VTION WIRELESS TECHNOLOGY AG

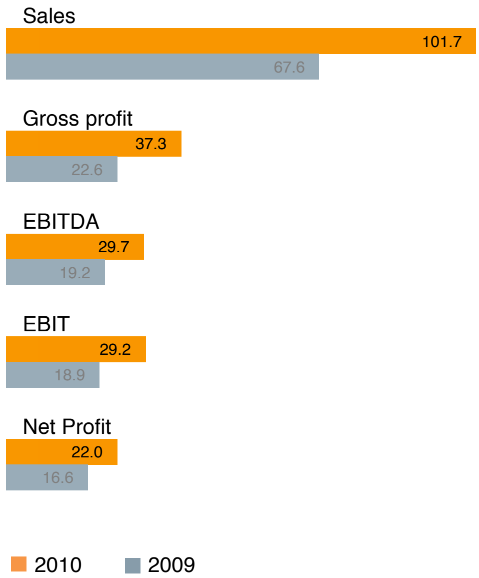
2010

Annual Report

Wireless Anywhere

Vtion Wireless Technology at a glance

		2010	2009	+/–%
Sales	million €	101.66	67.64	50
Gross profit	million €	37.27	22.56	65
Gross profit margin	%	37	33	3PP
EBITDA	million €	29.65	19.15	55
EBITDA margin	%	29	28	1PP
EBIT	million €	29.23	18.93	54
EBIT margin	%	29	28	1PP
Net profit	million €	21.99	16.56	33
Net profit margin	%	22	24	-3PP
Earnings per share[1]	€	1.38	1.31	5
Net Cash flow from operations	million €	30.58	-9.64	–



Company profile

The Vtion Group is one of the three leading suppliers of wireless data cards and associated services for the mobile use of computers via broadband wireless networks in the People's Republic of China. The company also offers e-reader, 3G router and embedded module products through network operator and retail distribution channels.

[1] Computed on the basis of average weighted 15,980,000 shares for 2010, and respectively average weighted 12,614,247 shares for 2009

Content

Interview with Vtion’s CEO

Mr. Chen Guoping, what is your take on the company’s development from the time of the IPO on October 1, 2009 until now?

From the time of our IPO until early 2011, we continued to see strong growth in our core wireless data card business, driven by the fact that the network operators were attempting to bring users onto their networks through any means possible, and the best means often proved to be through a laptop with a wireless data card and service plan.

Ours was the only successful prime standard IPO in Germany in all of 2009, and we were very pleased to raise nearly Euro 45 million in net proceeds from our offering. We remain the only pureplay on China’s 3G market listed in Frankfurt.

Despite our more recent difficulties, we still have a very compelling performance in 2010 to offer our European investors. We realized a net profit of Euro 21.99 million and we are pleased to return 15% of that to our shareholders in the form of a dividend.

Though we expect to have a slower year financially in 2011 due to changes in the wireless data card market, we expect to reach our previously stated guidance while positioning the company for better long-term development.

You mention recent difficulties, what exactly took place and how do you expect to move forward from that?

With the emergence of more smartphone offerings and particularly the tablet PC, the operators’ marketing focus shifted away from our core product and more into this space.

The network operators' market development strategy mainly features greater product diversity. This is at the expense of wireless data cards, their share is expected to decline overall. Therefore, we are adapting our strategy to take advantage of this by developing hardware offerings such as our own tablet PC, along with e-readers, wireless modules and 3G routers. We have identified particular niche markets where we are able to take advantage of our status as a strategic partner of the operators. There is increasing demand among corporate clients for integrated hardware and application solutions tailored to the specific needs of their business; Vtion will work with the operators to provide such solutions to meet the mobile computing needs of the workforces of both state-owned and private companies across China.

As Vtion becomes increasingly internationalized, we have begun to establish ourselves as a key integrator of Android mobile applications from both China and abroad. For example, we have established connections with developers in Taiwan, Japan, Korea and Europe, and will look to introduce quality apps from other countries into the Chinese markets.

With what kind of products do you intend to meet the new challenge?

We began the process of developing new products for a changing market environment in the fourth quarter of 2010, with the introduction of our Coolbook C1 e-reader and Vnet V6 and E6 3G wireless routers. We have also introduced a product called PC to TV, which allows a wireless connection between one's laptop PC and an HDTV monitor, for use in the workplace, classroom or home. Finally, in the second half of 2011, we will introduce our first tablet PC, based on the Android operating system, and also continue to build our capacity as an integrator of new Android applications that meet the needs of China's mobile internet market, with a particular eye to the needs of corporate and business clients.

That is a significant transition from the company's current business model; what reasons do you have to be optimistic that you will succeed?

First and foremost is our position vis-à-vis the telecom operators. We have nearly a ten-year history with China Unicom, and strategic partnerships with China Telecom and China Mobile as well.

Despite the fact the increasing popularity of smartphones and tablet PC's had an initial adverse affect on our wireless data card business, we have maintained our ties to the operators and will use that to succeed in this changed marketplace.

Second, instead of trying to break into the highly-competitive broad consumer market, we have identified niche markets where we think we can be successful, namely business users and industry-specific applications, i.e. developing tablet PC mobile computing solutions for China's tobacco and insurance industries.

Finally, as a smaller company we are able to change quickly and adapt rapidly to changing market conditions. We have a determined team driving this effort and we expect to emerge from these challenges better positioned for the long-term.

Given the current valuation, do you ever regret the company's decision to list on the Frankfurt Exchange? Not at all. It has been great for us not only from the standpoint that we were able to raise money to finance our future, but also foster the internalization of our company from a corporate governance and corporate culture standpoint.

The prestige of listing on a European exchange has also helped our company in attract top talent in China, as has the ability to offer options programs to key employees.

We understand that we have a lot of work left to do to prove ourselves to investors, but we see our journey as a listed company as one that is only beginning, with much room for further development.

How do you address the fact that Chinese companies are sometimes viewed with suspicion by investors?

It's understandable; a European investor putting his money into a Chinese company is dealing with just as much uncertainty and unfamiliarity as I was the first time I ventured from Fujian Province all the way to Frankfurt so I can certainly empathize.

It will take time to build trust with investors, which is why we've placed a strong emphasis on transparency in all of our capital market communications, and despite distances look to maintain accessibility with investors. Certainly there are linguistic and cultural obstacles to our communication with investors, but I feel we are making progress in this area.

Though the guidance we released for 2011 was disappointing, the other side of the coin is that in disclosing it to investors we were direct and honest in that communication. As with any relationship it takes times for two sides to get to know each other, and I am eager to allow investors to continue to become better acquainted with Vtion.

Vtion has acquired a very strong net cash position of approximately Euro 100 million, how do you plan to put it to use in the future?

First we will use our cash to strengthen our product portfolio to better meet the needs of the market in which we currently operate, and invest in products we will introduce to the market in the near term.

We will also return some of the cash to our shareholders in the form of a 15% dividend of the realized net profit in 2010.

Finally, we intend to continually invest in our long-term competitiveness, such as strengthening our internal R&D capacity..

What do you see as the company's biggest challenge in the future?

Staying ahead of what is a very dynamic and rapidly-evolving market. Admittedly, the sudden change in the telecom operators' strategy early in 2011 caught us somewhat off guard, but such is the nature of this business, as the change was something that also happened very suddenly within the operators themselves. Therefore, given the nature of the business, it is essential that we are evolving in-step with our market and our clients, particularly the operators, and not in response to changes after they happen.

From every difficult experience come valuable lessons, and our management team as a whole is improved by what has happened early this year. We are a resilient group, and look at this setback as a catalyst for improvement. Thus, the dynamic and rapidly evolving market in which we operate could be considered at the same time both our greatest challenge and greatest opportunity.

Mr Chen Guoping thank you for this interview.

Highlights

Continued Growth

Vtion realized sales revenues of EUR 101.6 million for the full year 2010, an increase of 50% compared to full year 2009. This was driven primarily by strong demand in Vtion's wireless data card business segment. Though demand in that segment is expected to weaken in 2011, the company is in the process of diversifying its product and application offerings.

Evolving Strategy

Though demand in the wireless data card segment is weakening in 2011, the company will continue to sell data card products to all three of China's telecom operators. Also, Vtion is developing new products to take advantage of a new market development strategy on the part of the operators that emphasizes a greater variety of mobile internet products. The company has already introduced e-reader and 3G wireless router products, and is developing tablet PC and related application solutions.

Well-Capitalized

Vtion finished 2010 with a net cash position of EUR 98.96 million, some of which will be paid to shareholders in the form of a dividend, which management intends to be 15% of 2010 net profit. Vtion finished the year with an equity ratio of 89%. Vtion is thus well-positioned to invest in new products and business opportunities, while enjoying a strong capital position in the face of the risks associated with such endeavours.

Strong Ties to Telecom Operators

Vtion maintains its status as a top-tier qualified supplier of China Telecom and China Unicom, and maintains good relations with China Mobile though it does not have a policy of naming top suppliers. Though the operators are de-emphasizing wireless data card sales; cooperation with the operators will continue to be central to Vtion's strategy as it adapts its product and service offerings to meet the operators' needs resulting from their new market development strategy.

New Market Opportunities

As China's 3G market enters into a more advanced stage of development and the country even begins to look forward to the arrival of 4G technologies, Vtion will seek and exploit a wider range of market opportunities. An emphasis by China's telecom operators on more diversified mobile internet product and application offerings means more sales opportunities for Vtion. China finished 2010 with 457 million internet users which, while substantial, represents a penetration rate of only 34.3%, leaving significant room for further growth.

