Q2 2011

INTERIM REPORT

VTION WIRELESS TECHNOLOGY AG

Wireless Anywhere

Vtion Wireless Technology at a glance

		Q2			H1		
		2011	2010	+/–%	2011	2010	+/–%
Revenues	million €	19.37	29.48	-34	31.98	55.79	-43
Gross profit	million €	3.54	11.38	-69	6.12	20.79	-71
Gross profit margin	%	18	39	-21PP	19	37	-18PP
EBITDA	million €	2.02	9.00	-78	3.17	16.73	-81
EBITDA margin	%	10	31	-21PP	10	30	-20PP
EBIT	million €	1.90	8.89	-79	2.93	16.54	-82
EBIT margin	%	10	30	-20PP	9	30	-21PP
Net profit	million €	1.75	4.67	-63	4.05	9.20	-56
Net profit margin	%	9	16	-7PP	13	16	-3PP
Earnings per share[1]	€	0.11	0.29	-63	0.25	0.58	-56
Net Cash flow from operations	million €	-0.84	6.74	n/a	9.33	18.21	n/a

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 company also offers e-reader, 3G router and embedded module products through network operator and retail distribution channels.

V7 Pad (product example)

[1] Computed on the basis of average weighted 15,898,556 shares for Q2 2011 and 15,939,053 shares for H1 2011, and respectivelly average weighted 15,980,000 shares for Q2 and H1 2010.

Content

	The Company
4	Letter to Shareholders
5	The Share

	Interim Management Report
8	Business and Operating Environment
10	Results of Operations
13	Balance Sheet Structure
16	Financial Position
17	Human Resource
18	Research and Development
20	Risk Report
20	Report on Post-Balance Sheet Date Events
21	Outlook

	Interim Financial Statements
23	Financial Statements Vtion Wireless Technology AG Consolidated Statement of Comprehensive Income
24	Consolidated Balance Sheet
25	Consolidated Statement of Changes in Equity
26	Consolidated Statement of Cash Flows
27	Selected Notes to the Consolidated Financial Statements
36	Review Report
37	Responsibility Statement by the Management
38	Financial Calendar

Dear Fellow Shareholders,

I am pleased to present to you our second quarter 2011 operating results, which show dramatic improvement over our results of the first quarter. What we accomplished in the second quarter was based almost entirely on our core product offerings of wireless data terminals, evidence that we have seen recovery in that space and increasing demand from the telecom operators following upgrades of their networks. We have successfully added new components to our business model, including wireless intelligent terminals such as the tablet PC, become an integrator and distributor of Android apps in China, and opened our own Mobile Appstore (VSTORE). With a strong cash position and rich industry experience and expertise, I am confident that our company is on the path to improving its long-term competiveness.

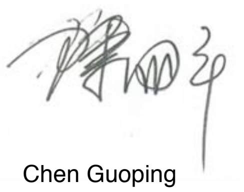
Moreover, I am pleased to inform our shareholders that we are proceeding on schedule according to the plan we laid out at the beginning of the year to adapt the company business model to a changing marketplace, with the aim of improving operating results in the near term and positioning the company to be more competitive in the long term. We are yet to see a reflection of this in our share price, but I remain confident that if we show traction in our new business areas alongside continued strength in our traditional business areas, the results of our efforts will become evident in our operating results and the company will eventually begin to regain investor trust and move toward a fair valuation on the strength of these results.

For the second quarter, we achieved revenues of € 19.37 million bringing our revenue for the first half of the year to a total of € 31.98 million. Our operating profit (EBIT) reached € 1.9 million for the quarter and € 2.93 million for the first half of the year, which represents a margin of 9% for the first half 2011. As stated before, these results were achieved almost entirely through sales in the wireless data terminal product area, with only negligible contributions from the wireless intelligent terminal and mobile applications groups. Thus, we can see that demand in our traditional core businesses, while still weaker than in 2010, grew in comparison to Q1 2011. Going forward, following continued growth in the 3G market as a whole, we expect steady demand in the wireless data terminal space. Concurrently, we expect our industry-specific tablet PC products and applications, namely in the cosmetics and insurance industries, to grow through the remainder of the year, given our targeted niche approach that allows us to differ from our competitors. We received the first orders for our tablet PC products (VPAD) over the course of June.

With steady demand in the wireless data terminal space and a strong start to our tablet PC sales, I restate that we expect to reach our previously stated guidance for our operating results for the full year 2011, which calls for revenues of between € 75 million and € 100 million, with an EBIT margin of 10%-12%.

Despite the improvements in the wireless data terminal business segment, and the encouraging early results with the V7 tablet PC, we realize a tremendous amount of work remains to both improve the company's operational competitiveness and improve our capital markets valuation. We as a company remain confident in our future, and continue to repurchase shares over the market; as of August 1, 2011, we have repurchased a total of 357,800 shares, and will continue to do so in accordance with our internal planning. I would like to conclude by offering my sincere thanks and gratitude to our valued shareholders for continued support and confidence even in uncertain times. I, along with my entire management team, continue to strive daily to ensure that your faith will not go unrewarded, and continually create greater shareholder value.

Kind regards,



Chen Guoping
CEO Vtion Wireless Technology AG

The Share

Difficult beginning to 2011

The Vtion share experienced downward pressure to open 2011, as the company announced a guidance of revenue between € 75 million and 100 million and an EBIT margin of 10%–12%, which was below market expectations. This was due to transition in China's telecommunications market, which for Vtion meant pricing pressure but also new opportunities. Vtion's share price has since stabilized and traded largely horizontally. Currently, the company is starting to see the first successes in its transition into a more diversified business model, and the company is on track with both its operations transition and to reach its guidance for the full year 2011.

Dividend and Share Buyback

Vtion paid a dividend of 21 cents per share in 2011, representing 15% of the company's net profit after tax for the full year 2010. The company also initiated a share buyback program on April 26, 2011, for which € 4 million was allocated to buy approximately 1 million shares. On August 1st, Vtion has repurchased a total of 357,800 shares on an average price of € 4.08. The company sees the share buyback program as both an indication of confidence management has in the company's future and value, as well as a means through which the company can return cash to shareholders. Vtion is proud to reward shareholders for their loyalty, particularly through recent difficult times, and the large cash position allows Vtion to do so through a dividend, while the company will still have more than sufficient cash to invest in new product and application offerings for short-term development, and increase its long-term competitiveness through investment in R&D.

