Vtion
Wireless Anywhere

网讯助力中国3G

Annual Report 2009

Vtion Wireless Technology at a glance

	2009	2008	+/–%
Units sold (million pieces)	1,652,022	606,870	172
Revenues (million €)	67.64	39.18	73
Gross profit (million €)	22.56	16.09	40
Gross profit margin (%)	33	41	-20
EBITDA (million €)	19.15	12.76	50
EBITDA margin (%)	28	33	-5PP
EBIT (million €)	18.93	12.60	50
EBIT margin (%)	28	32	-4PP
Profit (million €)	16.56	12.39	34
Net profit margin (%)	24	32	-8PP
Earnings per share (€)	1.31	1.13	16
Cash flow from operations (million €)	-9.64	12.39	-178

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.

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 to present to you our first annual report as a listed company. I would like to begin by first thanking all of you for your continued support of Vtion and for closely following our development. We are pleased to bring you very strong results for the full year 2009, which was by far the strongest full year in company history. While we are excited by what we have accomplished over the past year, we are not content to rest on our laurels, as we see that even greater opportunities lie ahead for us.

For the year, Vtion increased sales by 73% compared to 2008, to EUR 67.6 million and the net profit by EUR 4.2 million or, 34%, to EUR 16.5 million. Vtion's increase in sales is a testament to our strong sales and marketing efforts as well as the growth of the market itself. We take pride in our competitive cost structure and healthy financial profile, and place a great emphasis on maintaining that.

As you are aware, 2009 was a very exciting year in our sector, particularly in China, which at long last saw the beginning of 3G commercialization in May 2009. The effect of this on Vtion's business is evident in our strong 2009 results, and the growth we have shown from 2008 to 2009. From our perspective, 2009 was a year of 3G construction in China, laying the foundation for true growth in the market and development momentum, which we expect to see as 2010 progresses.

Our success is at least partially attributable to our listing on the Frankfurt Stock Exchange Prime Standard on October 1, 2009. This represents a significant milestone for Vtion; we are proud to be the only company to make a prime standard IPO in Germany in 2009. This has helped our business development as we have used our standing as a listed company to work more closely with the telecom operators in China, and to attract top talent and personnel to our company. Our listing will continue to be an important platform for our future success.

Vtion maintains its status as a top-tier wireless data card supplier of all three of China's telecom operators. Over the course of 2009, as the groundwork was being laid for 3G development in China, we enjoyed very strong hardware sales of our comprehensive line of wireless data card products, which cover all standards and interfaces. We expect this to pick up even more in 2010 given that with their respective network foundations in place the telecom operators can turn full attention to developing the user bases on their 3G networks. Thus, we predict that hardware sales will continue to drive Vtion's performance in the near future, as was the case in 2009. Going forward, we will place a strong strategic emphasis on maintaining our core advantages in the hardware segment of our business while at the same time leveraging those advantages to expand the non-hardware aspects of our business, in order to take full advantage of the array of business opportunities that the marriage of 3G technology and the massive Chinese market has presented us.

In the first months of 2010, we have seen not only the positive development of our share price but also in the liquidity of the trading of our share. We expect that 2010 will be an important year for the development of 3G in China, and I, along with the rest of the Vtion team, will continue to work tirelessly to bring good results to you, our investors. Thank you again and best wishes for a prosperous 2010.

Warmest Regards

Mr. Chen Guoping
Chief Executive Officer
April 22, 2010

Highlights

Healthy Financial Profile

Taking advantage of its competitive cost structure and sound value chain, the company realized an EBIT margin of approx. 28%, and a net profit margin of nearly 25% for the Full Year 2009. The company also maintains a strong balance sheet.

Telecom Operator Cooperation

In August 2009, Vtion implemented its VNO model in Fujian province with China Telecom, and in December 2009 entered into an agreement with China Unicom to sell VNO packages that include the iPhone. Vtion remains a top-tier qualified supplier of both China Telecom and China Unicom and has leveraged that position into closer cooperation with the operators.

Leveraging the IPO

October 1, 2009. On China National Day, Vtion became the first post-financial crisis company to list on the Prime Standard of the Frankfurt Stock Exchange. This is an important milestone in company history, and will be an important driver the company's future growth, as it helps attract top talent and increases the company's ability to cooperate with China's telecom operators.

Sales Growth

Vtion's sales revenue increased 73% from FY 2008 to FY 2009, with total revenue at Euro 67.6 million. The company relied on an attractive and diverse product portfolio, close connections to the telecom operators and market growth due to 3G to achieve this strong growth performance in 2009.

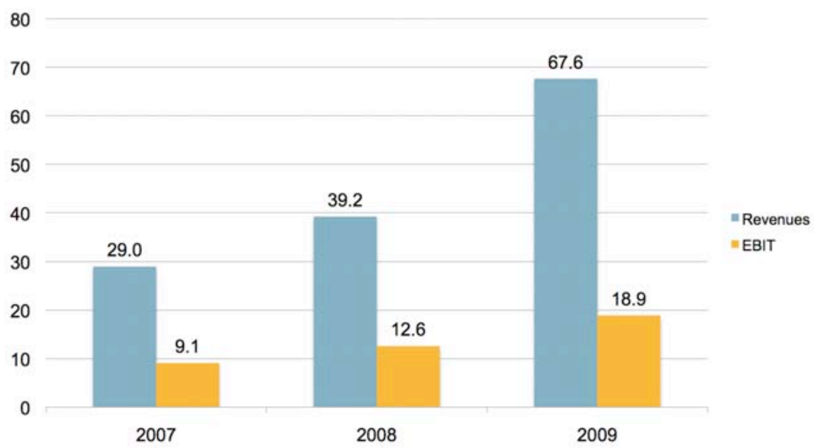
Expansive Market Opportunity

The 3G market in China grew to over 20 million 3G users by the end of 2009; this growth continues to gain momentum due to a strong marketing push by the telecom operators. However, 20 million users represent a small portion of the over 800 million total mobile users in China, signifying strong opportunity for future market growth.

Continuous Product Development

Vtion continued the strong development of 3G wireless data cards over the course of 2009 and into 2010, with a heavy emphasis on high-end products featuring unique designs and added features to increase attractiveness to consumers. Twelve new model innovations were brought to market in 2009. Thus the company maintains a continuously evolving product portfolio equipped to meet the needs of a dynamic market.

Development of Revenues and EBIT 2007-2009
in mEUR



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

Successful Start to Trading

Vtion Wireless Technology AG's IPO on October 1, 2009, the Chinese national holiday, was the only IPO in the Frankfurt Stock Exchange's Prime Standard segment in 2009. After being oversubscribed several times over, the share opened at a price of EUR 10.75, thereby corresponding to the placement price. The net issuing proceeds amounted to some EUR 43.9 million and are intended mainly for the financing of the Vtion Group's further expansion. Vtion plans to use the bulk of this cash inflow to expand its research and development activities, to carry out selective acquisitions with a view to broadening its product range, and as operating capital for financing its growth strategy.

Guoping Chen, CEO of Vtion Wireless Technology AG, together with Frank Gerstenschläger, board member of Deutsche Börse AG.

Vtion Wireless Technology AG issued a total of 5,175,000 shares, of which 4.5 million originated from a capital increase and 675,000 from the holdings of the existing shareholders (greenshoe).

The free float makes up around 28.4 percent of Vtion's nominal capital. Some 21 percent of the shares offered for subscription (including greenshoe) were placed with private investors. This also encompasses former employees and business associates of the Vtion Group, to whom 10 percent of the issue volume was allocated preferentially.

Spirit of Optimism on the Financial Markets

Following the financial crisis in 2008, the world's stock markets were seriously affected by the at times pronounced economic downswings and negative business and economic headlines. In the first quarter of last year, the Dow Jones fell by more than 2,000 points to 6,594. Countries such as Brazil, China, and Russia had to endure even heavier losses. The DAX, too, was hit hard by this downward trend and, on February 23, 2009, fell below 4,000 points for the first time since the end of 2004.

Massive interventions by the central banks and the announcement of government support programs and guarantees for the financial sector led to a gradual stabilization of the situation on the capital markets in the spring. This upturn continues to this day: both the Nikkei and its US equivalent, the Dow Jones, showed an increase of 19 percent at the end of the year. The Hang Seng even climbed 52 percent during the same period. The growing willingness of investors to take risks also left a discernible mark on the share price trend on the German stock markets – from its low point on March 6, 2009, the benchmark index DAX rose by 2,291 points (+62 percent) as of the year-end. The TecDAX climbed to 817 points as of December 30, 2009, a total increase of 61 percent.

Development of the Vtion Share

The Vtion share's opening price was fixed at EUR 10.75. On the day of its initial listing, around 800,000 of the company's shares were traded on Frankfurt Stock Exchange. On the last day of trading in 2009, the share closed at EUR 7.99, which at the time was a more sluggish performance than other listed suppliers of mobile communications data cards. Since the beginning of this year, however, the price has shown a clear upward trend, contrary to most comparable companies as well as the DAX's "All Technology" sector index, in which the Vtion share is listed. On March 31, 2010, the share was quoted at EUR 10.88, an increase of 36 percent. In 2009, the Vtion share's average trading volume was 51,955 units per day. In addition to Oppenheim Research and Kalliwoda Research, which have been analyzing Vtion since November 2009, SES Research began reporting on the Vtion share at the beginning of the first quarter of 2010.

Start of trading the shares of Vtion on the Frankfurt Stock Exchange.

Investor Relations

In the run-up to the share's placement, the Management Board conducted numerous discussions with potential investors at an international roadshow. After trading had commenced successfully, the primary task was then to make the share better-known among analysts and investors. These activities focused on the presentation of the company's business model, the great potential of the Chinese market, and the favorable market position enjoyed by Vtion. That was why, in November 2009, the management again sought dialog with the financial community: in addition to participating in another roadshow, the company was also represented at the German Equity Forum in Frankfurt.

In the future, too, Vtion Wireless Technology AG will attach particular importance to transparent investor relations work and a continuous flow of information. With this purpose in mind, the company will regularly stage roadshows, conduct individual talks and telephone conferences, and attend analysts' and investors' conferences in order to satisfy investors' information needs. Vtion also provides shareholders with an extensive range of information about the company and the share on its investor relations website www.ir-de.vtion.de. All of these activities are geared towards making an objective assessment of the company possible and receiving a fair assessment on the capital market.

Master Data

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	SAL. OPPENHEIM

Basic Data

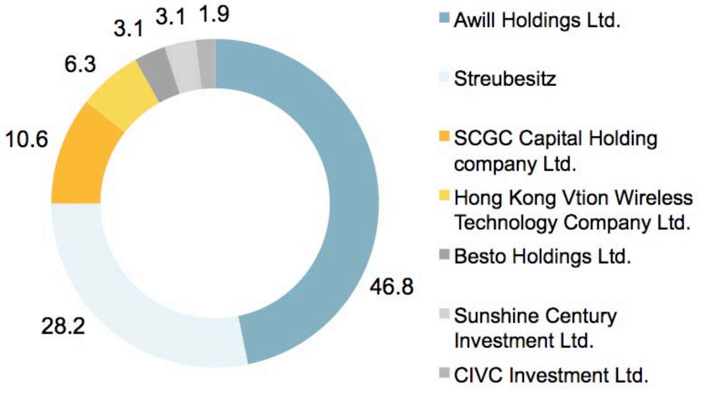
Type of instrument (class)	No-par-value bearer ordinary shares
Free float	28.4%
Number of shares	15,980,000
Nominal capital	EUR 15,980,000
High 2009 (November 6, 2009)	EUR 10.74
Low 2009 (December 30, 2009)	EUR 7.99
Price as of December 30, 2009	EUR 7.99
Market capitalization (December 30, 2009)	EUR 127,680,200
∅ Trading volume	53,949 shares per day

IPO Data

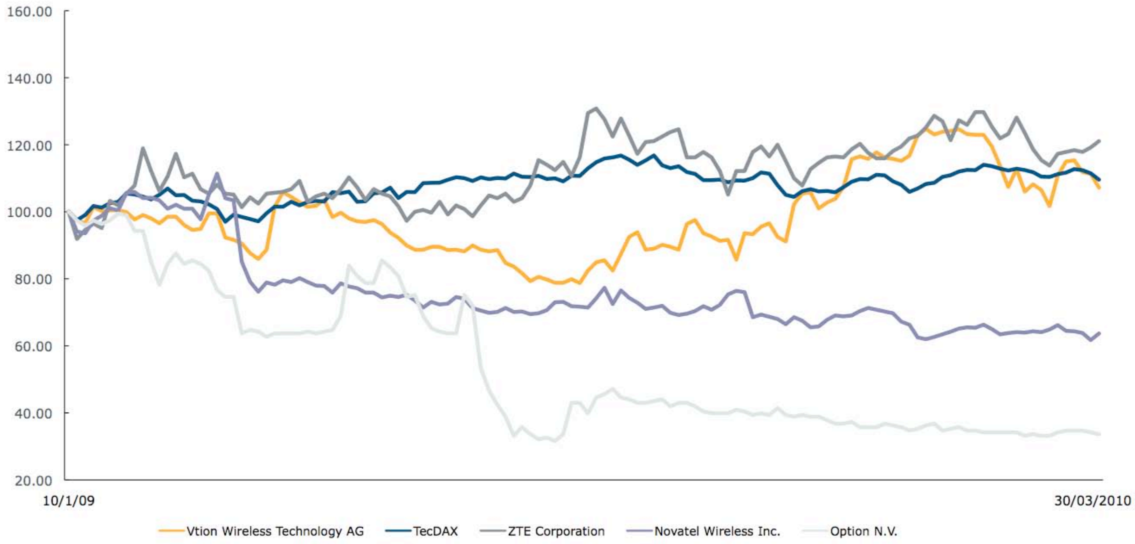
Placement volume	5,175,000 bearer ordinary shares, of which 4,500,000 originated from the capital increase and 675,000 from the greenshoe
Nominal capital after IPO	EUR 15,980,000
Offer period	September 28, 2009 – September 29, 2009
First day of trading	October 1, 2009
Bookbuilding range	EUR 9.50 – 12.00
Issue price	EUR 10.75
Initial price	EUR 10.75
Underwriting syndicate	SAL. OPPENHEIM, Macquarie Capital

Shareholder Structure

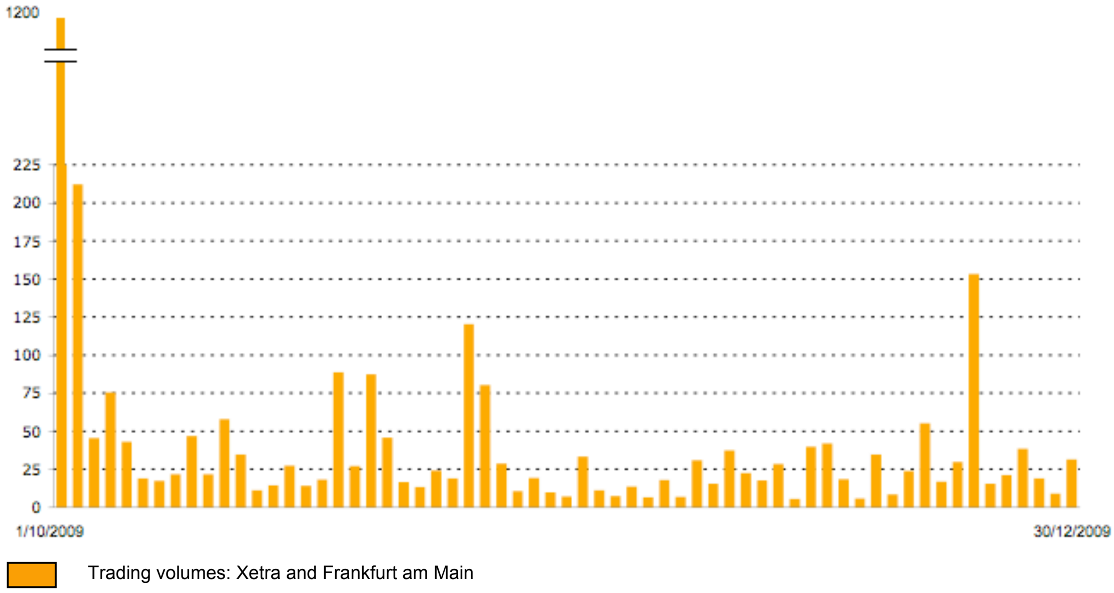
in percent



Share Price Development
in percent



Trading Volume
in thousands of shares



Report of the Supervisory Board

In this report the Supervisory Board gives an account of its work in the fiscal year 2009. Central topics of the discussions with the Management Board were the company's long-term product and business development strategy, use of IPO proceeds, capital markets and investor relations strategy and the Company's annual financial statements.

Monitoring and advice in continuous dialogue with the Management Board

For the fiscal year 2009, the Supervisory Board continued to perform the monitoring and advisory functions for which it is responsible under the Stock Corporation Law and the Articles of Association. Transactions and other issues requiring the approval of the Supervisory Board were discussed with the Management Board during Supervisory Board meetings, and Supervisory Board members remained and remain available both during meetings and on an informal basis to lend their expertise to the Management Board on a wide array of issues they faced. In particular, several members of the Supervisory Board have extensive experience in the telecom industry both in China and Europe, and they make this expertise available to the Management Board in their strategic deliberations.

The Supervisory Board regularly advised the Management Board on major matters pertaining to the management of the Company and continuously observed and supervised its conduct of the business through intensive and open exchanges. Given the current worldwide economic situation and the particular challenges of supervising a Chinese company listed in Germany, we paid particular attention to the current earnings situation including the risk situation and risk management. Since the Company is recently listed, we placed particular emphasis on routinizing the reporting between the Management Board and the Supervisory Board, and ensuring that the Supervisory Board is placed in proper alignment in its role vis-à-vis the Company. The Management Board submitted detailed projections for the coming year.

All events of importance to the Company were discussed by the full Supervisory Board on the basis of reports and presentations by the Management Board. Where required by law and the Articles of Association, the Supervisory Board voted on the reports and resolution proposals of the Management Board after detailed examination and discussion. We were also in regular contact with the Management Board outside the regularly scheduled Supervisory Board meetings.

The Supervisory Board dealt with the business situation, the operational and strategic development of the Company and its areas of business over the course of two regular meetings. In addition, various resolutions by the Supervisory Board were taken by way of written votes.

No new transactions requiring approval were defined by the Supervisory Board in the reporting year. In the Supervisory Meeting on August 27, 2009 the supervisory board approved the engagement letters between the company and the law firm CMS Hasche Sigle, for which the Supervisory Board member Volker Potthoff works in an "of Counsel" capacity. Other conflicts of interest of Supervisory Board members, which must be disclosed to the Supervisory Board immediately and reported to the Annual General Meeting, did not occur in the year under review.

The Supervisory Board meetings were attended by all Supervisory Board members.

Efficient work in the Supervisory Board

Vtion Wireless Technology has not established any committees. This is due to the reason that the Supervisory Board consists of only six members. Further, the Supervisory Board and the Company believe that it will create the best benefit to the Company's corporate governance to rely on the aggregate know how of all board members for all matters.

Meetings concering the annual consolidated financial statement were attended by the auditors, the Chairman of the Management Board, and the Chief Financial Officer. They mainly dealt with the parent-company and consolidated financial statements, the audit reports of the auditors as well as the development of the risk management. The auditors reported in detail on all findings and occurrences of significance to the work of the Supervisory Board that had arisen in the course of the audit of the annual financial statements and the audit review of the interim reports.

The Supervisory Board also dealt with the engagement of the auditors 2009. After the election by the Annual General Meeting, the Supervisory Board engaged the auditors to audit the parent-company and consolidated financial statements of Vtion Wireless Technology AG and to carry out audit reviews of the interim reports.

Corporate governance and Declaration of Conformity

The Supervisory Board again continuously monitored the further development of corporate governance standards in the reporting year. The Management Board and the Supervisory Board report on corporate governance at Vtion Wireless Technolgy in the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code. We discussed the implementation of the Code at Vtion in depth in particular on the amendments made to the Code by the Government Commission on the German Corporate Governance Code in its meeting on June 18, 2009.

On February, 2009 the Management Board and Supervisory Board jointly issued an updated Compliance Statement in accordance with Art. 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the Company website. Vtion complies with all recommendations of the Code as amended on June 18, 2009, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on August 05, 2009 with only some exceptions. For further information we refer to the Corporate Governance chapter.

Audit of the parent-company and consolidated financial statements

The (individual) financial statements of Vtion Wireless Technology AG were prepared in accordance with the German generally accepted accounting principles as provided for in the German Commercial Code (Handelsgesetzbuch/HGB). The consolidated financial statements of Vtion Wireless Technology AG were prepared in accordance with the International Financial Reporting Standards (IFRS). Pursuant to Section 315a HGB, the Company is released from the obligation to prepare annual consolidated financial statements in accordance with the provisions of HGB.

The individual and the consolidated financial statements as at December 31, 2009, the combined status report as well as the report of the Management Board on the relations with affiliated entities were examined in detail by the auditor appointed by the Annual Shareholders' Meeting, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg, and approved with an unqualified audit opinion. Each member of the Supervisory Board was provided with these annual accounting documents including the auditor's report. These documents were examined in detail at the Supervisory Board meeting on April 21, 2010 and were discussed in the presence of the auditor who reported on the main results of the audit and was available for questions and supplementary information.