Report on expected developments

Vtion expects 2011 to be a year of transition, as the company rolls out new product and service offerings to meet the needs of a more mature 3G market. Though this will adversely impact Vtion's short-term profitability, the company is well-capitalized to undertake such a process, and management aims for the company to emerge better positioned for long-term competitiveness beginning in 2012, as the company's new products and services gain traction towards the end of 2011 and in early 2012.

The Share

Difficult beginning to 2011

The Vtion share experienced downward pressure to open 2011, as the company faced disruption in its core wireless data card business owing to pricing pressure from the telecom operators, along with an early-year market development strategy that de-emphasized building up the 3G user base through laptop users and instead emphasized a greater array of mobile internet devices. Vtion is in the process of transitioning its business model and adding new products to meet the opportunity provided by this new market.

Dividend to be paid in 2011

Vtion announced on February 23, 2010 that it will pay a dividend in 2011 for 10 to 30% of 2010 net profit. Vtion has a strong cash position of just under Euro 100 million, some of which will be returned to shareholders in the form of a dividend. Vtion is proud to reward shareholders for their loyalty, particularly through recent difficult times, and the large cash position allows Vtion to do so through a dividend, and the company will still have sufficient cash to invest in new product and application offerings for short-term development, and increase its long-term competitiveness through investment in R&D.

Designated Sponsoring and Research Coverage

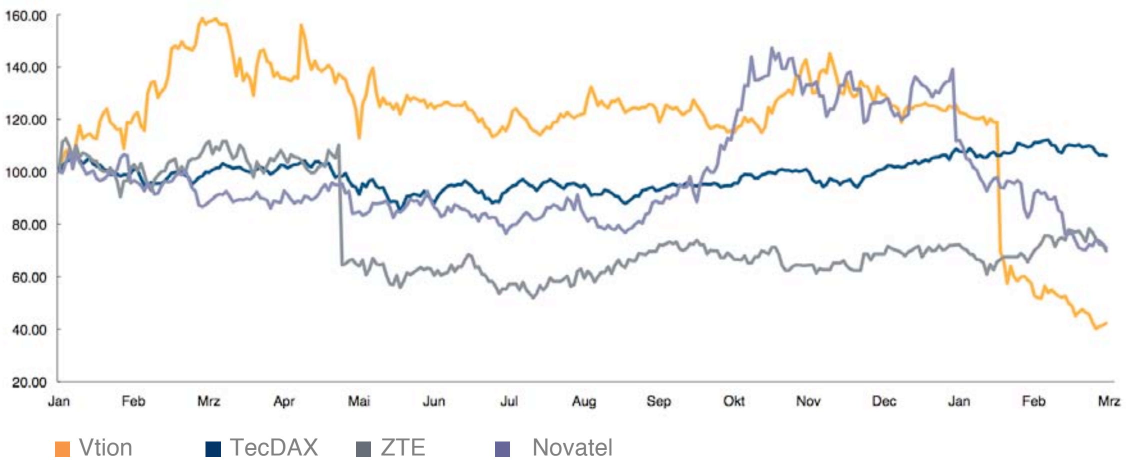
As of April 2010, the company has had designated sponsorship and research coverage from Macquarie Capital, which was also a co-manager of the company's IPO in 2009. The company has also had research coverage from SES Warburg since January of 2010.

Investor Relations

Vtion is committed to active investor communications and maintaining accessibility to its shareholders and interested potential investors. The company is a regular participant in investor conferences and regularly engages in roadshows with management. Vtion is particularly committed to accountability in its investor communications given the challenges associated with maintaining close contact with European investors when operations are located primarily in China. Following the release of the annual report, Vtion will meet with investors at both conferences and on various roadshows, particularly as the company continues to bring new products to the Chinese market in order to keep investors fully updated on developments related to the company's new product and applications offerings.

Vtion Stock Price

in Percent



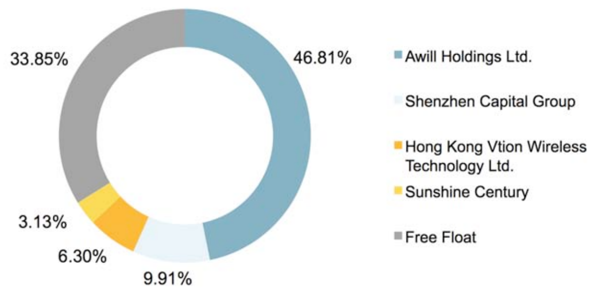
Vtion Master Data

as of Dez 31, 2010

		2010
Number of shares	Mio Pieces	15,980,000
Closing price	€	10.00
Market Cap.	Mio €	159,8
High price	€	10.29
Low price	€	10.00
Average trading volume per day	Piece	45,055

Vtion Shareholder Structure

as of Dez 31, 2010



Product Overview

Status April 2011

Vtion‘s wireless data card product line covers all three technology standards uses by China‘s three wireless operators, China Unicom, China Telecom and China Mobile. As of Q4 2010, the company began diversifying its product portfolio, which now includes wireless modules, wireless routers and the C1 Ebook. Vtion will release further new products in the second half of 2011.

PC to TV

Product Innovation

The Vtion PCtoTV device is a wireless terminal that connects to a standard HDTV monitor through an HDMI cable. The device then receives a wireless signal from the user's notebook PC, allowing him to share video and other content on a large screen with others in the room. Common uses include both household entertainment, business/conference uses, and educational/classroom uses. The user's laptop connects to the PCtoTV device through a WIFI connection, and the laptop itself can connect to internet content through either a 3G dongle or a WIFI connection of its own.

Vtion Anzhuo

Established on January 14, 2011 and registered in Beijing,Vtion Anzhuo is a wholly owned subsidiary of Vtion Wireless Technology AG.

The central purpose of Vtion Anzhuo is to provide high-quality, professional and comprehensive service to top-level developers and Android-based app stores.

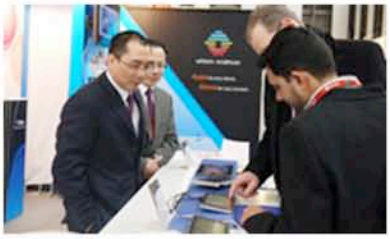
The company will provide solutions to key areas of the Android applications software value chain.

Vtion Anzhuo will focus on the need for more expansive application software supply channels and the need for in-depth application software solutions to provide service to developers, mobile application software suppliers and end users.

Vtion Anzhuo will leverage the international channels available to Vtion AG to actively promote collaboration and cooperation between Android developers, sellers and marketers in China and around the world, helping them to share experience and resources.

This will help to foster a new environment of mutually beneficial cooperation in the international mobile application sector.

Currently, Vtion Anzhuo is in the process of recruiting key personnel, establishing a business development and sales strategy, as well as establishing important client relationships inside and outside of China.



Mobile World Congress

In February 2011, Vtion was exhibitor at the famous Mobile World Congress in Barcelona. The exhibition is a meeting point for the world's most influential companies to share their observations and visions of the future. Nearly 1,400 companies showcased their organisations through a exhibition stand and hospitality space across eight halls at Fira Barcelona. Visiting the exhibition halls provided sneak peeks at exciting new phones, tablets, technologies, applications, back-end solutions, accessories and more. More than 50,000 attendees gathered to meet, connect, network, and share ideas.

Vtion presented its range of products and furthermore enhanced their network as a programmer for products under the Vtion Anzhuo brand.

MOBILE WORLD CONGRESS
Barcelona | 14-17 February 2011

Report of the Supervisory Board

In this report the Supervisory Board gives an account of its work in the financial year 2010. Central topics of the discussions with the Management Board were the Company's long-term product and business development strategy, in particular the impact of mobile internet, tabletPCs, and smart phones on Vtion's business model, as well as 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 financial year 2010, the Supervisory Board continued to perform the monitoring and advisory functions for which it is responsible under the German Stock Corporation Act (Aktiengesetz/AktG) and the Articles of Association (Satzung). 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 were 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. Through a monthly reporting system that we discussed with and devised in cooperation with the Management Board, the Management Board kept us informed of Company developments on a regular basis, with particular attention to reporting on the Company's financial situation, monthly sales figures, development on the capital markets and any extraordinary events. Given the current development of the wireless data services industry, in particular the huge impact of mobile internet, tabletPCs, and smartphones on Vtion's business, and the particular challenges of supervising a Chinese company listed in Germany, we paid particular attention to the product strategy, investment strategy, the earnings situation including the risk situation and risk management. The Supervisory Board continued to place 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.

All events of importance to the Company were discussed in detail 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 intensively discussed the business situation, the operational and strategic development of the Company and its areas of business in five meetings. In addition, various resolutions were taken by way of written votes.

EFFICIENT WORK IN THE SUPERVISORY BOARD

The Supervisory Board meetings were usually attended by all Supervisory Board members. Only at two meetings (one on 4 March 2010 and another on 3 September 2010) each one member could not attend.

At the Supervisory Board meeting on 4 March 2010, the latest developments of Vtion Group's business was reported by the Management Board. Furthermore, the Company's strategy for the next three years as well as the preparation and finalization of the financial statements as of 31 December 2009 were discussed in detail.In that meeting the Supervisory Board also dealt with the preparation of the Company's first public annual general shareholders' meeting.