Designated Sponsoring und Research Coverage

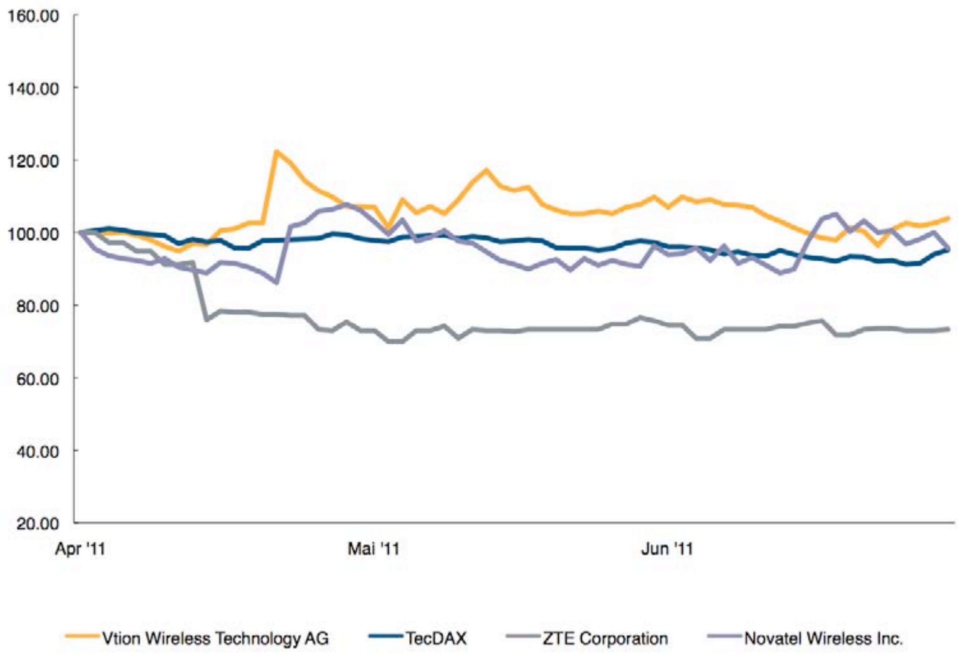
As of April 2010, the company has had designated sponsorship and research coverage from Macquarie Capital, which was also a co-manager of the company's IPO in 2009. The company has also had research coverage from Warburg Research since January of 2010. Dr. Kalliwoda Research, a boutique research firm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

Investor Relations

Vtion is committed to active investor communications and maintaining accessibility to its shareholders and interested potential investors. The company is a regular participant in investor conferences and regularly engages in roadshows with management. Vtion is particularly committed to accountability in its investor communications given the challenges associated with maintaining close contact with European investors when operations are located primarily in China. Following the release of the Q2 2011 report, Vtion will meet with investors both on an early September roadshow, and at the Berenberg Small and Mid Cap Tech Conference. As the company goes through the process of diversifying its business model it will communicate regularly with the capital markets regarding the company's business progress, particularly in the wireless intelligent terminal and mobile application spaces.

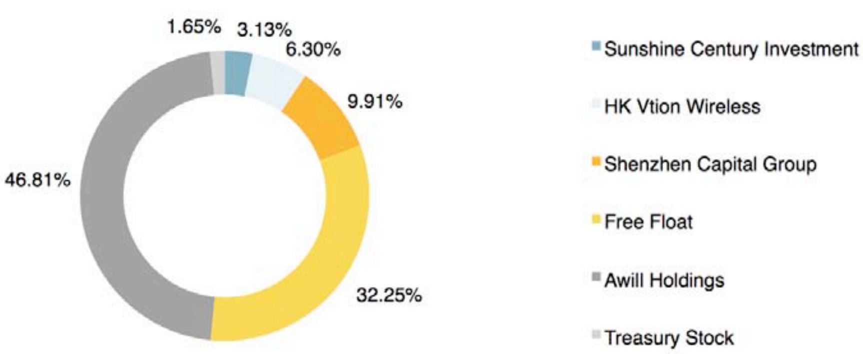
VTION STOCK PRICE

in Percent



VTION SHAREHOLDER STRUCTURE

as of June 30, 2011



Interim Management Report

Interim Management Report

Business and Operating Environment

OVERVIEW

The Chinese economy continued steady and consistent growth in the first half of 2011, with GDP growth for the half year reaching 9.6%, including growth of 9.7% in Q1 and 9.5% in Q2.[2] Inflation remains a major challenge for the Chinese economy, as the country's CPI grew another 6.4% in June of 2011, which represents the largest one-month increase in the index since June of 2008.[3] GDP growth in the second quarter is notably lower than the 10.3% growth realized in the second quarter of 2010. However, despite slower growth, this signifies success in the government's efforts to move from rapid growth based on investment and favorable policy, to steady and sustainable growth that is realized organically. Further, the government has taken measures such as raising interest rates, which, though in the near term may constrain growth, will over the long term serve to stabilize liquidity and commodity prices.

As of the end of June 2011, China's internet penetration rate reached 36.2%, bringing the total number of internet users nationwide to 485 million.[4] Over the course of the second quarter growth in user numbers was strong in both rural and urban areas, while government policy at the provincial level continues to support increasing internet connectivity in rural areas

GENERAL MARKET CONDITIONS AND BUSINESS DEVELOPMENT

As of the end of May 2011, China's three major telecom operators had finished construction on a total of 714,000 3G base stations, of which China Mobile operates 214,000, China Telecom operates 226,000 and China Unicom operates 274,000.[5] As far as 3G network coverage, China Telecom's CDMA 2000 EVDO network continues to exhibit the strongest coverage nationwide, covering all cities, county-level cities and approximately 29,000 village-level cities as of May 2011.6 China Mobile's TD-SCDMA network covers all four of the country's directly-governed city regions (Beijing, Tianjin, Shanghai, Chongqing), along with 283 regional-level cities, 370 county-level cities and a small number of more-developed village-level cities. 7 China Unicom's WCDMA 3G network covers 341 regional-level cities and 1917 county-level cities as of May 2011.[8]

As of the end of May 2011, the total number of 3G users nationwide in China reached 73.76 million, with China Mobile's 32 million TD-SCDMA users accounting for approximately 43% thereof.[9] Users on China Telecom's CDMA 2000 EVDO network and China Unicom's WCDMA network reached 19.67 million and 22.09 million respectively, which accounts for 27% of 3G users for China Telecom and 30% of total 3G users nationwide for China Unicom.[10]

Total investment in China's three 3G networks continued to grow over the course of Q2 as well, with 289 billion Yuan Renminbi invested on the part of the three operators in network development as of April 30th. Average call completion rates for all three of the 3G networks has reached 97.6%, with dropped call rates under 0.47%.[11]

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[2] The Central People's Government of The People's Republic of China, Ministry of Statistics; July 13, 2011. (http://www.gov.cn/gzdt/2011-07/13/content_1905423.htm)
[3] China's second-quarter foreign exchange reserve rose sharply ; July 12, 2011. http://cn.wsj.com/gb/20110712/bch164153.asp?source=NewSearch.
[4] "28th China Internet Development Statistics Report". China Internet Network Information Center; July 19, 2011.
[5] Ministry of Industry and Information Technology.
[6] Ibid.
[7] Ibid.
[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] The Central People's Government of the People's Republic of China; June 12, 2011.

