on 4G network expansion appear positive at all three operators China Mobile, China Telecom and China Unicom.

A major task for the last quarter of 2015 will be for the company to continue introducing specific-use hardware products, such as the wireless data module the company developed that transmits transaction data to tax authorities. Given the margin pressure Vtion is facing in its core business, the company will try to introduce more sophisticated data modules in its product portfolio. Several products are currently in the exploratory phase, but will likely be introduced in 2016 at the earliest.

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

Vtion intends to continue to evaluate its strategic options in the face of what continues to be an extremely difficult operating environment. The company will seek both to improve its situation in its core business as well as explore approaches in other sectors that will unlock shareholder value.

Frankfurt, November 25, 2015

Vtion Wireless Technology AG

Management Board

# Financial Statements Vtion Wireless Technology AG

## Consolidated Statement of Comprehensive Income

for the period from January 1 to September 30

	Notes	Q3		9M	
		2015	2014	2015	2014
Sales	5.1, 6.1	2,302,444	12,427,441	18,552,205	35,343,425
Cost of sales	6.2	-1,998,030	-10,003,495	-15,032,130	-28,202,542
<b>Gross Profit</b>		<b>304,414</b>	<b>2,423,946</b>	<b>3,520,075</b>	<b>7,140,883</b>
Other operating income		-18,756	67,971	24,467	104,302
Selling and distribution expenses		-163,665	-320,646	-908,878	-965,018
Administrative expenses		-169,808	-1,287,159	-2,420,824	-3,576,760
Other operating expenses		-30,338	-151	-30,874	-10,357
<b>Profit from operations</b>		<b>-78,152</b>	<b>883,961</b>	<b>183,966</b>	<b>2,693,050</b>
Finance income	6.5	175,242	441,636	1,190,896	1,320,420
Finance expenses	6.5	-573	-5,246	-13,036	-16,974
Investment income	6.5	-233,624	0	78,037	0
Foreign exchange gain or loss		244,548	-116,996	148,874	-192,258
<b>Profit before income tax</b>		<b>107,441</b>	<b>1,203,355</b>	<b>1,588,737</b>	<b>3,804,238</b>
Income tax	6.7	2,745	-689,995	-817,593	-1,577,495
<b>Profit for the period</b>		<b>110,186</b>	<b>513,360</b>	<b>771,144</b>	<b>2,226,743</b>
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		-4,219,646	12,781,664	8,711,631	10,765,260
<b>Other comprehensive income for the period</b>		<b>-4,219,646</b>	<b>12,781,664</b>	<b>8,711,631</b>	<b>10,765,260</b>
<b>Total comprehensive income for the period</b>		<b>-4,109,460</b>	<b>13,295,024</b>	<b>9,482,775</b>	<b>-12,992,003</b>
Earnings per share (basic and diluted)*		0.01	0.04	0.06	0.17

\*Computed on the basis of weighted average 12,213,640 shares for 9M 2015 and Q3 2015, weighted average 12,762,028 shares for 9M 2014 and 12,213,640 shares for Q3 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 September 30

	Notes	Sep. 30, 2015	Dec. 31, 2014
		EUR	EUR
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	7.1	611,389	2,130,232
Trade receivables	7.2	11,599,611	12,661,159
Other receivables	7.2	7,921,057	1,656,874
Amounts due from related parties	7.3	509,440	320,175
Cash and cash equivalents	7.4	141,930,206	140,704,745
		162,571,704	157,473,185
<b>Non-current assets</b>			
Property, plant and equipment		657,231	800,169
Intangible assets		74,701	808,114
Deferred tax assets		502,519	406,773
		1,234,452	2,015,056
<b>Total assets</b>		<b>163,806,156</b>	<b>159,488,241</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	7.6	3,689,841	6,934,390
Other payables	7.6	607,240	1,863,427
Provisions	7.6	166,513	511,105
Amounts due to related parties		166,335	1,991
Income tax payable		–	483,875
<b>Total liabilities</b>		<b>4,629,928</b>	<b>9,794,788</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		12,213,640	13,298,495
Treasury stock		–	-1,084,855
Capital reserves		38,320,188	38,320,188
Retained earnings		64,793,608	64,022,463
Foreign exchange differences		43,848,793	35,137,162
<b>Total equity</b>		<b>159,176,228</b>	<b>149,693,453</b>
<b>Total liabilities and equity</b>		<b>163,806,156</b>	<b>159,488,241</b>