At the Supervisory Board meeting on 21 April 2010, the individual and consolidated financial statements as of 31 December 2009 were discussed in detail in presence of the chief executive officer and the chief financial officer as well as the auditor. The Supervisory Board unanimously approved the financial statements. Furthermore, the Supervisory Board approved the Compliance Statement (Entsprechenserklärung) and the agenda to the annual general shareholders' meeting.

The Supervisory Board meeting on 21 June 2010 was devoted to a rehearsal for the annual general shareholders' meeting, the interim financial report for the first quarter of 2010 and the development of Vtion Group's business within the first five months of the financial year 2010. Furthermore, the Supervisory Board discussed investor relations activities of the Company.

At the Supervisory Board meeting on 3 September 2010, the interim financial report for the second quarter of 2010 was presented by the Management Board. In addition the Supervisory Board discussed the current market situation, investor relations activities and the utilization of liquidity in Euro currency.

Main topics of the Supervisory Board meeting on 13 December 2010 related to the interim financial report for the third quarter of 2010, the recent developments of the market environment, the implementeation of an adjusted business strategy and the budget for the financial year 2011. Furthermore, the Supervisory Board resolved to establish a "Strategy Committee" which, together with the Management Board, will closely monitor the Company's product development and implementation of new product strategies. The Strategy Committee consists of Mr. Volker Potthoff (Chairman), Mr. Norbert Quinkert, and Mr. Yang Hua. The Supervisory Board believes that the Strategy Committee enables the Supervisory Board to follow the entering of the Company into a new phase of the wireless data industry more closely.

For other matters, Vtion Wireless Technology's Supervisory Board has not established committees. As the Supervisory Board only consists of six members, the Supervisory Board and the Management Board believe that in general it will create most benefits for the Company to rely on the aggregate know how of all Supervisory Board members when discussing and resolving issues brought before the Supervisory Board.

Meetings concerning the annual financial statements were attended by the auditors, the Chairman of the Management Board, and the Chief Financial Officer. They mainly dealt with the individual 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 for the financial year 2010. After the election by the Annual General Meeting, the Supervisory Board engaged the auditors to audit the individual and consolidated financial statements of Vtion Wireless Technology AG and to carry out audit reviews of the interim reports.

CORPORATE GOVERNANCE AND COMPLIANCE STATEMENT

The Supervisory Board again continuously monitored the further development of corporate governance standards in the reporting year. The Management Board – also on behalf of the Supervisory Board – reports on corporate governance at Vtion Wireless Technolgy in the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code.

On 23 February 2011, the Management Board and Supervisory Board jointly issued an updated Compliance Statement in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the Company's website (www.vtion.de). Vtion complies with the recommendations of the German Corporate Governance Code in its latest version of 26 May 2010 with only some exceptions. For further information please refer to the Corporate Governance chapter.

AUDIT OF THE INDIVIDUAL 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 31 December 2010, 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 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 by all board members and discussed in detail at the Supervisory Board meeting on 20 April 2011 in the presence of the auditor who reported on the main results of the audit and was available for questions and supplementary information. In the same meeting, on the basis of its own examination and discussion, 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 1 January until 31 December 2010 were, thus, adopted.

The financial statements of Vtion Wireless Technology AG account for annual net profits of EUR 4.7 Million for the financial year that ended on 31 December 2010. Including the retained earnings this results in net profits of EUR 3.9 Million as at 31 December 2010. The Supervisory Board agreed with the suggestion of the Management Board to distribute a dividend of EUR 0.21[2] per share to the shareholders.

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:

“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.”

The Supervisory Board approved the audit by the appointed auditor. There are no objections to the statements of the Management Board regarding the Company's relation to affiliated companies.

The Supervisory Board would like to take the occasion to express its gratitude to the members of the Management Board for the excellent cooperation and to Vtion's employees for their hard work in the financial year 2010.

Warmest Regards,

The Supervisory Board

Mr. Qian Yingyi

Chairman of the Supervisory Board

Frankfurt, April 20, 2011

[2] The figure is accurate to two decimal places

Corporate Management of Vtion AG

as of December 31, 2010

Management Board (Vorstand)

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

Mr. Ding Chaojie

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

Ms. Fei Ping

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

From left to right: Chen Huan, He Zhihong, Ding Chaojie, Chen Guoping, Fei Ping

Supervisory Board

as of December 31, 2010

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;
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
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
General Manager of Obermark s.à r.l
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:
Executive Vice President of China Electronic Chamber of Commerce

Mr. Yang Hua

Born in 1959
Appointed in 2009
Additional positions:
Secretary General of TD Industry Alliance

Management Report

Group Management Report for the Financial Year 2010

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

China's GDP grew by 10.3% over the course of 2010, an increase over the 8.7% growth of 2009[3]. China continues to show that it has fully emerged from the world financial crisis and has assumed a position as a driver of worldwide economic growth. Though inflation has become a concern domestically, the People's Bank of China has taken measures to reign in liquidity, by raising interest rates. On February 8, 2011, the People's Bank raised rates for the third time since October 2010, moving the one-year benchmark lending rate up 25 basis points to 6.06%[4]. Despite the interest rate increase, China's economy remains a strong growth story, with robust GDP growth of 9.6% projected for 2011 by the International Monetary Fonds (IMF)[5]. This is expected to be driven primarily by domestic consumption, which bodes well for companies primarily active in the Chinese domestic market.

China's telecom sector continued to experience strong growth in 2010 as well, with total industry revenues of 899 billion RMB, an increase of 6.4% compared to 2009[6]. The total number of mobile phone users reached 859 million, of which only 47 million, mere 5.5% were active on the 3G networks[7]. Therefore, there remains strong growth potential in the 3G space for not only handset users but also users who are brought onto the 3G networks via laptop, e-reader, router and tablet PC products.

By the end of 2010, China's nationwide internet penetration rate reached 34.3%, an increase of 5.4% compared to 2009; the addition of 73 million users over the course of 2010 brings the total number of internet users in China to 457 million, of which 98.3% are broadband users, 66.2% are mobile phone users, and 27.3% are so-called "rural-users"[8]. This statistical overlap, particularly between broadband and mobile phone users, shows that many of China's users are accessing the internet through multiple means of connectivity. The increase in rural users, who now number 125 million, shows that the government's effort to spread connectivity to less-developed regions of the country is beginning to show results; in the coming years the spread of internet connectivity outside of China's so-called "first tier" cities will be a major growth driver within the industry.

China also witnessed strong growth in the market for electronic consumer goods during the course of 2010, with industry output reaching 6.34 trillion RMB for the year[9]. The industry also showed signs of adjustment; sales of electronic components grew by 29.4% over the course of the year, while growth in the software space remained steady at 30%[10]. Sales were particularly strong for LED televisions, smartphones and laptop PC's, while products such as 3G handsets, 3D televisions and tablet PC's were identified as the new hot items in China's electronics marketplace[11]. Indicative of the fact that domestic consumption is expected to drive the next stages of China's economic growth, within the electronic information industry, growth of domestic sales was 24.7%, nearly catching growth in exports of electronics products, which grew at a rate of 26.2% for the year[12].

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[3] Bottlier, Peter. "China's Potential Stimulus Hangover". International Economic Bulletin. Carnegie Endowment for International Peace, 17 February ,2011
[4] Waldmeir, Patti, Robert Cookson. "China in Fresh Interest Rate Rise". Financial Times. 8 Feburary, 2011. (http://www.ft.com/cms/s/0/7021dcc0-3375-11e0-a388-00144feabdc0.html#axzz1ENdzeR5V)
[5] "World Economic Outlook Update". International Monetary Fund. 7 July, 2010. (http://www.imf.org/external/pubs/ft/weo/2010/update/02/index.htm)
[6] "2010 Nationwide Telecom Industry Statistics Report." China Ministry of Industry and Information Technology, 26 January, 2011. (http://www.miit.gov.cn/n11293472/n11293832/n11294132/n12858447/13578942.html)
[7] IBID
[8] IBID
[9] "Electronic Information Industry Shows Early Growth and Later Stability in 2010". China Ministry of Industry and Information Technology, 27 January, 2011 (http://www.miit.gov.cn)
[10] "Electronic Information Industry Shows Early Growth and Later Stability in 2010". China Ministry of Industry and Information Technology, 27 January, 2011 (http://www.miit.gov.cn)
[11] IBID
[12] IBID

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

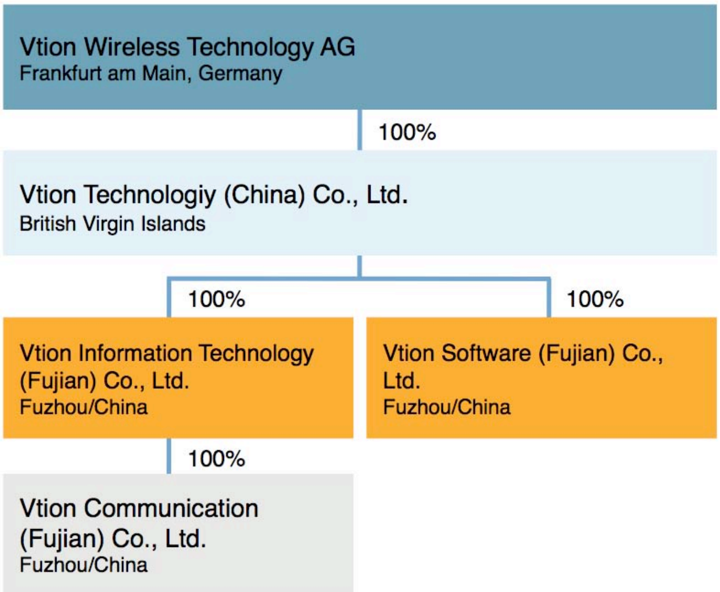
The Company’s business purpose (Unternehmensgegenstand) is the holding and administration and the disposal of direct and indirect participations and investments in the area of Wireless Technology and the providing of services for affiliated entities. According to section 2, para. 2 of the Articles of 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. 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 2009 and 2010 were 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 as of December 31, 2010 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 and was acquired by Vtion BVI Holding on May 9, 2007 (obtaining of control). The current registered capital and fully paid-in share capital of Vtion IT is USD 30,000,000 by December 31, 2010.