On the basis of its own examination and discussion of the individual and consolidated financial statements for the period from January 1, until December 31, 2009 and the management report relating to the Company and the management report relating to the group, the Supervisory Board approved the result of the audit and the individual and consolidated financial statements. The individual financial statements of Vtion Technology AG for the time period from January 1, until December 31, 2009 are thus adopted.

The financial statements of Vtion Wireless Technology AG under German GAAP account for an annual net loss of EUR 3.77 million for the financial year that ended on 31 December 2009. After partly offsetting this net loss and the loss carried forward from the prior year against the capital reserve the company reported a net accumulated losses (Bilanzverlust) of EUR 0.8 million as at 31 December 2009.

The Supervisory Board was provided with the report regarding the Company's relations to affiliated entities prepared by the Management Board in accordance with Section 312 German Stock Corporation Act (Aktiengesetz/AktG). The Supervisory Board considered the report thoroughly. The unqualified opinion of the auditor is as follows:

“Based on the findings of our audit and evaluation conducted in accordance with our duties, we certify that

1. the factual information of the report is correct,
2. the company’s consideration in return for goods or services has not been disproportionately high in connection with the legal transactions set forth in the report.”

The Supervisory Board approved the audit by the appointed auditor following its own examination. There are no objections to the statements of the Management Board regarding the Company's relation to affiliated companies at the end of this report.

Warmest Regards,

Mr. Qian Yingyi

Chairman of the Supervisory Board
Frankfurt, April 21, 2010

Corporate Management of Vtion

as of December 31, 2009

Board of Management

Mr. Chen Guoping

Chief Executive Officer (Chairman)
Born in 1968
Initially appointed on October 9, 2007
Additional positions:

- Member of the Committee of Fujian People's Political Consultative Conference

Mr. Chen Huan

Chief Financial Officer
Born in 1975
Initially appointed on October 9, 2007

Mr. He Zhihong

Chief Technology Officer
Born in 1974
Initially appointed on October 9, 2007

Ms. Fei Ping

Responsibilities: Procurement, outsourcing, quality control, logistics, human resources and general administration
Born in 1972
Initially appointed on November 14, 2007

Mr. Ding Chaojie

Responsibilities: Sales, strategic planning and marketing
Born in 1975
Initially appointed on November 14, 2007

Supervisory Board

Mr. Qian Yingyi

Chairman of Supervisory Board
Born in 1956
Appointed in 2009
Additional positions:

- Dean of the School of Economics and Management of Tsinghua University, Beijing;
- Professor of Economics, University of California, Berkeley, U.S.A.
- PhD in Economics, Harvard University, U.S.A.
- Independent director of Industrial and Commercial Bank of China (ICBC);
- Member of the Advisory Committee for Development Strategies of China Mobile
- Member of the International Advisory Council of China Investment Corporation (CIC)

Mr. Norbert Quinkert

Vice Chairman of Supervisory Board
Born in 1943
Appointed in 2009
Additional positions:

- Chairman of the board of Management TSB Technology Foundation, Berlin/Germany
- Member of the board of directors of Advanced Metallurgical Group (AMG) Wayne, Pa, USA
- Member of the board of directors of PFW Aerospace AG, Speyer/ Germany
- Chairman of the board of directors of WISTA Management GmbH, Berlin/Germany
- Founder and director of Quinkert & Esser Executive Search GmbH, Frankfurt/Germany
- Executive Vice President of the American Chamber of Commerce in Germany, Berlin

Mr. Volker Potthoff

Born in 1954
Appointed in 2009
Additional Positions:

- Capital markets expert at CMS Hasche Sigle
- General Manager of Addwis S.à r.l. and Addwis GmbH
- Chairman of the Supervisory Board of pfm medical AG

Mr. Liu Yangsheng

Born in 1946
Appointed in 2009
Additional Positions:

- Chairman of Cosmos Posts & Telecommunications International Leasing Co. Ltd.

Mr. Wang Ning

Born in 1955
Appointed in 2009
Additional positions:

- Deputy Secretary General, Secretary General, Vice President of China Electronic Chamber of Commerce

Mr. Yang Hua

Born in 1959
Appointed in 2009
Additional positions:

- Executive Secretary General of the TD-SCDMA industrial alliance

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

Group Management Report for the Financial Year 2009

Business and Operating Environment

Vtion Group is one of the leading providers of wireless data solutions for mobile computing over wide area networks in China

Overview

Vtion Group is one of the three leading providers of wireless data card solutions for mobile computing over wide area networks in the People’s Republic of China (“PRC” or “China”). Vtion Group is principally engaged in the development and sale of wireless data cards, including the provision of after-sales services. Vtion Group also offers data service solutions which are provided to customers in China by a related party based on exclusive service agreements with Vtion Group.

By capitalizing on its competitive strengths, such as its strong relationship with China's three main mobile network operators, China Unicom, China Telecom and China Mobile, deep insights into the wireless data card industry in China, strong product development skills, a broad product portfolio covering all relevant industry standards and interfaces and a strong and visible brand, Vtion Group is committed to becoming the leading provider of wireless data card solutions in China, offering high quality and advanced wireless data card solutions to network providers and end-user customers in China.

Vtion Group’s wireless data cards are designed to enable users to access telecommunications networks using mobile computers or personal computers. It offers a broad range of wireless data cards and sells the majority of its wireless data cards directly to network operators all of which resell these data cards through their outlet stores under the Vtion brand to their customers.

In mid-August 2009, Vtion Group started its Virtual Network Operation (“VNO”). The VNO involves close cooperation with China Telecom in Fujian province and operates through a model in which Vtion pre-purchases network service from China Telecom and sells it in a package bundle with a wireless data card through sales agents to the end users. The users are able to pay for these packages in monthly installments to one of four different banks who also cooperate in the model. The VNO expanded to include China Unicom in December 2009, when Vtion announced an agreement to sell the iPhone in packages that include both voice and data service, in cooperation with China Unicom throughout Fujian Province.

In January 2006, Vtion Group started its data service solutions business targeting in particular business travelers in China. Vtion Group's data service solutions are provided through the website "www.mbevip.com" to members of Vtion Group's business club who pay an annual fee receive to access to the entire array of services.

The organizational and legal structure Formation, Business Name and Registered Office

Vtion Wireless Technology AG has been formed by means of a notarial deed of incorporation (Gründungsurkunde), dated October 1, 2007. The business name (Firma) of the Company is "Vtion Wireless Technology AG". The formation of the Company has become legally effective by registration in the commercial register (Handelsregister) with the local court (Amtsgericht) of Frankfurt am Main on November 12, 2007, where the Company is registered under the registration number HRB 81718. The legal domicile (Sitz) of the Company is Frankfurt am Main, Germany.

Business Purpose of the Company

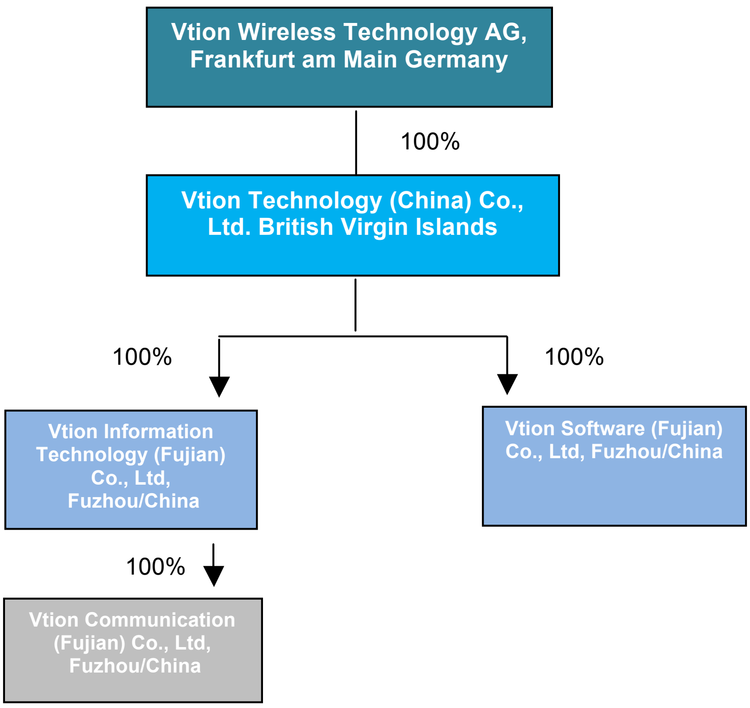
The Company's business purpose (Unternehmensgegenstand) is the holding and administration and the disposal of direct and indirect participations and investments in the area of Wireless Technology and the providing of services for affiliated entities. According to section 2, para. 2 of the Articles of Association, the Company is entitled to conduct all measures and business transactions, which it deems necessary and useful for the implementation of the purpose of the Company. In particular, it may for this purpose establish branches in the country, where it has its seat and abroad. It may establish or acquire companies of the same or similar type, or acquire an interest in such companies, demerge parts of its business to subsidiaries and associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings.

Group Structure

The operational business of Vtion Group in 2008 was exclusively carried out by Vtion Information Technology (Fujian) Co. Ltd. ("Vtion IT"), Fuzhou, Vtion Software (Fujian) Co. Ltd. ("Vtion Software"), Fuzhou. The operational business of Vtion Group in 2009 was exclusively carried out by Vtion IT, Vtion Software, and Vtion Communication (Fujian) Co., Ltd. ("Vtion Communication"). All of which are limited liability companies formed under the laws of the PRC.

Legal Structure

The current corporate structure of Vtion Group is shown in the chart below:



Vtion IT, Vtion Software, and Vtion Communication are registered as wholly foreign-owned enterprises. The sole shareholder of Vtion Communication is Vtion IT. The sole shareholder of Vtion IT and Vtion Software is Vtion Technology (China) Co. Ltd. (“Vtion BVI Holding”), a limited liability company formed under the laws of British Virgin Islands, which is a wholly-owned subsidiary of Vtion Wireless Technology AG (the “Company”).

Vtion IT was established in 2002 under the laws of People's Republic of China. The current registered capital and fully paid-in share capital of Vtion IT is USD 30,000,000 by December 31, 2009.

Vtion Software was established by Vtion BVI Holding on February 9, 2007 under the laws of People's Republic of China. The registered capital and fully paid up share capital of Vtion Software amounts to HKD 10,000,000. Vtion Software started its business operations in June 2007.

Vtion Communication was established by Vtion IT on November 20, 2009 under the laws of People’s Republic of China. The registered capital and fully paid up share capital of Vtion Communication amounts to RMB 8,000,000. Vtion Communication started its business operation in December 2009.

All shares in Vtion IT and Vtion Software are held by Vtion BVI Holding, a limited liability company, formed under the laws of British Virgin Islands on January 27, 2005 and being registered with the Registrar of Companies in British Virgin Islands under the registration number 639297. The authorized share capital of Vtion BVI Holding amounts to USD 50,000 and is fully paid-up.

Vtion IT has been acquired by Vtion BVI Holding on May 9, 2007 (obtaining of control).

Upon formation of the Company, all shares in Vtion BVI Holding were transferred to the Company by means of a share contribution agreement (Einbringungsvertrag) dated October 10, 2007 as a contribution in kind (Sacheinlage).

Development of the share capital

The Company has successfully carried out an initial public offering on October 1, 2009 and all its Shares are admitted to be traded on the Frankfurt Stock Exchange. With this placement, the Company increased its share capital by 4,500,000 new ordinary bearer shares non par value (“New Shares”), which have a nominal amount of the share capital of EUR 1.00 each. Upon implementation and registration of the capital increase of the issuance of the New Shares, the share capital amounted to EUR 15,980,000.

Management and control

The members of the Management Board and their current areas of responsibility are listed as follows:

Mr. Chen Guoping is the Company’s chief executive officer (CEO) and responsible for strategic planning, overall marketing, investor relations as well as Vtion Group’s overall management.

Mr. He Zhihong is the Company’s chief technology officer (CTO) and responsible for the research and development.

Mr. Chen Huan is the Company’s chief financial officer (CFO) and responsible for the overall financial management.

Ms. Fei Ping is responsible for procurement, outsourcing, quality control, logistics, human resources and general administration.

Mr. Ding Chaojie is responsible for sales, strategic planning and marketing.

Under the current management controlling procedures, management board members hold internal meetings for their responsible areas and management meetings are held on a monthly basis. Decisions are made through management board’s group discussion.

Products and services

Wireless Data Cards

Vtion Group focuses primarily on the development and sale of wireless data cards. To a large extent, Vtion Group outsources the design of its wireless data cards to design houses and the production to original design manufacturers (“ODMs”) and original equipment manufacturers (“OEMs”). It works in particular with ODMs and design houses to improve technical features of its wireless data cards. Vtion Group also develops the software required to operate the card itself. This software is installed automatically when the end-user connects the wireless data card to its mobile or personal computer. Vtion Group’s data cards are used primarily by business customers and governmental organizations to enable their employees to access a wide range of applications, including the Internet, e-mail, corporate intranet, remote databases and corporate applications. Vtion Group offers a broad range of wireless data cards covering all relevant 3G industry standards, including TD-SCDMA, CDMA 2000 and WCDMA, which fit PCMCIA, USB, Mini-USB, Express Card 34 and PCI Express Mini interfaces of mobile computers and personal computers. These wireless data cards are compatible with most of the customary operating systems, including Microsoft Windows 2000, Millennium Edition, XP, Vista, and MAC OS.

The Chinese mobile network industry is currently moving from second generation wireless communication, so-called 2G, 2.5G and 2.75G standards, to third generation wireless communication standards, so-called 3G standards, which allow for significantly higher data transfer rates. Vtion Group expects that 2.5G and 2.75G will remain the dominant network standard in rural areas in the near future and has therefore developed 3G wireless data cards which are capable of connecting to 2.5G, 2.75G and 3G networks. Since the introduction of 3G networks in China in 2009, Vtion Group has focused on the distribution of 3G wireless data cards for the three different 3G standards used in China, TD-SCDMA, CDMA 2000 and WCDMA. Vtion Group expects a further increase in demand for wireless data services in China following the completion of the roll-out of the 3G networks in China.

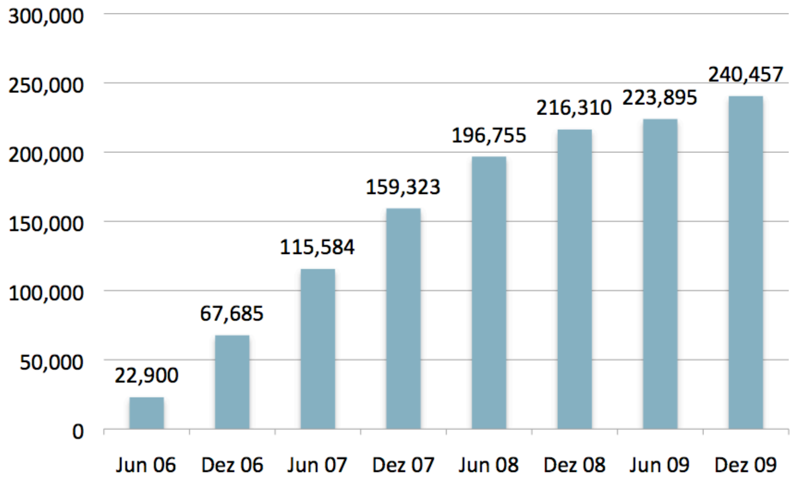
After-sales services

Vtion Group provides after-sales services to strengthen customer relationships by operating several nationwide customer hotlines free of charge for users of its wireless data cards. Further, Vtion Group operates a national customer service with employees located at its five liaison offices in Beijing, Shanghai, Hangzhou, Wuhan and Shenzhen. Vtion Group also provides a nationwide back-up card service in case of emergency.

Data Service Solutions

In January 2006, Vtion Group started its data service solutions business targeting in particular business travelers in China. Vtion Group data service solutions are provided through the website “www.mbevip.com” to members of Vtion Group’s business club and include an internet accelerator (which decreases load times for web pages and optimizes the internet connection in terms of reliability), virus scanning, SMS service, electronic fax, E-travel services and online translation services. These data services are largely provided by co-operation partners via licensing agreements. The use of data service solutions requires prior registration as a member of the so-called “business club”. The current annual subscription fee for the gold membership card amounts to RMB 240. As of December 31, 2009, the number of business club members was 240,457. Vtion Group intends to increase the number of members of the business club by providing additional services.

The table below shows the development of the total number of “business club” members from the launch of the business club in January 2006:



Vtion Group currently outsources its data service solutions business to Fujian Vtion Telecom Information Service Co., Ltd (“Fujian Vtion”), which is a related party owned by Mr. Chen Guoping and Mr. He Zhihong, Group’s chief executive officer and chief technology officer, respectively, and controlled by Vtion Group through service agreements. Based on these service agreements, Fujian Vtion operates the website “www.mbevip.com” and provides the data service solutions to the members of the business club through access to this website.

Other Business

Vtion Group also acted on a limited basis as a reseller of dual mode mobile phones and customized software in 2009 and 2008 and IP servers in 2008. Vtion Group intends to continue to sell dual mode mobile phones, IP servers and customized software on a limited basis but does not anticipate that such sales will account for a substantial part of its business in the future.

Sales and Marketing

Almost all revenues of Vtion Group are generated from China. Vtion Group conducts almost all of its sales of its wireless data cards through mobile network operators and wholesalers. Such resellers purchase Vtion Group's wireless data cards directly from Vtion Group and resell them directly or indirectly to end-user customers. Vtion Group has established five liaison offices in Beijing, Shanghai, Hangzhou, Wuhan and Shenzhen for its sales and after-sales services. Vtion Group also sells a small amount of its wireless data cards to end-customers.

Similar to the telecom industry as a whole, the wireless data card industry in China also functions in what is largely an oligopolistic markets structure, dominated by three main suppliers, Vtion, Huawei and ZTE. For the year 2009, we believe that these three companies comprised nearly 80% of total market share in the wireless data card industry, and a much greater share of the business in the industry done directly with telecom operators. The remaining approximately 20% of the market was fragmented among over 80 different suppliers.

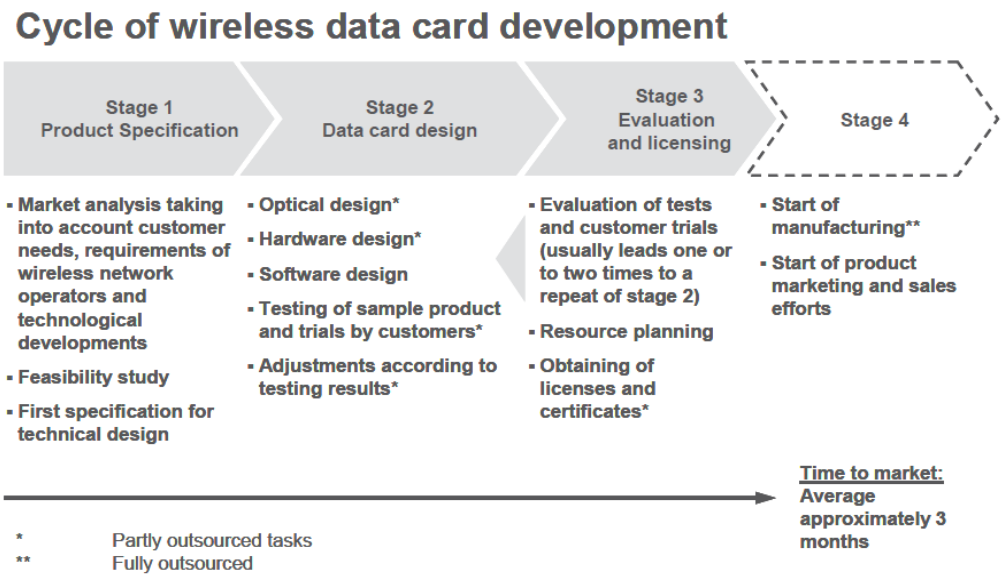
Research and Development

Vtion Group believes that the introduction of new high quality products is critical to maintaining its competitiveness. In light of the competitive and rapidly evolving telecommunications market in China, Vtion Group believes that one of its main strengths is its research and development capability. Its research and development department focuses primarily on:

- monitoring technological trends, in particular advances in the new generation of mobile telecommunications technologies such as 3.5G and 4G;
- developing and testing advanced wireless data card specifications that may also include additional functions such as enhanced flash memory card based on the outcome of the monitoring process;
- improving the appearance and exterior design of wireless data cards;
- improving the configuration of electronic components to maximize the functionality of wireless data cards; and
- developing and engineering customer software applications such as installation programs for Vtion Group's wireless data cards and website software for the data service solutions business.

Vtion Group carries out the whole cycle of product development in co-operation with its suppliers. The design process involves the following five major steps: understanding market needs, product specification, system design, evaluation and certification and manufacturing.

The graph below illustrates the development cycles for wireless data cards:



Over the last few years, Vtion Group has accumulated extensive experience through the development and launch of a large number of different products in co-operation with OEMs and ODMs as manufacturing partners. OEMs manufacture products pursuant to specific design specifications whereas ODMs, in addition to the services rendered by OEMs, also provide design services. In a typical production cycle, Vtion Group in co-operation with ODMs or design houses provides for the optical and the hardware design of a new product. In the past Vtion Group outsourced the hardware design (which is the configuration of the electronic components in the wireless data cards) of its wireless data cards to design houses or ODMs. Since 2008 Vtion Group has employed hardware design-specialists and gained the ability to provide parts of the hardware design for certain products without the co-operation of specialized design houses or ODMs.