The continued propagation of 3G coverage across China has resulted in an increasing number and diversity of devices used to access the wireless internet. In the tablet PC space, in which Vtion began offering products in June 2011, the Android operating system received the most favorable reviews in a June 2011 user survey, which was the first time that its rating surpassed that of Apple's iOS.[12] Tablet PC sales market-wide have been quite strong in China, with an average consumer selling price of 3741 Yuan RMB.[13] While Vtion's strategy involves seeking out business clients in niche markets and avoiding the general consumer market, the strong demand in said market still bodes well overall for tablet PC sales to business clients.

China's 3G market has reached a stage of steady growth overall, with consistent growth in new 3G users month-over-month. Demand continues in the wireless data terminal space, though it has been weakened by the diversification of products in the market, namely Tablet PC's and smartphones. Steady demand in the wireless data terminal space is expected to continue, particularly for wireless data cards and 3G routers, though margins will be lower than in the initial stages of 3G development due to pricing pressure from the telecom operators. Growth in the tablet PC market remains in an early stage, particularly with regard to business applications for such hardware, while the mobile application market remains quite fragmented and unstable in China. For Vtion, this means the company expects continued profitability in the wireless data terminal space, albeit at reduced margins, augmented by B2B tablet PC sales in the near term, while the company simultaneously looks to strengthen its competiveness in the mobile apps space for the long-term as opportunities are expected to emerge following improved regulation and standardization in that industry.

[12] "June 2011 Tablet PC Market Report". ZOL.COM. July 14, 2011.
[13] Ibid.

Result of Operations

The following table presents income statement data of the consolidated interim financial statements of the Company under IFRS as of and for the second quarter ended June 30, 2011, with comparative information for the second quarter ended June 30, 2010.

INCOME STATEMENT – Group Jan 1 – Jun 30 (in k€)	Q2			H1		
	2011	2010	+/-%	2011	2010	+/-%
Sales	19,366	29,479	-34	31,983	55,791	-43
Cost of sales	-15,825	-18,103	-13	-25,861	-35,001	-26
Gross profit	3,541	11,377	-69	6,122	20,790	-71
Other operating income	0	10	-99	1	114	-99
Selling and distribution expenses	-631	-1,501	-58	-1,092	-2,694	-60
Administrative expenses	-1,011	-938	8	-2,097	-1,608	30
Other operating expenses	0	-58	-99	-1	-64	-98
Profit from operations (EBIT)	1,899	8,890	-79	2,933	16,538	-82
Finance income	225	93	143	1,679	167	905
Finance costs	-18	-3,176	-99	-32	-5,382	-99
Profit before income tax	2,106	5,807	-64	4,580	11,323	-60
Income tax	-361	-1,136	-68	-534	-2,119	-75
Profit for the period	1,745	4,671	-63	4,046	9,204	-56
Earnings per share[14]	0.11	0.29	-63	0.25	0.58	-56

SALES

In the first six months of 2011, sales amounted to € 32 million, decreased by € 23.8 million or 43% compared to the same period in 2010 (H1 2010: € 55.8 million). This decrease in sales was primarily due to the decrease in the sales of wireless data cards (Wireless Data Terminal segment), which decreased from € 54 million in H1 2010 by € 32 million, or 59%, to € 22 million in H1 2011, as a result of severe falling of unit price for 3G wireless data cards impacted by the fierce price competition and increasing usage of other connection to access the mobile internet.

In H1 2011, Vtion Group recognized € 0.5 million revenue from Data Solution Service decreased by € 0.9 million or 63%, which was a deferred sales generated from the service offered to the members of business club in the last fiscal year 2010, since the club has been discontinued in its current form in 2011.

In H1 2011, Vtion Group recognized € 2.2 million revenue from IPhone trade increased by € 2 million or 927% from € 0.2 million in H1 2010, which partly offset the decrease of sales from wireless data cards and data solution service.

[14] Computed on the basis of average weighted 15,898,556 shares for Q2 2011 and 15,939,053 shares for H1 2011 and respectivelly average weighted 15,980,000 sharesfor Q2 and H1 2010.

Compared to H1 2010, Vtion had generated sales from new business and products such as electrical book, wireless router, VPAD (Wireless Intelligent Terminal segment) and wireless high definition sharer named “PC to TV” (Wireless Data Terminal segment) in the first six months of 2011. Sales generated from electrical book and wireless router amounted to € 2.7 million and € 3.2 million, and generated from VPAD and “PC to TV” amounted to € 0.6 million and € 0.5 million which are the two new products put on market in Q2 2011. The sales from new business and products partly offset the decrease of sales from wireless data cards and data solution service.

In the second quarter of 2011, sales decreased by € 10 million or 34%, from € 29.5 million in Q2 2010 to € 19.4 million in Q2 2011. This decrease was mainly due to the decrease of sales from wireless data cards, but partly offset by sales from new products and new business segment.

COST OF SALES

Cost of sales decreased to € 25.9 million in H1 2011 by € 9.1 million, or 26% from € 35 million in H1 2010. Cost of sales decreased to € 15.8 million in Q2 2011 by € 2.3 million, or 13% from € 18.1 million in Q2 2010.This decrease was primarily due to a decrease of sales volumes of wireless data cards.

GROSS PROFIT

The overall gross profit margin decreased from 37% in H1 2010 to 19% in H1 2011, which was mainly due to the severe falling of unit price for 3G wireless data cards. The decrease of the average sales price per unit was more than the decrease of the average cost per unit. The gross margin level in the first six months of 2011 remained quite stable and decreased slightly from 20% in Q1 2011.

OTHER OPERATING INCOME

Other operating income decreased from k€ 114 in H1 2010 by k€ 113 or 99%, to k€ 1 in H1 2011. It was primarily due to that no special monetary reward or subsidies were granted by PRC government in H1 2011.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased from k€ 2,694 in H1 2010 by k€ 1,602 or 60%, to k€ 1,092 in H1 2011. Selling and distribution expenses decreased from k€ 1,501 in Q2 2010 by k€ 870 or 58%, to k€ 631 in Q2 2011. This decrease was primarily due to a decrease in entertainment charge, royalty costs to copyright holders and commission expense for VNO business, which was partly offset by the increase in carriage expense, rental expense and travel expenses.

The percentage of selling and distribution expenses in relation to total sales was 3.4% in H1 2011 and 4.8% in H1 2010.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from k€ 1,608 in H1 2010 by k€ 489, or 30% to k€ 2,097 in H1 2011. Administrative expenses increased from k€ 938 in Q2 2010 by k€ 73, or 8% to k€1,011 in Q2 2011. This increase was primarily due to an increase in salary and welfare, consultant expenses, research and development expenses, rental expenses and organization cost.

Research and development expense increased to k€ 332 in H1 2011 by k€ 32 or 11%, from k€ 300 in H1 2010.

