VTION WIRELESS TECHNOLOGY AG

Q2

2010 INTERIM REPORT

Vtion's 3G Router

Vtion Wireless Technology at a glance

		Q2			H1		
		2010	2009	+/–%	2010	2009	+/–%
Revenues	million €	29.48	13.88	112	55.79	21.13	164
Gross profit	million €	11.38	4.08	179	20.79	7.13	191
Gross profit margin	%	39	29	10 PP	37	34	3 PP
EBITDA	million €	9.00	3.47	159	16.73	6.06	176
EBITDA margin	%	31	25	6 PP	30	29	1 PP
EBIT	million €	8.89	3.42	160	16.54	5.97	177
EBIT margin	%	30	25	5 PP	30	28	2 PP
Net profit	million €	4.67	3.05	53	9.20	5.34	72
Net profit margin	%	16	22	-6 PP	16	25	-9 PP
Earnings per share[1]	€	0.29	0.27	10	0.58	0.47	24
Net Cash flow from operations	million €	6.74	10.30	-35	18.21	1.52	1,098

Company profile

The Vtion Group is one of the three leading suppliers of wireless data cards and associated services for the mobile use of computers via broadband wireless networks in the People's Republic of China. The Vtion Group concentrates mainly on the development and sale of wireless data cards, including provision of appropriate after-sales services. The Vtion Group also supplies Internet-based data service solutions.

[1] Computed on the basis of average weighted 15,980,000 shares for Q2 and H1 2010, and respectivelly average weighted 11,480,000 shares for Q2 and H1 2009

Content

Letter to Shareholders

U1920 Wireless Data Card

Specifications:
High-speed data access up to Max 7.2 Mbps(Download);
Max 2Mbps (Upload)
Phonebook,SMS manager, Flow display and statistics
TRU-install automatic software installation
8G T-flash memory expansion slot

Dear Fellow Shareholders

I am pleased and honored to present to you the second quarter operating results for Vtion Wireless Technology AG. Despite a slight slowdown in overall economic growth in China, Vtion's performance remained strong and we continued to build upon our solid showing in the first quarter of this year.

Perhaps what is most noteworthy about our second quarter is the lack of anything particularly noteworthy. The quarter was marked by the fact that we had a long stretch of little to no newsflow; this is due largely to the fact that business was progressing steadily with no extraordinary events to report. It is my hope that as Vtion continues to show strong results with each passing quarter, investors will recognize the consistency of our business, partly due to our straightforward and open manner in communicating with the markets, and as a result, I hope they will have increasing trust in our company.

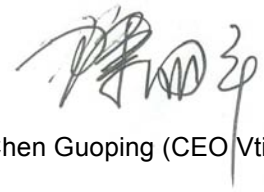
As I mentioned, we built upon a strong first quarter despite a slowdown to the overall economy. We realized a sales volume of nearly 679,000 units, an increase of approximately 7% from the previous quarter, and sales revenue of Euro 29.5 million, an increase of 12.2% against Q1. For the half-year we have now realized revenue of Euro 55.8 million, an increase of 164% over the first half of 2009. Consistent with our emphasis on maintaining strong margins, we had a gross margin this quarter of 39% and an EBIT margin of 30%. Similar to Q1, we incurred a foreign exchange loss, which is reflected in our net profit margin of 16%, as opposed to 25% a year ago. However, this is a non-cash loss, and I am proud to present operating numbers that clearly show our business remains strong and continues to grow.

As can be seen through our numbers, the wireless data card market continues to grow in China, as more and more people are able to enjoy a wireless experience on the ever-expanding 3G networks. It continues to be our stated mission to "allow everyone to experience the wireless internet", and we are continuing to work toward that in close cooperation with the telecom operators, providing products that allow them to develop China's tremendous market. We will continue in this mission, and seek to take full advantage of the growth opportunity that 3G technology has brought to the Chinese market.

We are proud of our status as one of the top wireless data card producers in China, and are working constantly to maintain that position through product innovation, stronger sales and marketing efforts and closer strategic cooperation with the telecom operators. Given the size of our market and our strong position, we have the luxury of proceeding gradually and prudently as we look to leverage our current market position into other segments of the 3G business, such as value-added services and industry specific applications. This allows us to increase shareholder value by maintaining our strength in the hardware space while simultaneously leveraging our core strengths to expand the scope of the company business.

The second quarter was a difficult time on the capital markets, and was likewise a difficult time for the Vtion share. While we would like to see our share move more rapidly toward a fair valuation on the capital markets, I remain confident that it is only a matter of time, and remain dedicated to increasing shareholder value by continuing to produce strong operating results quarter after quarter. I cordially thank you for your continued interest in and support of the Vtion share, and ask that you continue to follow our ongoing growth story in China's dynamic 3G market.

Best Regards,



Chen Guoping (CEO Vtion Wireless Technology AG)

Highlights

Healthy Operating Margins

Vtion enjoys a China-centric cost base and efficient operations that allow the company to maintain a strong grasp on costs. The company places a heavy emphasis on maintaining its selling prices and protecting its strong margins. The fruits of these efforts are evident, as Vtion realized a gross margin of 37% for the first half of 2010, and an EBIT margin of 30% for the first half of the year.

Strong Management

Vtion's experienced management team has successfully guided the company through its transition as a listed company and has successfully navigated the competitive Chinese 3G data market. Vtion's management board stays abreast of trends and changes in the industry in order to maintain the company's strong market position and competitive advantages.

Strong Cash Flow

For the first half of 2010, Vtion realized a net cash flow from operations of Euro 18.21 million, and currently has a net cash position of approximately Euro 92 million. This shows the strength of the company's operations as well as effective cash flow management. The company's financial strength leaves it well-positioned to take further steps necessary to continue its growth.

Continued Growth

Despite a slowdown in China's GDP growth in the second quarter of 2010, Vtion's sales revenues still grew by over 12% in the second quarter compared to the first. The company continues to see growth in the 3G market that will drive Vtion's overall growth as well.

Expansive Market Opportunity

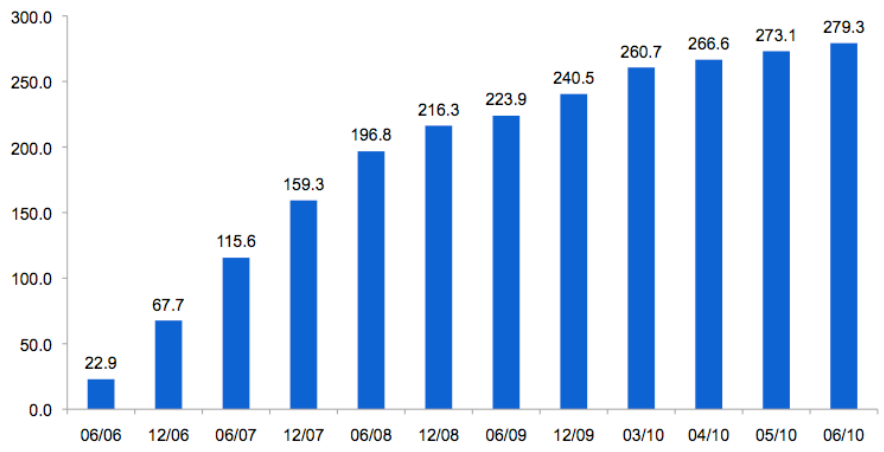
China is now home to over 420 million internet users, of which only approximately 6% are 3G users. sThus, Vtion will see development in two areas, first from current users of the older networks converting to 3G, and from new users coming on to the networks.