Vtion Group further designs software for a particular wireless data card. The software is integrated by its manufacturing partners into the hardware of the wireless data card in accordance with the product specifications provided by Vtion Group. Vtion Group's manufacturing partners order the necessary components and assemble the product at their own manufacturing facilities.

Prior to the sale of a wireless data card, Vtion Group has to obtain several licenses from PRC governmental authorities, such as the "Approval Certificate of Radio Transmission Equipment Type "Network Access License" and "CCC Certification". In order to obtain such licenses, new products have to pass through a complex testing phase including functionality, safety and verification tests. These tests which are conducted by independent state-owned laboratories on behalf of the respective PRC authorities require significant capital expenditures and time. For example, more than 50 samples of any one particular new product are required during the testing phase. Once the testing procedure has been completed, Vtion Group and the Ministry of Industry and Information Technology ("MIIT") are separately informed that the product has passed the quality control test and the MIIT then issues a serial number for that particular product and charges a one-time fee for this service. Vtion Group then produces a label for that particular product category with the serial number on it.

As of December 31, 2009, Vtion Group had 28 employees, accounting for approximately 18% of Vtion Group's employees, in its research and development department engaged in the hardware design, software design and the development and programming of customer software applications such as installation programs for wireless data cards and website software. The website software "mobile business system" is a program to operate the website "www.mbevip.com" including applications to integrate the data service solutions provided to business club members to interface with a user's computer. Vtion Group intends to focus on the development of new applications for wireless data cards and additional data service solutions for its data service solutions business.

Vtion Group continually evaluates new technologies and develops new products in response to the changing dynamics of the wireless communications market in China. The table below sets forth the wireless data cards developed in 2009:

Network Standard	Interface	Model
CDMA2000	USB Stick	E1916
	USB Stick	E1916+
	USB Stick	E1970
	mini-PCIe	E1960
UMTS	USB Stick	U1916
	USB Stick	U1918
	Rotate USB stick	U1920
	min-pciE	U1960
TD-SCDMA	PCMCIA	TG1906+
	USB Stick	TG1918
	USB Stick	TG1912
	min-pciE	TG1960

USB and Mini-USB Cards

Universal serial bus ("USB") interfaces are the standard connection method commonly used for certain peripheral computer equipment such as mouse devices, keyboards, gamepads and joysticks, scanners, digital cameras and printers. USB may also be used to connect wireless data cards but, in contrast to PCMCIA wireless data cards, USB cards are not inserted fully into the laptop, but are rather plugged into the exterior of the computer.

Express Cards

Express cards are the technologically advanced successors of PCMCIA cards. The express standard supports two formats: express 34 (34 mm wide) and express 54 (54 mm wide, in an L-shape). The major advantage of express cards over PCMCIA cards is a significant increase in bandwidth made possible by the express card's direct connection to the system bus of the mobile or personal computer.

Suppliers

Vtion Group’s wireless data cards have five main components:

- wireless modem technology including the chip set;
- respective interfaces such as USB, Express 34 PCI Express Mini USB or Mini-USB;
- an antenna;
- a shell;
- application software including driver software and tailor-made applications for wireless data cards. The application software, including driver software and tailor-made applications for wireless data cards, is provided by Vtion Software.

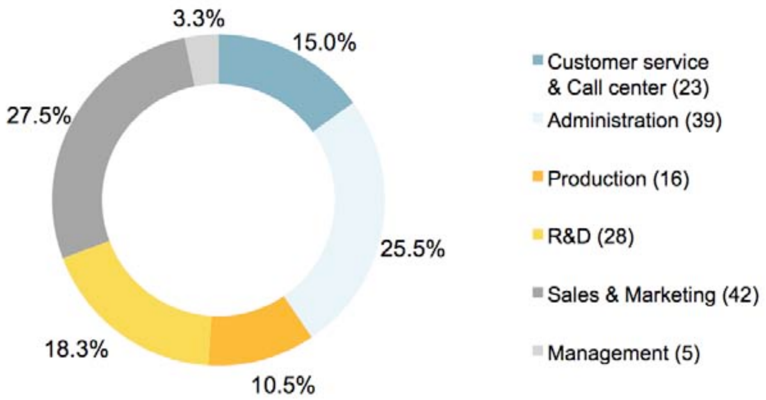
Vtion Group sourced most of the components itself and provided them to manufacturers for completion of the wireless data cards. Most components are sourced by ODMs or OEMs according to Vtion Group’s specifications. The chipsets are sourced by Vtion Group from copyright holders or ODMs or OEMs. The cost of a chipset accounts for the major portion of the unit cost of a wireless data card. To safeguard against cost volatility Vtion already entered agreements with some copyright holder to receive rebates based on sales.

The selected OEMs and ODMs have strong capability and rich experience in producing electronic products. The selected ODM/OEMs source the components from suppliers who are designated “qualified suppliers” by Vtion Group. Vtion Group places strong emphasis on the selection of qualified suppliers. In order to be listed as a qualified supplier, the companies have to pass Vtion Group’s internal qualification procedures that include extensive product testing to ensure good product quality, delivery times and production costs. Vtion Group constantly reviews its supplier network, subjects the supplied products to quality assessments and collects information on possible alternatives to existing suppliers. Based on these assessments, Vtion Group annually nominates a group of qualified suppliers.

Employees

The basis of our success is our employees' high degree of identification with and high level of commitment to Vtion Group. We are continuously evaluating our human resources needs against the business development, to enhance our competitiveness. As a responsible employer, we ensure our dealings with each other, with customers and with business partners, in open and fair ways with respect.

As of December 31, 2009, we employed 153 staff. The composition of our employees is shown as following:



Value and Performance Management

The goal of Vtion Group is to sustainably increase our market share in terms of qualitative growth and at the same time to expand the earnings base. The key performance indicators are derived from this.

We want to grow faster than the market. We measure this in terms of the growth rates in our regions, for which we have defined different growth targets.

In addition, we want to increase Vtion Group's earnings power. This is measured using the operating result (EBIT) in conjunction with the EBIT margin (the rate of EBIT to sales). We aim to generate competitive returns through active cost management and the highly efficient use of resources.

Finally, we aim to improve our return on capital (the ratio of EBIT to net operating capital) through continuous optimization of our net operating capital.

General Market Conditions and Business Development

General Market Conditions

According to Wen Jiabao, the Premier of the State Council PRC, the year 2009 was the most difficult year for China's economic development since the beginning to the new century. The global financial crisis was still spreading, and the world economy was in a deep recession. In these unusually difficult circumstances, China responded calmly and Chinese economy was the first in the world to have made a turnaround. GDP reached 33.5 trillion RMB, an increase of 8.7% over 2008.[1] As the worldwide economic recovery continues, Vtion is fortunate to be located in the Chinese economy, widely regarded as a main driver of the worldwide recovery. The Chinese economy continued its robust growth in the year 2009, with GDP growth of 8.7% for the full year, and 10.7% in the fourth quarter of 2009.[2]

Industry Development

Vtion Group generates almost all of its sales in the Chinese Market. The demand for wireless data cards in the Chinese market impacts demand for Vtion Group's wireless data cards and thus its results of operation. This demand is largely driven by the number of mobile telecommunications users, the number of laptops sold in the China, the number of internet users in China and the process that end-users pay for accessing mobile networks. According to the Ministry of Industry and Information Technology ("MIIT"), the number of mobile phone users reached approximately 747 million at the end of 2009, an increase of approximately 16% from approximately 641 million last year.[3] The number of Chinese mobile telecommunications users and thus the demand for data cards is, inter alia, influenced by the number of internet users in China and the number of laptops sold in China. According to "The 23st Statistical Survey Report on the Internet Development in China" published by China Internet Network Information Center ("CNNIC"), by the end of 2009, the total of netizens in China had increased to 384 million, with an annual growth rate of 28.9%.[4] The Internet penetration rate[5] reached 28.9%. In view of access methods, the size of broadband netizens reached 346 million, but the internet access speed is still much slower than in developed countries.[6]

3G Market Development

3G sector also showed strong development over the course of 2009, particularly toward the end of the year as the 3G network rollouts eventually began to gather momentum, and the telecom operators devoted significant investment to the development of the 3G networks. According to the MIIT, total capital investment for the three major telecom operators into the 3G networks reached RMB 160.9 billion for the year 2009.[7] Concurrent with network development, all three of the operators established a foundation of 3G users by the end of 2009; China Mobile finished the year with 5.51 million 3G users, China Unicom reached 2.74 million 3G users by the end of December 2009, and China Telecom, though it has not given a specific figure on its number of 3G users, likely accounts for the remainder of the 15 million total 3G users in China cited by the Ministry of Industry and Information Technology.[8]

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[1] "Report on The Work of The Government", Wen Jiabao, March 5, 2010
[2] "Experten: Chinas BIP-Wachstum in Q1 wohl bei 11,5 Prozent," Reuters Deutschland, February 5, 2010, (http://de.reuters.com/article/economicsNews/idDEBEE61404I20100205).
[3] "Statistics Report on the Development of the Telecommunication Industry in Year 2009", MIIT, February 3, 2010,(http://www.miit.gov.cn/n11293472/n11293832/n11294132/n12858447/13011909.html).
[4] "The 25st Statistical Survey Report on the Internet Development in China", CNNIC, January 15, 2010, (http://research.cnnic.cn/html/1263531336d1752.html).
[5] The internet penetration rate is defined as " the number of internet users as percentage of the population".
[6] "The 25st Statistical Survey Report on the Internet Development in China", CNNIC, January 15, 2010, (http://research.cnnic.cn/html/1263531336d1752.html).
[7] "China's Three Telecom Operators Battle for 3G Market Share in 2010," TMCnews Online, January 24, 2010, (http://www.tmcnet.com/usubmit/2010/01/24/4587180.htm)
[8] Ibid.

The addition of new users on the part of all three telecom operators gained momentum toward the end of the year. 3G commercialization began in May 2009, yet the majority of growth in the 3G user bases of the three telecom operators came in the fourth quarter. China Unicom had 2.2 million net additional users in the fourth quarter of 2009, and China Mobile had 1.75 million net additional users.[9] China Telecom added a total of 9.2 million wireless users in the fourth quarter of 2009, including 3G users and users on the older networks.[10]

China remains the only country in the world with three different technology standards for 3G wireless technology, each of which is operated by a separate telecom operator in an industry managed by the Ministry of Industry and Information Technology. While there is WiFi coverage in many areas of China, the industry structure is such that the 3G networks are put in place as the main and primary means of wireless communication and data transfer throughout the entire country. The country is still in a period of transition as the 3G technology continues to gain traction, and as such the networks are still in their relatively infant stages. China Telecom has nearly full network coverage throughout the country, while China Unicom has coverage in over 300 cities and China Mobile currently has coverage in approximately 150 cities. The next steps for China Telecom and China Unicom will be to continue optimizing their networks in the areas in which they have coverage, while China Mobile continues to expand its network. Independent analysts have laid out ambitious estimates for the growth of 3G users in China for the year 2010. Though these estimates have not been confirmed by the telecom operators themselves, 2010 should be a critical year in the development of the Chinese 3G industry.

Company's Development

2009 was a solid year of Vtion Group's development. Sales increased by 73% from the year 2008 and reached approximately EUR 67.6 million. The net profit reached EUR 16.5 million, an increase of 34% from the year 2008. Earnings per share increased by 16% from the year 2008 and reached EUR 1.31.[11]

Through the IPO, Vtion Group obtained essential capital to support the future growth.

[9] "China Telecos FY 09 Preview," Macquarie Research, March 15, 2010.
[10] Ibid.
[11] Computed on the basis of average weighted 12,614,427 shares for 2009, and respectively average weighted 10,994,754 shares for 2008

Result of Operations

INCOME STATEMENT – Group	2009	2008	% change
Jan. 1 – Dec. 31	kEUR	kEUR	
Sales	67,639	39,176	73%
Cost of sales	-45,075	-23,086	95%
Gross profit	22,564	16,090	40%
Other operating income	359	545	-34%
Selling and distribution expenses	-1,981	-1,371	44%
Administrative expenses	-1,991	-2,580	-23%
Other operating expenses	-26	-82	-68%
Profit from operations (EBIT)	18,925	12,602	50%
Finance income	176	272	-35%
Finance costs	-208	-481	-57%
Profit before income tax	18,892	12,392	52%
Income tax	-2,335	-	
Profit for the period	16,557	12,392	34%
Earnings per share[12]	1.31	1.13	16%
EBITDA[13]	19,154	12,759	50%
EBITDA margin[14]	28%	33%	-5PP
EBIT margin[15]	28%	32%	-4PP
Net profit margin[16]	24%	32%	-8PP

[12] Ibid.
[13] Profit for the period plus income tax, finance expenses, other expense and gain on disposal of fixed assets, depreciation and amortization minus finance income.
[14] Relation of EBITDA to sales
[15] Relation of EBIT to sales
[16] Relation of profit for the period to sales

Sales

Sales comprise the sale of wireless data cards, the provision of data service solutions and so-called other sales. Other sales include the commission from virtual network operation (VNO) packages, dual mode mobile phone, the sales of IP servers (in year 2008), and the sale of customized software.

Sales increased from EUR 39,176 thousand in fiscal year 2008 by EUR 28,463 thousand, or 73%, to EUR 67,639 thousand in fiscal year 2009. This increase in sales was primarily due to the increase in the sales of wireless data cards (wireless modem segment), which increased from EUR 35,278 thousand in 2008 by EUR 28,993 thousand, or 82%, to EUR 64,271 thousand in 2009. Sales from data solution segment decreased from EUR 2,795 thousand in 2008 by EUR 260 thousand, or 9%, to EUR 2,535 thousand in 2009.

Vtion started to sell virtual network operation (VNO) packages since mid-August 2009. In 2009, Vtion recognized the commission amounting to EUR 555 thousand for activated internet access plans in those packages.

Other sales, except VNO commission, decreased from EUR 1,104 thousand in 2008 by EUR 826 thousand, or 75%, to EUR 278 thousand in 2009. This decrease mainly resulted from a decrease in revenues generated from the sale of customized software and devices for a system for testing the coverage of different mobile network in connection with the use of car phones which was partly offset by an increase in revenues generated from the sale of mobile phones

Cost of Sales

Cost of sales mainly comprises costs for raw materials, packaging costs and materials and overhead costs. The vast majority of costs of sales are comprised of costs of raw materials. Costs of raw materials include almost entirely the direct costs of wireless data cards (including primarily the costs for the purchase of wireless data cards and the hardware design of those wireless data cards from design houses), the costs of the purchase of IP servers, mobile phones purchased from original equipment manufacturers and telecommunications equipment resold by Vtion Group. Packaging costs and materials mainly include the cost of packaging wireless data cards and, mobile phones at Vtion Group's warehouse, including labor costs. Overhead costs include utility costs and rental costs for property.

Cost of sales increased from EUR 23,086 thousand in fiscal year 2008 by EUR 21,989 thousand, or 95%, to EUR 45,075 thousand in fiscal year 2009. This increase was primarily due to an increase in the costs of raw materials for wireless data cards purchased from original equipment manufacturers and original design manufacturers as a result of the significant increase in sales of wireless data cards. The cost of data service solutions increased by EUR 40 thousand, or 36%, to EUR 152 thousand in 2009, mainly due to the increase of number club members.

Gross Profit

The overall gross profit margin decreased from 41% in 2008 to 33% in 2009. The decrease was mainly due to the price discount in clearing out the 2.5/2.75G wireless data cards in the first six months of 2009 as well as the lower price levels of 3G wireless data cards. The gross margin level in 2009 remained quite stable and changed only slightly.

Other operating income

Other operating income mainly includes subsidies from the PRC government, maintenance and repair income and other miscellaneous income. The PRC government subsidies result from VAT rebates granted to entities operating in the high-tech and software sector.

Other operating income decreased from EUR 545 thousand in fiscal year 2008 by EUR 186 thousand, or 34%, to EUR 359 thousand in fiscal year 2009. It was primarily due to a decrease in received subsidies from the PRC government, as the period of subsidies is different depended on the treatment processing of the PRC government.

Selling and Distribution Expenses

Selling and distribution expenses comprise salaries for the sales and customer service department, entertainment expenses, travel expenses, advertising costs, freight charges, promotion expenses and other miscellaneous expenses.

Selling and distribution expenses increased from EUR 1,371 thousand in fiscal year 2008 by EUR 610 thousand, or 44%, to EUR 1,981 thousand in fiscal year 2009. This increase was primarily due to an increase in royalty costs to copyright holders, which was partly offset by the decrease in salaries, advertising costs, entertainment expenses and travel expenses. The decrease in salaries was the result of a decrease in the number of Vtion Group’s regional sales assistants as wireless network operators purchased a larger portion of wireless data cards through their central headquarters instead of regional offices during the introductory phase of 3G networks.

The percentage of selling and distribution expenses in relation to total sales was 3.5% in 2008 and 3.0% in 2009.

Administrative Expenses

Administrative expenses mainly comprise salaries and travel expenses of management, salaries of the accounting department and administrative staff, research and development expenses, costs of staff training, staff welfare, social contribution payments, depreciation and provisions for doubtful debt, amortization of intangible assets, rental costs for Vtion Group's Fujian office and certain branches and other expenses. Other expenses include maintenance costs, audit and legal fees, transportation costs, recruitment costs and various office expenses.

Administrative expenses decreased from EUR 2,580 thousand in fiscal year 2008 by EUR 589 thousand, or 23% to EUR 1,991 thousand in fiscal year 2009. This decrease was primarily due to a decrease in local staff’s salaries, in local staff’s social contribution payments and in research and development expenses, which was partly offset by certification testing expenses as well as meeting and travelling expenses.

The ratio of administrative expenses to sales was 7% in 2008 and 3% in 2009

Other operating expenses

The other operating expenses were insignificant in 2008 and 2009.

Profit from operations (EBIT)

Profit from operations increased from EUR 12,602 thousand in fiscal year 2008 by EUR 6,323 thousand, or 50%, to EUR 18,925 thousand in fiscal year 2009. This increase was largely brought by the strong increase of sales and gross profit in 2009, 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) slightly decreased from 32% in 2008 to 28% in 2009. The decrease resulted from the sale by Vtion Group of 2.5/2.75G wireless data cards at significant discounts in the first six months of 2009 and the slightly lower gross profit margin of 3G wireless data cards.

Finance income

Finance income comprises interest income on cash in bank and foreign exchange gain.

Finance income decreased from EUR 272 thousand in fiscal year 2008 by EUR 96, or 35%, to EUR 176 thousand in fiscal year 2009. The decrease was mainly due to the decrease of interest income.

Finance Expenses

Finance expenses comprise interest expenses on loans (in year 2008), bank charges and foreign exchange loss. Foreign exchange losses result from a decrease in the value of Euro-cash and cash equivalents, receivable of Vtion Group.

Finance expenses decreased from EUR 481 thousand in fiscal year 2008 by EUR 273 thousand, or 57%, to EUR 208 thousand in fiscal year 2009. The decrease in finance expenses primarily results from paying back short-term loans in Q4, 2008, so no interest expense incurred in 2009.

Income Tax

Income tax only comprises tax actually payable. Both Vtion IT and Vtion Software made use of the full income tax exemption available to foreign-invested enterprises in China in 2008. Under the same rules, Vtion IT and Vtion Software will benefit from a 50% tax exemption in 2009, 2010 and 2011. Vtion Communication also enjoys the benefit in accordance with the same Income Tax rules. The Chinese companies of Vtion Group recorded an income tax charge of EUR 2,335 thousand in 2009 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 EUR 2,335 thousand in 2009.

Net Profit and EPS

Net profit in 2009 amounted to EUR 16,557 thousand, an increase of 34% year-on-year. The EPS in 2009 reached EUR 1.31, an increase of 16% year-on-year.[17]

Net Profit margin

The net profit margin decreased from 32% to 24%. This decrease was mainly due to the decrease of the gross profit margin from 41% in 2008 to 33% in 2009.

[17] Computed on the basis of average weighted 12,614,427 shares for 2009, and respectively average weighted 10,994,754 shares for 2008

Balance Sheet Structure

The following table presents balance sheet data under IFRS as of ended December 31, 2009 and December 31, 2008

	Dec. 31, 2009	Dec. 31, 2008
	kEUR	kEUR
ASSETS		
Current assets		
Inventories	3,768	4,882
Trade receivables	34,790	6,366
Other receivables and prepayments	5,295	6,739
Amounts due from related parties	1,391	1,429
Cash and cash equivalents	61,482	30,336
	106,726	49,752
Non-current assets		
Property, plant and equipment	635	493
Intangible assets	1,307	752
Deferred tax assets	1,201	0
	3,144	1,245
Total assets	**109,870**	**50,997**
LIABILITIES		
Current liabilities		
Short-term loans	0	0
Trade payables	8,225	8,271
Other payables and accruals	4,954	3,323
Amounts due to related parties	0	3,803
Income tax payable	685	0
Total liabilities	**13,864**	**15,397**
CAPITAL AND RESERVES		
Share capital	15,980	11,480
Capital surplus	48,163	7,617
Retained earnings	29,720	13,163
Foreign exchange difference	2,143	3,340
Total equity	**96,006**	**35,600**
Total liabilities and equity	**109,870**	**50,997**
Equity to total assets ratio[18]	**87%**	**70%**

[18] Calculated based on the amount of equity and total assets as at December 31 of each year.