The ratio of administrative expenses to sales was 6.6% in H1 2011 and 2.9% in H1 2010

PROFIT FROM OPERATIONS (EBIT)

Profit from operations decreased from k€ 16,538 in H1 2010 by k€ 13,605, or 82%, to k€ 2,933 in H1 2011. This decrease was largely due to the decrease of sales and gross profit in the first six months of 2011, which was the result of the dropping of 3G wireless data card sales.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) decreased from 30% in H1 2010 to 9% in H1 2011. The decrease resulted from the lower gross profit margin of 3G wireless data cards.

FINANCE INCOME AND FINANCE EXPENSES

Finance income amounted to k€ 1,679 in H1 2011, an increase by k€ 1,512 from k€ 167 in H1 2010, which was primarily a result of valuation of Euro deposits in banks amounting to € 23 million at June 30, 2011. Since the functional currency of the Group is RMB, exchange gain k€ 1,384 mostly arising on translating cash and cash equivalent item of Vtion Group at the balance sheet date were recognized in the income statement In H1 2011. As of 30 June 2011, Euro exchange rate for RMB rose to 9.3416 by 5.9% from 8.822 as at 31 December 2010, which had a positive impact on the valuation of Euro assets.

Finance expenses amounting to k€ 32 in H1 2011, was mainly the bank charge.

INCOME TAX

Income tax mainly comprises tax actually payable. Vtion IT and Vtion Software benefit from a 50% tax exemption in 2011. Vtion Anzhuo and Vtion Service were exempted from the corporation income tax because of a loss resulting from the first six months operation in 2011. Although achieving a small positive income in H1 2011, Vtion Communication was exempted from corporate income tax because of a tax loss carry forward resulting from the set up of business. The Chinese companies of Vtion Group recorded an income tax charge of k€ 533 in H1 2011 based on an effective tax rate of 12.5% in China. Vtion Wireless Technology AG accumulated a tax loss carry forward under German GAAP, so altogether Vtion Group recorded a net income tax expense of k€ 533 in H1 2011.

NET PROFIT AND EPS

Net profit in the first six months of 2011 amounted to € 4.1 million, a decrease of 56% year-on-year. The EPS in H1 2011 reached € 0.25, a decrease of 56% year-on-year.[15]

NET PROFIT MARGIN

The net profit margin decreased from 16% to 13%, mainly resulted from the decrease of gross profit margin.

[15] Computed on the basis of average weighted 15,898,556 shares for Q2 2011 and 15,939,053 shares for H1 2011, and respectivelly average weighted 15,980,000 sharesfor Q2 and H1 2010

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended June 30, 2011 and December 31, 2010

	Jun 30, 2011	Dec 31, 2010
in k€		
ASSETS		
Current assets		
Inventories	3,840	3,608
Trade receivables	23,312	32,556
Other receivables	5,873	5,987
Amounts due from related parties	1,084	1,000
Cash and cash equivalents	98,162	98,961
	132,271	**142,112**
Non-current assets		
Property, plant and equipment	1,088	1,250
Land use rights	522	559
Intangible assets	680	754
Deferred tax assets	907	975
	3,197	3,538
Total assets	**135,468**	**145,650**
LIABILITIES		
Current liabilities		
Trade payables	9,565	11,164
Other payables and accruals	3,705	4,696
Amounts due to related parties	11	1
Income tax payable	301	352
Non-current liabilities		
Deferred tax liability	100	50
Total liabilities	**13,682**	**16,263**
CAPITAL AND RESERVES		
Share capital	15,980	15,980
Treasury stock	-263	0
Capital reserves	47,336	48,163
Retained earnings	52,445	51,705
Foreign exchange difference	6,288	13,539
Total equity	**121,786**	**129,387**
Total liabilities and equity	**135,468**	**145,650**
Equity to total assets ration	**90%**	**89%**

Current Assets

Inventories

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

in k€	Jun 30, 2011	Dec 31, 2010
Goods and material	3,450	875
Advances to suppliers	390	2,733
	3,840	3,608

Inventories increased from k€ 3,608 as at December 31, 2010 by k€ 232, or 6.4%, to k€ 3,840 as at June 30, 2011. 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 merchandise of wireless intelligent segment.

Trade Receivables

Trade receivables decreased from k€ 32,556 as at December 31, 2010 by k€ 9,244, or 28%, to k€ 23,312 as at June 30, 2011 due to the decrease of sales. The amount of trade receivables with a maturity of less than 90 days as at June 30, 2011 represented 76% of total trade receivable as at June 30, 2011, which was improved compared to Q1 2011.

Other Receivables and Prepayments

Other receivables and prepayments decreased from k€ 5,987 as at December 31, 2010 by k€ 114, or 2%, to k€ 5,873 as at June 30, 2011. By neglecting the impact of exchange differences arising on currency translation, other receivables and prepayments actually increased by 4% to RMB 55 million as at June 30, 2011. This mainly resulted from receivable rebates on chipsets in connection with the sales volume of wireless data cards in H1 2011, which was offset by the receiving of the commission receivables of VNO business occurred in 2010 and other prepayments to suppliers.

Amounts Due from Related Parties

The amounts due from related parties increased from k€ 1,000 as at December 31, 2010 by k€ 84 or 8%, to k€ 1,084 as at June 30, 2011.

Cash and Cash Equivalents

Cash and cash equivalents amounted to k€ 98,162 as at June 30, 2011. For a description of the changes in cash in the first six months of 2011, see the section “Cash Flow Statement”.

in k€	Jun 30, 2011	Dec 31, 2010
Cash on hand	14	4
Cash in banks	96,403	95,953
Deposit on bank's acceptance bill	1,745	3,004
	98,162	**98,961**

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased from k€1,250 as at 31 December 2010 by k€ 162, or 13%, to k€ 1,088 as at June 30, 2011, which mainly resulted from the depreciation charge, partly offset by the purchase of electronic equipment and the increase of leasehold improvement.

INTANGIBLE ASSETS

Intangible assets decreased from k€ 754 as at December 31, 2011 by k€ 74, or 10%, to k€ 680 as at June 30, 2011, which mainly resulted from the amortization charge, partly offset by the purchase of software in Vtion Anzhuo.

LIABILITIES

TRADE PAYABLES AND NOTES PAYABLE

Trade and notes payable decreased from k€ 11,164 as at December 31, 2010 by k € 1,599, or 14% to k€ 9,565 as at June 30, 2011. By neglecting the impact of exchange differences arising on currency translation, trade payables and notes payables actually decreased by RMB 9 million or 9% as at June 30, 2011. The decrease was mainly due to the payment of trade payables and bank notes (RMB 20 million) due in H1 2011.