Continuous Product Development

Vtion continued the strong development of 3G wireless data cards over the course of the first half of 2010, with a heavy emphasis on high-end products featuring unique designs and added features to increase attractiveness to consumers. In addition to the wireless data card modules that Vtion continues to develop, the company also developed two different models of 3G wireless routers during the first half of 2010, to meet growing demand for household 3G internet service.

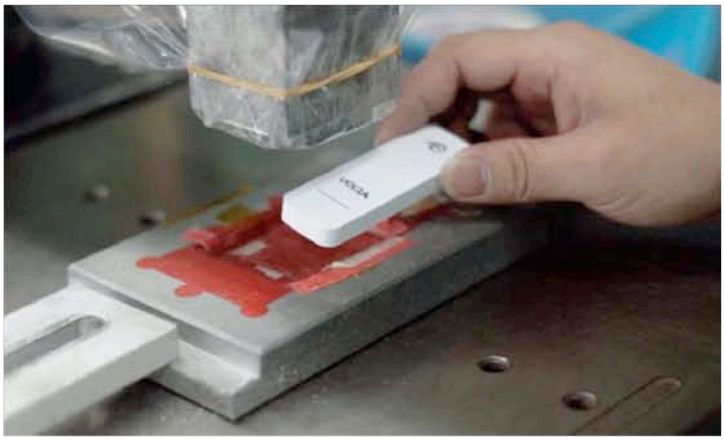
The total number of "business club" members from the launch of the business club in January 2006

in thousand members



Product portfolio

Vtion Group offers a broad product portfolio covering all relevant industry standards and interfaces: Vtion Group believes it is one of only a few suppliers of wireless data cards in China that has the capability to produce wireless data cards for all 3G industry standards that fit either PCMCIA, USB, Mini-USB, Express Card 34 and PCI Express Mini interfaces of laptops or personal computers. Vtion Group believes this broad product portfolio provides it with the flexibility to meet current and future customers' needs regardless of what standards emerge in the Chinese telecommunications industry.



Distribution

Vtion Group sells the majority of its wireless data cards directly to China Telecom, China Unicom and China Mobile, all of which resell these data cards through their outlet stores under the Vtion brand to their customers. During the first six months of 2010, approximately 80% of all of its wireless data cards were sold through these three mobile network operators. Vtion Group also sells a significant portion of its wireless data cards, approximately 20% of all of its data cards during the first six months of 2010, through 50 to 60 wholesalers, who then resell the cards to over 3,000 retail stores nationwide.

The Share

TG1919 Wireless Data Card

Specifications:
High-speed data access up to Max HSDPA 2.8Mbps(Download)
PS: uplink up to 384Kbps,downlink up to 384Kbps
Voice Call Dialer,Phonebook,SMS manager,Call history
Automatic switching network
TRU-install automatic software installation

The Share

Gradual Recovery from Market Turmoil

The Vtion share experienced the effects of turmoil in the capital markets over the course of the second quarter, closing at a low for the quarter of Euro 9.02 on May 7. Following that point, the company share has been making a slow but steady recovery. Vtion management believes in maintaining a strong focus on operating results and gradually building trust and confidence in the capital markets.

Growth Story Continues

As Vtion's Q2 results show, the company has continued to show growth, despite a slowdown in Chinese GDP growth. The Vtion story remains one of unique access to the world's most dynamic market in a continuously growing sector. Vtion remains proud to offer European investors a direct conduit to a Chinese growth story through a listing on a local stock exchange.

Development of the Vtion Share

As stated, the second quarter saw some upward resistance for the Vtion share, influenced largely by the overall turmoil in the capital markets and a decreased news flow for the company itself. Liquidity dropped from the first quarter, with a daily average of approximately 46,000 shares traded on German exchanges over the course of the quarter. Despite hitting a low of Euro 9.02 during the quarter, the company traded at an average price of approximately Euro 10.57 over the course of the quarter, and the share continues to display strong upside potential, given that despite the strength of the growth story it is trading at relatively low multiples.

Sponsorship and Research Coverage

As of April 2010, the company has had designated sponsorship and research coverage from Macquarie Capital, which was also a co-manager of the company's IPO in 2009. The company has also had research coverage from SES Warburg since January of 2010. Dr. Kalliwoda Research, a boutique research firm based in Frankfurt wrote a research note on the company in November 2009.

Investor Relations

The company remains committed to staying active in its investor relations activities and providing accessibility to all shareholders and interested investors. Company management travels to Europe on a quarterly basis for investor meetings, roadshows and conferences, while IR personnel travels between China and Europe on a monthly basis to maintain more regular contact and availability for investors. In June 2010, the company held its Annual General Meeting in Frankfurt and undertook a roadshow with company management that covered Frankfurt, Zurich, Geneva, London and Paris. Company business developed very steadily over the course of the quarter, with no particular intra-quarter events of note for the company to disclose. Despite a relatively quiet quarter from a news flow perspective, the company maintained accessibility with investors and is proud to show that in the end, it still produced strong results. Vtion remains committed to maintaining availability to investors as well as continuing to vigorously promote its growth story within the European and worldwide investment communities in the future.

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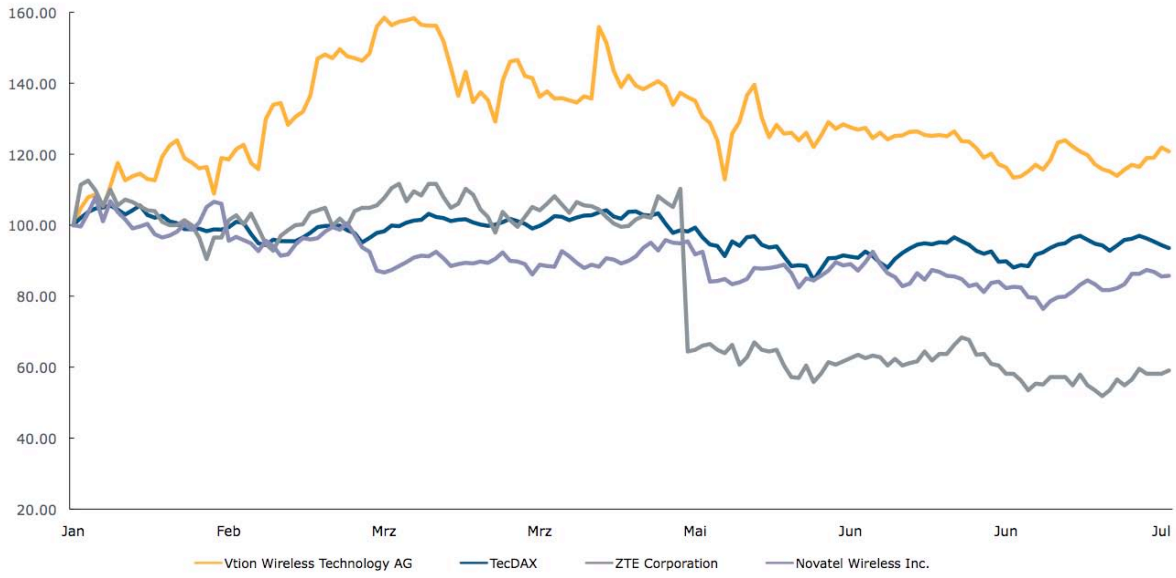
Vtion Share Performance

January 01, 2010 – July 31, 2010



Vtion Stock Basic Data

As of June 30, 2010

Securities identification number (SIN)	CHEN99
International securities identification number (ISIN)	DE000CHEN993
Stock exchange code	V33
Reuters instrument code	V33G.F
Bloomberg ticker symbol	V33:GR
Stock exchanges	Xetra, Frankfurt am Main
Market segments	Prime Standard / Regulated Market
Designated sponsor	Macquarie Capital

Interim Management Report

TG1917 Wireless Data Card

Specifications:
High-speed data access up to Max HSDPA 2.8Mbps(Download)
PS: uplink up to 384Kbps,downlink up to 384Kbps
Voice Call Dialer,Phonebook,SMS manager,Call history
Automatic switching network
TRU-install automatic software installation
Support T-flash memory expansion slot

Interim Management Report

Economic and Industry Environment

From the April-June quarter the Chinese economy experienced strong overall growth of 10.3%, but showed a marked slowdown from the first quarter of 2010 when it grew at a rate of 11.9%.[2] The growth of 10.3% was largely in line with expectations, but still slightly lower than the expected growth of 10.5%, a number culled from a FactSet poll of economists.[3] The 10.3% growth rate is a success for the Chinese economy, given that the government has sought to maintain growth but in a steady, sustainable manner. A major point of emphasis going forward will be to maintain stability in exports while increasing domestic consumption, important for the Vtion Group given its focus on the Chinese domestic market as the primary target of its sales.