## Consolidated Statement of Changes in Equity

for the period from January 1 to September 30

In EUR	Share capital Vtion AG	Treasury stocks	Capital reserves	Retained earnings	Foreign exchange differ- ences	Total equity
<b>Balance as at December 31, 2013</b>	14,495,086	-1,196,591	40,435,655	61,895,333	20,698,264	136,327,747
<b>Buyback ordinary share</b>	–	-1,084,855	-2,115,467	–	–	-3,200,322
<b>Treasury stock redemption</b>	-1,196,591	1,196,591	–	–	–	–
<b>Dividend distribution</b>	–	–	–	-659,537	–	-659,537
<b>Total comprehensive income for the period</b>	–	–	–	2,226,743	10,765,260	12,992,003
<b>Balance as at September 30, 2014</b>	13,298,495	-1,084,855	38,320,188	63,462,539	31,463,524	145,459,891
<b>Balance as at December 31, 2014</b>	13,298,495	-1,084,855	38,320,188	64,022,463	35,137,162	149,693,453
<b>Buyback ordinary share</b>	–	–	–	–	–	–
<b>Treasury stock redemption</b>	-1,084,855	1,084,855	–	–	–	–
<b>Dividend distribution</b>	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>	–	–	–	771,144	8,711,631	9,482,775
<b>Balance as at September 30, 2015</b>	12,213,640	–	38,320,188	64,793,607	43,848,793	159,176,228

## Consolidated Cash Flow Statement

for the period from January 1 to September 30

	9M 2015	9M 2014
	EUR	EUR
<b>Profit before income tax</b>	<b>1,588,737</b>	<b>3,804,238</b>
Adjustments for:		
Amortization of intangible assets	99,810	159,851
Depreciation of land use rights	–	4,241
Stock provision	556,002	–
Impairment of intangible assets	–	–
Allowance for doubtful trade debts	26,330	–
Depreciation of property, plant and equipment	107,188	218,332
Loss on disposal of property, plant and equipment	533	-40,466
Interest income	-1,190,896	-1,320,420
Interest expense	–	–
Bank charges	13,036	16,974
Investment income	-148,874	–
Foreign exchange loss	-78,037	192,258
<b>Operating cash flow before working capital changes</b>	<b>973,828</b>	<b>3,035,008</b>
<b>Working capital changes:</b>		
(Increase)/decrease in:		
Inventories	1,516,218	-782,582
Trade receivables	1,813,933	2,868,183
Other receivables	-5,099,986	5,792
Amounts due from related parties	-174,430	-184,961
Increase/(decrease) in:		
Trade payables	-3,730,890	-8,669,329
Other payables and accruals	-1,778,323	411,843
Amounts due to related parties	167,919	1,795
Income tax payable	-573,320	124,465
<b>Cash generated from/(used in) operations</b>	<b>-6,885,051</b>	<b>-3,189,784</b>
Interest received	-15,290	225,188
Interest expense	–	–
Income tax paid	-865,309	-1,577,496
<b>Net cash generated from operating activities</b>	<b>-7,765,650</b>	<b>-4,542,092</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	–	–
Purchase of land, property, plant and equipment	-491	-140,608
Disposal of land, property, plant and equipment	–	381,624
Increase of long term investment	853,027	–
<b>Cash flow from investing activities</b>	<b>852,536</b>	<b>241,016</b>
<b>Cash flow from financing activities</b>		
Payment in connection with share buyback	–	-3,200,322
Dividend paid to shareholders	–	-659,537
<b>Cash flow from financing activities</b>	<b>–</b>	<b>-3,859,859</b>
<b>Net increase in cash and cash equivalents</b>	<b>-6,913,114</b>	<b>-8,160,935</b>
Cash at the beginning of the period	140,704,745	126,614,078
Foreign exchange differences	8,138,576	9,218,492
<b>Cash at the end of the period</b>	<b>141,930,206</b>	<b>127,671,635</b>