OTHER PAYABLES AND ACCRUALS

Other payables and accruals decreased to k€ 3,705 as at June 30, 2011 by k€ 991, or 21%. The decrease mainly resulted from the decrease of VAT payable after the payment amounting to k€ 1,000 and the decrease of deferred revenue for data solution service amounting to k€ 540, which was partly offset by the increase of advances from customers.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio slightly increased from 89% as at December 31, 2010 to 90% as at June 30, 2011.

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 2011 and H1 2010.

in k€	H1 2011	H1 2010
Operating cash flow before working capital changes	3,169	16,446
Cash generated from/(used in) operations	9,579	20,463
Net cash generated from operating activities	9,333	18,215
Cash flow used in investing activities	-86	-791
Cash flow from financing activities	-4,396	0
Net increase in cash and cash equivalents	**4,851**	**17,424**
Cash at beginning of year	98,961	61,482
Foreign exchange difference	-5,650	13,121
Cash at end of the period	**98,162**	**92,027**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The Company generated a positive net cash flow amounting to k€ 9,333 from operation as at June 30, 2011, representing a decrease by k€ 8,882 compared with the net cash of k€18,215 generated in operating activities in H1 2010. This decrease was mainly due to a significant decrease in profit before income tax. This effect was partly offset by the decrease in trade receivables.

CASH FLOW FROM FINANCING ACTIVITIES

The company had net cash flow out amounting to k€ 4,396 in financing activities in H1 2011, which were used in share buy-back amounting to k€ 1,090 and dividend paid to shareholders amounting to k€ 3,306 in Q2 2011.

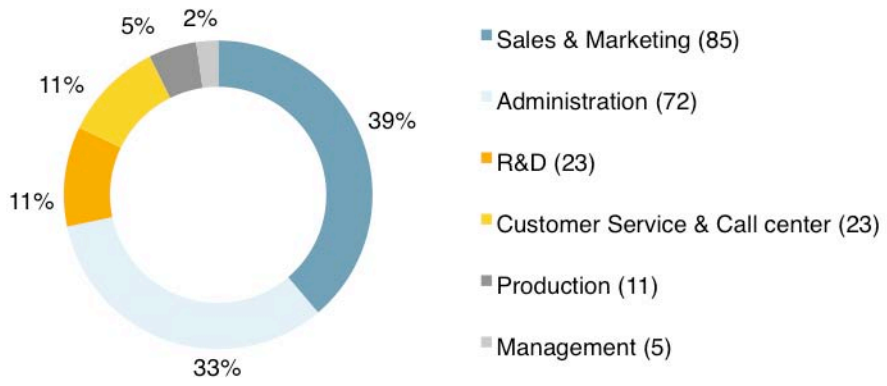
CASH AT END OF PERIOD

Cash at the end of the period amounted to k€ 98,162 as at June 30, 2011, which was decreased by k€ 799 from the balance as at December 31, 2010. By neglecting the impact of exchange differences arising on currency translation, cash and cash equivalents actually increased by RMB 44 million or 5% as at June 30, 2011, mainly resulted from the decrease in trade receivable.

Human Resources

Vtion concluded 2011 Q2 with 219 employees, evident of the company's determination to maintain a lean cost structure. Vtion finished the full year of 2010 with 191 employees. Due to the fact that Vtion is expanding and diversifying its business model, the total number of employees increased over the first half of 2011. Vtion's newest subsidiary, Vtion Anzhuo, which is focused on the design, integration and distribution of mobile applications for the Android platform in China, currently is comprised of 28 persons. Of these personnel, 13 are Administrative, 7 are in R&D and 8 are in Sales and Marketing. Vtion Anzhuo expects to add a small number of R&D and Sales and Marketing personnel over the course of the year.

Vtion Group Employee Distribution as of June 30, 2011



Research and Development

Of Vtion's 27 R&D employees, accounting for approximately 12% of Vtion Group's employees, approximately half are involved in hardware R&D activities, while the other half are involved in the development of software solutions. Vtion's R&D is centered in Beijing, given that the city is home to China's top universities and scientific talent; the majority of the current R&D team is based there, though they frequently travel to company headquarters in Fuzhou to coordinate closely with management and other company personnel.

Over the course of the first half of 2011, the company's R&D efforts were focused in two main areas, namely wireless data terminals and wireless intelligent terminals. Efforts within the wireless data terminal business segment centered around the network upgrades undertaken by both China Telecom and China Unicom, with development still ongoing for three EVDO Rev.B (China Telecom) products, including an EVDO WIFI Hotspot Router. For China Unicom, the company is developing a new HSPA USB wireless data card, as well as a HSPA+ WIFI Hotspot Router. Both EVDO Rev.B and HSPA+ are considered 3.5G technologies that are just recently coming online as the result of network upgrades taken by China Telecom and China Unicom respectively. With regard to China Mobile's TD-SCDMA network, the company is in the process of developing a new USB wireless data card for China Mobiles network, to be released in the second half of 2011.

Vtion has successfully developed it's first tablet PC product, the V7, which features a 7-inch monitor. The company began selling the V7 in June 2011, and current R&D efforts in the wireless intelligent terminal space are centered on improving the company's 7-inch and 10-inch display products, with particular attention focused on optimizing the imbedded applications to meet the needs of Vtion's business and industry-specific clients. The company has continued sales of its PCtoTV products, with an improved model currently under development.

Vtion's Anzhuo's platform is fully online as of June 2011, and the company is currently acquiring an increasing number of applications through its international procurement network. The company will distribute these mobile apps to device manufacturers and each of China's three major telecommunications operators, as well as through its own independent online store. Anzhuo has already realized some online downloads to date and expects to see notable revenues beginning in 2012.

Vtion Group continually evaluates new technologies and develops new products in response to the changing dynamics of the wireless communications market in China. The company maintains an emphasis on providing wireless connectivity solutions for each of the technology standards in use in the Chinese market. As the Chinese market has just entered the early stages of the mobile internet era, Vtion's R&D activities are centered around both hardware and software solutions for this sector, as well as preparing the company for further generations of technology on the horizon, particularly 3.5G, 3.75G and 4G.

Vtion Product Groups

Wireless data terminals

U2916
HSPA+ Wireless Modem

E1916
CDMA2000 EV-DO Rev. A Wireless Modem

TG1912
TD-SCDMA/GSM Wireless Modem

V6
HSPA Mobile Hotspot

Wireless intelligent terminals

V7
Tablet PC

C1
E book

VT1
PCtoTV

Mobile applications

vtion Anzhuo

Risk Report

RISK AND OPPORTUNITY MANAGEMENT

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

Vtion's management carefully balances opportunities and associated risks through regular strategic reviews. The company engages in risk only if it can be managed using established methods and measures within the organization and only if there is a corresponding opportunity to appropriately increase shareholders' value.