Vtion's sector continued its rapid growth, unaffected by the slight slowdown in overall economic growth. The number of Chinese internet users continues to build; at the close of the second quarter this year, the number of users in China had grown to over 420 million persons, which is an increase of 36 million users since the end of 2009 and represents a nationwide internet penetration rate that has now reached 31.8%.[4] The latest statistics also indicate growing sophistication in usage patterns among Chinese internet users; the number of users who engage in online shopping has reached 140 million, and the growth rate for the number of users who shop, bank and make payments online was 30% in the first half of the year.[5] Increasing internet access for a greater number of citizens will remain a priority of the government in the near term, as the country continues to build its communications infrastructure. The fact that the internet usage patterns of China's internet users are becoming increasingly commercialized bodes well for service packages and other value-added offerings that cater to those needs. Of China's current 420 million internet users, 63.2% report using the internet to watch streaming video, indicative of the impact that 3G technology is beginning to have on the overall internet community.[6] In the existing user community, more users will convert to 3G technology, while an internet penetration rate of only approximately 32% implies that there are over 1 billion persons in China yet to begin using the internet.

China's three telecom operators have continued to invest in spreading 3G network coverage and develop their user bases. Over the course of 2009, the three operators established 325,000 3G base stations (including through upgrades), of which approximately 155,000 base stations were new purchases, a number that is expected to reach 180,000 over the course of 2010.[7] 3G network coverage is continuing to improve, as well, across China. As of the end of last year, China Telecom boasted CDMA 2000-EVDO coverage in 95.6% of urban areas and 60% of rural areas, and China Unicom had realized coverage in 335 cities, while China Mobile had coverage in 238 cities.[8]

Expanded coverage has allowed for continued growth in 3G user numbers. According to the Ministry of Industry and Information Technology, as of the end of June this year, the total number of 3G users in China had reached 25.2 million.[9] Going forward, network coverage, quality and user numbers will continue to benefit from strong investment on the part of the telecom operators in continued 3G development. As of the end of May 2010, the three main telecom operators had combined to invest approximately 10.15 billion RMB in their networks, with continued investment planned for the year.[10] Of the 10.15 billion invested in total by the operators, China Telecom's investment of 6.22 billion RMB represents 23% of its planned full-year investment, China Mobile's investment of 3.72 billion RMB represents 8.3% of its planned full-year investment, and China Unicom's investment of 1.21 billion RMB represents 5.3% of its planned full-year investment.

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[2] Kitchen, Michael. "China's Premier Wen Trumpets Economic Slowdown". MarketWatch Online. July 19, 2010. (http://www.marketwatch.com/story/chinas-premier-wen-trumpets-economic-slowdown-2010-07-19?siteid=nbkh)
[3] Ibid.
[4] CNNIC Online. July 15, 2010.
[5] Ibid.
[6] Ibid.
[7] BaoGao Online. February 2010.
[8] Sina Online. February 23, 2010. (http://tech.sina.com.cn/t/2010-02-23/07253871518.shtml)
[9] Ministry of Industry and Information Technology of the People's Republic of China.
[10] C114 Online. July 14, 2010.

Result of Operations

The following table presents income statement data of the consolidated interim financial statements of the company under IFRS as of the second quarter ending 30 June 2010, with comparative information for the second quarter ended 30 June 2009.

Jan 1 – Jun 30 (in k€)	Q2			H1		
	2010	**2009**	**+/- %**	**2010**	**2009**	**+/- %**
Sales.	29,479	13,883	112	55,791	21,134	164
Cost of sales	-18,103	-9,800	85	-35,001	-14,001	150
Gross profit	11,377	4,083	179	20,790	7,133	191
Other operating income	10	117	-91	114	177	-36
Selling and distribution expenses	-1,501	-344	336	-2,694	-558	383
Administrative expenses	-938	-418	124	-1,608	-771	109
Other operating expenses	-58	-15	287	-64	-16	300
Profit from operations (EBIT)	8,890	3,423	160	16,538	5,965	177
Finance income	93	28	232	167	125	34
Finance costs	-3,176	-1	317,500	-5,382	-24	22,325
Profit before income tax	5,807	3,449	68	11,323	6,066	87
Income tax	-1,136	-405	181	-2,119	-724	193
Profit for the period	4,671	3,045	53	9,204	5,342	72
Earnings per share[11]	0.29	0.27	10	0.58	0.47	24

Sales

In the first six months of 2010, sales amounted to € 55.8 million, representing a significant increase of € 34.7 million or 164% compared to the same period in 2009 (H1 2009: € 21.1 million). This increase in sales was primarily due to the increase in the sales of wireless data cards (wireless modem segment), which increased from € 19.5 million in H1 2009 by € 34.9 million, or 179%, to € 54.4 million in H1 2010, as a result of a great increase of sales volume in H1 2010. Sales from the data solution segment increased from € 1.36 million in H1 2009 by € 0.03 million, or 2%, to € 1.39 million in H1 2010.

In the second quarter of 2010, sales increased by 112%, from € 13.9 million in Q2 2009 to € 29.5 million in Q2 2010. This increase was mainly due to the increase in the volume of wireless data cards.

In H1 2010, Vtion Group recognized the commission of € 1.87 million generated from virtual net work operation (VNO), which started since mid-August 2009.

[11] Computed on the basis of average weighted 15,980,000 shares for Q2 and H1 2010, and respectivelly average weighted 11,480,000 shares for Q2 and H1 2009

Cost of Sales

Cost of sales increased to € 35 million in H1 2010 by € 21 million, or 150% from € 14 million in H1 2009. Cost of sales increased to € 18.1 million in Q2 2010 by € 8.3 million, or 85% from € 9.8 million in Q2 2009. This increase was a result of the significant increase in sales of wireless data cards.

Gross Profit

The overall gross profit margin increased from 34% in H1 2009 to 37% in H1 2010. The increase mainly resulted from the cost saving of 3G wireless data cards in H1 2010, compared to the same period of 2009 when we started launching 3G products. Meanwhile the average sales price per unit of 3G wireless data card only changed slightly, about 6%. The gross margin level in the first six months of 2010 remained quite stable and increased slightly from 36% in Q1 2010.

Other operating income

Other operating income decreased from k€ 177 in H1 2009 by k€ 63 or 36%, to k€ 114 in H1 2010. It was primarily due to the decrease in tax refunds in H1 2010

Selling and Distribution Expenses

Selling and distribution expenses increased from k€ 558 in H1 2009 by k€ 2,136 to k€ 2,694 in H1 2010. Selling and distribution expenses increased from k€ 344 in Q2 2009 by k€ 1,167 to k€ 1,501 in Q2 2010. This increase was primarily due to an increase in royalty costs to copyright holders, and an increase in payroll, which resulted from headcount increase in sales and marketing department, which was partly offset by the decrease in rental expense.