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 by December 31, 2010.

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 by December 31, 2010.

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 by December 31, 2010.

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).

In the first three months of fiscal year 2011, two new companies were established under the laws of People’s Republic of China, which are Vtion Anzhuo (Beijing) Technology Co., Ltd and Vtion Communication Technology Service (Fuzhou) Co., Ltd. Please see “Report on post-balance sheet date events”.

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

Vtion is one of the three leading suppliers of wireless data card products and related after sales service support in the People's Republic of China. The company's product portfolio covers all three of the 3G telecom standards in operation in China, namely the CDMA 2000 EVDO standard used by China Telecom, China Unicom's WCDMA standard and the Chinese-developed TD-SCDMA standard operated by China Mobile. Over the course of 2010, Vtion developed eleven different models of wireless data cards, of which three were for the EVDO standard, six for the WCDMA standard and two for the TD-SCDMA standard. This reflects the fact that over the course of the year the company saw its strongest demand from China Unicom, which over the course of the year became Vtion's largest single customer, given that it was able to consistently develop an increasing number of users following the success of its continued network rollout. Of the WCDMA data cards Vtion developed, three featured USB interfaces, two were rotating USB interfaces and one featured a mini-PCIE interfaces. The three CDMA 2000 EVDO products Vtion developed and marketed in 2010 feature one product with each of the three interfaces mentioned above. Vtion is designated a "top-tier qualified supplier" of both China Unicom and China Telecom, and therefore placed a strong emphasis over the course of 2010 on developing products for the standards used by these two operators. Though China Mobile does not have a policy of designating top-tier qualified suppliers, Vtion maintains a strong relationship with China Mobile as well. However, given that China Mobile has had the slowest 3G network rollout of the three operators, it has not developed large numbers of laptop users. Over the course of 2010 Vtion developed both a mini-PCIE interface product and a USB interface product for the TD-SCDMA standard. Despite a smaller product offering for the TD-SCDMA standard, China Mobile remains an important client of Vtion.

In addition to wireless data cards, the company currently sells the Vnet V6 3G wireless router, which takes input from China Unicom's WCDMA network and gives a WiFi signal as output, and the Vnet E6 3G wireless router, which does the same for China Telecom's CDMA 2000 EVDO network. These two products, along with the Coolbook C1 e-reader, have been part of the product portfolio that Vtion sells throughout China since the fourth quarter of 2010.

Vtion provides after sales service support for its products through a nationwide call center that is in operation 7 days a week, 13 hours a day. Vtion previously offered services through its Mobile Business Club, which is an online portal through which members have access to a variety of services offered by third-party providers. The Club reached 260,000 members in 2010, but has been discontinued in its current form in 2011. Vtion will move away from a membership-based model and look to offer some of the Business Club services as applications pre-installed in the company's tablet PC products.

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 2010, 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

Of Vtion's 26 R&D employees, accounting for approximately 14% of Vtion Group's employees, 11 are involved in hardware R&D activities, and 15 involved in the development of software solutions. Vtion's R&D is centered in Beijing, given that the city is home to China's top universities and scientific talent; the majority of the current R&D team is based there, though they frequently travel to company headquarters in Fuzhou to coordinate closely with management and other company personnel.

The company's R&D activities over the course of 2010 centered primarily on the development of wireless data terminals, namely the company's wireless data card products and 3G wireless routers. Going forward, the company will continue to devote a significant portion of its R&D efforts to the development of more wireless data terminal products, while also expanding into the wireless intelligent terminal space. In 2011, the company plans to develop wireless data cards for the EVDO Rev. B standard, which would be used on China Telecom's network, for HSPA, which is a part of the WCDMA (used by China Unicom) technology featuring higher connection speeds, and for China's home-grown TD standard, including the TD-LTE, which will be the 4G standard based on TD technology. Vtion will also develop new 3G wireless routers for each of the standards delineated above over the course of 2011, in order to maintain a competitive product portfolio with a variety of products covering the technology standards of all three operators.

As for wireless intelligent terminals, Vtion will release its first tablet PC in the second half of 2011, targeted at niche markets in the business user community, including solutions tailored to specific sectors and industries. The company's software R&D efforts are centered around integrating mobile applications for the Android operating system, to be used both on Vtion's hardware and potentially on other devices. As the Chinese market has just entered the early stages of the mobile internet era, Vtion's R&D activities are centered around both hardware and software solutions for this sector, as well as preparing the company for further generations of technology on the horizon, particularly 3.5G, 3.75G and 4G.

Vtion 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 product developed in 2010:

Product Category	3G STANDARD	INTERFACE TYPE	MODEL
Wireless Data Cards	CDMA 2000 EVDO	Rotate USB	E1920
		Mini-PCIE	E1960
		USB Stick	E1990
	WCDMA	USB Stick	U1912
		Rotate USB Stick	U1920+
		USB Stick	U1916-W
		Rotate USB Stick	U1920-W
		Mini-PCIE	U1960
		USB Stick	U1990
	TD-SCDMA	USB Stick	TG1917
		Mini-PCIE	T1960
Wireless Router	CDMA2000	Vnet E6	
		Vnet V6	
Cool Book		C1	

SUPPLIERS

Throughout its history Vtion has used a value chain model centered on working closely with OEM's and ODM's and outsourcing all of its production. This has allowed the company to both assure high quality through only partnering with top-level manufacturers, as well as maintain a lean an effective cost base through lower overhead due to not having to pay for unused production capacity. Vtion has its own production department, staffed by 13 persons. This department is responsible primarily for the development and testing of product prototypes, while the company's actual scale production and mass production remains entirely outsourced.

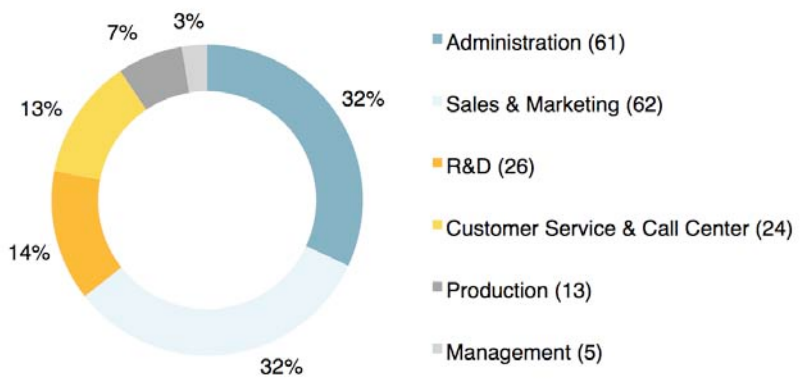
For its wireless data card products, Vtion used worked with three manufacturers over the course of 2010. The first, a subsidiary of Foxconn called Hong Xun, based in Hangzhou, provides production services. BYD provides both ODM and production services, while the company also works with an ODM based in Guangzhou called Shenzhou Electronic Co., Ltd.

For the new products that the company released in the fourth quarter of 2010, the Coolbook C1 e-reader and the Vnet V6 and E6 3G wireless routers, Vtion used two other suppliers. The OEM for the C1 e-reader is a Taiwanese company called Netronix INC. Beijing's Weicom Limited is Vtion's ODM for its two models of 3G wireless routers.

As the company rolls out new products, including a tablet PC, it will maintain a value chain model that uses outsourced production from third party suppliers. More information on these suppliers will be communicated as the company begins selling and marketing these products.

EMPLOYEES

Vtion concluded 2010 with 191 employees, evident of the company's determination to maintain a lean cost structure. Vtion finished the first half of 2010 with 184 employees. In the second half of the year Vtion added 10 administrative employees, and added two employees each to its sales and marketing and customer service and call center teams. Vtion's R&D department remained unchanged at 26 employees, while the production department was reduced from 19 employees to 13 employees, reflective of the fact that aside from small scale production of prototypes and product testing, Vtion's mass-scale production continues to be outsourced to third-party suppliers. Currently, with 61 respectively 62 employees, administrative personnel and sales and marketing personnel constitute the largest portions of Vtion's employee base.