# Selected Notes to the Consolidated Financial Statements

For the period from January 1 to September 30, 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 Sep. 30, 2015	Results from Jan. 1 to Sep. 30, 2015
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	3,906	1,401
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	120,259	2,428
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	14,355	-5,500
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	930	-54
VtionAnzhuo (Beijing) Technology Co., Ltd, PRC	100%	0	-233*

\* Vtion Group completed the deal to sell the whole stake of VtionAnzhuo (Beijing) Technology Co., Ltd, PRC to the core management team of VtionAnzhuo via Management Buyout (MBO), and all payment for this deal has been received till April 14, 2015. The result of VtionAnzhuo disclosed was only from January 1 to March 31, 2015. The comparability of the current year's consolidated financial statements to those of the prior year had not been affected.

## 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 September 30, 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
September 30	7.1206	7.7262
Average first nine month	6.9641	8.3544

### 4. Impairment of Non-financial Assets, if any

In 9M 2015 impairment of non-financial assets of EUR 557 thousand had been recorded as of September 30, 2015, which included stock provision of EUR 147 thousand (EUR 31 thousand as of December 31, 2014) and impairment of licenses for old-version wireless data cards of EUR 410 thousand.

### 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.

## 5.1 SEGMENT REVENUES AND RESULTS

The following analysis of the Group's revenue and results from continuing operations by reportable segments

	Segment revenue		Segment profit	
	Year ended Sep. 30, 2015	Year ended Sep. 30, 2014	Year ended Sep. 30, 2015	Year ended Sep. 30, 2014
	kEUR	kEUR	kEUR	kEUR
Wireless Data Terminal	18,423	32,447	929	3,899
Wireless Intelligent Terminal	38	1,861	4	154
All Others	91	1,035	-49	-991
Total for continuing operations	18,552	35,343	844	3,062
Central administration costs	0	0	-202	-369
Finance result	0	0	1,596	1,111
Profit before tax (continuing operations)	0	0	2,278	3,804

## 5.2 SEGMENT ASSETS AND LIABILITIES

	Sep. 30, 2015	Dec. 31, 2014
	kEUR	kEUR
<b>Segment assets</b>		
Wireless Data Terminal	12,791	15,800
Wireless Intelligent Terminal	563	596
All others	848	1,326
Total segment assets	14,202	17,722
Unallocated	149,604	141,766
Consolidated assets	163,806	159,488
<b>Segment liabilities</b>		
Wireless Data Terminal	4,270	8,653
Wireless Intelligent Terminal	5	365
All others	27	198
Total segment liabilities	4,302	9,216
Unallocated	328	578
Consolidated liabilities	4,630	9,794

## 6. Notes to the Consolidated Statement of Comprehensive Income

### 6.1 TOTAL INCOME

	Q3		9M	
	2015	2014	2015	2014
	EUR	EUR	EUR	EUR
<b>Sale of goods</b>	2,302,444	12,427,441	18,552,205	35,343,425
<b>Other operating income</b>				
Government grant	–	17,953	–	53,456
Service income	–	12	–	24
Others	-18,756	50,006	24,467	50,822
	-18,756	<b>67,971</b>	24,467	<b>104,302</b>
<b>Finance income</b>				
Interest income	175,242	441,636	1,190,896	1,320,420
Investment income	-233,624	–	78,037	–
	-58,382	441,636	1,268,933	1,320,420
<b>Total income</b>	<b>4,527,750</b>	<b>12,937,048</b>	<b>19,845,605</b>	<b>36,768,147</b>

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.