The percentage of selling and distribution expenses in relation to total sales was 4.8% in H1 2010 and 2.6% in H1 2009.

Administrative Expenses

Administrative expenses increased from k€ 771 in H1 2009 by k€ 837 or 109% to k€ 1,608 in H1 2010. Administrative expenses increased from k€ 418 in Q2 2009 by k€ 520 or 124% to k€ 938 in Q2 2010. This increase was primarily due to an increase in research and development expenses, local staff's salaries, and business expenses and travel expenses.

Research and development expense increased to k€ 300 in H1 2010 by k€ 102 or 52%, from k€ 198 in H1 2009.

The ratio of administrative expenses to sales was 2.9% in H1 2010 and 3.7% in H1 2009

Profit from operations (EBIT)

Profit from operations increased from k€ 5,965 in H1 2009 by k€ 10,573, or 117%, to k€ 16,538 in H1 2010. This increase was largely brought by the strong increase of sales and gross profit in the first six months of 2010, which was the result of the ramp up of 3G wireless data card sales.

EBIT Margin

Vtion Group's EBIT margin (profit from operations divided by sales) increased from 28% in H1 2009 to 30% in H1 2010. The increase resulted from the increase in gross profit margin of 3G wireless data cards.

Finance Expenses

Finance expenses amounted to k€ 5,382 in H1 2010, an increase by k€ 5,358 from k€ 24 in H1 2009, which was primarily a result of valuation of Euro bank deposit amounting to € 30.3 million on June 30, 2010. Since the functional currency of the Group is RMB, an exchange loss of k€ 5,042 arising on translating cash and cash equivalent items of Vtion Group at the balance sheet date were recognized in the income statement In H1 2010. As of 30 June 2010, Euro exchange rate for RMB reduced to 8.3215 by 15.4% from 9.8350 as at 31 December 2009, which had a negative impact on the valuation of Euro assets.

Income Tax

Income tax mainly comprises tax actually payable. Vtion IT and Vtion Software benefit from a 50% tax exemption in 2010. Vtion Communication was exempted from the corporate income tax because of an accounting loss resulting from the first six months operation in 2010. The Chinese companies of Vtion Group recorded an income tax charge of k€ 2,119 in H1 2010 based on an effective tax rate of 12.5% in China. Vtion Wireless Technology AG accumulated a net loss under German GAAP, so altogether Vtion Group recorded a net income tax expense of k€ 2,119 in H1 2010.

Net Profit and EPS

Net profit in the first six months of 2010 amounted to € 9.2 million, an increase of 72% year-on-year. The EPS in H1 2010 reached EUR 0.58, an increase of 24% year-on-year.[12]

Net Profit margin

The net profit margin decreased from 25% to 16% in H1 2010. This decrease mainly resulted from the foreign exchange loss.

[12] Computed on the basis of average weighted 15,980,000 shares for H1 2010, and respectively average weighted 11,480,000 shares for H1 2009

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended June 30, 2010 and December 31, 2009

Amounts in k€	Jun. 30, 2010	Dec. 31, 2009
ASSETS		
Current assets		
Inventories	2,254	3,768
Trade receivables	44,842	34,790
Other receivables and prepayments	5,877	5,295
Amounts due from related parties	1,334	1,391
Cash and cash equivalents	92,027	61,482
	146,334	106,726
Non-current assets		
Property, plant and equipment	1,415	636
Land use rights	599	512
Intangible assets	865	795
Deferred tax assets	1,231	1,201
	4,111	3,144
Total assets	150,445	109,870
LIABILITIES		
Current liabilities		
Trade payables	17,955	8,225
Other payables and accruals	7,788	4,954
Amounts due to related parties	1	-
Income tax payable	1,200	685
Deferred tax liability	16	-
Total liabilities	26,960	13,864
CAPITAL AND RESERVES		
Share capital	15,980	15,980
Capital surplus	48,163	48,163
Retained earnings	38,924	29,720
Foreign exchange difference	20,418	2,143
Total equity	123,485	96,006
Total liabilities and equity	150,445	109,870

Current Assets

Inventories

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

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Inventory-advances to supplier	1,177,347	3,137,004
Goods and material	1,076,898	631,267
	2,254,245	3,768,271

Inventories decreased from k€ 3,768 as of 31 December 2009 by k€ 1,514, or 40%, to k€ 2,254 as of 30 June 2010. There was an increase in goods and materials, but a decrease in advances to suppliers. The increase in goods and material was mainly for the purpose of safe inventory for the coming delivery.

Trade receivables

Trade receivables increased from k€ 34,790 as at 31 December 2009 by k€ 10,052 to k€ 44,842 as of 30 June 2010. Actually, if excluding the impact caused by exchange difference arising from translating the trade receivables from the functional currency of RMB to presentation currency of EUR at the balance sheet date, trade receivable increased from RMB 342 million as at 31 December 2009 by RMB 31 million, or 9%, to RMB 373 million as at 30 June 2010, which was due to the great increase of sales of wireless data cards. The amount of trade receivables with a maturity of less than 90 days as of 30 June 2010 represented 73% of total trade receivable as of 30 June 2010.

Other receivables and prepayments

Other receivables and prepayments increased from k€ 5,295 as of 31 December 2009 to k€ 5,877 as of 30 June 2010. By neglecting the impact of exchange differences arising on currency translation, other receivables and prepayments actually decreased by 6% to RMB 48 million as of 30 June 2010. This mainly resulted from receiving rebates on chipsets in connection with the sales volume of wireless data cards in H1 2010, which was offset by the increase of the commission receivables of VNO business and other loans granted to suppliers.

Amounts due from related parties

The amounts due from related parties decreased from k€ 1,391 as of 31 December 2009 by k€ 57 or 4%, to k€ 1,334 as of 30 June 2010. By neglecting the impact of exchange difference arising on currency translation at the balance sheet date, the amount due from related parties decreased from RMB 13.7 million on 31 December 2009 by 19% to RMB 11.1 million on 30 June 2010, which resulted in the decrease of amounts due from Fujian Vtion Telecom information Service Co., Ltd.

Cash and cash equivalents

Cash and cash equivalents amounted to k€ 92,027 as of 30 June 2010. For a description of the changes in cash in the first six months of 2010, see the section “Cash Flow Statement” .

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Cash on hand	27,568	6,199
Cash in banks	88,814,987	58,628,933
Deposit on bank's acceptance bill	3,184,582	2,846,975
	92,027,137	61,482,107

Non-current assets

Property, plant and equipment

Property, plant and equipment increased from k€ 636 as of 31 December 2009 by k€ 779, or 123%, to k€ 1,415 as of 30 June 2010, which mainly resulted from long-term prepayment due to office decoration, as well as the purchase of vehicles and office equipment, which was partly offset by the depreciation charge and disposal of equipment.

Land use rights

In accordance with the Second Annual Improvements Projects (AIP 2009), the “land use right” will no longer be presented as an “intangible asset”, but as “land use rights”**.** The amount of “land use rights” increased to € 0.60 million as at 30 June 2010, respectively € 0.51 million as at 31 December 2009.

Liabilities

Trade payables and Notes Payable

Trade and notes payable increased from k€ 8,225 as of 31 December 2009 by k€9,730, or 118% to k€ 17,955 as of 30 June 2010. By excluding the impact of exchange difference arising on currency translation, the increase by 85% was mainly due to the purchase increase as a result of a significant inventory increase of wireless modem cards.