Current Assets

Inventories

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

	Dec. 31, 2009	Dec. 31, 2008
	kEUR	kEUR
Goods and material	631	1,792
Advances to suppliers	3,137	3,090
	3,768	**4,882**

Inventories decreased from EUR 4,882 thousand as at December 31, 2008 by EUR 1,114 thousand, or 23%, to EUR 3,768 thousand as at December 31, 2009. There was a decrease in goods and materials, but an increase in advances to suppliers. The significant decrease in goods and material was mainly due to the strong increase of sales volume.

Trade receivables

Trade receivables increased from EUR 6,366 thousand as at December 31, 2008 by EUR 28,424 thousand, or 446%, to EUR 34,790 thousand as at December 31, 2009. This increase was the result of the strong increase of wireless data cards sales. The amount of trade receivable with a maturity of less than 90 days as at December 31, 2009 represented 62% of total trade receivable as at December 31, 2009. Meanwhile the part with a maturity of more than 90 days but below 180 days was 38% of the total as at December 31, 2009, which represents an increase by 22% compared to December 31, 2008.

Other receivables and prepayments

Other receivables and prepayments mainly comprise loans granted to suppliers, deferred costs for wireless data service solutions.

Other receivables and prepayments decreased from EUR 6,739 thousand as at December 31, 2008 by EUR 1,444 thousand, or 21%, to EUR 5,295 thousand as at December 31, 2009. This mainly resulted from the accrued IPO expenses being transferred to capital reserves as a deduction of the IPO proceeds, and that the prepayment decreased by EUR 5,266 thousand. Meanwhile the other receivable increased by EUR 4,670 thousand primarily due to the recognition of rebates on chipsets in connection with the sales volume of wireless data cards, and the commission for VNO packages.

Amounts due from related parties

The decrease in amounts due from related parties was insignificant as at December 31, 2009.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in bank accounts, bank deposit against banker's acceptance bill. Cash and cash equivalents amounted to KEUR 61,482 as at December 31, 2009. For a description of the changes in cash at the end of 2009, see "Cash Flow Statement" in this section.

	Dec. 31, 2009	Dec. 31, 2008
	kEUR	kEUR
Cash on hand	6	12
Cash in banks	58,629	27,375
Deposit on bank's acceptance bill	2,847	2,949
	61,482	**30,336**

Non-current assets

Property, plant and equipment

Property, plant and equipment mainly comprise office equipment, electronic equipment, machinery, vehicle and construction in progress. Property, plant and equipment increased from EUR 493 thousand as at December 31, 2008 by EUR 143 thousand, or 29%, to EUR 636 thousand as at December 31, 2009. This mainly resulted from the purchase of vehicles, office equipments and electronic equipment and increase of construction in progress which was partly offset by the depreciation charge and disposal of equipments.

Intangible assets

Intangible assets increased from EUR 752 thousand as at December 31, 2008 by EUR 555 thousand, or 74%, to EUR 1,307 thousand at December 31, 2009. This was mainly attributable to the acquisition of upfront license from copyright holders.

The addition to intangible assets in 2008 was mainly attributable to the acquisition of two kinds of platforms for 3G copyright holders and the acquisition of mobile and wireless data card testing software.

Liabilities

Trade payables and Notes Payable

The decrease in trade payables was insignificant.

Other payables and accruals

Other payables and accruals mainly comprise deferred income, payables for the acquisition of intangible assets, VAT payables, other tax payables and accrued payroll. Deferred income relates to the members of Vtion Group's business club who pay the annual membership fee up-front when joining the business club.

The increase of other payables and accruals from EUR 3,323 thousand as at December 31, 2008 by EUR 1,631 thousand, or 49%, mainly results from an increase of VAT payable, license charge payable and rebates payable to copyright holders in 2009. VAT payable in accordance with Chinese VAT policies was increased by EUR 1,107 thousand with the strong increase of wireless data card sales.

Amounts due to related parties

The amounts due to related parties of EUR 3,803 thousand as at December 31, 2008 were totally repaid. The balance of amounts due to related parties is Zero as at December 31, 2009.

Equity to total assets ratio

The equity to total assets ratio increased from 70% in 2008 to 87% in 2009. The increase was mainly due to the equity increase through IPO proceeds and the increase of the net profit.

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 2009 and 2008.

	2009	2008
	kEUR	kEUR
Operating cash flow before working capital changes	19,197	12,738
Cash generated from/(used in) operations	-8,164	12,118
Net cash generated from operating activities	-9,642	12,389
Cash flow used in investing activities	-987	-536
Cash flow from financing activities	43,861	3,605
Net increase in cash and cash equivalents	**33,232**	**15,458**
Cash at beginning of the period	30,336	12,224
Foreign exchange difference	-2,086	2,654
Cash at end of the period	**61,482**	**30,336**

Net Cash generated from Operating Activities

The Company used EUR 9,642 thousand in the operating activities in 2009. Compared with the net cash of EUR 12,389 thousand generated from operating activities in 2008, this represented a decrease by EUR 22,031 thousand. This decrease was mainly attributable to a significant increase in trade receivables, and a significant decrease in amounts due to related parties. This effect was partly offset by a large increase in profit before tax, a significant decrease in inventories, a significant decrease in other receivables and prepayments, a significant increase in other payable and accruals and an increase in income tax payable.

Cash flow used in investing activities

Cash flow used in investing activities increased from EUR 536 thousand in 2008 by EUR 451 thousand, or 84%, to EUR 987 thousand in 2009. This is mainly attributable to an increase in investments in purchase of intangible assets and property, plant and equipment.

Cash flow from financing activities

Cash from financing activities of EUR 43,861 thousand in 2009 resulted from the successful initial public offering of Vtion AG. The net proceeds of the offering were received at October 2, 2009. The IPO proceeds have supported our working capital needs and will continue to finance Vtion's growth strategy.

Cash at end of period

Cash at the end of the period amounted to EUR 61,482 thousand as at December 31, 2009, which was increased by EUR 31,146 thousand from the balance in 2008. This significant increase completely resulted from the IPO, which was partly offset by the cash flow out of operating and investing activities.

Report on Post-Balance Sheet Date Events

On February 8, 2010 an Ad-hoc announcement was published stating that the Vtion Group has signed after the early-year bidding process an agreement with China Unicom to provide 500,000 pieces 3G wireless data cards over the first several months of 2010 to support the China Unicom's WCDMA network rollout. This represents the largest single order that China Unicom has issued for 3G cards since it began operating its WCDMA network. This framework agreement with China Unicom headquarters continues to position Vtion as a key strategic partner and major supplier to China Unicom through China over the course of the year as China Unicom begins major development of the WCDMA 3G wireless network across China.

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 taking risks. Risk management helps us to exploit these opportunities and to minimize risks, which ultimately helps to achieve the strategic targets and to maximize strategic potentials.

We carefully balance opportunities and associated risks through regular strategic reviews. We involve in risks only if they can be managed using established methods and measures within our 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 close monitor business developments and risks, we regularly conduct sales volume and structure analysis, gross margin analyses, the liquidity analysis and monitor the progression of accounts receivable. Monthly and quarterly financial reporting process is a core tool in the management of our business and will ensure that information on business and market trends 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 values. Furthermore, we have finished the process of establishing internal control systems and implementing improvements. 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.

Our largest shareholder, Mr. Chen Guoping, is the CEO of the company and involves 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, our Supervisory Board, our auditor and other third party consultants help us to prepare for and hedge against various risks to minimize the potentially negative impact on our 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.

Single risk factors

The Company believes that the following factors had and/or will continue to have a material effect on our results of operations and financial conditions:

- **The success of Vtion Group's business depends directly on its business relationship with and the future success of mobile network operators in China.**

  China Mobile, China Telecom and China Unicom are currently the only three licensed mobile network operators in China. A large portion of Vtion Group's wireless data cards are sold to China Mobile, China Telecom and China Unicom, which in turn resell the wireless data cards at their outlets in most of China's provinces. Such dependence on three primary customers carries an inherent amount of risk for Vtion, as it results in a lack of diversification in the company's sales channels, and changes in the relationship with one of the three telecom operators could have significant influence on Viton's business.

  However, Vtion is protected by the fact that the three operators have an oligopoly in their industry, and there is virtually no risk of a fourth operator with whom Vtion does not have a business relationship coming in and taking market share from Vtion's three main customers, thus reducing their demand. Vtion also controls this risk by placing a strong emphasis on the maintenance of its relationships with all three of the telecom operators and protecting its status as a top-tier qualified supplier of both China Telecom and China Unicom (China Mobile does not have a policy of naming top-tier qualified suppliers, but Vtion enjoys a strong relationship with China Mobile as well). The company also seeks to position itself as a strategic partner working to develop the 3G market together with the telecom operators, as opposed to simply a hardware supplier, in order to secure its status vis-à-vis the three telecom operators and to expand into all aspects of the 3G business as a manner of diversification within a business model centered around three main clients.

- **Changes in technology may render Vtion Group's current technologies and/or its entire wireless data card business obsolete.**

  The telecommunications industry depends upon rapidly changing and increasingly complex technologies. Accordingly, the technologies that Vtion Group currently employs may become obsolete or subject to competition from new technologies in the future. For example, Vtion Group currently generates almost all of its revenues from the sale of wireless data cards. If the technology on which wireless data cards are based becomes outdated, Vtion Group's business could suffer significantly. As a result, Vtion Group's future success will depend in large part on its ability to anticipate changing service-provider requirements and technological developments, enhance existing or develop new technologies and develop and introduce new products and product enhancements, and bring these products to market in a timely manner. Vtion Group may need to continue to incur significant costs to develop and introduce new products and enhancements. It may encounter unexpected technological difficulties in implementing new technologies and as a result, may incur substantial costs or business disruptions.

  Vtion Group continues to introduce new products and to upgrade its existing products, diversify into new products and technologies other than its wireless data cards if such products become outdated, identify standards and develop corresponding technologies and products which are acceptable to the market and bring these new products to the market.

- **Vtion Group's profitability may decline as a result of a systematic decline in prices or an increase in costs.**

  The average sales prices for wireless data cards have declined over the past years because of technology and market developments. It can also be assumed that the market prices for 3G wireless data cards, which Vtion Group has already begun to sell, will tend to steadily decline over the short to medium term. In addition, revenues from sales might decline if Vtion Group is forced to cut its prices or to give rebates to customers, for example, due to increasing competitive pressure or falling demand for its products. Vtion Group makes continuous efforts to compensate for declines in prices by reducing its purchase costs and launching new and more advanced products. Vtion Group also makes continuous efforts to achieve sufficient cost reductions and process-related improvements of an adequate scale to compensate for future decline in prices.

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

  The market for wireless data cards in China is highly competitive. Vtion Group expects competition to continue to increase and intensify. Some of Vtion Group's competitors or potential competitors in China and overseas may have significantly greater financial, technical, operational and marketing resources than Vtion Group. These competitors may be able to respond more rapidly or more effectively to new or emerging technologies, changes in customer requirements, supplier related developments, or shifts in the business landscape. They also may devote greater resources than Vtion Group to the development, promotion, sale, and after-sales support of their products. Some of Vtion Group's current or potential competitors may have more extensive customer bases and broader customer, supplier and other industry relationships that they can use to establish competitive dealings with many of its current and potential customers.

  Some of these companies also may have more established and larger customer support organizations. In addition, these companies may adopt more aggressive pricing policies or offer more attractive terms to customers than they currently do, or than Vtion Group is able to, may bundle their competitive products with broader product offerings and may introduce new products and enhancements. Current and potential competitors might merge or otherwise establish cooperative relationships among themselves or with third parties to enhance their products or market position. As a result, it is possible that new competitors or new relationships among existing competitors may emerge and rapidly acquire significant market share to the detriment of Vtion Group's business.

  The new 3G standards have made and will make wireless data transmission in China significantly faster. This will lead to an improvement in the currently available services and make the introduction of new services possible. Vtion Group expects that along with the increase of the market size, competitors will continue to improve the features and performance of their current products and to introduce new products, services and technologies.

  To remain competitive, Vtion Group will continue to invest significant resources in, among other things, research and development, sales and marketing, and customer support.

- **Vtion Group's future performance depends on retaining and recruiting key personnel.**

  The future performance of Vtion Group will depend largely on its ability to retain its key management and technical personnel, in particular Vtion Group's CEO, Mr. Chen Guoping, whose business network and industry experience are of particular importance to Vtion Group. Vtion Group's future success will also depend upon its ability to recruit qualified personnel, in particular for its research and development department.

  Vtion experiences employee turnover consistent with industry norms among lower-level administrative and sales personnel; the company seeks to minimize the potential risks that this would create by promoting an attractive work environment. Turnover is lower among key personnel such as in R&D, Vtion has been using its newly acquired status as a listed company to attract and retain more top personnel from around China to strengthen its R&D capabilities. Among the management board, with the exception of the CFO, who has been with the company for 2.5 years, all other management board members have been with the company since its inception, providing a strong level of stability among the decision making level of company management, with also helps minimize any risk created by personnel turnover in the lower levels of the company.

- **Regulatory environment.**

  Vtion Group supplies telecommunications equipment to the telecommunications industry, which is heavily regulated in China. As the competent regulatory body, the MIIT has broad discretion and authority to regulate all aspects of the telecommunications and information technology industry in China, including the setting of network equipment specifications and standards, the approval of equipment for access to telecommunications networks, and the formulation of policies and regulations related to the telecommunications industry.

The introduction of new requirements or restrictions could affect Vtion Group's ability to market certain products and services or lead to Vtion Group incurring significant additional costs to comply with these new requirements or restrictions. By contrast, deregulation of the telecommunications industry could provide Vtion Group with additional business opportunities or reduce its costs for compliance.

- **Vtion Group is exposed to fluctuations in foreign exchange rates.**

  The Company’s consolidated financial statements for the periods under review were prepared in EUR and its future consolidated financial statements will be prepared in EUR, while Vtion Group’s operating currency is RMB, which is currently not a freely convertible currency. A devaluation of the RMB versus the EUR would therefore have an adverse currency translation effect on the Company’s consolidated financial statements. As the value of the RMB is controlled by PRC authorities, it is also possible that foreign exchange policies of the PRC government could have a significant impact on currency exchange rates.

  However, the operational activities of Vtion Group are in RMB and are not influenced by the fluctuations in foreign exchange rates except the translation the financial statements from RMB to EUR.

  Vtion Group’s IPO proceeds from this Offering may decrease in value if the Company chooses not to or is unable to convert the proceeds into RMB and the EUR devalues against the RMB during such period. Vtion has transferred back to China part of the IPO proceeds from EUR to RMB and will transfer the rest proceeds according to the needs based on the business plan. Vtion will closely monitor the foreign exchange fluctuation and will consider hedging any material foreign exchange exposure should the need arise.

- **Vtion Group may not be able to secure adequate financing to fund its growth strategy.**

  In order to finance its growth strategy, Vtion Group may have to raise additional capital in the future through debt or equity offerings. Vtion Group cannot be certain that suitable financing will be available in the required amounts or on acceptable terms. If additional equity or equity-linked securities are issued, this may result in the dilution of existing shareholders’ holdings. If additional debt is incurred, this would result in debt service obligations which could have a negative impact on profitability and could increase Vtion Group’s vulnerability to general adverse economic and industry conditions or to the materialization of any of the risks mentioned herein. In addition, the terms of any financing agreement could limit Vtion Group’s ability to pay dividends or restrict Vtion Group’s flexibility in planning for, or reacting to, changes in its business or its industry. In addition, Vtion Group’s subsidiaries in China are subject to foreign exchange registration and approval if they intend to borrow funds from entities outside of China. In addition, it needs to obtain approval of registration if Vtion Group intends to secure financing through equity contributions. In the event that it cannot obtain necessary financing on reasonable terms, or at all, it may be forced to scale back its plans for future business expansion. Furthermore, Vtion Group’s subsidiaries in China are subject to certain restrictions on the amount of foreign debt they can borrow.

- **The tax status of Vtion Group or tax legislation or its interpretation might change.**

  The PRC Enterprise Income Tax (“EIT”) Law was passed in March 2007 and took effect on January 1, 2008, introducing a uniform income tax rate of 25% for all enterprises (including foreign-invested enterprises such as Vtion IT and Vtion Software). The EIT Law revoked tax exemptions, reductions and other preferential treatment applicable to foreign-invested enterprises prior to January 1, 2008. However, there will be a transition period for enterprises that received such preferential tax treatment prior to the publication of the EIT Law. Unused tax holidays of FIEs approved before the publication of the EIT Law will continue to be effective until they expire. If the tax holidays have not started due to losses, they shall be deemed to commence from the beginning of 2008, i. e. tax holidays can only be utilized until 2012. Vtion Group benefited from such tax holidays as it was exempt from any PRC income tax for fiscal years 2007 and 2008 and will only have to pay half of the ordinary income tax rate in fiscal years 2009-2011.

The EIT Law has introduced the concept of tax resident enterprise ("TRE") defined as an enterprise which is established in the PRC under the PRC laws and regulations, or which has its de facto management body in the PRC. TREs will be subject to PRC EIT for their worldwide income, including income received from its subsidiaries. According to Article 4 of the Implementing Rules of the EIT Law ("Implementing Rules"), "de facto management body" refers to the management body that exercises essential management and control over the enterprise. As a result, if a holding company located outside the PRC was actually managed by a management body in China, the overseas company would be regarded as a TRE and subject to EIT for its worldwide income. If Vtion BVI Holding's de facto management body was located in China, it would be subject to EIT in the PRC at a rate of 25 %. According to the interpretation of Article 4 of the Implementing Rules given by the Chinese State Administration of Taxation on its website, the location of the de facto management body shall be determined by a substance-over-form method. In particular, mere off-shore board meetings shall not be sufficient for the de facto management body being located outside of China. The Company cannot rule out that Vtion BVI Holding will be regarded a TRE.

If Vtion BVI Holding is regarded as a TRE, the following applies: According to Article 26 of the EIT Law and Article 83 of the Implementing Rules, dividend distribution to TREs due to direct investments shall be exempted from EIT. Dividends distributed by Vtion IT and Vtion Software to Vtion BVI Holding would therefore be exempted from EIT. However, dividends distributed by BVI Holding to the Company would be subject to a withholding tax of 10 % according to the EIT Law, unless the Company is also regarded as a TRE. If Vtion BVI Holding and the Company are both regarded as TREs, dividends received by the Company from Vtion BVI Holding are also exempted from enterprise income tax in China. The PRC withholding tax on dividends will then only be levied if a TRE distributes dividends to non-TRE shareholders.

If Vtion BVI Holding is not regarded as a TRE, the following applies: According to the EIT Law, the exemption of withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the current tax laws is no longer available, which will subject any dividends distributed by Vtion IT and Vtion Software to such withholding tax at a rate of 10 %.

Vtion BVI Holding and the Company are holding companies without any significant operations of their own, and much of their income depends on dividends from their operating subsidiaries in China. If either Vtion IT or Vtion Software, the operating subsidiaries, or Vtion BVI Holding, were required to withhold PRC income tax on dividends paid to Vtion Group, this would have a material adverse effect on the profitability of the Company.

The current tax rules and their interpretation relating to an investment in Vtion Group may be subject to further adverse changes in the future. The applicable tax rates and exemptions may change in the future. Any change in the Vtion Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company, its ability to provide returns to shareholders and/or alter the post-tax returns to shareholders.

Statements in this report concerning the taxation of Vtion Group and the Company's investors are based on current tax laws and practices which are subject to change. In addition, the taxation regime applicable in China may change again and could have an adverse impact on the after-tax profits of Vtion IT and Vtion Software.

As almost all operating profits are generated by Vtion IT and Vtion Software, which are subject to the tax legislation of China, the materialization of the above risks could have a material adverse effect on the business, financial condition and results of operations of Vtion Group.

Overall statement to the risk situation

Neither in the fiscal year 2009 nor at the time of writing has the Management Board identified any risks that could jeopardize the company's continued existence.

Description of the main features of the internal control and risk management system relating to the financial reporting process pursuant to § 289 para. 5

The internal control and risk management system with regard to the accounting process has the goal of ensuring the correctness and effectiveness of accounting and financial reporting of Vtion Group. It is continually further developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and central functions. The main features of the internal control and risk management system of Vtion Group relating to the financial reporting process can be described as follows:

- There is a distinct division between the responsibilities of the main areas concerning the financial reporting process. The areas of responsibility are clearly assigned. The integrity and responsibility regarding finance and financial reporting are secured by an independent accounting department.
- All agreements and contracts are reviewed for their accounting relevance in order to insure timely recognition and appropriate presentation. The departments and areas involved in the financial reporting system are appropriately equipped in qualitative as well as quantitative respects.
- Accounting data received or passed on is continuously checked with regard to completeness and correctness. Processes exist to guarantee the completeness of financial reporting
- Processes exist for the segregation of duties and for the "four-eyes principle" in the context of preparing financial statements, as well as for authorization and access rules for relevant IT accounting systems. Provisions made for the Company's IT-system ensure that the financial systems used are tamper-proof.
- Accounting-relevant processes are regularly reviewed by the (impartial) internal audit.
- Transactions within the Group are fully accounted for and recorded on separate accounts to insure proper elimination during the consolidation process.