The Vtion Group deploys accounting, control, and planning tools as an integral part of the risk management process. To closely monitor business developments and risks, management regularly conducts sales volume and structural analysis, gross margin analyses, liquidity analysis and monitors the progression of accounts receivable. Monthly and quarterly financial reporting processes are a core tool in the management of our business and will ensure that information on business and market trends are regularly updated. As part of the company's financial control procedures, significant variations 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 values. 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 day-to-day business management. He is supervising the overall development of the group as well as closely monitoring the sales and profit development in order to safeguard his and other shareholders' interests. In addition, Vtion's Supervisory Board, auditor and other third party consultants help the company 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 and will continue to invest in R&D, while at the same time observing current and speculating on future market trends and customer requirements, and continuously strives to develop and maintain unique selling points related to its technology.

Report on Post-Balance Sheet Date Events

There have been no events between June 30, 2011 and the publication of this report on August 11, 2011, which would require and adjustment to the carrying amount of the assets and liabilities or that would need to be disclosed under this heading.

Outlook

Though Vtion's Q2 and H1 2011 results represent a decline compared to results for the same period in 2010, the company has seen an improvement in its business compared to Q1 2011, with quarter-over-quarter EBIT growth of 84%. This is due largely to an improvement in the company's core wireless data terminals business, primarily wireless data cards, over the course of Q2 2011. By the end of Q2, China Telecom and China Unicom had largely completed significant network upgrades, upgrading to CDMA 2000 EVDO Rev. B and HSPA+, respectively. This resulted in increased demand for wireless data cards and 3G wireless routers, as well as slightly higher ASP's given that the products were for relatively newer technologies. Vtion expects demand to remain stable in the wireless data terminal space for the remainder of the year.

Vtion expects a stronger second half of the year compared to the first both due to steady wireless data terminal sales and increasing demand in the mobile intelligent terminal space, namely the tablet PC. Vtion realized its first tablet PC sales in June 2011, with favorable customer response. The company has adopted a sales strategy of targeting specific niche industries in order to avoid the strong price competition one finds in the open consumer market. For the second half of the year, the company expects to grow sales in two particularly industries, namely the cosmetics industry and the insurance policy sales industry.

In the wireless data terminal space, Vtion maintains its status as a "top-tier qualified supplier" of both China Unicom and China Telecom and also maintains a strong relationship with China Mobile. The company emphasizes a complete product line with wireless data terminal products that cover each of the 3G technologies currently in use in China. Vtion's first tablet PC sales have all been of it's 7-inch screen model, the V7, which it will continue selling while adding a 10-inch screen model later in the year. Vtion expects the tablet PC products to be its product area with the strongest growth for the remainder of 2011 and beyond.

Vtion's newest subsidiary, Vtion Anzhuo, which is an integrator and distributor of mobile applications for the Android platform throughout China, is now fully online and currently assembling a user base. The company is expected to begin contributing significant revenues to the Vtion Group beginning next year, though it could potentially make some revenue contributions as early as the end of 2011.

It is still a time of dynamic change in the Chinese mobile internet market, and Vtion has set up a business model that spans wireless data terminals, wireless intelligent terminals and mobile applications in order to best adapt to and take advantage of that change. The company believes that this three-pronged business model will position it not only for a stronger second half of 2011, but to be more competitive in the long term. Vtion expects its revenues for the full year 2011 to fall between € 75 million and € 100 million, with an EBIT margin of between 10% and 12%.

Frankfurt/Main, August 11, 2011

Management Board

Chen Gouping | Chen Huan | Ding Chaojie | Fei Ping | He Zhihong

Interim Financial Statements

Financial Statements Vtion Wireless Technology AG
Consolidated Statement of Comprehensive Income
for the period from January 1 to June 30, 2011

	Notes	Q2 2011	Q2 2010	H1 2011	H1 2010
Sales		19,366,008	29,479,266	31,983,108	55,790,566
Cost of sales		-15,825,159	-18,102,507	-25,861,444	-35,000,927
Gross Profit		**3,540,849**	**11,376,759**	**6,121,664**	**20,789,638**
Other operating income		147	10,220	803	114,026
Selling and distribution expenses		-630,752	-1,500,728	-1,091,405	-2,694,334
Administrative expenses		-1,010,505	-938,247	-2,096,645	-1,607,789
Other operating expenses		-292	-57,753	-1,072	-63,530
Profit from operations		**1,899,447**	**8,890,252**	**2,933,345**	**16,538,012**
Finance income		225,161	92,713	1,679,071	167,299
Finance expenses		-18,172	-3,175,751	-32,470	-5,382,117
Profit before income tax		**2,106,436**	**5,807,214**	**4,579,946**	**11,323,194**
Income tax		-361,335	-1,136,315	-533,840	-2,119,250
Profit for the period		**1,745,101**	**4,670,899**	**4,046,106**	**9,203,944**
Other comprehensive income:					
Exchange differences on translating foreign operations		-477,610	11,535,992	-7,249,708	18,274,600
Other comprehensive income for the period		**-477,610**	**11,535,992**	**-7,249,708**	**18,274,600**
Total comprehensive income for the period		**1,267,491**	**16,206,891**	**-3,203,602**	**27,478,544**
Earnings per share*		0.11	0.29	0.25	0.58

* Computed on the basis of average weighted 15,898,556 shares for Q2 2011 and 15,939,053 shares for H1 2011 respectively average weighted 15,980,000 shares for Q2 and H1 2010.

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

Consolidated Balance Sheet

as of June 30, 2011 and December 31, 2010

	Notes	Jun 30, 2011	Dec 31, 2010
in €			
ASSETS			
Current assets			
Inventories		3,839,824	3,608,745
Trade receivables		23,312,334	32,556,456
Other receivables		5,873,367	5,986,565
Amounts due from related parties		1,083,598	999,727
Cash and cash equivalents		98,161,526	98,961,058
		132,270,649	**142,112,551**
Non-current assets			
Property, plant and equipment		1,088,196	1,249,667
Land use rights		522,476	559,273
Intangible assets		679,985	754,132
Deferred tax assets		906,886	974,726
		3,197,543	3,537,798
Total assets		**135,468,192**	**145,650,349**
LIABILITIES			
Current liabilities			
Trade payables		9,564,781	11,163,962
Other payables and accruals		3,704,910	4,696,353
Amounts due to related parties		10,704	729
Income tax payable		301,117	352,443
Non-current liabilities			
Deferred tax liability		99,748	49,935
Total liabilities		**13,681,260**	**16,263,422**
CAPITAL AND RESERVES			
Share capital		15,980,000	15,980,000
Treasury stock		-263,000	
Capital reserves		47,336,103	48,162,668
Retained earnings		52,444,542	51,705,264
Foreign exchange difference		6,289,287	13,538,995
Total equity		**121,786,932**	**129,386,927**
Total liabilities and equity		**135,468,192**	**145,650,349**