Other payables and accruals

The increase of other payables and accruals to k€ 7,788 as of 30 June 2010 by k€ 2,834 or 57%, mainly resulted from increasing rebates payable to copyright holders in H1 2010 amounting to k€ 937 due to a great increase in sales volume.

Equity to total assets ratio

The equity to total assets ratio slightly decreased from 87% as of 31 December 2009 to 82% as of 30 June 2010.

Financial Position

Cash Flow Statement

The following table is extracted from the cash flow data of the Company, which was derived from the Company's consolidated financial statements under IFRS for H1 2010 and H1 2009.

	H1 2010	H1 2009
	kEUR	kEUR
Operating cash flow before working capital changes	16,446	6,078
Cash generated from/(used in) operations	20,463	1,703
Net cash generated from operating activities	18,215	1,521
Cash flow used in investing activities	-791	-818
Cash flow from financing activities	0	0
Net increase in cash and cash equivalents	**17,424**	**703**
Cash at beginning of year	61,482	**30,336**
Foreign exchange difference	13,121	-1,322
Cash at end of the period	**92,027**	**29,717**

Net Cash generated from Operating Activities

The net cash position as of 30 June 2010 has strongly improved. The Company generated a positive net cash flow amounting to k€18,215 from operation as of 30 June 2010, representing a significant increase by k€ 16,694 compared with the net cash of k€1,521 generated in operating activities in H1 2009. This increase was mainly attributable to a significant decrease in inventories and a significant increase in profit before income tax, trade payables and other payables and accruals. This effect was partly offset by the increase in trade receivables and actual income tax paid.

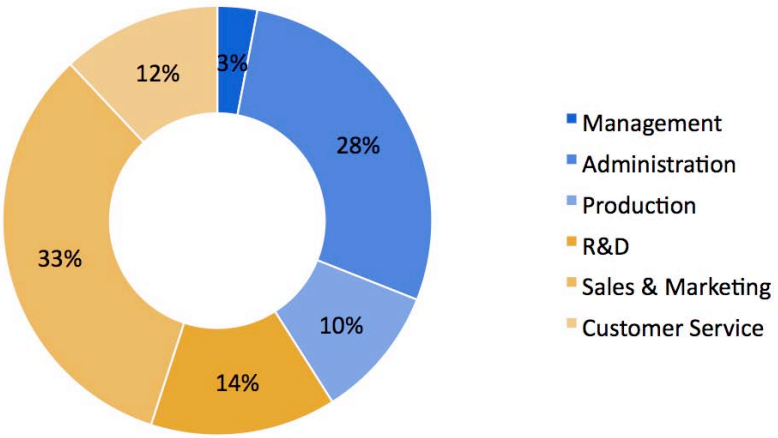
Cash at end of period

Cash at the end of the period amounted to k€ 92,027 as of 30 June 2010, which was increased by k€ 30,545 from the balance as of 31 December 2009. This significant increase completely resulted from the net cash flow from operating activities.

Human Resources

Vtion's total number of employees stayed almost completely unchanged from the first quarter of 2010; after finishing Q1 2010 with 180 employees, Vtion averaged 184 employees over the course of Q2 2010. Sixty of these employees, which represent a majority, worked in sales and marketing, reflecting Vtion's strong emphasis on its sales channels and close cooperation with the Chinese telecom operators. The next largest group of Vtion employees, a total of 52, worked in administration, followed by 26 employees working in the R&D department. Please see below for a proportional breakdown of Vtion's employees during the second quarter of 2010.

Split of employees:[13]



Vtion continues to maintain very low management costs as part of what is overall a very competitive cost base. For the first half of 2010, total payroll costs for the company amounted to EUR 714,853.14 This demonstrates a capability to control personnel costs despite rapid growth, which will remain a point of emphasis for company management going forward, as the company continues to experience strong growth. As a listed company, Vtion enjoys added prestige within China, something the company uses to attract top talent from around the country. Vtion will continue to add persons capable of providing value and helping the company grow and will continue to do so in a cost-effective manner.

[13] Source: Vtion Wireless Technology AG.
[14] Ibid.

Research and Development

Vtion's research and development efforts in the second quarter of 2010 centered around continuing to develop quality wireless devices for all three of the 3G wireless standards active in China, in order to meet the needs of each of China's telecom operators as they continue to develop the market.

In the CDMA 2000-EVDO standard, Vtion's E1920 model, which features a rotating USB and compact design, moved into large-scale production in the second quarter. Reflecting continued growth on the part of China Unicom and the technologies it operates, Vtion's research and development efforts were very active in the UMTS space. The Vtion U1912, U1916-W and U1920-W all entered into large-scale production, while development and testing on the U1920+ was completed and the product entered into small-scale production. Vtion is also in the planning stages of developing the U1930, which is a USB Slider, and the U1960, which is a mini-PCIE in the process of module development. Both of these products will arrive on the market in the second half of the year.

Vtion is also developing the U2010, which will be complete by the third quarter. The product features HSPA+ technology, download speeds of 21 MB and upload speeds of 5.76 MB, it will come to the market in the second half of 2010. In the TD-SCDMA space, Vtion's TG 1917 wireless data card entered into large-scale production in the first half of 2010, and the TG 1930 USB-slider is currently in development and expected to come to market in the second half of 2010.

Outside of the wireless dongles, Vtion also began development of two portable 3G routers, the Vnet5280, which operates on the EVDO standard, and the Vnet6280, which is a UMTS product. Both of the portable 3G routers are expected to come to market at the end of the year.

Vtion currently has a team of 26 R&D personnel, and 19 persons involved in product production, testing and modification. The strength of the R&D team and its ability to design and produce products consistent with the needs and requirements of the telecom operators, allowing Vtion to maintain and build upon its position as a leader in the 3G data space.

Opportunities and Risks

Vtion Group's business relies on solid experience, clear focus on high quality products, a broad product portfolio, deep market insight and strong business relationships with customers. As a fast growing company, the Vtion Group is exposed to a variety of risks, yet with risk comes opportunity. Vtion's risk management system helps the company exploit these opportunities and minimize risk, which ultimately helps to achieve strategic goals and maximize shareholder value.

Company management carefully balance opportunities and associated risks through regular strategic reviews. Vtion 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 development and risks, the company regularly conducts sales volume and structure analysis, gross margin analyses, liquidity analysis and monitors the progression of accounts receivable. Monthly and quarterly financial reporting processes are a core tool in the management of the business and will ensure that information on business and market trends is regularly updated. As part of the Company's financial control procedures, significant variances between actual and budget figures are identified and analyzed and they serve as the basis for developing corrective measures.

An internal audit department has already been set up and is working to support the necessary processes to create and safeguard shareholder interests. Vtion has completed the process of establishing 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.

Vtion's largest shareholder, Mr. Chen Guoping, is the company CEO and oversees the day-to-day business management. He closely monitors the sales and profit development in order to safeguard his and other shareholders' interests. In addition, the Supervisory Board, auditor and other third party consultants help Vtion to prepare for and hedge against various risks, to minimize the potentially negative impact on the company.

To minimize risks and to capitalize on opportunities, Vtion Group pursues a forward-looking product strategy. The company will continue to invest in R&D, while staying abreast of market trends and customer requirements. Vtion's management takes a long-term view to its position as an industry leader, with the intent of adapting ahead of changes in the market to maintain the company's strong position.

The following factors have had and/or continue to exert a material effect upon Vtion's results of operations and financial conditions:

- **Decline of the Euro exchange rate versus the Chinese Yuan Renminbi:**

Given that the Vtion Group still holds a cash balance of approximately Euro 92 million, of which approximately 31 million is in the Euro currency, a devaluation of the Euro versus the RMB would indicate a non-cash loss in the company's P&L. Were the company choose to transfer its Euro balance or a portion thereof to its operating entities in China following a decline in the value of the Euro, this loss would be realized for the company and it would effectively be transferring less money back to China.