The main features of the internal control and risk management system described above ensure that corporate measures and transactions are correctly and timely validated, processed, and recorded for the financial reporting in accordance with the legal provisions, the Articles of Association and the internal guidelines. A correct, unified, continuous financial reporting system is guaranteed by input of adequate and various resources. The distinct segregation of responsibilities, and control and review processes as described above ensure a correct and responsible accounting. The system also ensures that the assets and liabilities are determined, declared and valued correctly in the financial statements and the consolidated financial statements. It is also ensured that relevant information is provided completely, promptly and reliably.

Remuneration report

Remuneration of the management board

Vtion Wireless Technology AG doesn’t pay any salaries to the members of the management board. All management board members are also employed in at least one of the operating subsidiaries. In 2009 they received the following fixed remuneration:

Name	2009	2008
	kEUR	kEUR
Chen, Guoping	39.1	31.4
Chen, Huan	20.7	19.4
He, Zhihong	32.8	31.4
Ding, Chaojie	32.8	27.0
Fei, Ping	32.8	27.0

Remuneration of the supervisory board

According to Sec. 20 of the articles of association each member of the supervisory board receives the compensation, which is determined by the general shareholders' meeting. The general shareholders' meeting has resolved on the following remuneration for the supervisory board on August 27, 2009:

Ordinary members of the Supervisory Board receive a remuneration of EUR 25,000.00 p.a., the deputy chairman receives a remuneration of EUR 35,000.00 pa. and the chairman of the Supervisory Board receives a remuneration of EUR 50,000.00 p.a. The remuneration shall be payable in installments at the end of each quarter for the respective current financial year.

In the financial year 2009 the members of the supervisory board received in total EUR 191,651 (including VAT) as remuneration.

Name	2009	2008
	kEUR	kEUR
Qian, Yingyi	50.0	50.0
Nobert Quinkert	35.0	35.0
Volker Potthoff	25.0	25.0
Liu, Yangsheng	25.0	25.0
Wang, Ning	25.0	25.0
Yang, Hua	25.0	25.0

In addition, the members of the Supervisory Board are reimbursed for their expenses and the amount of VAT which may be due on their remuneration, provided that they are entitled to charge the Company VAT and that they exercise this right.

Report by the Management Board regarding dealings among group companies

According to sec. 312 AktG (German Stock Corporations Act) the Management Board compiled a Dependence Report, which includes all transactions between Vtion Wireless Technology AG and related parties and declared the following:

"According to the circumstances known to us at the time the transactions were executed, or measures were implemented or omitted, Vtion Wireless Technology AG received appropriate consideration for every transaction and has not been disadvantaged by the implementation or omission of any measures."

Additional disclosures-Statements and report pursuant to sec. 289 para 4, 315 para 4 HGB (German Commercial Code)

1. Subscribed capital

The share capital of Vtion Wireless Technology AG amounts to EUR 15,980,000.00 and is divided into 15,980,000 no par value bearer shares with a notional amount of EUR 1.00 each.

2. Restrictions regarding voting rights and the right to transfer shares

The Founding Shareholders of Vtion Wireless Technology AG (Awill Holdings Limited, Hong Kong Vtion Wireless Technology Co. Ltd., and Sunshine Century Investment Limited) have agreed on a lock-up period for twelve months after the listing of the shares of the Company on the Frankfurt Stock Exchange (that is, October 1, 2009), and Besto Holdings Limited, CIVC Investment Limited, and SCGC Capital Holding Company Limited have agreed on a lock-up period for the first six months after the listing with respect to 50% of their shares and for a period of nine months after the listing with respect to the other 50% of their shares. They will not:

- Offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company or any securities convertible or exercisable, of or exchangeable for shares of the Company;
- Enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in the clauses above is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;
- Make any demand for or exercise any right with respect to the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;
- Propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise, support any capital increase proposed with respect to the Company without the written consent of Sal. Oppenheim.

3. Direct or indirect participation in shares

At the time of the issue of the management report the chairman of the management board of Vtion Wireless Technology AG, Mr. Chen Guoping, held 49.9% of the shares of Vtion Wireless Technology AG through Awill Holdings Ltd., and Sunshine Century Investment Ltd., of which Awill Holdings Ltd. held 46.8% of the shares of Vtion Wireless Technology AG and Sunshine Century Investment Ltd. held 3.1% of the shares of Vtion Wireless Technology AG. Awill Holdings Ltd. and Sunshine Century Investment Ltd. are two entities wholly owned by Mr. Chen Guoping. SCGC Capital Holding Ltd. held at the time of the issue of the management report 10.64 % of the shares of Vtion Wireless Technology AG.

4. Shares with exclusive rights

There are no shares with exclusive rights which grant control rights.

5. Exercise of voting rights of employees

Employees, who are shareholders in Vtion Wireless Technology AG, exercise their voting rights on their own discretion or by an authorized person.

6. Appointment and Dismissal of Management Board Members

The management board of Vtion Wireless Technology AG currently comprises five members appointed by the supervisory board pursuant to § 84 German Stock Corporation Act (AktG) for a period not exceeding five years in each case. Any extension of the term of office requires a supervisory board resolution and may be adopted no earlier than one year prior to expiry of the current term of office. In urgent cases, the local court (Amtsgericht) may appoint a missing and required management board member upon application by any person with interests meriting protection (e.g. other management board members) (§ 85 AktG).

This office would, however, then be terminated as soon as the deficiency could be rectified, e.g. as soon as the supervisory board has appointed a missing management board member. Dismissal of a management board member is permissible only with good cause (§ 84 section 3 sentences 1 and 3 AktG). Good cause includes gross negligence of duties, inability to duly perform duties or revocation of confidence by the Annual General Shareholders' Meeting, unless confidence was revoked for obvious unobjective reasons. Pursuant to § 8 para. 2 of the articles of association of Vtion Wireless Technology AG, the supervisory board may appoint a chairman as well as a deputy chairman of the management board.

7. Amendments of the articles of association

The articles of association can only be amended by a resolution of the general shareholders' meeting according to § 179 AktG (German Stock Corporation Act). Beside this the supervisory board is pursuant to § 18 para. 3 of the articles of association entitled to make changes to the articles of association, provided that these changes only concern the wording or form.

8. Authority of Management board to Issue Shares

The authority of the management board to issue shares is provided in § 4 para. 4 of the articles of association:

> "The management board is authorised to increase the share capital of the Company with the consent of the supervisory board until September, 24 2014 once or several times by up to EUR 7,990,000.00 by issue of up to 7,990000 new bearer shares no par value in consideration of contributions in cash or in kind (Authorised Capital 2009). In each case ordinary shares and/or preference shares may be issued. The management board is further authorised, in each case with the consent of the supervisory board, to provide that the pre-emption-right of the shareholders is excluded. An exclusion of the pre-emption-right, however, is only admitted in the following cases:
>
> - if the new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
>
> - for fractional amounts;
>
> - to list shares of the Company or certificates representing shares in the Company on domestic or foreign stock exchanges, where shares in the Company or certificates, representing such shares in the Company are not yet listed;
>
> - for granting shares to employees and members of the management of the Company or of a connected enterprise in connection with employees' participation programs;
>
> - if the shares are issued in consideration of contributions in cash at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emption rights is only applied to new shares that represent not more than 10 % of the share capital; for the calculation of the 10 % limitation any other exclusion of the pre-emption rights according to sect. 186 para. 3 sentence 4 Stock Cooperation Act (AktG) has to be taken into account;
>
> - as far as necessary to grant holders of convertible bonds or participation rights granting conversion rights or option rights the pre-emption right as far as such rights are to be attributed to them as far as they would be entitled to such rights as shareholders in consequence of the realisation of their respective conversion or option rights.
>
> A capital increase where the pre-emption rights are excluded may not exceed 10 % of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for the realisation of an employees' participation program.
>
> The management board shall decide with the consent of the supervisory board on the rights to, and the conditions of issue of the shares."

In addition, § 4 para. 5 of the articles of association provides for the issuance of shares due to the Contingent Capital 2009:

- The resolution of the Shareholder's Meeting held on September 25, 2009 states that the share capital shall be conditionally increased by EUR 500,000 by issuance of up to 500,000 new no par value bearer shares (Conditional Capital 2009).

The conditional capital 2009 serves the purpose of serving subscription rights under Stock Options that are granted to members of the Management Board and employees of the company, as well as members of the management bodies and employees of consolidated companies. The issuance of Stock Options needs to be resolved by either the Supervisory Board, if the beneficiary is a Management Board Member, or the Management Board for all other beneficiaries. So far no such resolution has been made yet. The absence of such a resolution by the company can be explained by the fact that the Chinese State Administration of Foreign Exchange (SAFE) has to approve the stock option plan before Chinese members of the Management Board can benefit from such a SOP. Because this approval has not been obtained until now, the company has not yet made an official resolution regarding the granting of stock options.

- The exercise price for Stock Options will correspond to the average stock price of the Company's shares on twenty immediately sequent trading days before the date of issuance of such Stock Options. Each option entitles its holder to purchase one share in the Company from the contingent capital created for this purpose against payment of the exercise price. The term of such Stock Option commences on the day of the issuance of the Stock Option and ends after 7 years. A maximum amount of 500,000 Stock Options may be issued under the Stock Option Plan within a period of 10 years. The Company's Supervisory Board is responsible for determining the issuance of Stock Options to members of the Management Board and the further details of the issuance. Stock Options may only be exercised after a holding period of four years. Moreover, their exercise is contingent upon the fulfilment of certain performance targets based on the development of the stock market price for the shares of the Company within the period from issuance to the exercise of the respective stock option. The performance targets contained in the Stock Option Plan relate to the development of the stock market price of the Company's shares, and correspond to an average increase of the stock market price of the Company's shares of 8% per year. Furthermore, the participating member of the Management Board may only exercise up to 50 % of his or her Stock Options during the first year following expiration of the holding period and further 50 % in the year thereafter.

9. No Change of control provisions

There do not exist any agreements with Vtion Wireless Technology AG, which are subject to the condition of a change of control due to a take-over.

10. No agreements on compensation in case of a take-over

There do not exist any agreements between the members of the management board or employees and Vtion Wireless Technology AG which provide for compensation in case of a change of control due to a take-over.

Corporate Governance

Corporate Governance Statement

The German Commercial Code, section 289a, which entered into force on May 29, 2009, requires listed stock corporations to publish a corporate governance statement either as part of the management report or on their website. The corporate governance statement of Vtion Wireless Technology AG is as follows:

Corporate Governance at Vtion Group

Vtion Wireless Technology AG is committed to the principles of good and responsible Corporate Governance. Corporate Governance at Vtion is focused on responsible long-term value creation and is based on the German Corporate Governance Code. We merit the trust of our shareholders, clients and employees by close and constructive cooperation between the Supervisory Board and the Management Board. The close cooperation between the two boards is characterised by open corporate communication and intense customer care as well as due care in relation to accounting, audit and risk management.

Since its implementation in 2002 the Code proved itself as benchmark for good Corporate Governance in Germany. Supervisory Board and Management Board of Vtion Wireless Technology AG explicitly support the Code and the objectives purposed by the Code.

Compliance Statement

The Compliance Statement in accordance with Section 161 of the German Stock Corporations Act (Aktiengesetz/AktG) which was jointly issued by the Management Board and the Supervisory Board has been made permanently available on the Company's website: http://www.ir-en.vtion.de/corporate-governance.html.

Information on Corporate Governance Practice

Shareholders and General Meetings

The Shareholders exercise their rights and voting rights at the General Shareholders' Meetings. According to the statutory provisions and the Articles of Association, the Annual General Meeting takes place within the first eight months of each financial year. Each share grants one vote in the General Shareholders Meeting. There are neither shares conferring multiple voting rights nor limited voting rights nor are there preference shares. The shareholders are entitled to exercise their voting rights in the General Shareholders Meetings in person or by proxy, for which they can authorise a representative of their choice or a company-nominated proxy acting on their instructions. The invitation for the Annual General Meetings as well as invitations for all other General Shareholders' Meetings will include provisions on the attendance, the procedure pertaining to the exercise of voting rights (in person or by proxy) as well as the rights of the shareholders. All reports and documents which are legally required to be made available for General Shareholders' Meetings, including the annual report, will be published on the Company's website at www.vtion.de together with the agenda.

Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together in the interest of the Company. Their common goal is to ensure the continued existence of the Company and the sustainable creation of value.

In accordance with statutory requirements, Vtion Wireless Technology AG has a so-called two-tier governance system which is characterised by the Management Board and the Supervisory Board being two separate and independent corporate bodies. The Management Board is responsible for managing the Company, developing the Company's strategy, agreeing this strategy with the Supervisory Board and implementing it. The Supervisory Board supervises and advises the Management Board and is directly involved in decisions which are of fundamental importance for the Company and, therefore, require the prior approval of the Supervisory Board. The Management Board provides the Supervisory Board with regular detailed reports and updates on business policy and all issues of relevance for the Company relating to the planning, business development, the risk situation and the risk management system.

The Management Board also reports about compliance, i.e. the implemented means through which adherence to statutory provisions and Vtion's internal statutes is ensured.

Conflicts of interest of the Management Board or Supervisory Board members, which must be disclosed immediately to the Supervisory Board, did not occur in the financial year 2009, except as set out below:

In its meeting held on August 27, 2009, the Supervisory Board approved the outside offices of the Company's Chief Executive Officer, Mr. Chen Guoping at the following companies:

- Awill Holdings Limited;
- Sunshine Century Investment Limited;
- Mobile Multimedia Co. Limited (Beijing);
- Fujian Vtion Telecom Information Service, Co. Limited;
- Fujian CH - Digital Technology Co. Limited.

In its meeting held on August 27, 2009, the Supervisory Board approved the outside offices of the Company's Chief Technical Officer, Mr. He Zhihong, at the following companies:

- Hong Kong Vtion Wireless Technology Company Limited;
- Vtion Technology (China), Co. Limited;
- Fujian Vtion Telecom Information Service, Co. Ltd.

In the same meeting, the Supervisory Board approved the engagement letters between the Company and the law firm CMS Hasche Sigle, for which the Supervisory Board member Mr. Volker Potthoff works in an "of Counsel" capacity.

Other conflicts of interest may arise from the indirect shareholdings of Mr. Chen Guoping and Mr. He Zhihong in Vtion Wireless Technology AG as set out in the section "Information on the Corporate Governance Practice - Directors' Dealings".

According to the recommendations of the German Corporate Governance Code, the remuneration of the members of the Management Board and the Supervisory Board are disclosed on an individual basis. The general rules of the remuneration system and the remuneration itself are more specifically referred to in the Remuneration Report which is part of the Annual Report.

Directors' Dealings

According to Section 15a of the Securities' Trading Act (Wertpapierhandelsgesetz/WpHG), the members of the Management Board and the Supervisory Board and/or persons close to them are obliged to disclose the purchase and sale of Vtion Wireless Technology AG shares and related financial instruments whenever the value of such transaction amounts to EUR 5,000 or more within a calendar year. For the financial year 2009 Vtion Wireless Technology AG has not been notified of any such transactions.

On December 31, 2009, the total volume of shares in Vtion Wireless Technology AG directly or indirectly held by all members of the Management Board and the Supervisory Board amounted to 49.9% of the aggregate amount of issued shares. This was comprised of 46.8% of the shares held by Awill Holdings Limited, Hong Kong, and 3.1% of the shares held by Sunshine Century Investment Limited, Hong Kong, both companies are wholly owned by the Company's Chief Executive Officer (Vorstandsvorsitzender), Mr. Chen Guoping. In addition, 6.3% of the Company's shares are held by Hong Kong Vtion Wireless Technology Company Limited, British Virgin Islands, which is held by Mr. He Zhihong, the Company's Chief Technical Officer (Technischer Vorstand) (27%), and two brothers of Mr. Chen Guoping being Mr. Chen Guohe (51%), and Mr. Chen Guoshun (22%).

Accounting and Audit

Vtion Wireless Technology AG prepares its annual consolidated financial statements as well as all quarterly financial statements in accordance with the International Financial Reporting Standards (IFRS). The individual annual financial statements are prepared in accordance with the German generally accepted accounting principles and the statutory provisions of the German Commercial Code (Handelsgesetzbuch/HGB).

The sole basis for the profit distribution is the individual annual financial statements prepared under HGB.

The individual and consolidated financial statements are prepared by the Management Board. The audit of the individual and consolidated annual financial statements is devoted to the auditor appointed by the Annual General Meeting. For the financial year 2009, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg, has been appointed as auditor by the Annual General Meeting on August 31, 2009. The individual and consolidated financial statements as prepared by the Management Board and audited by the Company's auditor are reviewed and approved by the Supervisory Board.

Corporate Compliance

At Vtion Wireless Technology AG compliance, i.e. measures to ensure adherence to statutory provisions, internal statues and Company policies and observance of these measures and rules by affiliated companies, is a key management duty. The Company has developed internal rules as well as a code of conduct through which any employee of the Company itself and/or its affiliated entities is obliged to comply with all statutory provisions and the rules set forth in these internal guidelines. The Company puts great emphasis to fully comply with both German and Chinese statutory legal provisions and conventions.

Risk Management

Good Corporate Governance includes dealing responsibly with risks. The Management Board keeps the Supervisory Board timely and duly informed about existing risks and their development. The Supervisory Board regularly deals with monitoring of the accounting process, the effectiveness of internal control, risk management and internal auditing systems as well as monitoring the auditing of the financial statements. The internal control, risk management and internal auditing systems are continuously evolved and adapted to changing conditions.

Transparency

Our investors and shareholders as well as the interested public domain are provided with information on Vtion Wireless Technology AG and Vtion Group as well as on major business events particularly through financial reports (annual reports and quarterly reports), analyst meetings and conferences, balance sheet conferences, press releases, ad hoc notifications as well as other notifications required by law. All this information is published in German and English. In addition, our shareholders are provided with respective information at the Annual General Meeting and all other General Shareholders Meetings. The financial statements, ad hoc releases and notifications on directors' dealings as well as press releases can also be viewed on the Company's website at www.vtion.de. All shareholders and interested parties can subscribe to an electronic e-mail alert on our website or directly get in touch with us.

Management Board

The members of the Management Board are appointed by the Supervisory Board. The Management Board is responsible for the management of the Company. The Management Board sets out the strategic goals, the main business strategy and the group's policy and organisation. This includes the steering of the group, the management and investment policy pertaining to the financial resources, the development of personnel strategy, the engagement of key employees and the presentation of Vtion Group to the capital market and the public domain.

The Management Board of Vtion Wireless Technology AG comprises five members. The current members of the Management Board are Mr. Chen Guoping (Chairman and Chief Executive Officer) and Mr. He Zhihong, Mr. Chen Huan, Mrs. Fei Ping and Mr. Ding Chaojie.

The Management Board is obliged to continuously, timely and comprehensively inform the Supervisory Board on all matters which are relevant for Vtion Group. This information includes the intended business policy, the group's profitability, the recent development of the business activities and the financial and economic status of the Company, the business planning, the actual risk situation, the risk management and the compliance. The Management Board must immediately inform the chairman of the Supervisory Board on matters of major importance.

For certain business transactions and measures as more specifically set forth in the by-laws for the Management Board, the Management Board must obtain the Supervisory Board's prior approval.

The members of the Management Board are obliged to disclose conflicts of interest to the Supervisory Board. The Supervisory Board has to report on any conflicts of interest to the shareholders. All possible conflicts of interest of Management Board members are set out in the section "Information on Corporate Governance Practice – Cooperation between Management Board and Supervisory Board" of this Corporate Governance Report.

The Company has entered into a D&O insurance for its members of the Management Board and Supervisory Board which is in line with the statutory requirements of § 93 of the German Stock Corporations Act.

Supervisory Board

The task of the Supervisory Board is above all to control and advise the Management Board. The Supervisory Board is furthermore responsible for the appointment of the members of the Management Board, the determination of their remuneration as well as the review and approval of the annual financial statements of the Company. In addition, the Supervisory Board is responsible to decide on granting the approval to business transactions which require the prior consent of the Supervisory Board.

The Supervisory Board is composed in accordance with Sections 95 and 96 of the German Stock Corporations Act (Aktiengesetz/AktG) and consists of six members. The current members of the Supervisory Board are Yingyi Qian (chairman), Norbert Quinkert (deputy chairman), Hua Yang, Yangsheng Liu, Ning Wang and Volker Potthoff.

The members of the Supervisory Board are obliged to disclose conflicts of interest to the Supervisory Board. The Supervisory Board has to report on any conflicts of interest to the shareholders. All possible conflicts of interest of Supervisory Board members are set out in the section "Information on Corporate Governance Practice – Cooperation between Management Board and Supervisory Board" of this Corporate Governance Report.

The Company has entered into a D&O insurance for its members of the Management Board and Supervisory Board which is in line with the statutory requirements of § 93 of the German Stock Corporations Act.