Consolidated Statement of Changes in Equity
for the period ending June 30, 2011

in €	Share capital Vtion AG	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2009	15,980,000	48,162,668	29,720,384	2,143,121	96,006,173
Capital injection	-	-	-	-	-
Net profit	-	-	9,203,944	0	9,203,944
Foreign currency translation reserve	-	-	0	18,274,600	18,274,600
Balance as at June 30, 2010	15,980,000	48,162,668	38,924,328	20,417,721	123,484,717
Balance as at December 31, 2010	15,980,000	48,162,668	51,705,264	13,538,995	129,386,927
Buy-back ordinary share	-263,000	-826,566		-	-1,089,566
Dividend distribution			-3,306,828		-3,306,828
Net profit	-	-	4,046,106	-	4,046,106
Foreign currency translation reserve	-	-	-	-7,249,708	-7,249,708
Balance as at June 30, 2011	15,717,000	47,336,103	52,444,542	6,289,287	121,786,932

Consolidated Statement of Cash Flows

for the period ending June 30, 2011

in €	H1 2011	H1 2010
Profit before income tax	**4,579,946**	**11,323,194**
Adjustments for:		
Amortization of intangible assets and land use rights	86,263	88,326
Allowance for doubtful trade debts	-	-282,697
Depreciation of property, plant and equipment	150,298	100,465
Loss on disposal of property, plant and equipment	891	1,813
Interest income	-294,700	-167,299
Interest expense		-
Bank charges and exchange loss	-1,353,987	5,382,117
Operating cash flow before working capital changes	**3,168,711**	**16,445,919**
Working capital changes:		
(Increase)/decrease in:		
Inventories	-231,079	1,514,025
Trade receivables	9,244,121	-10,052,493
Other receivables and prepayments	113,197	-581,583
Amounts due from related parties	-83,870	56,925
Increase/(decrease) in:		
Trade payables	-1,599,182	9,729,752
Other payables and accruals	-991,443	2,834,273
Amounts due to related parties	9,975	586
Income tax payable	-51,327	515,902
Cash generated from/(used in) operations	**9,579,103**	**20,463,306**
Interest received	244,085	167,299
Interest expense		-
Income tax paid	-489,855	-2,415,699
Net cash generated from operating activities	**9,333,333**	**18,214,906**
Cash flow from investing activities		
Purchase of intangible assets	-29,520	-15,092
Purchase of land, property, plant and equipment	-56,956	-775,814
Disposal of land, property, plant and equipment		
Cash flow used in investing activities	**-86,476**	**-790,906**
Cash flow from financing activities		
Payment in connection with share buy-back	-1,089,565	
Increase in short-term bank borrowings	-	-
Interest paid	-	-
Dividend paid to shareholders	-3,306,828	
Cash flow from financing activities	**-4,396,393**	**-**
Net increase in cash and cash equivalents	**4,850,464**	**17,424,000**
Cash at beginning of year	98,961,058	61,482,107
Foreign exchange difference	-5,649,996	13,121,031
Cash at end of the period	**98,161,526**	**92,027,137**

Selected Notes to the Consolidated Financial Statements

for the period from January 1 to June 30, 2011

1. Background and Basis of Preparation

1.1 Basis of Preparation

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

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

in k€	Share	Equity June 30, 2011	Results from January 1 to June 30, 2011
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	-460	-1,227[16]
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	79,040	2,532
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	17,043	576
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	736	13
Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC	100%	828	-247
Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC	100%	107	0

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.

[16] Vtion BVI had an accounting loss k€ 1,227 in H1 2011, mainly due to the foreign exchange loss. Since the EUR exchange rate to RMB rose up by 5.9% compared to the rate as of December 31 2010, Vtion BVI had to recognize a foreign exchange loss amounting to k€ 1,310 arising from the revaluation of amounts due to Vtion AG at the balance sheet date, which can be totally eliminated on the level of Vtion group and did not have an impact on the consolidated profit of Vtion Group in H1 2011

2. Significant accounting policies

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

With regard to the preparation of the interim consolidated financial statements, in accordance with IAS 34 <Interim Financial Reporting>, the Management Board is required to make estimates and judgments which influence the application of accounting policies within the Company, and the reporting of assets and liabilities as well as income and expenses. Actual amounts can differ from these estimates. In the interim consolidated financial statement as of June 30, 2011, the same accounting policies and methods of computation are followed as compared with the recent annual financial statements as of December 31, 2010.

In line with IAS 8 the company has corrected the previous year figure of related party transactions in regard to sales of finished goods to a related party. The disclosure mainly concerns fees received by Fujian Vtion Telecom Information Service, Co., Ltd. The nature of the error refers to a mistake in interpretation of documents used in preparation of the interim financial statements. The correction does not have any effect on the primary financial statements, namely the statement of financial position, the statement of comprehensive income, the cash flow statement and the statement of changes in equity.

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 Euro.

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

	RMB	
in €	2011	2010
December 31	N/A	8.8220
June 30	9.3416	8.3215
average first 6 months	9.1755	9.0567

4. Impairment of Non-financial Assets, if any

In the first six months of 2011 and in 2010 no non-financial asset has been impaired, except as mentioned in note 7.1. For inventory an impairment provision of k€ 13 has been recorded as of June 30, 2011 (k€ 45 as of December 31, 2010).

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 "Data Solution Services".

B) GEOGRAPHICAL BUSINESS

Vtion Group' is principally engaged in products supplying and services providing in People's Republic of China ("PRC") and the majority 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 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	
in k€	Period from Jan 1 to Jun 30, 2011	Period from Jan 1 to Jun 30, 2010	Period from Jan 1 to Jun 30, 2011	Period from Jan 1 to Jun 30, 2010
Wireless Data Terminal and Others	25,925	54,405	2,549	16,047
Wireless Intelligent Terminal	5,540	0	786	0
Data Solution Service	518	1,385	396	963
Total for continuing operations	**31,983**	**55,791**	**3,731**	**17,010**
Central administration costs			-798	-472
Finance costs			1,647	-5,215
Profit before tax (continuing operations)			**4,580**	**11,323**

6. Notes to the Income Statement

6.1 REVENUE

	Q2		H1	
in €	**2011**	**2010**	**2011**	**2010**
Sale of goods	19,366,008	29,479,266	31,983,108	55,790,566
Other operating income				
Government grant	-10	9,904	535	113,012
Service income	157	317	268	1,010
Others	0	0	0	4
	147	**10,221**	**803**	**114,026**
Finance income				
Interest income	142,503	92,713	294,700	167,299
Foreign exchange gain	82,658	0	1,384,371	0
	225,161	**92,713**	**1,679,071**	**167,299**
Total income	**19,591,316**	**29,582,200**	**33,662,982**	**56,071,891**

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.

Since the exchange rate as of June 30, 2011 from Euro to RMB was increased by 5.9% compared to the rate as of December 31, 2010, the company recognized € 1.38 million of foreign exchange gain in H1 2011.