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

China's 3G market continued to show strong growth over the course of 2010, as the operators' network rollouts reached a more mature stage, with China Telecom's CDMA 2000 EVDO network now consisting of 143,000 3G base stations, and covering all county-level cities and 77% of village level cities.[13] China Unicom's WCDMA network has a total of 167,000 3G base stations, covering 95% of all county-level cities.[14] China Mobile's TD-SCDMA network has reached a coverage rate of 98% in province-level cities and China Mobile has also completed its "subway coverage" project, bringing coverage to subway stations in many of China's major cities.[15] For Vtion, this drove strong growth in the company's core wireless data card business segment over the first three quarters of the year, as the higher coverage rates allowed each other the three operators to bring more users onto the networks through a laptop connection which requires a wireless data card. As a result, Vtion realized just over 80% of its revenue through sales to the three major telecom operators. During the fourth quarter of the year, Vtion experienced a slowdown in its business, typical for the fourth quarter due to time lost from the National Day celebration, but exacerbated by pricing pressure and the early effects of changes in the overall market development strategy of the telecom operators. The strategy resulted in a de-emphasis of laptop data users and an increasing emphasis on smartphone, e-reader and tablet PC internet users, a change that was finalized around the time of the Spring Festival 2011, when China's operators typically set their year-long strategic plan. In this new market environment, Vtion maintains its status in the wireless data card sector as a "top-tier qualified supplier" of both China Telecom and China Unicom, while also remaining a supplier of China Mobile. The market remains oligopolistic, with Huawei and ZTE remaining as the other two top suppliers. However, given the shift to other products on the part of the operators, Vtion expects reduced revenues in the wireless data card segment in 2011 compared to 2010. Thus, though the company was able to realize strong sales in this segment over the course of 2010, beginning in 2011 the company will continue selling wireless data cards at lower prices and somewhat reduced volumes, while undergoing a transition to diversify its business model to take advantage of the opportunities of a changing marketplace.

In late 2010 Vtion already began the process of diversifying its product offerings, releasing the C1 Coolbook e-reader as well as the Vnet E6 and Vnet V6 3G wireless routers to the Chinese marketplace. In 2010, laptop PC's exhibited the strongest adaption growth as far as means of internet connectivity, growing by 15% year-over-year, compared to 5.4% for desktop PC's and 5% for smartphones[16]. Greater diversification will be a major theme in the Chinese electronics market over the course of 2011, as e-readers, 3G wireless routers, and particularly tablet PC's are expected to see widespread adaption over the course of the year. Therefore, Vtion will continue to develop new product offerings to meet this greater diversification of demand, for both retail sources and telecom operator clients, as well as expand its capacity as an integrator of mobile computing applications, particularly for the Android platform, to take advantage of the content opportunities that the increasing array of mobile computing devices will offer.

COMPANY'S DEVELOPMENT

2010 was a solid year of Vtion Group's development. Sales increased by 50% from the year 2009 and reached approximately EUR 101.7 million. The net profit reached approximately EUR 22 million, an increase of 33% from the year 2009. Earnings per share increased by 5% from the year 2009 and reached EUR 1.38.[17]

[13] "China Telecom Reaches 143,000 Base Stations, 77% Rural Coverage". Xinmin Technology Report. 28 December, 2010. (http://tech.xinmin.cn/2010/12/28/8572933.html)
[14] China Unicom Official Site, News Section. (http://www.chinaunicom.com.cn/news/jtxw/file603.html)
[15] "Telecom Expert Zhou Guangbin Speaks about Industry Development in 2010". Hexun Tech Online. 10 January, 2010. (http://tech.hexun.com/2011-01-10/126685812.html)
[16] "27th Statistical Report on the Internet Development Situation". China Internet Network Information Center. 18 January, 2011. (www.cnnic.net.cn)
[17] Computed on the basis of average weighted 15,980,000 shares for 2010, and respectively average weighted 12,614,247 shares for 2009

Result of Operations

INCOME STATEMENT – Group

Jan. 1 – Dec. 31 (in k€)

	2010	2009	% change
Sales	101,661	67,639	50
Cost of sales	-64,394	-45,075	43
Gross profit	37,267	22,564	65
Other operating income	556	359	55
Selling and distribution expenses	-4,739	-1,981	139
Administrative expenses	-3,736	-1,991	88
Other operating expenses	-121	-26	365
Profit from operations (EBIT)	29,227	18,925	54
Finance income	685	176	289
Finance expenses	-3,891	-208	1,771
Profit before income tax	26,021	18,892	38
Income tax	-4,037	-2,335	73
Profit for the period	21,985	16,557	33
Earnings per share[18]	1.38	1.31	5
EBITDA[19]	29,654	19,154	55
EBITDA margin[20]	29%	28%	3
EBIT margin[21]	29%	28%	3
Net profit margin[22]	22%	24%	-12

[18] Ibid
[19] Profit for the period plus income tax, finance expenses, depreciation and amortization minus finance income
[20] Relation of EBITDA to sales
[21] Relation of EBIT to sales
[22] Relation of profit for the period to sales

SALES

Compared with the last fiscal year, in 2010 Vtion had the revenues from new products and services. Due to the business development, sales were extended to comprise the sale of wireless data cards, wireless router, e-book, IPhone, the provision of data service solutions and so-called other sales. Other sales include the commission from virtual network operation (VNO) packages, the sales of dual mode mobile phone, the sales of IP servers, and the sales of customized software. All supplied products and provided service were reclassified as follow:

Category "Wireless Data Terminals" included the sales of wireless data cards, wireless modem, wireless router and the commission for virtual network operation (VNO) packages.

Category "Wireless Intelligent Terminals" included the sales of e-book, pad and IPhone.

Category "Data Solution Service" included the commission from the membership of business club.

Category "Others" included the sales of mobile phone, software and service in connection with wireless modem sales.

Sales increased from EUR 67,639 thousand in fiscal year 2009 by EUR 34,022 thousand, or 50%, to EUR 101,661 thousand in fiscal year 2010. This increase in sales was primarily due to the increase in the sales of wireless data cards and VNO packages ("wireless data terminals" segment). Sales of wireless data cards increased from EUR 64,271 thousand in 2009 by EUR 29,161 thousand, or 45%, to EUR 93,432 thousand in 2010. Commission for activated internet access plans in virtual network operation (VNO) packages increased from EUR 555 thousand in 2009 by EUR 2,913 thousand, or 525%, to EUR 3,468 thousand in 2010.

Vtion started to supply wireless router, e-book and IPhone package from fiscal year 2010. Revenues generated from the sales of wireless router and e-book were EUR 545 thousand and EUR 432 thousand in 2010. Revenues from IPhone comprise commission of IPhone package sales and profit sharing from phone bills. In 2010 revenues from IPhone business was EUR 1,128 thousand.

Sales from data solution segment increased from EUR 2,535 thousand in 2009 by EUR 107 thousand, or 4%, to EUR 2,642 thousand in 2010.

Other sales decreased from EUR 278 thousand in 2009 by EUR 263 thousand, or 95%, to EUR 15 thousand in 2010. This decrease mainly resulted from a decrease in revenues generated from the sales of customized software and 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 terminals (including primarily the costs for the purchase of wireless data terminals and the hardware design of those wireless data terminals from design houses), the costs of the purchase of e-book, IPhone, 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 terminals 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 45,075 thousand in fiscal year 2009 by EUR 19,319 thousand, or 43%, to EUR 64,394 thousand in fiscal year 2010. 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 to EUR 501 thousand in 2010, mainly due to the increase of average members of business club.

GROSS PROFIT

The overall gross profit margin increased from 33% in 2009 to 37% in 2010. The increase was mainly due to the cost saving of 3G wireless data cards in 2010, which resulted from the unit cost reduction much greater than the decline of unit price for the 3G wireless data cards during 2010. So the gross margin of 3G wireless data cards was 34% in 2010, but 31% in 2009. The gross margin level remained stable in the first nine months of 2010, but declined with 10% in the fourth quarter of 2010, due to the fierce price competition.

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 increased from EUR 359 thousand in fiscal year 2009 by EUR 197 thousand, or 55%, to EUR 556 thousand in fiscal year 2010. It was primarily due to two special monetary rewards granted by PRC government in 2010, one amounting to EUR 117 thousand granted to entities listing at stock market, and the other amounting to EUR 95 thousand granted to entities with excellent technical experts.

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 1,981 thousand in fiscal year 2009 by EUR 2,758 thousand, or 139%, to EUR 4,739 thousand in fiscal year 2010. This increase was primarily due to an increase in royalty costs to copyright holders, commission to sales agents, promotion expense and salaries resulted from headcount increase which was partly offset by the decrease in travel expenses.

The percentage of selling and distribution expenses in relation to total sales was 4.7% in 2010 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 increased from EUR 1,991 thousand in fiscal year 2009 by EUR 1,745 thousand, or 88% to EUR 3,736 thousand in fiscal year 2010. This increase was primarily due to an increase in local staff's salaries, consulting expense after listing (the majority of consulting expense in 2009 as IPO expense deducted from capital reserve), travel expense, research and development expenses, business expenses which was partly offset by certification testing expenses as well as meeting.

Research and development expenses increased from EUR 459 thousand in 2009 by EUR 156 thousand, or 34%, to EUR 614 thousand in 2010.

The ratio of administrative expenses to sales was 4% in 2010 and 3% in 2009

OTHER OPERATING EXPENSES

The other operating expenses were insignificant in 2009 and 2010.

PROFIT FROM OPERATIONS (EBIT)

Profit from operations increased from EUR 18,925 thousand in fiscal year 2009 by EUR 10,302 thousand, or 54%, to EUR 29,227 thousand in fiscal year 2010. This increase was largely brought by the strong increase of sales and gross profit in 2010, which was the result of the significant increase of 3G wireless data card sales.

EBIT MARGIN

Vtion Group's EBIT margin (profit from operations divided by sales) slightly increased from 28% in 2009 to 29% in 2010. The increase resulted from the increase in 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 increased from EUR 176 thousand in fiscal year 2009 by EUR 509 thousand, or 289%, to EUR 685 thousand in fiscal year 2010, mainly due to the increase of interest income.