Report on Expected Development

Growth of the Chinese economy

Chinese government sets the target for economic development in year 2010 at an increase of GDP by approximately 8%, through continually implementing a proactive fiscal policy, the structural tax reduction policy to expand domestic demand, and a moderately easy monetary policy. This growth is supported by the economic stimulus package in the amount of RMB 4 trillion RMB that the PRC government announced in November 2008. The projected first quarter GDP growth amounts to 11.5%.[19] The strong growth of the Chinese economy has resulted in an increased standard of living, especially in China's coastal regions, and has created a larger number of wealthy Chinese consumers. Wealthy consumers who use wireless data cards to access the internet could become an increasingly important customer target group for Vtion Group. The continued growth of the Chinese economy, combined with further decreasing prices of the wireless data cards and access to wireless networks, should lead to increased sales from this customer group and thus affect Vtion Group's results of operations.

Roll-out of 3G networks and expected Business Development

Vtion believes that 2010 will be a key year for 3G development in China, given that the network rollouts have now reached a stage in their progress where the buildup of the user bases should accelerate and greater demand for services and other industry applications should begin to emerge. Vtion believes that its full year 2009 results reflect a strong position within a vibrant and rapidly developing industry. Going forward the company intends to leverage that position to take advantage of the market opportunity before it.

The company intends to strengthen its value chain in order to maintain its competitive strengths as a wireless data card provider. The market for wireless data cards in China will continue to grow as the pace of new users being added to the 3G networks increases, and through such efforts in the data card aspect of its business Vtion will look to take advantage of such growth in the market. At the same time, the company anticipates that as the networks mature, other opportunities will emerge beyond the pall of wireless data card supply. Therefore, while staying true to its current core strength as a wireless data card supplier, the company will also use the next three to five years' time to put a stronger strategic emphasis on the services and applications portions of the company business. With the Mobile Business Club and the Virtual Network components of its business, the company already has two modules in place that will allow it to move into these areas. As more opportunities emerge, the company will continue to expand on these current business areas while looking to expand and add other modules to the company business that allow the company to become more integrated into the 3G industry. As a top wireless data card supplier, the company enjoys strong ties to the Chinese telecom operators, both on a national and regional level. This is something the company will leverage as the industry develops to expand its penetration into the array of 3G business opportunities, and grow into a comprehensive provider of 3G wireless data solutions, including hardware, service, virtual networks and other applications.

[19] "Experten: Chinas BIP-Wachstum in Q1 wohl bei 11,5 Prozent," Reuters Deutschland, February 5, 2010, (http://de.reuters.com/article/economicsNews/idDEBEE61404I20100205).

The company is constantly developing new products. The table below shows the development plan for Vtion Group's wireless data cards for 2010 (the plan may change according to the market and development situation):

Network Standard	Interface	Model
CDMA2000	Rotate USB	E1920
	Express 34	E1980
	USB Stick	E1910
	USB Stick	E2010
UMTS	USB Stick	U1910
	USB Stick	U1912
	Rotate USB Stick	U1920+
	USB Slider	U1930
	USB Stick	U2010
	Express 34	U1980
TD-SCDMA	USB Stick	TG1917
	USB Stick	TG1910
	USB Slider	TG1930

Company Development

The goal of Vtion Group is to sustainably increase our market share in terms of qualitative growth and at the same time to expand our earnings base. Vtion believes that year 2010 and 2011 will be crucial for 3G developments in China, given that the network rollouts have now reached a stage in their progress where the buildup of the user bases should accelerate and greater demand for services and other industry applications should begin to emerge. Going forward the company intends to leverage that position to take advantage of the market opportunity before it.

The first measure the company intends to take in order to do so is to strengthen its value chain in order to maintain its competitive strengths as a wireless data card provider. The market for wireless data cards in China will continue to grow as the pace of new users being added to the 3G networks increases, and through such efforts in the data card segment aspect of its business Vtion will look to take advantage of such growth in the market. For 2010 and 2011 we are confident that we will receive more orders for wireless modem segment. We expect that the orders to be received in 2010 will yield impressive results in the years to come.

At the same time, the company anticipates that as the networks mature, other opportunities will emerge beyond the pall of wireless data card supply. Therefore, while staying true to its current core strength as a wireless data card supplier, the company will also use the next three to five years' time to put a stronger strategic emphasis on the services and applications portions of the company business. As more opportunities emerge, the company will continue to expand on these current business areas while looking to expand and add other modules to the company business that allow the company to become more integrated into the 3G industry. As a top wireless data card supplier, the company enjoys strong ties to the Chinese telecom operators, both on a national and regional level. This is something the company will leverage as the industry develops to expand its penetration into the array of 3G business opportunities, and grow into a comprehensive provider of 3G wireless data solutions, including hardware, service, virtual networks and other applications. For year 2010 and 2011, we believe the revenue from data solution service segment would experience stable growth.

In addition to lifting sales, we believe the earnings in 2010 and 2011 would experience positive development through active cost management and the improvement of highly efficient use of resources. We aim to generate competitive returns.

We realize that the future growth opportunities are accompanied with risks and challenges. Plans might have to be adjusted and the current business environment makes reliable forecasts difficult. However, we believe that our R&D team, sales network, and strong brand will make us one of the leaders in the Chinese wireless market.

All information about the development of Vtion Group are based on our best estimate and knowledge to the time of preparing this report. Therefore real results can be different in the future.

Frankfurt/ Main, April 6, 2010

Management Board

Chen Gouping Chen Huan Ding Chaojie Fei Ping He Zhihong

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

Consolidated income statement for the period ended December 31, 2009

	Notes	2009	2008
		EUR	EUR
Sales	2.13, 4.1, 4.2	67,638,908	39,176,295
Cost of sales		-45,074,798	-23,086,333
Gross Profit		22,564,110	16,089,962
Other operating income	2.13, 2.14, 4.1	359,035	545,226
Selling and distribution expenses		-1,980,973	-1,371,354
Administrative expenses	4.4	-1,991,212	-2,580,321
Other operating expenses		-26,220	-81,607
Profit from operations		18,924,740	12,601,906
Finance income	2.13, 6.3	176,111	271,567
Finance expenses	4.7, 6.3	-208,372	-481,019
Profit before income tax		18,892,479	12,392,454
Income tax	2.19, 4.8	-2,335,454	0
Profit for the period		16,557,025	12,392,454
Earnings per share*		1.31	1.13

* Computed on the basis of average weighted 12,614,247 shares for 2009, and respectively average weighted 10,994,754 shares for 2008.

Consolidated statement of recognized consolidated income and expenses for the period ended December 31, 2009

	2009	2008
	EUR	EUR
Profit after tax	16,557,025	12,392,454
Foreign currency translation/Changes in value recognized directly in equity	-1,197,170	3,713,251
Earning after tax and changes in value recognized directly in equity	15,359,855	16,105,705

Consolidated balance sheet as of December 31, 2009

	Notes	Dec. 31, 2009	Dec. 31, 2008
		EUR	EUR
ASSETS			
Current assets			
Inventories	2.9, 5.1	3,768,270	4,882,286
Trade receivables	2.2, 2.8, 5.2, 6.3	34,789,603	6,366,040
Other receivables and prepayments	2.8, 5.2, 6.3	5,295,077	6,738,026
Amounts due from related parties	2.16, 5.3, 6.2, 6.3	1,390,572	1,429,263
Cash and cash equivalents	2.7, 5.4, 6.3	61,482,107	30,336,001
		106,725,629	**49,751,616**
Non-current assets			
Property, plant and equipment	2.2, 2.4, 2.6, 4.6, 5.5,	635,499	493,056
Intangible assets	2.5, 2.6, 4.7, 5.6	1,307,267	752,321
Deferred tax assets	5.7	1,201,447	-
		3,144,213	1,245,377
Total assets		**109,869,842**	**50,996,993**
LIABILITIES			
Current liabilities			
Trade payables	5.8, 6.3	8,224,990	8,270,610
Other payables and accruals	5.8, 6.3	4,954,137	3,323,477
Amounts due to related parties	2.16, 5.9, 6.2, 6.3	-	3,802,467
Income tax payable		684,542	-
Total liabilities		**13,863,669**	**15,396,554**
CAPITAL AND RESERVES			
Share capital	1.1, 2.10, 5.10.1	15,980,000	11,480,000
Capital surplus	5.10.2	48,162,668	7,616,789
Retained earnings	5.10.2	29,720,384	13,163,359
Foreign exchange difference	2.3	2,143,121	3,340,291
Total equity		96,006,173	35,600,439
Total liabilities and equity		**109,869,842**	**50,996,993**

Consolidated statement of changes in equity
for the period ended December 31, 2009

in EUR	Share capital Vtion AG	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at January 1, 2008	10,000,000	-	770,905	-372,960	10,397,945
Capital injection	1,480,000	8,376,800	-	-	9,856,800
Equity transaction costs charged to equity	-	-760,011	-	-	-760,011
Net profit	-	-	12,392,454	-	12,392,454
Foreign currency translation reserve	-	-	-	3,713,251	3,713,251
Balance as at December 31, 2008	**11,480,000**	**7,616,789**	**13,163,359**	**3,340,291**	**35,600,439**
Balance as at January 1, 2009	11,480,000	7,616,789	13,163,359	3,340,291	35,600,439
Capital injection	4,500,000	43,875,000	-	-	48,375,000
Equity transaction costs charged to equity	-	-3,329,121	-	-	-3,329,121
Net profit	-	-	16,557,025	-	16,557,025
Foreign currency translation reserve	-	-	-	-1,197,170	-1,197,170
Balance as at December 31, 2009	**15,980,000**	**48,162,668**	**29,720,384**	**2,143,121**	**96,006,173**

Consolidated Cash Flow Statement
for the period ended December 31, 2009

	2009	2008
	EUR	EUR
Profit before income tax	18,892,479	12,392,454
Adjustments for:		
Amortization of intangible assets	125,985	89,732
Allowance for doubtful trade debts	8,654	-28,161
Depreciation of property, plant and equipment	103,362	67,538
Loss on disposal of property, plant and equipment	33,784	7,157
Interest income	-176,111	-271,567
Interest expense	-	311,532
Bank charges and exchange loss	208,372	169,488
Operating cash flow before working capital changes	**19,196,524**	**12,738,173**
Working capital changes:		
(Increase)/decrease in		
Inventories	1,114,015	-2,575,216
Trade receivables	-28,423,563	3,768,209
Other receivables and prepayments	1,442,950	-3,926,902
Amounts due from related parties	38,691	-3,183,607
Increase/(decrease) in:		
Trade payables	-45,620	3,418,817
Other payables and accruals	1,630,660	150,285
Amounts due to related parties	-3,802,467	1,727,773
Income tax payable	684,542	-
Cash generated from/(used in) operations	**-8,164,269**	**12,117,532**
Interest received	176,111	271,567
Interest expense	-	-
Income tax paid	-1,654,182	-
Net cash generated from operating activities	**-9,642,340**	**12,389,099**
Cash flow from investing activities		
Purchase of intangible assets	-706,599	-199,359
Purchase of land, property, plant and equipment	-280,475	-343,726
Disposal of land, property, plant and equipment	-	7,157
Cash flow used in investing activities	**-987,074**	**-535,928**
Cash flow from financing activities		
Increase in capital injection	43,861,329	9,096,789
Increase in short-term bank borrowings	-	-5,180,239
Interest paid	-	-311,532
Cash flow from financing activities	**43,861,329**	**3,605,018**
Net increase in cash and cash equivalents	33,231,915	15,458,189
Cash at beginning of year	30,336,001	12,223,535
Foreign exchange difference	-2,085,810	2,654,277
Cash at end of the period	**61,482,107**	**30,336,001**

Notes to the Consolidated Financial Statements for the Business Year Ending December 31, 2009

1. Background and Basis of Preparation

1.1 The Company

Formation, Business Name, Registered Office, Financial Year and Term of the Company

Vtion Wireless Technology AG has been formed by means of a notarial deed of incorporation (Gründungsurkunde), dated October 1, 2007. The business name (Firma) of the Company is “Vtion Wireless Technology AG”. The formation of the Company became legally effective by registration in the commercial register (Handelsregister) with the local court (Amtsgericht) of Frankfurt am Main on November 12, 2007, where the Company is registered under the registration number HRB 81718. The legal domicile (Sitz) of the Company is Frankfurt am Main, Germany, and the Company has its current business address at 11-12,11F Westhafen Tower, Westhafenplatz 1, D-60327 Frankfurt/M. Germany. The Company’s financial year (Geschäftsjahr) is the calendar year (i. e. January 1 through December 31). The duration of the Company (Dauer der Gesellschaft) is unlimited.

Business Purpose of the Company

The Company’s business purpose (Unternehmensgegenstand) is the holding and administration and the disposal of direct and indirect participations and investments in the area of Wireless Technology and the providing of services for affiliated entities. According to section 2, para. 2 of the Articles of Association, the Company is entitled to conduct all measures and business transactions, which it deems necessary and useful for the implementation of the purpose of the Company. In particular, it may for this purpose establish branches in the country, where it has its seat. Abroad, it may establish or acquire companies of the same or similar type, or acquire an interest in such companies, demerge parts of its business to subsidiaries and associated companies, including joint ventures with third parties, sell interests in other companies, conclude enterprise agreements, or limit itself to the management of shareholdings.

Group Structure and Recent Corporate Restructuring of the Vtion Group

The operational business of Vtion Group in 2008 is exclusively carried out by Vtion Information Technology (Fujian) Co. Ltd. (“Vtion IT”), Fuzhou, Vtion Software (Fujian) Co. Ltd. (“Vtion Software”), Fuzhou. The operational business of Vtion Group in 2009 is exclusively carried out by Vtion IT, Vtion Vtion Software, and Vtion Communication (Fujian) Co., Ltd. (“Vtion Communication”). All of which are limited liability companies formed under the laws of the PRC.

These entities are registered as wholly foreign-owned enterprises. The sole shareholder of Vtion Communication is Vtion IT. The sole shareholder of Vtion IT and Vtion Software is Vtion Technology (China) Co. Ltd. (“Vtion BVI Holding”), a limited liability company formed under the laws of British Virgin Islands, which is a wholly-owned subsidiary of Vtion Wireless Technology AG (the “Company”).

Vtion IT was established in 2002 under the laws of People's Republic of China. The current registered capital and fully paid-in share capital of Vtion IT is USD 30,000,000 by December 31, 2009.

Vtion Software was established by Vtion BVI Holding on February 9, 2007 under the laws of People's Republic of China. The registered capital and fully paid up share capital of Vtion Software amounts to HKD 10,000,000. Vtion Software started its business operations in June 2007.

Vtion Communication was established by Vtion IT on November 20, 2009 under the laws of People’s Republic of China. The registered capital of Vtion Communication amounts to RMB 8,000,000. Vtion IT fully paid in the registered capital of RMB 8,000,000 and therefore did not acquire any assets or liabilities of Vtion Communication. Vtion Communication started its business operation in December 2009 and didn’t have any revenue in 2009.

All shares in Vtion IT and Vtion Software are held by Vtion BVI Holding, a limited liability company, formed under the laws of British Virgin Islands on January 27, 2005 and being registered with the Registrar of Companies in British Virgin Islands under the registration number 639297. The authorised share capital of Vtion BVI Holding amounts to USD 50,000 and is fully paid-up.

Vtion IT has been acquired by Vtion BVI Holding on May 9, 2007 (obtaining of control).

Upon formation of the Company, all shares in Vtion BVI Holding were transferred to the Company by means of a share contribution agreement (Einbringungsvertrag) dated October 10, 2007 as a contribution in kind (Sacheinlage).

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

Amounts in kEUR	Share	Equity Dec. 31, 2009	Results 2009
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	250	-114
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	52,442	14,504
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	11,126	2,540
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	813	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.

Share Capital and Shares

After the offering , the registered share capital of the Company amount s to EUR 15,480,000 and is divided in 15,480.000 no par value ordinary bearer shares with a notional amount of the share capital of EUR 1.00 each. The Company’s registered share capital is fully paid up.

Authorized Share Capital

As at the date of publication of the Prospectus, the authorized capital of the Company amounts to EUR 5,000,000. According to Section 4, paragraph 4 of the Company’s Articles of Association (Satzung) the management board is authorized to increase the share capital of the Company with the consent of the supervisory board by up to EUR 5,000,000 by issue of up to 5,000,000 new no par value bearer shares in consideration of contributions in cash or in kind. This authorization is effective until 15 October 2012 and can be exercised once or several times until the total limit of EUR 5,000,000 is reached.

In the extraordinary general meeting of shareholders held on 29 September 2009, the authorized capital of the Company was increased to up to EUR 7,990,000. The authorization will be effective for five years until September 28, 2014.

In each case of an increase of capital from authorized capital, ordinary shares and/or preference shares may be issued. The management board is further authorized, in each case with the consent of the supervisory board, to provide that the pre-emption rights of the shareholders are excluded.

Development of the Share Capital

The Company has been formed by means of contribution in kind (Sachgründung), where the founders have contributed all their shares in Vtion BVI Holding against the issuance of 10,000,000 bearer shares non par value (Stückaktien) with a nominal amount of the share capital of EUR 1.00 each. The Company’s share capital is fully paid in.

On April 3, 2008 the Company and the Corporate Shareholders have agreed to increase the Share capital by EUR 1,480,000 and to issue and to allot 1,480,000 new shares. The new Investors have agreed to subscribe for 1,480,000 new shares, which will in aggregate represent (12.89%) of the enlarged issued share capital. On the extraordinary General Meeting of Vtion Wireless Technology AG the shareholders adopted unanimously that the share capital shall be increased by EUR 1,480,000 from a current EUR 10,000,000 to EUR 11,480,000 in return for a contribution in cash by means of the issue of 1,480,000 new bearer shares with no par value.

At April 29, 2008 the amount for the capital increase of EUR 1,480,000 is full paid in and declared to the registration.

On October 1, 2009 the Company increased the capital against cash contribution by an initial public offering up to 4,500,000 new ordinary bearer shares non par value ("New Shares"), which having a nominal amount of the share capital of EUR 1.00 each. Upon implementation and registration of the capital increase in connection with the issuance of the New Shares, the share capital amounts to EUR 15,980,000. The shares are being traded in the Prime Standard at Frankfurt Stock Exchange with ISIN DE000CHEN993.

The Shareholder Structure of Vtion Wireless technology AG

The following table provides an overview of the shareholding structure and the participation of the shareholders in the share capital of Vtion Wireless Technology AG as of December 31, 2009

Name of shareholder	Ordinary bearer shares	in %
Awill Holdings Limited, Hong Kong[20]	7,480,000	46.8
Hong Kong Vtion Wireless Technology Company Limited, British Virgin Islands[21]	1,000,000	6.3
Sunshine Century Investment Limited, Hong Kong[22]	500,000	3.1
Besto Holdings Limited,British Virgin Islands	500,000	3.1
CIVC Investment Limited, Cayman Islands	300,000	1.9
SCGC Capital Holding Company Limited, British Virgin Islands	1,700,000	10.6
Free Float	4,500,000	28.2
Total	**15,980,000**	**100**

1.2 Basis of Preparation

In connection with the implementation of Vtion AG and Vtion BVI Holding as holding companies, a group structure has been established in 2007. During those restructuring transactions, which took place in 2007, the ultimate controlling party of all entities involved has been the Chen family. Both the acquisition of a 100% interest in Vtion IT by Vtion BVI Holding and subsequently the acquisition of a 100% interest in Vtion BVI Holding by the Vtion AG involved the combination of entities under common control.

These transactions did not represent business combinations as defined in IFRS 3 "Business Combination", and there is no guidance elsewhere in IFRS which covers the accounting for such transactions. In the absence of an international standard or interpretation that specifically applies to a transaction, paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" set out the approach to be followed. This requires, inter alia, that where IFRS do not provide guidance for a particular issue, management should select an appropriate accounting policy.

In this context, the approach chosen for the accounting for the combination of the shell companies with the operating company Vtion IT has been an adaptation of purchase accounting in analogous application of IFRS 3. Under IFRS 3 a newly set up shell company cannot be regarded as the acquirer in the business combination, therefore the transaction has been accounted for as a reverse acquisition.

The consolidated financial statements of Vtion AG are regarded as a continuation of the financial statements of the legal subsidiary, which is identified as the acquirer according to the accounting for a reverse acquisition.

[20] Awill Holdings Limited is an entity wholly owned by Mr. Chen Guoping.
[21] Hong Kong Vtion Wireless Technology Co., Ltd., British Virgin Islands is an entity 51% of which is owned by Mr. Chen Guohe (a brother of Mr. Chen Guoping), 27% of which is owned by Mr. He Zhihong (the chief technology office of Vtion IT) and 22% of which is owned by Mr. Chen Guoshun (a brother of Mr. Chen Guoping).
[22] Sunshine Century Investment Limited is an entity wholly owned by Mr. Chen Guoping.

Consolidation measures are essentially related to the presentation of equity elements in the balance sheet and the statement of changes in equity and do not materially affect the equity total. No goodwill arose from the acquisitions.

The 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 International Accounting Standards Board (IASB) and by the EU along with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of aforementioned scope of consolidated financial statements.

The consolidated financial statements were generally prepared using the historical cost convention. Exceptions to this rule relate to financial instruments assigned to the “available for sale“ category, which are measured at fair value where such fair value can be reliably determined. The consolidated income statement was prepared using the cost of sales method. Individual line items have been summarised in the income statement and the balance sheet to clarify the presentation. These items are disclosed and explained separately in the notes. The financial statements are presented in EUR, and all monetary amounts are rounded to full EUR except when otherwise stated.