The RMB is not a freely traded currency and is controlled by the Chinese Government. Further changes in the exchange rate between the Euro and RMB would have uncertain effects on the Vtion Group, given that the company's functional currency is the RMB yet the company reports in Euro.

- **Vtion's strong dependence on China's three major telecom operators for its business development:**

In the first half of 2010, approximately 80% of Vtion's sales were realized through the company's cooperation with China's three major telecom operators, China Mobile, China Telecom and China Unicom. While the company benefits greatly from its strong position vis-à-vis the three operators, the dependence for such a large portion of sales indicates a risk factor. Vtion's success is also contingent upon the ability of the three operators to develop their network infrastructures and expand their customer bases.

However, all three operators have shown strong growth in their user bases since the advent of 3G technology in China in May, 2009, and all have continued strong CapEx investments into their networks. Vtion operates in an oligopolistic market structure, which means that the company is protected from the risk of another operator entering the market with which it doesn not have a relationship.

- **Changes in technology could have an adverse effect on Vtion's wireless data card business:**

The technologies that the Vtion Group currently employs in its products are at the top of the industry in the Chinese telecommunications market. However, given the rapid pace of innovation and change in the market, it is possible that rapid changes in technology would render those used in the Vtion Group's products obsolete.

The company constantly develops and rolls out new products in line with the latest industry standards in the Chinese market, and company management has a strong focus on emerging technological trends around the world. This allows the company to stay abreast of changes in its industry and maintain its position as a leader in its sector in the Chinese market.

- **Vtion's profitability may decline as a result of a systemic decline in prices or an increase in costs:**

The natural tendency for electronics products is that prices gradually decline over time following the introduction of the product into the market. Vtion has recognized this as a risk factor and therefore places particular emphasis on constant development of new products that features new designs, additional features and new technologies. The company maintains a competitive cost base located entirely within China, and management places a strong strategic emphasis on the company's margins and profitability.

- **The PRC market for wireless data cards is highly competitive and competition may further intensify:**

Vtion's two main competitors in the data card market are far larger companies than Vtion itself, and there exists the possibility for already intense competition to further increase in the industry. However, the market is strongly regulated, with limits on the volume that telecom operators can purchase from any single supplier. In this oligopolistic market structure, Vtion has been recognized as a "top-tier qualified supplier", resulting in a stable market position that the company has held over the past several years.

Going forward, the company faces a series of opportunities, upon which it will seek to capitalize. The company remains situated in the world's largest 3G market and thus has a very large potential client pool in which to develop its business. The Chinese economy continues to grow at a strong and steady rate, pushed strongly by the government's stimulus efforts. Thus, the business environment in which Vtion is positioned presents the company with a strong opportunity for further future growth.

The company also stands to potentially benefit from growing number of Chinese internet users as well as the increasing diversification in the internet usage habits of these users. First, the growing internet penetration implies consistent growth for Vtion's hardware business, as more new users com on to the networks, and more current users switch to 3G, Vtion will continue to see demand for its 3G connectivity product portfolio. As the internet becomes more integrated in the everyday lives of China's populace, more opportunities will arise for value-added services and industry specific wireless applications to meet these emerging needs.

Finally, Vtion is lead by a young, experienced and knowledgeable management team that is motivated to drive the company forward and maximize its potential. Vtion continues to use its status as a European-listed company to its advantage within China, in order to attract new personnel and strengthen the company's ties to the telecom operators. Vtion has established a strong market position in China and close ties to the telecom operators; the company's strong net cash position means that Vtion will be well-financed to take the next step in its development, and fully take advantage of the opportunity provided by the massive 3G market in China.

Overall Statement to the Risk Situation

Neither in the first two quarters of 2010, or at the time of writing, has the management of the Vtion's group identified any risk factors that could jeopardize the company's continued existence.

Report on Post-Balance Sheet Events

There have been no events between June 30, 2010 and the publication of this report on August 12, 2010 which would require an adjustment to the carrying amount of the assets and liabilities, or that would need to be disclosed under this heading.

Outlook

The Vtion Group expects strong growth to continue in the Chinese telecom sector for the remainder of the year, given the growth momentum currently present in the 3G market and the significant investments on the part of the operators that are still forthcoming. In order to further develop their user bases and entice more individuals onto the wireless networks, the operators will likely offer a greater number and variety of applications, programs and other service offerings.

For Vtion's business, the continued efforts on the part of the operators to expand their user bases implies steady demand for the company's portfolio of high quality wireless data card devices. Vtion will continue to work with the operators to adapt to the evolving landscape of the 3G market and provide the operators with the products they require to develop that market. With its reputation and strong business in this space as a foundation, Vtion will look for opportunities to further exploit the growth in the 3G market as the year progresses, particularly through new products, value-added services and industry-specific applications.

Frankfurt/Main, August 12, 2010

Chen Gouping Chen Huan Ding Chaojie Fei Ping He Zhihong

Interim Financial Statements

E1916 Wireless Data Card

Specifications:
High-speed data access up to Max 3.1Mbps(Download);
Max 1.8Mbps(Upload)
Voice Call Dialer,Phonebook,SMS manager,Call history
Automatic switching network
TRU-install automatic software installation
8G T-flash memory expansion slot

Financial Statements Vtion Wireless Technology AG
Consolidated Statement of Comprehensive Income
For the period from January 1 to June 30, 2010

In €		Q2		H1	
	Notes	**2010**	**2009**	**2010**	**2009**
Sales	6.1; 6.2	29,479,266	13,883,329	55,790,566	21,133,902
Cost of sales		-18,102,507	-9,800,272	-35,000,927	-14,000,876
Gross Profit		**11,376,759**	**4,083,056**	**20,789,638**	**7,133,026**
Other operating income		10,220	116,638	114,026	177,171
Selling and distribution expenses		-1,500,728	-343,916	-2,694,334	-558,226
Administrative expenses		-938,247	-417,679	-1,607,789	-770,667
Other operating expenses		-57,753	-15,378	-63,530	-16,207
Profit from operations		**8,890,252**	**3,422,721**	**16,538,012**	**5,965,097**
Finance income		92,713	27,881	167,299	125,203
Finance expenses	6.5	-3,175,751	-1,336	-5,382,117	-24,082
Profit before income tax		**5,807,214**	**3,449,267**	**11,323,194**	**6,066,218**
Income tax	6.6	-1,136,315	-404,534	-2,119,250	-724,159
Profit for the period		**4,670,899**	**3,044,732**	**9,203,944**	**5,342,059**
Other comprehensive income:					
Exchange differences on translating foreign operations		11,535,992	-2,383,584	18,274,600	-904,554
Other comprehensive income for the period		**11,535,992**	**-2,383,584**	**18,274,600**	**-904,554**
Total comprehensive income for the period		**16,206,891**	**661,149**	**27,478,544**	**4,437,505**
Earnings per share*		0.29	0.27	0.58	0.47

* Computed on the basis of average weighted 15,980,000 shares for H1 and Q2 2010,and respectively average weighted 11,480,000 shares for H1 and Q2 2009