FINANCE EXPENSES

Finance expenses comprise 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 increased from EUR 208 thousand in fiscal year 2009 by EUR 3,683 thousand, to EUR 3,891 thousand in fiscal year 2010, primarily due to the increase of foreign exchange loss. Since the functional currency of the Group is RMB, an exchange loss amounting to EUR 3,849 thousand arising on translating cash and cash equivalent items of Vtion Group at the balance sheet date was recognized in the income statement in 2010. As of 31 December 2010, Euro exchange rate for RMB reduced to 8.822 by 10% from 9.8350 as at 31 December 2009, which had a negative impact on the valuation of Euro assets.

INCOME TAX

Income tax only comprises tax actually payable. Under the same rules, Vtion IT and Vtion Software benefited from a 50% tax exemption in 2010. Vtion Communication was exempted from the corporate income tax because of an accounting loss resulting from the operation in 2010. The Chinese companies of Vtion Group recorded an income tax charge of EUR 3,773 thousand in 2010 based on an effective tax rate of 12.5% in China. Vtion Wireless Technology AG accumulated a net tax loss under German GAAP, since 95% of dividend income was exempted from German corporation income tax. Based on the estimation on net taxable income of the next five years, Vtion AG recalculated and recognized as deferred tax asset amounting to EUR 921 thousand as of 31 December 2010, of which the decrease by EUR 264 thousand was recognized as income tax expense under IFRS. So altogether Vtion Group recorded a net income tax expense of EUR 4,037 thousand in 2010.

NET PROFIT AND EPS

Net profit in 2010 amounted to EUR 21,985 thousand, an increase of 33% year-on-year. The EPS in 2010 reached EUR 1.38, an increase of 5% year-on-year.[23]

NET PROFIT MARGIN

The net profit margin decreased from 24% to 22%. This decrease was mainly due to the increase of foreign exchange loss in 2010.

[23] Computed on the basis of average weighted 15,980,000 shares for 2010, and respectively average weighted 12,614,247 shares for 2009

Balance Sheet Structure

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

Amounts in k€	Dec. 31, 2010	Dec. 31, 2009
ASSETS		
Current assets		
Inventories	3,608	3,768
Trade receivables	32,556	34,790
Other receivables	5,987	5,295
Amounts due from related parties	1,000	1,391
Cash and cash equivalents	98,961	61,482
	142,112	**106,726**
Non-current assets		
Property, plant and equipment	1,250	635
Land use rights	559	523
Intangible assets	754	784
Deferred tax assets	975	1,201
	3,538	3,144
Total assets	**145,650**	**109,870**
LIABILITIES		
Current liabilities		
Short-term loans		
Trade payables	11,164	8,225
Other payables and accruals	4,696	4,954
Amounts due to related parties	1	-
Income tax payable	352	685
Non-current liabilities		
Deferred tax liability	50	-
Total liabilities	**16,263**	**13,864**
CAPITAL AND RESERVES		
Share capital	15,980	15,980
Capital reserves	48,163	48,163
Retained earnings	51,705	29,720
Foreign exchange difference	13,539	2,143
Total equity	**129,387**	**96,006**
Total liabilities and equity	**145,650**	**109,870**
Equity to total assets ration	89%	87%

Current Assets

INVENTORIES

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

(in k€)	Dec. 31, 2010	Dec. 31, 2009
Goods and material	875	631
Advances to suppliers	2,733	3,137
	3,608	**3,768**

Inventories slightly decreased from EUR 3,768 thousand as at 31 December 2009 by EUR 160 thousand, or 4%, to EUR 3,608 thousand as at 31 December 2010. There was an increase in goods and materials, but a decrease in advances to suppliers. The decrease of advances to suppliers was mainly due to the decrease of sales volume in the fourth quarter of 2010.

TRADE RECEIVABLES

Trade receivables decreased from EUR 34,790 thousand as at 31 December 2009 by EUR 2,234 thousand, or 6%, to EUR 32,556 thousand as at 31 December 2010. This decrease was mainly resulted from positive collection of receivable in the fourth quarter of 2010. But the decrease of sales in Q4 2010 had negative impact on the amount of trade receivable. The amount of trade receivable with a maturity of less than 90 days as at 31 December 2010 represented 49% of total trade receivable as at 31 December 2010. Meanwhile the part with a maturity of more than 90 days but below 180 days was 51% of the total as at 31 December 2010, which represents an increase by 13% compared to 31 December 2009.

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 increased from EUR 5,295 thousand as at 31 December 2009 by EUR 692 thousand, or 13%, to EUR 5,987 thousand as at 31 December 2010. If excluding the impact of exchange difference arising on currency translation, other receivables and prepayments actually increased by 1% to RMB 52.8 million as at 31 December 2010. This mainly resulted from the recognition of rebates on chipsets in connection with the sales volume of wireless data cards..

AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties decreased from EUR 1,391 thousand as at 31 December 2009 by EUR 391 thousand or 28%, to EUR 1,000 thousand as at 31 December 2010, which resulted from the decrease of amounts due from Fujian Vtion Telecom Information Service Co., Ltd.

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 EUR 98,961 thousand as at 31 December 2010. For a description of the changes in cash at the end of 2010, see "Cash Flow Statement" in this section.

	Dec. 31, 2010 kEUR	Dec. 31, 2009 kEUR
Cash on hand	4	6
Cash in banks	95,953	58,629
Deposit on bank's acceptance bill	3,004	2,847
	98,961	**61,482**

Non-current assets

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly comprise office equipment, electronic equipment, machinery, vehicle, leasehold improvement and construction in progress. Property, plant and equipment increased from EUR 635 thousand as at 31 December 2009 by EUR 615 thousand, or 97%, to EUR 1,250 thousand as at 31 December 2010. This mainly resulted from long-term prepayment due to office decoration, the purchase of vehicles, office equipment partly offset by the depreciation charge and disposal of equipment.

LAND USE RIGHTS

In accordance with the Second Annual Improvements Projects (AIP 2009), the “land use rights” will no longer be presented as an “intangible asset”, but as “land use rights”. The amount of “land use rights” increased to EUR 559 thousand as at 31 December 2010, respectively EUR 523 thousand as at 31 December 2009.

INTANGIBLE ASSETS

Intangible assets decreased from EUR 784 thousand as at 31 December 2009 by EUR 30 thousand, or 4%, to EUR 754 thousand at 31 December 2010. This was mainly due to the amortization of intangible assets.

Liabilities

TRADE PAYABLES AND NOTES PAYABLE

Trade and notes payable increased from EUR 8,225 thousand as at 31 December 2009 by EUR 2,939 thousand, or 36% to EUR 11,164 thousand as at 31 December 2010. If excluding the impact of exchange rate difference arising on currency translation, the trade and notes payable in term of RMB increased by 22% was mainly due to the purchase increase as a result of a significant sales increase of wireless modem cards in 2010.

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.

Other payables and accruals decreased from EUR 4,954 thousand as at 31 December 2009 by EUR 258 thousand, or 5% to EUR 4,696 thousand as at 31 December 2010, which was mainly results from an decrease of deferred income,VAT payable, and license charge payable, partly offset by the increase of rebates payable to copyright holders in 2010.

AMOUNTS DUE TO RELATED PARTIES

The increase of amount s due to related parties in 2010 was insignificant.

EQUITY TO TOTAL ASSETS RATIO

The equity to total assets ratio increased from 87% in 2009 to 89% in 2010. The increase was mainly due to 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 2010 and 2009.

Amounts in k€	2010 EUR	2009 EUR
Operating cash flow before working capital changes	29,633	19,197
Cash generated from/(used in) operations	34,075	-8,164
Net cash generated from operating activities	30,582	-9,642
Cash flow used in investing activities	-835	-987
Cash flow from financing activities	0	43,861
Net increase in cash and cash equivalents	**29,747**	**33,232**
Cash at beginning of year	61,482	**30,336**
Foreign exchange difference	7,732	-2,086
Cash at end of the period	**98,961**	**61,482**

NET CASH GENERATED FROM OPERATING ACTIVITIES

The net cash position as at 31 December 2010 had strongly improved. The Company generated a positive net cash flow amounting to EUR 30.6 million from operation as at 31 December 2010, representing a significant increase by EUR 40.2 million compared with the net cash of EUR 9.6 million used in operating activities in 2009. This increase was mainly attributable to a significant decrease in inventories, trade receivable, amounts due from related parties and a significant increase in profit before income tax, trade payables. This effect was partly offset by the decrease in other payable and accrual and the increase in actual income tax paid.

CASH FLOW USED IN INVESTING ACTIVITIES

Cash flow used in investing activities decreased from EUR 987 thousand in 2009 by EUR 152 thousand, or 15%, to EUR 835 thousand in 2010. This is mainly attributable to a decrease in investment of technical license, but an increase in investments in purchase of property, plant and equipment.

CASH FLOW FROM FINANCING ACTIVITIES

Up to the balance sheet date, Vtion Group had not obtained any credit facilities and did not have any bank borrowing. Cash from financing activities in 2010 was zero.

CASH AT END OF PERIOD

Cash at the end of the period amounted to EUR 98,961 thousand as at 31 December 2010, which was increased by EUR 37,479 thousand from the balance in 2009. This significant increase completely resulted from the significant net cash increase from operating activities.