The accounting policies correspond generally to those applied in the previous year. In addition, the Group has applied the following new or revised standards and interpretations that are relevant to the business activities of the Group and were required to be applied for the first time in the 2009 business year:

IAS 1 Revised Presentation of Financial Statements

IAS 23 Revised Borrowing Costs

IAS 27 Amendments – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IAS 32/IAS 1 Amendments – Financial Instruments: Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

IFRS 1 Revised First-time Adoption of International Financial Reporting Standards

IFRS 2 Amendment Share-based-Payment – Vesting Conditions and Cacellations

IFRS 7 Amendments – Financial Instruments: Disclosures

IFRS 7 and IAS 39 Amendments: Reclassification of Financial Instruments as well as Financial Assets

IFRS 8 Operating Segments

IFRIC 13 Customer Loyalty Programmes

IFRIC 15 Agreements for the Construction of Real Estate

Apart from additional disclosure requirements, application of these Standards and Interpretations has had no material effects on the consolidated financial statements. The following new or revised Standards and Interpretations relevant for the Vtion Group´s business operations are published as of December 31, 2009, but not yet required to be applied for this financial year then ended:

IAS 27 Amendment – Consolidated and Separate Financial Statements

IAS 39 Amendment – Financial Instruments: Eligible Hedged Items

IFRS 1 Amendment – First Time Adoption of International Financial Reporting Standards

IFRS 3 Revised – Business Combinations

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 17 Distributions of Non-Cash Assets to Owners

IFRIC 18 Transfer of Assets from Customers

The Group did not exercise any options to apply Standards and Interpretations prior to their effective date. Apart from additional or modified disclosure requirements, no significant effects are expected on the consolidated financial statements

2. Significant accounting policies

2.1 Basis of Consolidation

A subsidiary is a company controlled by the Company. Control is obtained when the Company has the power, directly or indirectly, to govern its financial and operating policies of the company so as to acquire benefit from its activities. Investment in subsidiary, if any, is stated in the Company's balance sheet at cost less any impairment losses.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All inter-group balances, transactions, income, expenses, profits and losses resulting from inter-group transactions are fully eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Acquisitions of subsidiaries, if any, are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination, is recognized in the income statement on the date of acquisition.

2.2 Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenue and expenses during the reporting period.

The following estimates, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are disclosed below:

a) Allowance for Trade Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivables.

Management uses judgement to determine the allowance for doubtful receivables which are supported by historical write-off credit history of the customers and repayment records. The Group reviews its allowance for doubtful receivables regularly. Accounts balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

b) Depreciation of Plant and Equipment

The cost of plant and equipment used for the manufacturing process is depreciated on a straight-line basis over its estimated useful life. The management estimates the useful life of these plant and equipment to be within 5 years. These are common life expectancies applied in machine manufacturing industry. The net carrying amount of the Group's plant and equipment at Vtion Wireless Technology AG were EUR 635,499. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of these assets, therefore future depreciation charge could be revised.

Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

c) Provision for Warranty

Assumptions used to calculate the provision for warranties, were based on current sales levels and current information available about returns. Currently management encounters only a minor number of cases which are not material.

2.3. Functional and Presentation Currency

a) Functional Currency

The directors have determined the currency of the primary economic environment, in which the Group operates, to be Renminbi ("RMB"). Sales and major costs of the providing goods and services, including major operating expenses are primarily influenced by fluctuations in RMB.

b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the combined entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values are determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognized in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognized initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognized in the consolidated income statement on disposal of the subsidiary.

c) Foreign Currency Translation

The presentation currency of the Group is EUR. The results and financial position of the combined entities which are measured in a currency other than EUR are translated from RMB into EUR as follows:

	RMB	
EUR	**2009**	**2008**
year end	9.8350	9.4956
average	9.5277	10.2236

Assets and liabilities for each balance sheet are presented at the closing rate ruling at the balance sheet date, and income and expenses for income statements are translated at average exchange rates for the year, which approximates the exchange rates at the date of transactions.

All resulting exchange differences are recognized in the currency translation reserve, a separate component of equity.

2.4 Property, Plant and Equipment

Property, plant and equipment are recorded at historic cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to amortize the costs of the assets over their estimated useful life, using the straight-line method, as follows:

Office equipment	5 years
Machinery	5 years
Motor vehicle	5 – 10 years
Electronic equipment	5 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.5 Intangible Assets

a) Land Use Rights

The subsidiary Vtion IT in Fuzhou, China, acquired land use rights in connection with the construction of a new Research & Development building and facilities in 2007. The land use rights are amortized over a period of 50 years.

b) Software and licenses

Acquired software and licenses are capitalized on the basis of cost incurred to acquire and bring it to the intended use condition. Direct expenditure, which can enhance or extend the performance of the software or licenses and which can be measured reliably, is recognized as a capital improvement and added to the original cost of the software or licenses. Costs associated with maintaining the software or licenses are recognized as expense as incurred.

Software and licenses are stated at cost less accumulated amortization and any impairment losses. The costs are amortized using a straight-line method over its estimated useful life, as follows:

Software	3 – 5 years
Licenses	3 – 10 years

2.6 Impairment of Non-financial Assets, if any

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss has been recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount can not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The reversal of an impairment loss is recognized in the income statement. After such a reversal, the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic base over its remaining useful life.

In 2009 and 2008, there has been no need for an impairment of non-financial assets.

2.7 Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, bank deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changes in value.

2.8 Trade and Other Receivables

Trade and other receivables are recognized and carried at original amount less an allowance for any uncollectible amounts. Bad debts are written off when identified.

2.9 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost incurred in bringing the inventories to their present location and condition is accounted for as follows:

Raw materials:	Purchase cost on a weighted average basis
Finished goods and work-in-process:	Costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include interest-bearing short-term bank loans, trade and other payables.

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and service received. Gains are recognized in the income statement when the payment of the liabilities is identified to be needless.

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issuance costs associated with the borrowing.

2.11 Provisions

If necessary provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the discounting effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expenses.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.12 Operating Lease

When the Group is the lessee:

Leases of assets, under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as an expense on a straight-line basis over the period of the respective leases.

When the Group has the use of assets under operating leases, payments made under the leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

a) Sales of Goods

Revenue is recognized upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Rendering Service

Revenue from rendering service is recognized when the services are rendered and relating revenue can be measured reliably.

c) Interest Income

Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective-yield basis.

2.14 Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognized in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relate to an asset, the fair value is recognized as deferred capital grant on the balance sheet and is amortized to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.15 Employee Benefits

The Group participates in national pension schemes as defined by the laws of the country in which it has operations. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

2.16 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2.17 Interest-Bearing Loans

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issuance costs associated with the borrowing.

All borrowing costs are expensed and not capitalized.

2.18 Derecognition of Financial Assets and Liabilities

a) Financial Assets

A financial asset is derecognized where:

- The contractual rights to receive cash flows from the assets have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

2.19 Taxation

Income tax for the financial year comprises current tax as well as deferred tax. Income tax is recognized in the income statement except for the extent that relates to items recognized directly in equity.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.20 Earnings per Share

At October 1, 2009 Vtion AG issued 4,500,000 New Shares in initial public offering in return for a contribution in cash. For the purpose of calculating basic earnings per share, the number of ordinary shares shall be weighted. The weighted average number of ordinary shares was calculated by the time-weighting factor.

Earnings per share calculation is based on the profit of the period (after taxes, attributable to the parent company) and average weighted shares. The calculation has been computed on the basis of an average of 12,614,247 (2009) respectively 10,994,754 (2008) shares.

3. Segment Analysis

The primary segment reporting format is determined to be business segment as Vtion Group's risks and rates of return are affected predominantly by differences in the products and service. The operating business is reported separately according to the nature of the products and services, with each representing a strategic business.

a) Business segment

Vtion Group's operating businesses are organized in two business segments, namely "wireless Modem" 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 all of its customers are based in PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographical segment analysis is presented.

c) Allocation basis

Revenue and cost of sales are directly attributable to the segments. Other operating expenses and income are allocated to the segments on a reasonable basis.

Segment assets, liabilities and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the items which can not be allocated reasonably.

Inter-segment sales are eliminated on consolidation.

The following tables (3.1 – 3.3) present the adoption of IFRS 8, revenue and results information regarding Vtion Group's business segments for the financial year ended December 31, 2009

3.1 Adoption of IFRS 8 "Operating Segments"

The Group has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

3.2 Products and services from which reportable segments derive their revenues

In 2009 segment information reported was analysed on the basis of the types of goods supplied and services provided by the Group's business units. The Group's reportable segments under IFRS 8 are therefore as follows:

- Wireless Modem and others
- Data Solution Services

Others in "Wireless Modem and Others" include the sales of mobile phone, software and service in connection with wireless modem sales.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

3.3 Segment revenues and results

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

	Segment revenue		Segment profit	
	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
	kEUR	kEUR	kEUR	kEUR
Wireless Modem and others	65,104	36,381	17,199	10,986
Data Solution Service	2,535	2,795	2,127	2,250
Total for continuing operations	67,639	39,176	19,326	13,236
Central administration costs			-225	-362
Finance costs			-208	-481
Profit before tax (continuing operations)			**18,893**	**12,392**

Revenue reported above represents revenue generated from external customers. The inter-segment sales in the year 2009 and year 2008 were eliminated.

Reconciliation of the revenue

	Segment revenue	
	Year ended 31/12/09	Year ended 31/12/08
	kEUR	kEUR
Wireless Modem and others	65,630	38,497
Inter-segment sales elimination	-526	-2,116
Data Solution Service	2,535	2,795
Total for continuing operations	**67,639**	**39,176**

In 2009, sales from 3 major customers altogether were EUR 53 million, while it were EUR 28 million in 2008. These sales were generated in the segment "Wireless Modem and others".

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3.4 Segment assets and liabilities

	31/12/2009	31/12/2008
	kEUR	kEUR
Segment assets		
Wireless Modem	65,834	41,340
Data Solution Service	12,393	8,334
Total segment assets	**78,227**	**49,674**
Unallocated	31,643	1,322
Consolidated assets	**109,870**	**50,996**
Segment liabilities		
Wireless Modem	11,702	9,518
Data Solution Service	1,266	1,488
Total segment liabilities	**12,968**	**11,006**
Unallocated	896	4,390
Consolidated liabilities	**13,864**	**15,396**

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.
- All liabilities are allocated to reportable segments other than ‘other financial liabilities’, current and deferred tax liabilities, and ‘other’ liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

3.5 Other segment information

	Depreciation and amortization		**Additions to non-current assets**	
	Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09	Year ended 31/12/08
	kEUR	kEUR	kEUR	kEUR
Wireless Modem and others	107	78	292	263
Data Solution Service	18	49	0	52
Unallocated	104	30	695	228
	229	**157**	**987**	**543**

4. Notes to the Income Statement

4.1 Revenue

	2009	2008
	EUR	EUR
Sale of goods	67,638,908	39,176,295
Other operating income		
Government grant	357,313	461,553
Service income	1,372	81,210
Others	350	2,463
	359,035	**545,226**
Finance income		
Interest income	176,111	271,567
Total income	**68,174,054**	**39,993,088**

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.

4.2 Split-up of Sales

	2009	2008
	EUR	EUR
Split-up of sales		
Sales to external customers		
Wireless Modem	64,270,865	35,277,832
Data Solution Services	2,534,959	2,794,659
Others	833,084	1,103,804
	67,638,908	**39,176,295**

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.

4.3 Average number of employees/Payroll costs

	2009	2008
Average number of employees		
Management and administration	93	118
Sales	63	107
	156	**225**

	2009	2008
	EUR	EUR
Payroll costs		
Wages and salaries	864,052	1,239,769
Social security costs	133,867	241,026
Welfare	33,295	21,776
	1,031,214	**1,502,571**

4.4 Research and Development expenditure

The research and development expenditure is included in Administrative expenses

	2009	2008
	EUR	EUR
Research and development expenditure	458,960	1,073,622

4.5 Remuneration of Auditors

BDO Deutsche Warentreuhand AG has been elected as auditor of the individual and consolidated financial statements of the company. The following table gives an overview about the fees of BDO Deutsche Warentreuhand AG (including out of pocket expenses and VAT, if any) in the business year.

	2009	2008
	kEUR	kEUR
Audit of financial statements	110	95
Other audit and assurance services	358	38
	468	**133**

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

	2009	2008
	EUR	EUR
Amortization of intangible assets		
Software	23,545	63,100
Licenses	91,632	16,235
land use rights	10,808	10,397
	125,985	89,732
Depreciation of property, plant and equipment	**103,362**	**67,538**

4.7 Finance Expenses

	2009	2008
	EUR	EUR
Interest expenses on bank and other loans	0	311,532
Exchange loss	185,230	128,980
Bank charges	23,142	40,507
	208,372	**481,019**

4.8 Income Tax

4.8.1 Major Components of Income Tax Expense

	2009	2008
	EUR	**EUR**
Current income tax (ordinary activities)	2,352,351	0
Effect of Deferred Tax Asset	-1,201,447	0
Effect of Deferred Tax Liabilities	1,184,550	0
Current income tax return for prior years	0	0
Income tax recognized in profit and loss	**2,335,454**	**0**

4.8.2 Applicable Tax Rate

In 2008 the applicable group tax rate is based on the German Tax Laws for a corporate entity. The tax rate amounts to 30% due to German Tax Reform. Due to full-exemption time expired, both 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 at December 31,, 2011, both Vtion IT and Vtion Software will begin to afford an effective tax rate of 25% since year 2012.

For Vtion Communication established at November 20, 2009 as an enterprise with foreign investment, it is entitled to full exemption from Enterprise Income tax for the first two years and a 50% reduction for the next three years, commencing from the first profit-making year after offsetting all tax losses carried forward from the previous five years, in accordance with the Income Tax Law of the People's Republic of China for Enterprises with foreign Investment and foreign Enterprises. 2009 was a no-profit-making fiscal year for Vtion Communication.

Pursuant to the aforementioned tax laws, the Chinese tax payer can choose whether to enjoy the tax exemption when its operating period as a foreign enterprise is less than half a year. Vtion Communication obtained its foreign investment enterprise license in November, 2009, but the result from one-month operation was accounting loss. Accordingly, the year 2009 was not the first profit-making year for Vtion Communication.

4.8.3 Relationship Between Tax Expense and Accounting Profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate is as follows:

	2009	2008
	kEUR	kEUR
Accounting (loss)/profit before income tax	18,892	12,392
Applicable tax rate	30%	30%
Tax at respective companies income tax rate	5,668	3,718
Non-deductible expenses	0	0
Tax exemption on Chinese companies:		
effect from tax exemption	(2,422)	(3,914)
effect from lower local tax rate	(992)	
Income tax return for prior years	0	0
Other	82	196
Income tax expense recognized in profit and loss	**2,335**	**0**

5. Notes to the Balance Sheet

5.1 Inventory

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Inventory-advances to supplier	3,137,003	3,089,936
Goods and material	631,267	1,496,900
Work in process	0	295,450
	3,768,270	**4,882,286**

5.2 Trade and other Receivables

Trade Receivables

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Trade receivables		
Trade receivables	34,826,296	6,394,079
Allowance for trade receivables	(36,693)	(28,039)
	34,789,603	**6,366,040**

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Other receivables		
Prepayment		5,265,597
Other receivables	4,986,536	316,720
Deferred charges (IPO)		869,101
Prepaid expenses	308,541	286,608
	5,295,077	**6,738,026**

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

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Aging list of trade receivables		
Within 30 days	7,998,449	2,675,596
31 – 90 days	13,680,986	2,612,961
91 – 180 days	13,081,495	1,009,822
181 – 360 days	0	7,958
361 – 1,080 days	65,366	87,742
More than 1,080 days	0	0
	34,826,296	**6,394,079**

Allowance for doubtful receivables

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Provision for trade receivables	36,693	28,039
Exchange differences	(0)	(0)
	36,693	**28,039**

The Group establishes allowances through profit and loss to account for doubtful receivables. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The aging of receivables is used in applying the allowance method. The percentage of allowance applied to each age classification group is as follows:

Aging	**% of allowance for bad debt**
0 – 180 days	0%
180 – 360 days	5%
1 – 2 years	30%
2 – 3 years	60%
> 3 years	100%

Other receivables

The prepayment of kEUR 5,266 at December 31, 2008 was eliminated in 2009, which was related to advances to four companies (design houses).The rest of 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.

5.3 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.

	Dec. 31, 2009	Dec. 31, 2008
Related parties	EUR	EUR
Amount due from related parties – trade	1,101,155	1,275,947
Amount due from related parties – non-trade	289,417	153,316
Allowance for amount due from related parties	0	0
	1,390,572	**1,429,263**

5.4 Cash and Cash Equivalents

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Cash on hand	6,199	12,488
Cash in banks	58,628,933	27,374,779
Deposit on bank's acceptance bill	2,846,975	2,948,734
	61,482,107	**30,336,001**

The deposit on bank’s acceptance bill is pledged.

Among the balance of cash and cash equivalents in 2009, kEUR 31,307 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.

5.5 Equipment

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition Costs						
At December 31, 2008	95,255	203,177	112,115	189,005	35,169	634,720
Additions	2,884	68,714	0	177,051	31,826	280,475
Disposal	12,566	22,660	0	0	0	35,226
Exchange differences	-1,421	-1,139	-2,436	-5,213	-1,214	-11,423
At December 31, 2009	**84,151**	**248,092**	**109,679**	**360,843**	**65,781**	**868,546**
Accumulated depreciation and impairment						
At December 31, 2008	25,270	79,317	19,355	17,722	0	141,664
Charged for the FY	14,787	40,540	20,945	27,090	0	103,362
Disposal	3,776	13,803	0	0	0	17,579
Exchange differences	999	3,136	765	700	0	5,600
At December 31, 2009	**37,280**	**109,190**	**41,065**	**45,512**	**0**	**233,047**
Net carrying amount						
At December 31, 2008	69,985	123,860	92,760	171,282	35,169	493,056
At December 31, 2009	**46,871**	**138,902**	**68,614**	**315,330**	**65,782**	**635,499**

5.6 Intangible Assets

	Licenses	Office Software	Land use rights	Total
	EUR	EUR	EUR	EUR
Acquisition Costs				
At December 31, 2008	146,111	199,267	559,711	905,089
Additions	694,357	12,242	-	706,599
Disposal	-	-	-	-
Exchange difference	-7,313	-3,463	-5,314	-16,090
At December 31, 2009	**833,155**	**208,046**	**554,397**	**1,595,598**
Accumulated amortization				
At December 31, 2008	16,235	118,809	17,724	152,768
Amortization for the FY	91,632	23,545	10,808	125,985
Disposal for the FY	-	-	-	-
Exchange difference	-3,724	-3,060	-2,794	-9,578
At December 31, 2009	**111,591**	**145,414**	**31,326**	**288,331**
Net carrying amount				
At December 31, 2008	129,876	80,458	541,987	752,321
At December 31, 2009	**721,564**	**62,633**	**523,071**	**1,307,267**

The intangible assets do not comprise any internally generated intangible assets

The following table presents the remaining time of amortization for intangible assets

Intangible Assets Item	**Remaining months of amortization as of December 31, 2009**
Mobile Phone test Software	18
OSS ASN Software	18
Qualcomm Software A	20
Qualcomm Software B	20
Qualcomm Technical License	30
Internet website	11
Land use right	569
Office Software*	55

* The longest remaining time for office software is 55 months, the shortest remaining time is 15 months.

As of December 31, 2009 there was no binding agreement about the purchase of intangible assets.

5.7 Deferred Tax Assets

In 2009 Vtion IT and Vtion Software recognised 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, mainly resulting from the IPO expenses in late 2007, in early 2008 and in 2009. 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 at December 31, 2009 a deferred tax asset on the tax losses carried forward from the first time. The amount recognized as deferred tax asset (kEUR 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 kEUR 520.

	2009	**2008**
	kEUR	kEUR
Deferred tax asset of Vtion AG	1,185	0
Deferred tax asset of Vtion IT and Vtion Software	17	0

5.8 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 56 million and remain unchanged as compared to December 31, 2008. The RMB 56 million are equivalent to kEUR 5,694 as of December 31, 2009 and kEUR 5,897 as of December 31, 2008 due to the different closing rates at the balance sheet dates. 50% of the funds received (kEUR 2,847) are kept as a cash deposit on bank acceptance bills. Please see "cash and cash equivalents".

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Other payables and accruals		
Deferred revenues	1,150,531	1,224,938
VAT payable	1,896,404	789,682
Other payable	1,670,659	619,336
Advances from customers	110,816	427,833
Accrued payroll	65,753	99,471
Other tax payables	59,974	34,683
	4,954,137	3,195,943
Vtion Wireless Technology AG		
IPO payables	0	127,534
	4,954,137	**3,323,477**

5.9 Amounts due to related parties

The amount of kEUR 3,802 as at December 31, 2008, was related to a loan by the Company's Chairman of the Board and was paid back in the year 2009. The carrying amount due to related parties at December 31, 2009 was zero.