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

Interim Consolidated Balance Sheet

As of June 30, 2010 and December 31, 2009

In €	Notes	Jun. 30, 2010	Dec. 31, 2009
ASSETS			
Current assets			
Inventories	7.1	2,254,245	3,768,271
Trade receivables	7.2	44,842,096	34,789,603
Other receivables and prepayments	7.2	5,876,660	5,295,077
Amounts due from related parties	7.3	1,333,647	1,390,572
Cash and cash equivalents	7.4	92,027,137	61,482,107
		146,333,785	106,725,630
Non-current assets			
Property, plant and equipment		1,415,462	635,499
Land use rights		599,297	512,476
Intangible assets		864,698	794,790
Deferred tax assets	7.5	1,231,329	1,201,447
		4,110,787	3,144,212
Total assets		150,444,572	109,869,842
LIABILITIES			
Current liabilities			
Trade payables	7.6	17,954,742	8,224,990
Other payables and accruals	7.6	7,788,410	4,954,137
Amounts due to related parties		586	-
Income tax payable		1,200,444	684,542
Deferred tax liability		15,674	
Total liabilities		26,959,855	13,863,669
CAPITAL AND RESERVES			
Share capital		15,980,000	15,980,000
Capital surplus		48,162,668	48,162,668
Retained earnings		38,924,328	29,720,384
Foreign exchange difference		20,417,721	2,143,121
Total equity		123,484,717	96,006,173
Total liabilities and equity		150,444,572	109,869,842

Consolidated Statement of Changes in Equity

For the period ending June 30, 2010

In €	Share capital Vtion AG	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2008	11,480,000	7,616,789.00	13,163,359	3,340,291	35,600,439
Capital injection	-	-	-	-	-
Equity transaction costs charged to equity	-	-	-	-	-
Net profit	-	-	5,342,059	-	5,342,059
Foreign currency translation reserve	-	-	-	- 904,554	- 904,554
Balance as at 30 Jun.2009	11,480,000	7,616,789	18,505,418	2,435,737	40,037,944
Balance as at December 31, 2009	15,980,000	48,162,668	29,720,384	2,143,121	96,006,173
Capital injection	-	-	-	-	-
Equity transaction costs charged to equity	-	-	-	-	-
Net profit	-	-	9,203,944	-	9,203,944
Foreign currency translation reserve	-	-	-	18,274,600	18,274,600
Balance as at 30 Jun.2010	15,980,000	48,162,668	38,924,328	20,417,721	123,484,717

Interim Consolidated Statement of Cash Flows

For the period ending June 30, 2010

In €	H1 2010	H1 2009
Profit before income tax	**11,323,194**	**6,066,218**
Adjustments for:		
Amortization of intangible assets and land use rights	88,326	46,188
Allowance for doubtful trade debts	-282,697	2,059
Depreciation of property, plant and equipment	100,465	51,521
Loss on disposal of property, plant and equipment	1,813	13,592
Interest income	-167,299	-125,203
Interest expense	-	-
Bank charges and exchange loss	5,382,117	24,082
Operating cash flow before working capital changes	**16,445,919**	**6,078,458**
Working capital changes:		
(Increase)/decrease in:		
Inventories	1,514,025	-1,512,370
Trade receivables	-10,052,493	-9,174,955
Other receivables and prepayments	-581,583	1,615,700
Amounts due from related parties	56,925	486,862
Increase/(decrease) in:		
Trade payables	9,729,752	3,572,272
Other payables and accruals	2,834,273	308,737
Amounts due to related parties	586	-64,210
Income tax payable	515,902	392,899
Cash generated from/(used in) operations	**20,463,306**	**1,703,392**
Interest received	167,299	125,203
Interest expense	-	
Income tax paid	-2,415,699	-307,639
Net cash generated from operating activities	**18,214,906**	**1,520,956**
Cash flow from investing activities		
Purchase of intangible assets	-15,092	-716,878
Purchase of land, property, plant and equipment	-775,814	-100,955
Disposal of land, property, plant and equipment		
Cash flow used in investing activities	**-790,906**	**-817,833**
Cash flow from financing activities		
Increase in capital injection		
Increase in short-term bank borrowings	-	-
Interest paid	-	-
Cash flow from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**17,424,000**	**703,123**
Cash at beginning of year	61,482,107	30,336,001
Foreign exchange difference	13,121,031	-1,322,012
Cash at end of the period	**92,027,137**	**29,717,112**

Selected Notes to the Consolidated Financial Statements

For the period from January 1 to June 30, 2010

1. Background and Basis of Preparation

Basis of Preparation

The condensed interim consolidated financial statements have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) and/or International Accounting Standards (IAS) as adopted by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The financial statements are presented in EUR and all monetary amounts are rounded to full EUR except when otherwise stated.

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

In k€	Share	Equity Jun. 30, 2010	Results from January 1 to June 30, 2010
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	2,651	2,164
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	77,422	14,188
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	19,040	842
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	832	-119

Vtion Wireless Technology AG does not own directly or indirectly any shares of the Fujian Vtion Telecom Information Service, Co. Ltd., but has the power to control this company. This subsidiary is not consolidated because of the lack of economic substance.

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 30 June 2010, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of 31 December, 2009.

In accordance with the Second Annual Improvements Projects (AIP 2009), the classification regulation of leases of land was extended from 2010. The transition provision stipulates that (new) classification of leasing agreements of land shall be applied retrospectively. For this reason, the “land use right” will no longer be presented as an “intangible asset”, but as “land use rights”. As a result, the amount of intangible assets decreased from € 1.41 million (30.06.2009), respectively € 1.31 million (31.12.2009) and € 1.46 million (30.06.2010) to € 0.88 million (30.06.2009), respectively € 0.79 million (31.12.2009) and € 0.86 million (30.06.2010).

The amount of “land use rights” increased to € 0.53 million (30.06.2009), respectively € 0.51 million (31.12.2009) and € 0.60 million (30.06.2010). The amount of amortization (depreciation) in the profit & loss statement will not be influenced.

In May 2010, the IASB published a series of amendments to several IFRS. The resulting changes are mainly for financial years beginning on or after January 1, 2010. An early adoption is permitted. The EU has not yet adopted these changes in European law. We expect from the application of these revised standards no material impact on the accounts.

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. Due to the German holding company, the presentation currency of the Group is EUR.

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

	RMB	
EUR	2010	2009
December 31	N/A	9.8350
June 30	8.3215	9.6545
average first 6 months	9.0567	9.1070

4. Impairment of Non-financial Assets, if any

In the first six months of 2010 and 2009, there has been no need for an impairment of non-financial assets.

5. Segment Analysis

a) Business segment

Vtion Group's operating businesses are organized in two business segments, namely "Wireless Modem and others" and "Data Solution Services".

b) Geographical business

Vtion Group is principally engaged in product supplying and service providing in People's Republic of China ("PRC") with all of its customers 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 can not be allocated reasonably.

Inter-segment sales are eliminated on consolidation.

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

	Segment revenue		Segment profit	
	Period from Jan. 1 to Jun. 30, 2010	Period from Jan. 1 to Jun. 30, 2009	Period from Jan. 1 to Jun. 30, 2010	Period from Jan. 1 to Jun. 30, 2009
	k€	k€	k€	k€
Wireless Modem and others	54,405	19,775	16,047	4,921
Data Solution Service	1,385	1,359	963	1,181
Total for continuing operations	55,791	21,134	17,010	6,103
Central administration costs			-472	-138
Finance costs			-5,215	101
Profit before tax (continuing operations)			11,323	6,066

6. Notes to the Income Statement

6.1 Revenue

	Q2		H1	
	2010	**2009**	**2010**	**2009**
	EUR	EUR	EUR	EUR
Sale of goods	29,479,266	13,883,329	55,790,566	21,133,902
Other operating income				
Government grant	9,904	116,291	113,012	176,344
Service income	316	292	1,010	685
Others	0	56	4	142
	10,220	**116,638**	**114,026**	**177,171**
Finance income				
Interest income	92,713	47,113	167,299	125,203
Total income	**29,582,200**	**14,047,080**	**56,071,891**	**21,436,276**

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

6.2 Split-up of Sales

	Q2		H1	
	2010	**2009**	**2010**	**2009**
	EUR	EUR	EUR	EUR
Split-up of sales				
Sales to external customers				
Wireless Modem	28,731,530	12,996,563	54,399,560	19,493,257
Data Solution Services	742,098	608,280	1,385,368	1,358,594
Other	5,638	278,485	5,638	282,051
	29,479,266	13,883,329	55,790,566	21,133,902

The Group is principally engaged as manufacturing entity of computer accessories, broadband servers, wireless communication products in People´s Republic of China (“PRC”). All of its customers are based in PRC.