6.2 Split-up of Sales

	Q2		H1	
	2011	**2010**	**2011**	**2010**
in €				
Split-up of sales				
Sales to external customers				
Wireless Data Terminals	16,073,694	28,518,661	25,921,265	54,186,691
Wireless Intelligent Terminals	3,133,092	212,869	5,540,171	212,869
Data Solution Service	157,896	742,098	518,360	1,385,368
Others	1,326	5,638	3,312	5,638
	19,366,008	**29,479,266**	**31,983,108**	**55,790,566**

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

6.3 Average number of employees/Payroll costs

	H1	
	2011	**2010**
Average number of employees		
Management and administration	113	98
Research and development	27	26
Sales	75	60
	215	184

	H1	
	2011	**2010**
in €		
Payroll costs		
Wages and salaries	760,732	615,120
Social security costs	132,857	76,218
Welfare	19,715	23,534
	913,304	714,873

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

	H1	
in €	2011	2010
Amortization of intangible assets and land use rights		
Software	12,755	44,757
Licenses	67,716	37,701
Land use rights	5,792	5,868
	86,263	88,326
Depreciation of property, plant and equipment	150,298	100,465

6.5 Finance Expenses

	Q2		H1	
in €	2011	2010	2011	2010
Finance Expense				
Interest expense	2,086	0	2,086	0
Exchange loss	0	3,168,972	0	5,368,629
Bank charges	16,086	6,779	30,384	13,488
	18,172	3,175,751	32,470	5,382,117

Due to the increase of the exchange rate from Euro to RMB in the first six months of 2011, the Group didn't bear the foreign exchange loss in H1 2011. The Group recognized interest expense € 2,086 for discounting notes receivable in Q2 2011.

6.6 Income Tax

6.6.1 Major Components of Income Tax Expense

	Q2		H1	
in €	2011	2010	2011	2010
Current income tax (ordinary activities)	331,960	1,149,118	466,426	2,129,481
Effect of Deferred Tax Asset	12,979	-23,609	13,871	-39,525
Effect of Deferred Tax Liabilities	16,396	10,806	53,543	29,293
Current income tax return for prior year				0
Income tax recognized in profit and loss	361,335	1,136,315	533,840	2,119,250

6.6.2 APPLICABLE TAX RATE

Vtion IT and Vtion Software continue to benefit from a 50% tax exemption in 2011 with the effective tax rate of 12.5% in accordance with the Income Tax Law of the People's Republic of China for high-tech enterprises. The 50% tax exemption time will expire at December 31, 2011, both Vtion IT and Vtion Software will begin to afford an effective tax rate of 25% since year 2012.

Vtion Communication incurred a small positive income for the first six-months of operation. Since accumulating a tax loss till June 30, 2011, Vtion Communication had no taxable profit in H1 2011.

Vtion Anzhuo and Vtion Service which were founded in H1 2011, incurred a loss for the first six months of operation and therefore had no taxable income in H1 2011.

7. Notes to the Balance Sheet

7.1 INVENTORY

in €	Jun 30, 2011	Dec 31, 2010
Inventory-advances to supplier	402,814	2,733,449
Goods and material	3,450,126	920,414
Less: stock provision	-13,116	-45,118
	3,839,824	3,608,745

7.2 TRADE AND OTHER RECEIVABLES

TRADE RECEIVABLES

in €	Jun 30, 2011	Dec 31, 2010
Trade receivables		
Trade receivables	23,327,674	32,572,699
Less: allowance for trade receivables	(15,340)	(16,243)
	23,312,334	32,556,456

OTHER RECEIVABLES

in €	Jun 30, 2011	Dec 31, 2010
Other receivables		
Other receivables	5,851,995	5,871,926
Prepaid expenses	21,372	114,639
	5,873,367	5,986,565

All trade receivables are non-interest bearing. They are recognized at their originally invoiced amounts which represents their fair values on initial recognition. The trade receivables as at June 30, 2011 included notes receivables amounted to k€ 241.

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 represents 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.

in €	Jun 30, 2011	Dec 31, 2010
Related parties		
Amount due from related parties - trade	815,141	863,151
Amount due from related parties - non-trade	268,457	136,577
	1,083,598	**999,727**

7.4 Cash and Cash Equivalents

in €	Jun 30, 2011	Dec 31, 2010
Cash on hand	13,596	4,570
Cash in banks	96,402,993	95,952,629
Deposit on bank's acceptance bill	1,744,937	3,003,859
	98,161,526	**98,961,058**

The deposit on bank's acceptance bill is pledged.

Among the balance of cash and cash equivalents as of June 30, 2011, k€ 81,108 were held in China in which prior approval is required to transfer funds abroad. Nevertheless if the Group can comply with those criteria, such liquid funds can be transferred within a reasonable period of time.

7.5 Deferred Tax Assets

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

Vtion Wireless Technology AG ("Vtion AG") accumulated a tax loss under German GAAP till June 30, 2011. At the balance sheet date the company didn't adjustment the estimation of net taxable income of the next five years which deferred tax asset was calculated based on.

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 33 million and have decreased by RMB 20 million as compared to December 31, 2010. 50% of the funds received (k€ 1,745) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

in €	Jun 30, 2011	Dec 31, 2010
Other payables and accruals		
Deferred revenues	21,649	562,056
VAT payable	463,774	1,463,332
Other payable	2,548,390	2,311,928
Advances from customers	357,697	29,748
Accrued payroll	218,122	210,553
Other tax payables	95,278	118,737
	3,704,910	**4,696,353**

8. Notes - other

8.1 Contingent Liabilities

The Company does not have any contingent liabilities as at June 30, 2011.

8.2 Related Party Disclosures

Sales and Purchase of Goods

	H1	
in €	2011	2010
Sales of finished goods to a related party	518,360	1,402,065
Rental fee paid to a related party	45,774	48,583
	564,134	**1,450,648**

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

9. Events after Balance Sheet Date

There have been no events between June 30, 2011 and the publication of this report on August 11, 2011, which would require and 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 10, 2011.

Frankfurt, August 11, 2011

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, 2011 to June 30, 2011, 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 11, 2011

BDO AG

Wirtschaftsprüfungsgesellschaft

Dr. Gebhard Zemke	ppa. Tim Sichting
[German Public Auditor]	[German Public Auditor]

Responsibility Statement of the Management

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

Frankfurt, August 11, 2011

Vtion Wireless Technology AG

Management Board

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 and the actions of competitors and other involved in the marketplace. Vtion neither plans nor undertakes to update any forward-looking statements.

Credits

PUBLISHED BY

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Financial Calendar

PUBLICATION OF
INTERIM REPORT 2ND QUARTER 2011
Thursday, August 11, 2011

PUBLICATION OF
INTERIM REPORT 3RD QUARTER 2011
Monday, November 14, 2011

VTION WIRELESS TECHNOLOGY AG

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