5.10 Equity

5.10.1 Paid-in Capital

The capital stock of the Parent Company as at December 31, 2009 amounts to kEUR 15,980 and is divided into 15,980,000 shares of a par value of EUR 1 each. Reference is made to the notes under 1.1.

5.10.2 Reserves and retained earnings

a) Reserves

According to the initial public offering placement in 2009, Vtion AG raised the gross proceeds of EUR 48,375,000 from 4,500,000 New Shares of offering price EUR 10.75 each. The share capital was increased by EUR 4,500,000. And the surplus of kEUR 43,875 was recorded as capital reserve in accordance to the German company law. The equity transaction costs, IPO expenses minus the deferred income tax induced in 2009 and carried forward from the year 2008 and 2007 were recorded as capital surplus deduction. The amount of deduction from capital surplus was recorded in EUR 3,329,121.

The reserves presented in the statement of changes of equity as of January 1, 2009 and December 31, 2009 comprise Vtion AG capital surplus with transaction costs deduction resulting from Vtion AG initial public offering, and deferred income tax impact in Vtion AG

b) Retained earnings

The retained earnings comprise the cumulative net gains and losses recognized in the consolidated income statement.

5.11 Current assets and liabilities

The company does not expect any assets or liabilities which are presented as current to be settled within more than twelve months after balance sheet date.

6. Notes - other

6.1 Commitments and Contingencies

Operating lease commitments

The Company leases various factory and office buildings under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The operating lease payment recognized as expense in the income statement in every financial year is as follows:

	2009	2008
	EUR	EUR
Lease payment recognized as expense	171,362	187,365

Future minimum lease payments under non-cancellable operating leases are as follows:

	Dec. 31, 2009	Dec. 31, 2008
	EUR	EUR
Not later than one year	141,619	218,756
Later than one year but not later than five years	190,317	241,772
Later than five years	1,391	0
	333,327	**460,528**

Contingent Liabilities

The Company does not have any contingent liabilities as at December 31, 2009.

6.2 Related Party Disclosures

An entity or individual is considered a related party of the Company for the purposes of the financial statements if: It possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or it is subject to common control or common significant influence.

a) Related party information

Name of related party	Relationship	Registered Office	Remark
Vtion Technology (China) Co. Ltd.	Subsidiary (Intermediate Holding Company)	BVI	
Vtion Information Technology (Fujian) Co. Ltd.	Subsidiary	PRC	
Vtion Software (Fujian) Co. Ltd.	Subsidiary	PRC	
Vtion Communication (Fujian) Co., Ltd.	Subsidiary	PRC	
Fujian Vtion Telecom Information Service, Co. Ltd.	Subsidiary, not consolidated	PRC	
Fujian Vtion Communication & Telecom Equipment Co., Ltd.	Other company controlled by shareholder's direct family member	PRC	
Mobile Multimedia Co., Ltd. (Beijing)	Other company controlled by shareholder	PRC	
DADI (China) Holding Co., Ltd.	Other equity participated company by shareholder	PRC	
Fujian DADI Concrete Pile Co., Ltd.	Subsidiary of other company wholly owned by shareholder	PRC	
Fujian CH-DIGITAL Technology Co., Ltd.	Equity participated company by shareholder	PRC	
Fujian Aiwei Garment Co., Ltd. (formerly named "Fujian FORFREE Garment Co., Ltd.")	Other company controlled by shareholder's direct family member	PRC	
Dadi Pipe and Stake (Yantai) Co., Ltd.	Subsidiary of an equity participated company by shareholder	PRC	
Fujian Bofang Science and Technology Co., Ltd.	Other company controlled by shareholder's direct family member	PRC	
Shareholders of listed company and their direct family members, director and senior management etc.			
Chen Guoping	Shareholder of listed company		
Huang Yuhua	Direct family member of shareholder on the company		
He Zhihong	Shareholder of the company, VP, CTO		
Chen Guoshun	Shareholder of the company, shareholder's direct family member		
Chen Guohe	Shareholder of listed company, shareholder's direct family member		

b) Sales and Purchase of Goods

The following transactions took place between the Group and related parties during the financial year:

	2009	2008
	EUR	EUR
Sales of finished goods to a related party	2,201,746	391,886
Rental fee paid to a related party	27,709	25,823
	2,229,455	**417,709**

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

c) Due from/to related parties

	2009	2008
	kEUR	kEUR
Due from related parties	**1,391**	**1,429**
Trade	1,101	1,381
Non-trade	289	48
Allowance for doubtful trade debts	**0**	**0**
Due to related parties	**0**	**3,802**
Trade		
Non-trade		3,802

d) Key management remuneration

	2009	2008
	kEUR	kEUR
Key management of the Group	158	136

6.3 Disclosure of Financial Instruments

The Group's financial instruments at the closing day comprise cash and liquid resources, some short-term debtors and creditors, together with normal trade debtors and creditors, The main risks which arise from these financial instruments relate to liquidity, interest and exchange rates.

Disclosures IFRS 7:

Carrying amounts, amounts recognized and fair values by category:

	Category in accordance with IAS 39	Carrying amount Dec. 31, 2009	Amounts recognized in balance sheet according to IAS 39 at amortized cost	Carrying amount Dec. 31, 2008	Amounts recognized in balance sheet according to IAS 39 at amortized cost
		EUR	EUR	EUR	EUR
Trade receivables	LaR	34,789,603	34,789,603	6,366,040	6,366,040
Other receivables	LaR	5,295,077	5,295,077	6,738,026	6,738,026
Amounts due from related parties	LaR	1,390,572	1,390,572	1,429,263	1,429,263
Cash and cash equivalents	LaR	61,482,107	61,482,107	30,336,001	30,336,001
Short-term loans	FLAC	0	0	0	0
Trade payables	FLAC	8,224,990	8,224,990	8,270,610	8,270,610
Other payables	FLAC	4,954,137	4,954,137	3,323,477	3,323,477
Amounts due to related parties	FLAC	0	0	3,802,467	3,802,467
Of which: aggregated by category in accordance with IAS 39					
Cash and receivables	LaR	102,957,359	102,957,359	44,869,330	44,869,330
Financial liabilities measured at amortized cost	FLAC	13,179,127	13,179,127	15,396,554	15,396,554

(LaR = Loans and receivables; FLAC = Financial liabilities at cost)

In 2009 and 2008 there are no amounts recognized in the balance sheet according to IAS 39 at fair value.

Cash and cash equivalents, trade and other receivables as well as amounts due from related parties have short times or maturity (within 1 year). For this reason, their carrying amounts at the reporting date approximate the fair values.

Trade and other financial liabilities generally have short times to maturity (within 1 year); the values approximate the fair values.

Net gain/loss by category:

	from interest	2009	2008
	EUR	EUR	EUR
Cash and receivables	176,111	176,111	271,567
Financial liabilities measured at amortized cost	0	-208,372	-481,019
	176,111	**-32,261**	**-209,453**

Interest from financial instruments is recognized in finance income and costs.

6.4 Financial Risks Management Objectives and Policies

IFRS 7 requires the disclosure of sensitivity analysis which shows the effects of hypothetical changes in relevant risk variables on profit or loss and equity, to be used in presenting market risk. For the Group, this mainly relates to currency rate risks. The effects are ascertained by applying the hypothetical changes in risk variables to the portfolio of financial instruments at the balance sheet date. It is assumed that the balance at the reporting date is representative for the year as a whole.

As outlined, the Group is in general only exposed to interest rate and other market risks arising in the normal course of business. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations in interest rates and foreign exchange rates as there is no real requirement to do so from today's point of view considering that the main assets of the company are liquidity assets (long term assets).

a) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the Group. The Group has adopted the policy of only dealing with creditworthy counter parties and monitors their balances. The Group's credit risk is primarily attributable to its trade and other receivables. Cash is placed with creditworthy financial institutions. The trade and other receivables presented in the balance sheet are net of an allowance for doubtful receivables, estimated by management based on current economic conditions. The carrying amount of financial assets recorded in the financial statements net of any allowance for doubtful receivables, represents the Group's maximum exposure to credit risk

b) Interest Rate Risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group in the current reporting period and in future years. Other than the bank deposits and borrowings, the Group has no other significant interest-bearing assets and liabilities. Its interest-bearing assets are mainly current bank deposits. The majority of the Group's income and operating cash flows is independent of changes in market interest rates. The Group's policy is to secure all to its borrowings at fixed borrowing rates.

c) Foreign Currency Risk

Foreign exchange risk refers to the risk that movement in foreign currency exchange rates against the Group's functional or reporting currency will affect the Group's financial results and cash flows. The majority of the Group's transactions are in RMB. Except the term deposit, all of the Group's interest bearing financial assets and liabilities are in RMB.

d) Liquidity Risk

Liquidity risk arises from the possibility that the Group is unable to meet its obligations towards other counter parties. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

e) Fair Values

The carrying amounts of the financial assets and financial liabilities in the financial statements approximate their fair values.

6.5 Management Stock Option Plan ("SOP")

The resolution of the Shareholder's Meeting held on September 25, 2009 states that the share capital shall be conditionally increased by EUR 500,000 by issuance of up to 500,000 new no par value bearer shares (Conditional Capital 2009). The conditional capital 2009 serves the purpose of serving subscription rights under Stock Options that are granted to members of the Management Board and employees of the company, as well as members of the management bodies and employees of consolidated companies. The issuance of Stock Options needs to be resolved by either the Supervisory Board, if the beneficiary is a Management Board Member, or the Management Board for all other beneficiaries. So far no such resolution has been made yet. The absence of such a resolution by the company can be explained by the fact that the Chinese State Administration of Foreign Exchange (SAFE) has to approve the stock option plan before Chinese members of the Management Board can benefit from such a SOP. Because this approval has not been obtained until now, the company has not yet made an official resolution regarding the granting of stock options, although the approval itself is not formally required by the SOP of Vtion Wireless Technology AG.

The exercise price for Stock Options will correspond to the average stock price of the Company's shares on twenty immediately sequent trading days before the date of issuance of such Stock Options. Each option entitles its holder to purchase one share in the Company from the contingent capital created for this purpose against payment of the exercise price. The term of such Stock Option commences on the day of the issuance of the Stock Option and ends after 7 years. A maximum amount of 500,000 Stock Options may be issued under the Stock Option Plan within a period of 10 years. The Company's Supervisory Board is responsible for determining the issuance of Stock Options to members of the Management Board and the further details of the issuance. Stock Options may only be exercised after a holding period of four years. Moreover, their exercise is contingent upon the fulfillment of certain performance targets based on the development of the stock market price for the shares of the Company within the period from issuance to the exercise of the respective stock option. The performance targets contained in the Stock Option Plan relate to the development of the stock market price of the Company's shares, and correspond to an average increase of the stock market price of the Company's shares of 8% per year. Furthermore, the participating member of the Management Board may only exercise up to 50 % of his or her Stock Options during the first year following expiration of the holding period and further 50 % in the year thereafter.

As of December 31, 2009, there has been no formal agreement on the stock option plan. The rules and prerequisites mentioned here are parts of the resolution of the shareholder's meeting from September 25, 2009 concerning the conditional capital. And there has been no such usage of the conditional capital yet.

7. Additional Comments on Capital Management

The capital management of Vtion Group is based on monitoring equity and liabilities and investment based on its current high liquidity.

In order to have a sound basis to do so the management has initiated the IPO in 2009 to raise the necessary funds. Thus the target of the investment policy is to maintain the strong and profitable growth path in the business in order to create shareholder value. Surplus cash will generate interest rate income while being deposited at reputable financial institutions.

8. Members of the Management and Supervisory Board

Management Board of the parent company

Chen Guoping, merchant, CEO, Fujian, PRC, Chairman

He Zhihong, merchant, Fujian, PRC

Chen Huan, merchant, CFO, Beijing, PRC

Fei Ping, procurist, Beijing, PRC

Ding Chaojie, sales and marketing, Beijing, PRC

Supervisory Board of the parent company

Qian Yingyi, professor of economics and management, Beijing, PRC (Chairman)

Norbert Quinkert, merchant, Frankfurt, Germany (Vice Chairman)

Yang Hua, merchant, Beijing, PRC (Member)

Liu Yangsheng, telecommunication engineer, Beijing, PRC (Member)

Wang Ning, vice president of China Electronic Chamber of Commerce, Beijing, PRC (Member)

Volker Potthoff, capital market expert, Frankfurt, (Member)

9. Remuneration of the Executive and Supervisory Boards

For the fiscal year 2009 and 2008, the members of the management board received the following fixed remuneration in excess of which they are not entitled to receive any further, particularly performance-based remuneration:

Name	2009	2008
	in kEUR	in kEUR
Chen, Guoping	39.1	31.4
Chen, Huan	20.7	19.4
He, Zhihong	32.8	31.4
Ding, Chaojie	32.8	27.0
Fei, Ping	32.8	27.0

In 2009 and 2008, the supervisory board members received the following fixed remuneration:

Name	2009	2008
	in kEUR	in kEUR
Qian, Yingyi	50.0	50.0
Nobert Quinkert	35.0	35.0
Volker Potthoff	25.0	25.0
Liu, Yangsheng	25.0	25.0
Wang, Ning	25.0	25.0
Yang, Hua	25.0	25.0

10. Notes to the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and is classified by net cash flows from operating, investing and financing activities. Net cash flow from operating activities is presented using the indirect method, while net cash flows from investing and financing activities are presented using the direct method. Cash funds are composed of cash and cash equivalents such as short-term deposits. We refer also to Section 4.4.

11. Events after Balance Sheet Date

The Vtion Group has signed after the early-year bidding process an agreement with China Unicom to provide 500,000 pieces 3G wireless data cards over the first several months of 2010 to support the China Unicom's WCDMA network rollout. This represents the largest single order that China Unicom has issued for 3G cards since it began operating its WCDMA network. This framework agreement with China Unicom headquarters continues to position Vtion as a key strategic partner and major supplier to China Unicom through China over the course of the year as China Unicom begins major development of the WCDMA 3G wireless network across China.

12. Proposal on the utilisation of net retained profits

The Individual financial statements of Vtion Wireless Technology AG prepared according to German GAAP as of December 31, 2009 reflect net accumulated losses of EUR 815,775.38. At the Annual General Meeting, the Executive Board and the supervisory Board will propose that the net accumulated loss will be carried forward to 2010.

13. Declaration of Compliance with the German Corporate Governance Code

The Compliance Statement in accordance with Section 161 of the German Stock Corporations Act (Aktiengesetz/AktG) which was jointly issued by the the Management Board and the Supervisory Board has been made permanently available on the Company's website: http://www.ir-en.vtion.de/corporate-governance.html

14. Shareholdings in Vtion Wireless Technology AG

In accordance with the provisions of the Wertpapierhandelsgesetz (German Securities Trading Act, WpHG), Vtion Wireless Technology AG received the following notifications by shareholders of the Company by the date of the preparation of the balance sheet:

On 15 December 2009 Sunshine Century Investment Limited, Hong Kong, People's Republic of China gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 3.13% (500,000 voting rights).

On 15 December 2009 Sunshine Century Investment Limited, Hong Kong, People's Republic of China gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG as at 2 October 2009 amounted to 2.88% (459,500 voting rights).

On 15 December 2009 Chen Guoping, People's Republic of China, gave us notice pursuant to Section 21 Para 1a WpHG that his voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 49.94% (7,507,500 voting rights).

Of these voting rights 46.81% (7,480,000 voting rights) are attributed to him pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: Awill Holdings Limited, Wanchai, Hong Kong, People's Republic of China.

A further 3.13% (500,000 voting rights) are being attributed pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: Sunshine Century Investment Limited, Hong Kong, People's Republic of China.

On 15 December 2009 Awill Holdings Limited, Wanchai, Hong Kong, People's Republic of China gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 46.81% (7,480,000 voting rights).

Correction of the notification of voting rights pursuant to Section 21 Para 1a WpHG dated 06 October 2009 as well as the publication pursuant to Section 26 Para 1 WpHG on 26 October 2009.

On 15 December 2009 SHENZHEN CAPITAL (HONG KONG) COMPANY LTD., Kowloon, Hong Kong, gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 10.64% (1,700,000 voting rights).

Of these voting rights 10.64% (1,700,000 voting rights) are attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: SCGC Capital Holding Company Limited, Tortola, British Virgin Islands.

Correction of the notification of voting rights pursuant to Section 21 Para 1a WpHG dated 23 October 2009 as well as 7 October 2009.

On 15 December 2009 SCGC Capital Holding Company Limited, Tortola, British Virgin Islands gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 10.64% (1,700,000 voting rights).

On 15 December 2009 SHENZHEN CAPITAL (HONG KONG) COMPANY LTD., Kowloon, Hong Kong, gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG fell below 10% on 2 October 2009 and amounted to 9.85% (1,574,000 voting rights) at this date.

Of these voting rights 9.85% (1,574,000 voting rights) are attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: SCGC Capital Holding Company Limited, Tortola, British Virgin Islands.

On 15 December 2009 SHENZHEN CAPITAL (HONG KONG) COMPANY LTD., Kowloon, Hong Kong, gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG exceeded 10% on 30 October 2009 and amounted to 10.64% (1,700,000 voting rights) at this date.

Of these voting rights 10.64% (1,700,000 voting rights) are attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: SCGC Capital Holding Company Limited, Tortola, British Virgin Islands.

On 15 December 2009 SCGC Capital Holding Company Limited, Tortola, British Virgin Islands gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG fell below 10% on 2 October 2009 and amounted to 9.85% (1,574,000 voting rights) at this date.

On 15 December 2009 SCGC Capital Holding Company Limited, Tortola, British Virgin Islands gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG exceeded 10% on 30 October 2009 and amounted to 10.64% (1,700,000 voting rights) at this date.

11 November 2009: Sunshine Century Investment Limited, Hong Kong, People's Republic of China gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG exceeded 3% on 30 October 2009 and amounted to 3.13% (500,000 voting rights) at this date.

21 October 2009: SHENZHEN CAPITAL (HONG KONG) COMPANY LTD., Kowloon, Hong Kong, gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 9.85% (1,574,000 voting rights).

Of these voting rights 9.85% (1,574,000 voting rights) are attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: SCGC Capital Holding Company Limited, Tortola, British Virgin Islands.

21 October 2009: Xiao WeiHong, People's Republic of China gave us notice pursuant to Section 21 Para 1a WpHG that her voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 3.13% (500,000 voting rights).

Of these voting rights 3.13% (500,000) voting rights are attributed to her pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: Besto Holdings Limited, Tortola, British Virgin Islands.

9 October 2009: Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, Luxembourg gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 28.16% (4,500,000 voting rights).

All of these voting rights are being attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG by Sal. Oppenheim jr. & Cie. KGaA, Cologne, Germany.

8 October 2009: Sal. Oppenheim jr. & Cie. KGaA, Cologne, Germany, gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG as at 2 October 2009 fell below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% and amounted to 0% (0 voting rights).

Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, Luxembourg, gave us notice pursuant to Section 21 Para 1 WpHG that their voting rights in Vtion Wireless Technology AG as at 2 October 2009 fell below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% and amounted to 0% (0 voting rights).

Sal. Oppenheim jr. & Cie. KGaA, Cologne, Germany, gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 28.16% (4,500,000 voting rights of 15,980,000 voting rights in total).

Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, Luxembourg gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 28.16% (4,500,000 voting rights).

All of these voting rights are being attributed to them pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG by Sal. Oppenheim jr. & Cie. KGaA, Cologne, Germany.

7 October 2009: SCGC Capital Holding Company Limited, Tortola, British Virgin Islands gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 9.85% (1,574,000 voting rights).

Chen Guoping, People's Republic of China, gave us notice pursuant to Section 21 Para 1a WpHG that his voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 46.98% (7,507,500 voting rights).

Of these voting rights 46.98% (7,507,500 voting rights) are attributed to him pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: Awill Holdings Limited, Wanchai, Hong Kong, People's Republic of China.

Awill Holdings Limited, Wanchai, Hong Kong, People's Republic of China gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 44.11% (7,048,000 voting rights).

Besto Holdings Limited, Tortola, British Virgin Islands, gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 3.13% (500,000 voting rights).

Chen Guohe, China, gave us notice pursuant to Section 21 Para 1a WpHG that his voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 5.89% (941,500 voting rights).

Of these voting rights 5.89% (941,500) voting rights are attributed to him pursuant to Section 22 Para 1 Sentence 1 No. 1 WpHG. Attributed voting rights are being held in the following controlled undertakings holding 3% or more of the shares in Vtion Wireless Technology AG: Hong Kong Vtion Wireless Technology Company Limited, Tortola, British Virgin Islands.

Hong Kong Vtion Wireless Technology Company Limited, Tortola, British Virgin Islands gave us notice pursuant to Section 21 Para 1a WpHG that their voting rights in Vtion Wireless Technology AG as at 30 September 2009 amounted to 5.89% (941,500 voting rights).

15. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on April 6, 2010.

Frankfurt, April 6, 2010

Chen Guoping   Chen Huan   Ding Chaojie   Fei Ping   He Zhihong

Auditor's Report

We have audited the consolidated financial statements prepared by the Vtion Wireless Technology AG, Frankfurt am Main, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2009 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Hamburg, April 8, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Zemke	Butte
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement of the Management

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt, April 6, 2010

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

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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 19, 2010

Publication of

Interim report 3rd Quarter 2010

Thursday, November 18, 2010