6.3 Average number of employees/Payroll costs

	H1	
	2010	2009
Average number of employees		
Management and administration	98	93
Research and development	26	22
Sales	60	41
	184	156

	H1	
	2010	2009
	EUR	EUR
Payroll costs		
Wages and salaries	615,120	433,245
Social security costs	76,218	109,469
Welfare	23,534	21,081
	714,873	563,795

6.4 Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment

	H1	
	2010	2009
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	44,757	23,951
Licenses	37,701	16,732
Land use rights	5,868	5,505
	88,326	46,188
Depreciation of property, plant and equipment	100,465	51,521

6.5 Finance Expenses

	Q2		H1	
	2010	2009	2010	2009
	EUR	EUR	EUR	EUR
Exchange loss	3,168,972	771	5,368,629	12,956
Bank charges	6,779	565	13,488	11,126
	3,175,751	1,336	5,382,117	24,082

The Group recognized foreign exchange loss k€ 5,369 in the income statement due to the revaluation on June 30, 2010, 94 % of which was arising on translating cash and cash equivalent item of Vtion Group at the balance sheet date.

6.6 Income Tax

6.6.1 Major Components of Income Tax Expense

	Q2		H1	
	2010	2009	2010	2009
	EUR	EUR	EUR	EUR
Current income tax (ordinary activities)	1,149,118	404,534	2,129,481	724,159
Effect of Deferred Tax Asset	-23,609	0	-39,525	0
Effect of Deferred Tax Liabilities	10,806	0	29,294	0
Income tax recognized in profit and loss	1,136,315	404,534	2,119,250	724,159

6.6.2 Applicable Tax Rate

Vtion IT and Vtion Software began to benefit from a 50% tax exemption in 2009, 2010 and 2011 with the effective tax rate of 12.5% in accordance with the Income Tax Law of the People's Republic of China for Enterprises with foreign Investment and foreign Enterprises. The 50% tax exemption time will expire on December 31, 2011. Both Vtion IT and Vtion Software will begin to afford an effective tax rate of 25% from 2012.

Vtion Communication, established on November 20, 2009 as an enterprise with foreign investment, had accounting loss for the first six-month operation period and no taxable profit in H1 2010

7. Notes to the Balance Sheet

7.1 Inventory

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Inventory-advances to supplier	1,177,347	3,137,004
Goods and material	1,076,898	631,267
	2,254,245	3,768,271

7.2 Trade and other Receivables

Trade Receivables

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Trade receivables		
Trade receivables	44,854,375	34,826,296
Allowance for trade receivables	(12,279)	(36,693)
	44,842,096	34,789,603

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Other receivables		
Other receivables	5,439,286	4,986,536
Prepaid expenses	437,374	308,541
	5,876,660	5,295,077

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

The other receivables mainly comprise receivables due from suppliers. The prepaid expenses are non-interest bearing and due within one year. They are recognized at their originally invoiced amounts, which represent their fair values on initial recognition.

7.3 Amounts due from related parties

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

	Jun. 30, 2010	Dec. 31, 2009
Related parties	EUR	EUR
Amount due from related parties - trade	1,231,932	1,101,155
Amount due from related parties - non-trade	101,715	289,417
	1,333,647	1,390,572

7.4 Cash and Cash Equivalents

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Cash on hand	27,568	6,199
Cash in banks	88,814,987	58,628,933
Deposit on bank's acceptance bill	3,184,582	2,846,975
	92,027,137	61,482,107

The deposit on the bank's acceptance bill is pledged.

Among the balance of cash and cash equivalents in H1 2010, k€ 76,232 are held in countries in which prior approval is required to transfer funds abroad. Nevertheless, if the Group can comply with those criteria, such liquid funds can be transferred within a reasonable period of time.

7.5 Deferred Tax Assets

Vtion IT, Vtion Software and Vtion Communication recognized deferred tax assets resulting from the timing difference between the accounting profit and the taxable profit calculated in accordance with Income Tax Law of the People's Republic of China.

Vtion Wireless Technology AG ("Vtion AG") accumulated a net loss under German GAAP since the establishment of the company. Vtion AG expects a net taxable income of the holding company by lending parts of the proceeds raised during the IPO to its subsidiaries. Therefore Vtion AG recognized a deferred tax asset on the tax losses carried forward. The amount recognized as deferred tax asset (k€ 1,185) has been calculated based on the estimation of net taxable income of the next five years. As a result, the deferred tax assets are not recognized for the unused tax losses of k€ 520.

7.6 Trade and Other Payables and Accruals

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 in the balance sheet to be a reasonable approximation of their fair value. The trade payables include notes payable, which amount to RMB 53 million and increase with RMB 20 million as compared to March 31, 2010. 50% of the funds received (kEUR 3,185) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

	Jun. 30, 2010	Dec. 31, 2009
	EUR	EUR
Other payables and accruals		
Deferred revenues	1,506,791	1,150,531
VAT payable	3,149,490	1,896,404
Other payable	2,616,889	1,670,659
Advances from customers	120,217	110,816
Accrued payroll	275,726	65,753
Other tax payables	119,297	59,974
	7,788,410	4,954,137

8. Notes - other

8.1 Contingent Liabilities

The company does not have any contingent liabilities as of June 30, 2010.

8.2 Related Party Disclosures

Sales and Purchase of Goods

	H1	
	2010	2009
	EUR	EUR
Sales of finished goods to a related party	16,697	1,038,375
Rental fee paid to a related party	48,583	14,494
	65,280	1,052,869

Both sales of goods and rental of plant transactions with related parties were based on market price.

9. Events after Balance Sheet Date

There have been no events between June 30, 2010 and the date of the report as of August 12, 2010, that would require an adjustment to the carrying amount of the assets and liabilities, or that would need to be disclosed under this heading.

10. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on August 12, 2010.

Frankfurt/Main, August 12 , 2010

Chen Guoping Chen Huan Ding Chaojie Fei Ping He Zhihong

Review Report of the half-year financial report

To the Vtion Wireless Technology AG

We have reviewed the condensed interim consolidated financial statements of the Vtion Wireless Technology AG, comprising the condensed balance sheet, the condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes, together with the interim group management report of the Vtion Wireless Technology AG, Frankfurt am Main, for the period from January 1, 2010 to June 30, 2010, 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 the 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 12, 2010

BDO Deutsche Warentreuhand

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Dr. Gebhard Zemke	Björn Butte
[German Public Auditor]	[German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the Group interim management report 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 in the remaining months of the fiscal year.

Frankfurt/Main, August 12, 2010

Chen Guoping Chen Huan Ding Chaojie Fei Ping He Zhihong

Cautionary Note Regarding Forward-Looking Statement

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

Credits

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Financial Calendar

Publication of
Annual Report 2009

Thursday, April 22, 2010

Publication of

Interim report 1st Quarter 2010

Thursday, May 20, 2010

Annual General Meeting, Frankfurt

Tuesday, June 22, 2010

Publication of

Interim report 2nd Quarter 2010

Thursday, August 12, 2010

Publication of

Interim report 3rd Quarter 2010

Monday, November 15, 2010

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