Investment income resulted from the deal to sell the whole stake of VtionAnzhuo (Beijing) Technology Co., Ltd, PRC.

	Q3		9M	
	2015	2014	2015	2014
	EUR	EUR	EUR	EUR
<b>Split-up of sales</b>				
<b>Sales to external customers</b>				
Wireless Data Terminals	2,452,104	12,125,096	18,423,341	32,446,989
Wireless Intelligent Terminals	2,708	111,895	37,799	1,861,084
All Other Segments	-152,368	190,450	91,065	1,035,352
	<b>2,302,444</b>	<b>12,427,441</b>	<b>18,552,205</b>	<b>35,343,425</b>

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 customers are based in PRC.

**6.2 COST OF SALES**

	<b>Q3</b>		<b>9M</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Split up of Cost of Sale				
Cost of materials				
- raw materials	552,067	4,348,694	4,153,460	9,427,207
- purchased goods	1,390,279	5,341,737	10,459,731	17,665,626
- services	36,246	218,934	272,696	843,802
- business taxes and surcharges	10,091	61,094	75,921	173,069
	1,988,683	9,970,459	14,961,808	28,109,704
Directly attributable payroll expenses and non-attributable shared costs	9,347	33,036	70,322	92,838
	1,988,030	10,003,495	15,032,130	28,202,542

**6.3 AVERAGE NUMBER OF EMPLOYEES/PAYROLL COSTS**

	<b>9M 2015</b>	<b>9M 2014</b>
Average number of employees		
Management and administration	61	115
Research and development	16	54
Sales	51	64
Industry application service	0*	0
	127	233

	<b>9M 2015</b>	<b>9M 2014</b>
	<b>EUR</b>	<b>EUR</b>
Payroll costs		
Wages and salaries	978,120	1,815,311
Social security costs	178,531	270,877
Welfare	14,519	75,394
	1,171,170	2,161,582

\*Since Vtion Group completed the deal to sell VtionAnzhou, no employee was from industry application service department from April 2015.

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

	9M 2015	9M 2014
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	42,735	94,056
Licenses	51,482	61,306
Trademarks	5,594	4,489
Sum	99,810	159,851
Depreciation of Land use rights	0	4,241
Depreciation of property, plant and equipment	107,188	218,332
Total of amortization and depreciation	206,998	382,424

Except about EUR 36,746 of amortization of intangible assets was booked as part of “cost of sales” for insurance industry and mobile application in 9M 2015 (9m 2014: EUR 6,773 for insurance industry), the remaining amortization of intangible assets was booked in “Administrative expenses” in 9M 2015. Except about EUR 2,299 of depreciation of property, plant and equipment used for development of Android application platform was capitalized as part of intangible assets of VtionAnzhuo in Q1 2015 before VtionAnzhuo buyout, the remaining depreciation of property, plant and equipment was expensed in 9M 2015.

#### 6.5 FINANCE INCOME AND EXPENSES

	Q3		9M	
	2015	2014	2015	2014
	EUR	EUR	EUR	EUR
<b>Finance Income</b>				
Interest income	175,242	441,636	1,190,896	1,320,420
<b>Finance Expense</b>				
Bank charges	573	5,246	13,036	16,974

#### 6.6 INVESTMENT INCOME

Investment income of EUR 78 thousand resulted from the deal to sell the whole stake of VtionAnzhuo (Beijing) Technology Co., Ltd, PRC at a price of RMB 6 million.

**6.7 INCOME TAX**

	Q3		9M	
	2015	2014	2015	2014
	EUR	EUR	EUR	EUR
Current income tax (ordinary activities)	-2,745	689,995	817,593	1,577,495
Deferred income tax induced by:				
-temporary differences	-0	0	0	0
-tax loss carry forward	0	0	0	0
<b>Income tax recognized in profit and loss</b>	<b>-2,745</b>	<b>689,995</b>	<b>817,593</b>	<b>1,577,495</b>

In 9M 2015 temporary differences were induced by stock provision and bad debt provision.

**6.8 APPLICABLE TAX RATE**

Vtion IT applied an effective tax rate of 25% in 9M 2015 in accordance with the Income Tax Law of the People's Republic of China.

Vtion Communication, Vtion Software incurred accounting losses for the first half year of operation, and accumulated net losses as of September 30, 2015, therefore had no taxable income in 9M 2015.

## 7. Notes to the Consolidated Statement of Financial Position

### 7.1 INVENTORIES

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
Inventory-advances to supplier	0	0
Goods and materials	758,393	2,161,072
Less: stock provision	-147,004	-30,840
	<b>611,389</b>	<b>2,130,232</b>

### 7.2 TRADE AND OTHER RECEIVABLES

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
<b>Trade receivables</b>		
Trade receivables	11,623,729	12,662,249
Allowance for trade receivables	-24,119	-1,090
	<b>11,599,611</b>	<b>12,661,159</b>

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
<b>Other receivables</b>		
Other receivables	7,442,487	1,567,437
Prepaid expenses	478,570	89,437
	<b>7,921,057</b>	<b>1,656,874</b>

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.

	Sep. 30, 2015	Dec. 31, 2014
<b>Related parties</b>	EUR	EUR
Amount due from related parties - non-trade	509,440	320,175
	<b>509,440</b>	<b>320,175</b>

Amounts due from related parties increased to EUR 509,440 mainly due to an increase of amount due from Awill Holdings partly offset by receiving the advance to Mr. Chen Guoping for travelling expenses in 9M 2015.

### 7.4 CASH AND CASH EQUIVALENTS

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
Cash on hand	2,035	20,516
Cash in banks	140,664,233	139,091,697
- of Mainland China	140,538,660	138,455,059
- of Germany and offshore	125,573	636,638
Deposit on bank's acceptance bill (in China)	1,263,938	1,592,532
	<b>141,930,206</b>	<b>140,704,745</b>

The deposit on bank's acceptance bill is pledged for the note payables, which has a maturity of no longer than six 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 September 30, 2015, EUR 154,542 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 September 30, 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 18 million due to the new notes payable issued in Q2 2015. 50% of the corresponding funds for notes payable as of September 30, 2015 (EUR 1,264 thousand) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
<b>Other payables</b>		
VAT payable	257,568	1,528,775
Other payable	336,527	179,395
Advances from customers	24	29,207
Other tax payables	13,120	126,050
	<b>607,240</b>	<b>1,863,427</b>

## 7.7 PROVISIONS

	Sep. 30, 2015	Dec. 31, 2014
	EUR	EUR
<b>Provisions</b>		
Accrued payroll	53,264	241,565
Other accruals	113,249	269,540
	<b>166,513</b>	<b>511,105</b>

## 8. Notes – other

### 8.1 CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at September 30, 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:

	9M2015	9M2014
	EUR	EUR
Rental fee paid to a related party	109,257	99,109
	<b>109,257</b>	<b>99,109</b>

Rental of plant transactions with related parties were based on market price. In terms of RMB, rental fees paid to a related party decreased to RMB 761 thousand from RMB 828 thousand in 9M 2014 due to a decrease of the rented offices area from March 2015, partly offset by an increase of the monthly rental fee from January 2015.

## 9. Events after Balance Sheet Date

On October 31, 2015, Mr. Zheng Hong Bo, CFO and Member of the Management Board resigned from offices due to personal reasons.

## 10. Auditor's Review

The condensed interim consolidated financial statements and the interim management report were neither reviewed nor audited by an external auditor (Section 37w Para. 5 of the German Securities Trading Act).

## 11. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on [November 25, 2015].

Frankfurt, [November 25, 2015]

Vtion Wireless Technology AG

Management Board

## 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, [November 25, 2015]

Vtion Wireless Technology AG

Management Board

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT**

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

# Credits

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