Report on Post-Balance Sheet Date Events

ORGANIZATIONAL STRUCTURE

Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC (Vtion Android) was founded on January 14, 2011 with RMB 10 million of capital. Vtion Communication holds 100% of the shares in this subsidiary and fully paid in the registered capital in January 2011. By this establishing, it is hoped to commit to provide high quality, professional, one-stop service to Andriod application developers and mobile application stores.

Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC was founded on March 1, 2011 with RMB 1 million of capital, which commits to provide high quality communication equipment, electronics, hardware and software of computer, and the services connected with the products. Vtion IT holds 100% of the shares in this subsidiary and fully paid in the registered capital in February 2011.

DIVIDEND PAYMENT

On February 23, 2011, Vtion announced that it intends to pay its shareholders a dividend in 2011 of 10 to 30% of 2010 net profit.

BUSINESS DEVELOPMENT

At the time of the Chinese Spring Festival, the telecom operators began to implement their yearlong strategy for 2011, which involves seeking lower prices for wireless data cards and emphasizing greater product diversification at the expense of wireless data card products. This has had an adverse effect on the company's core business, and therefore Vtion has begun a process of transition to a more diversified business model to meet the opportunities provided by this changing market environment. Though this will have a negative short-term effect on the company's profitability, the company believes that it will emerge better positioned for long-term growth in an increasingly diversified 3G market.

At the time of publication there were no other significant post-balance sheet date events to report.

Risk Report

RISK AND OPPORTUNITY MANAGEMENT

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

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

The Vtion Group deploys accounting, control, and planning tools as an integral part of the risk management process. To closely monitor business developments and risks, management regularly conducts sales volume and structural analysis, gross margin analyses, liquidity analysis and monitors the progression of accounts receivable. Monthly and quarterly financial reporting processes are a core tool in the management of our business and will ensure that information on business and market trends are regularly updated. As part of the company's financial control procedures, significant variations between actual and budget figures are identified and analyzed and they serve as the basis for developing corrective measures.

An internal audit department has already been set up and is working to support the necessary processes to create and safeguard shareholder values. Vtion is making efforts to implement improvements on internal control systems. Following the IPO, the Vtion Group has a substantial cash position and the group has no loan exposure. Cash management will remain a high priority within the group as a whole, and within individual companies.

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

To minimize risks and to capitalize on opportunities, Vtion Group pursues a forward-looking product strategy and will continue to invest in R&D, while at the same time observing current and speculating on future market trends and customer requirements, and continuously strives to develop and maintain unique selling points related to its technology.

SINGLE RISK FACTORS

The Company believes that the following factors have had and/or will continue to have a material effect on 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 products are sold to China Mobile, China Telecom and China Unicom, which in turn resell the products 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 operators 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 wirelessdata 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 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, the company is able identify and develop corresponding technologies and products and bring these new products to the market. The company has already started a process of expanding upon its product portfolio and service offerings over the course of 2011.

- 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 technological and market developments. 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 is highly competitive and competition may further intensify as Vtion enters new product and market spaces.

The market for electronics products in China is highly competitive. Though Vtion enjoys a strong relationship with its three main customers in an oligopolistic market environment, the company will be exposed to increased competition from a greater number of sources as it transitions into a more diversified business model. Vtion has a very short track record as a seller of e-readers and 3G wireless routers, and no track record at all in the tablet PC or application industries. As such, there exists the risk that Vtion will be unsuccessful in these endeavors, particularly when exposed to a greater number of competitors in these highly competitive product spheres. Vtion has not previously served as a content provider, and does not have its own direct sales channels, selling instead through the telecom operators and third-party retailers and distributors. Each product space is exposed to different competitors, meaning that Vtion will face intensifying competition the further the company progresses in its transition into new product spaces.

Vtion is very well capitalized and able to fund new product ventures. The company will look to leverage its status as a major supplier of the telecom operators in order to secure sales volumes through these channels. Despite the highly competitive nature of the new product markets that Vtion is entering, the company has identified key niches, such as targeting business users in the tablet PC space, in which it believes it has competitive advantages that will allow it to succeed. Through this approach, Vtion will avoid direct competition with ingrained players and look to establish a stronghold in certain key niche markets.

- 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 just over 3 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 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 the Vtion Group's ability to market certain products and services or lead to the 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 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, the company needs to obtain approval of registration if the 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, the 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 1 January 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 1 January 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 ordinaryincome 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 Lawand 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 2010 nor at the time of writing has the Management Board identified any risks that could jeopardize the company's continued existence.

Risk and opportunity management

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. In the case of Vtion AG, these services are also assigned by an external tax consultation and auditing company.
- 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.

Compensation Report

For the fiscal year 2010, 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	2010	2009
	in kEUR	in kEUR
Chen, Guoping	46.1	39.1
Chen, Huan	33.4	20.7
He, Zhihong	40.1	32.8
Ding, Chaojie	53.5	32.8
Fei, Ping	40.1	32.8

In 2010, the supervisory board members received the following fixed remuneration:

Name	2010	2009
	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

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.”

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 Management Board is not aware of restrictions regarding voting rights and the right to transfer shares.

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 9.91% 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. Vtion Wireless Technology AG currently has a chairman and 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

8.1 Authorized Capital

According to section 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 7,990,000 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.

8.2 Contingent Capital 2009

According to Section 4 para 5 of the articles of association, the share capital is increased by up to EUR 500,000 and issue of 500,000 no par value bearer shares conditional on holders of Stock Options having exercised their subscription rights (Contingent Capital 2009).

The Contingent 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.

8.3 Contingent Capital 2010

Section 4 para. 6 of the articles of association provides for a further contingent capital increase (Contingent Capital 2010). According to the Contingent Capital 2010 as provided for in section 4 para. 6 of the articles of association the Company's share capital is increased by up to EUR 7,490,000 by issue of up to 7,490,000 new bearer shares no par value conditional on the exercise of subscription rights by holders of convertible bonds or options bonds.

By resolution of the annual general shareholders' meeting dated 22 June 2010, the Management Board is, subject to the prior approval of the Supervisory Board, authorized to issue convertible bonds or option bonds granting subscription rights for totally 7,490,000 new no par value bearer shares. This authorization is valid until 21 June 2015.

8.4 Treasury Shares

By resolution of the annual general shareholders' meeting dated 22 June 2010, the Company acting through the Management Board has been authorized to repurchase up to totally 1,598,000 treasury shares one time or several times until 21 June 2015.

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 offer.

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

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 offer.

Corporate Governance Report

(including Corporate Governance Statement)

Vtion Wireless Technology AG is committed to the principles of good and responsible Corporate Governance and focused on responsible long-term value creation. The Management Board and Supervisory Board merit the trust of Vtion's 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 communication and discussion on all matters submitted to them, as well as due care in relation to accounting, audit and risk management.

The Supervisory Board and Management Board of Vtion Wireless Technology AG explicitly support the German Corporate Governance Code and the objectives purposed by the German Corporate Governance Code.

In accordance with Item 3.10 of the German Corporate Governance Code and Section 289a of the German Commercial Code, the corporate governance report of Vtion AG includes the corporate governance statement (Erklärung zur Unternehmensführung) of the Company.

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 Shareholders' 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 Shareholders' 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.

MANAGEMENT BOARD

The members of the Management Board are appointed by the Supervisory Board. The Management Board is responsible for the executive 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 Company has entered into a D&O insurance for its members of the Management Board which is in line with the statutory requirements of Section 93 para. 2 sentence 3 of the German Stock Corporation Act.

Details pertaining to the remuneration of the members of the Management Board for the financial year 2010 can be found in the Remuneration Report in the annual report.

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. The following cases of potential conflicts of interest of Management Board members persisted in the financial year 2010 due to the shareholdings of Management Board Members:

- 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".

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 Corporation 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.

In its meeting on 13 December 2010, the Supervisory Board resolved to establish a "Strategy Committee" which, together with the Management Board, will closely monitor the Company's product development and implementation of new product strategies. The Strategy Committee consists of Mr. Volker Potthoff (Chairman), Mr. Norbert Quinkert, and Mr. Yang Hua. The Supervisory Board believes that the Strategy Committee enables the Supervisory Board to follow the entering of the Company into a new phase of the wireless data industry more closely.

For other matters, 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 Management Board believe that in general will create the best benefits to the Company's corporate governance to rely on the aggregate know how of all board members for all matters.

The Company has entered into a D&O insurance for its members of the Supervisory Board. The D&O insurance for Supervisory Board members does not contain a deductible (Selbstbehalt) for the Supervisory Board members.

Details pertaining to the remuneration of the members of the Supervisory Board for the financial year 2010 can be found in the Remuneration Report in the annual report.

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. The following cases of potential conflicts of interest of Supervisory Board members were reported to the Supervisory Board in the financial year 2010:

- In its meeting on 21 April 2010, 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.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with Section 289a of the German Commercial Code includes the (1) declaration of compliance in accordance with Section 161 of the German Stock Corporation Act, (2) relevant disclosures relating to corporate governance practices, (3) a description of the workings of the Management Board and Supervisory Board, including, (4) the composition and workings of their committees.

COMPLIANCE STATEMENT

The Compliance Statement (Entsprechenserklärung) in accordance with Section 161 of the German Stock Corporation Act 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-de.vtion.de/corporate-governance.html.

CORPORATE GOVERNANCE PRACTICES

- 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.

Availability of Documents on Corporate Governance Practices: The Articles of Association (Satzung) of Vtion Wireless AG as well as the Compliance Statement in accordance with section 161 of the German Stock Corporation Act are available on its website (www.vtion.de).

COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

In accordance with statutory requirements, Vtion Wireless Technology AG has a so-called two-tier governance system which is characterized 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 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. The internal rules of procedure within the Management Board and Supervisory Board, as well as the cooperation between the two boards, are laid out in detail in the Company's by-laws for the Supervisory Board and by-laws for the Management 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.

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.

SUPERVISORY BOARD COMMITTEE

In its meeting on 13 December 2010, the Supervisory Board resolved to establish a "Strategy Committee" which would together with the Management Board closely monitor the Company's product development and implementation of new product strategies. The Strategy Committee consists of Mr. Volker Potthoff (Chairman), Mr. Norbert Quinkert, and Mr. Yang Hua. The Supervisory Board believes that the Strategy Committee enables the Supervisory Board to follow the entering of the Company into a new phase of the wireless data industry more closely. The Strategy Committee will have meetings usually in connection with regular meetings of the full Supervisory Board, and, if required, in addition to that will convene or discuss on ad-hoc basis. The Strategy Committee will prepare specific topics for discussion in the plenary sessions. The Supervisory Board has not delegated decision-making authority to the Strategy Committee.

For other matters, 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 Management Board believe that in general will create the best benefits to the Company's corporate governance to rely on the aggregate know how of all board members for all matters.

DIRECTORS' DEALINGS AND DIRECTORS' SHAREHOLDINGS

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 2010 Vtion Wireless Technology AG has not been notified of any such transactions.

On 31 December 2010, 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 2010, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, has been appointed as auditor by the Annual General Meeting on 22 June 2010. 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.

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.

Report on Expected Development

Vtion expects 2011 to be a year of transition for the company, as it seeks to more fully take advantage of the increasing diversity apparent in China's growing 3G market. The company expects this to mean that its profitability will suffer in the near term, as it will need to devote cash and company resources to the new products, and acquiring market share and sales channels will take time. However, Vtion has already begun the process of adding more products to its portfolio, introducing the C1 Coolbook e-reader, as well as the Vnet V6 and Vnet E6 3G wireless routers in late 2010. The company is also in the process of developing a tablet PC specifically for the Chinese market and in accordance with the needs and specifications of China's three major telecom operators. Vtion is also building up its capability in the Android application integration space, particularly through its newly established subsidiary, Vtion Anzhuo, in order to have the ability to provide integrated solutions involving both hardware and applications.

Vtion's emphasis on developing new products is intended to increase the company's competitiveness in the short term, and take advantage of opportunities resulting from the telecom operators' market development strategy that emphasizes user base development through more diversified mobile internet product offerings. The company also intends to increase its long-term competeviness through investments in R&D, as well as recruiting top talent from China, Asia, Europe and the Americas in order to become more internationalized and have greater access to technologies and applications outside of China. The company will then look to introduce those applications it deems well-suited to the Chinese market into China. Vtion's transition process will be ongoing throughout 2011, with the most tangible progress evident in the later stages of the year and into 2012. Segment wise, the company has the ambition to achieve stable sales for Wireless Data Terminals, expects stable sales for Data Solution Services and expects a significant increase in sales for the segment Wireless Smart Terminal. The allocation of segment assets will be in line with the proportion of sales.The company expects to have itself better positioned for long-term growth through the measures listed above.

Frankfurt/Main, April 20, 2011

Management Board

Chen Gouping	Chen Huan	Ding Chaojie	Fei Ping	He Zhihong

Financial Statements

Financial Statements Vtion Wireless Technology AG

Consolidated Statement of Comprehensive Income

for the period January 1 to December 31, 2010

	Notes	2010	2009
		EUR	EUR
Sales	2.14, 4.1, 4.3	101,661,267	67,638,908
Cost of sales	4.2	-64,394,102	-45,074,798
Gross Profit		**37,267,165**	**22,564,110**
Other operating income	2.14, 2.15, 4.1	555,846	359,035
Selling and distribution expenses		-4,738,798	-1,980,973
Administrative expenses	4.5	-3,735,808	-1,991,212
Other operating expenses		-121,444	-26,220
Profit from operations		**29,226,961**	**18,924,740**
Finance income	2.14, 6.3	685,088	176,111
Finance expenses	4.7, 6.3	-3,890,557	-208,372
Profit before income tax		**26,021,492**	**18,892,479**
Income tax	2.20, 4.8	-4,036,612	-2,335,454
Profit for the period		**21,984,880**	**16,557,025**
Other comprehensive income:			
Exchange differences on translating foreign operations		11,395,874	-1,197,170
Other comprehensive income for the period		11,395,874	-1,197,170
Total comprehensive income for the period		**33,380,754**	**15,359,855**
Earnings per share*		1.38	1.31

* Computed on the basis of average weighted 15,980,000 shares for 2010, and respectively average weighted 12,614,247 shares for 2009.

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

Consolidated Balance Sheet
as of December 31,2010

In €	Notes	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Current assets			
Inventories	2.10, 5.1	3,608,745	3,768,271
Trade receivables	2.2, 2.9, 5.2, 6.3	32,556,456	34,789,603
Other receivables	2.9, 5.2, 6.3	5,986,565	5,295,077
Amounts due from related parties	2.17, 5.3, 6.2	999,727	1,390,572
Cash and cash equivalents	2.8, 5.4, 6.3	98,961,058	61,482,107
		142,112,551	**106,725,630**
Non-current assets			
Property, plant and equipment	2.2, 2.4, 2.7, 4.6, 5.5	1,249,667	635,499
Land use rights	2.5, 4.6, 5.6	559,273	523,071
Intangible assets	2.6, 2.7, 4.6, 5.7	754,132	784,195
Deferred tax assets	5.8	974,726	1,201,447
		3,537,798	3,144,212
Total assets		**145,650,349**	**109,869,842**
LIABILITIES			
Current liabilities			
Short-term loans			-
Trade payables	5.9, 6.3	11,163,962	8,224,990
Other payables and accruals	5.9, 6.3	4,696,353	4,954,137
Amounts due to related parties	2.17, 6.2, 6.3	729	-
Income tax payable		352,443	684,542
Non-current liabilities			
Deferred tax liability	5.10	49,935	-
Total liabilities		**16,263,422**	**13,863,669**
CAPITAL AND RESERVES			
Share capital	1.1, 2.11, 5.11.1	15,980,000	15,980,000
Capital reserves	5.11.2	48,162,668	48,162,668
Retained earnings	5.11.2	51,705,264	29,720,384
Foreign exchange difference	2.3	13,538,995	2,143,121
Total equity		129,386,927	96,006,173
Total liabilities and equity		**145,650,349**	**109,869,842**

Consolidated Statement of Changes in Equity

for the period ended December 31, 2010

in €	Share capital Vtion AG	Capital reserves	Retained earnings	Foreign exchange differences	Total equity
Balance as at December 31, 2008	11,480,000	7,616,789.00	13,163,359	3,340,291	35,600,439
Capital injection	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
Balance as at December 31, 2009	15,980,000	48,162,668	29,720,384	2,143,121	96,006,173
Capital injection	-	-	-	-	-
Equity transaction costs charged to equity	-	-	-	-	-
Net profit	-	-	21,984,880	-	21,984,880
Foreign currency translation reserve	-	-	-	11,395,874	11,395,874
Balance as at December 31, 2010	15,980,000	48,162,668	51,705,264	13,538,995	129,386,927

Consolidated Cash Flow Statement

for the period ended December 31, 2010

in €	2010	2009
Profit before income tax	**26,021,492**	**18,892,479**
Adjustments for:		
Amortization of intangible assets and land use rights	178,584	125,985
Allowance for doubtful trade debts	-24,253	8,654
Depreciation of property, plant and equipment	248,463	103,362
Loss on disposal of property, plant and equipment	3,048	33,784
Interest income	-685,088	-176,111
Interest expense		-
Bank charges and exchange loss	3,890,557	208,372
Operating cash flow before working capital changes	**29,632,803**	**19,196,525**
Working capital changes:		
(Increase)/decrease in:		
Inventories	159,526	1,114,015
Trade receivables	2,233,147	-28,423,563
Other receivables and prepayments	-691,488	1,442,950
Amounts due from related parties	390,845	38,691
Increase/(decrease) in:		
Trade payables	2,938,972	-45,620
Other payables and accruals	-257,784	1,630,660
Amounts due to related parties	729	-3,802,467
Income tax payable	-332,099	684,542
Cash generated from/(used in) operations	**34,074,651**	**-8,164,268**
Interest received	673,732	176,111
Interest expense		-
Income tax paid	-4,166,372	-1,654,182
Net cash generated from operating activities	**30,582,011**	**-9,642,339**
Cash flow from investing activities		
Purchase of intangible assets	-38,302	-706,599
Purchase of land, property, plant and equipment	-797,092	-280,475
Disposal of land, property, plant and equipment	113	-
Cash flow used in investing activities	**-835,281**	**-987,074**
Cash flow from financing activities		
Increase in capital injection		43,861,329
Increase in short-term bank borrowings	-	-
Interest paid	-	-
Cash flow from financing activities	**0-**	**43,861,329**
Net increase in cash and cash equivalents	**29,746,730**	**33,231,916**
Cash at beginning of year	61,482,107	30,336,001
Foreign exchange difference	7,732,221	-2,085,810
Cash at end of the period	**98,961,058**	**61,482,107**

Notes to the Consolidated Financial Statements

for the Business Year Ending December 31, 2010

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

Compared to fiscal year 2009, the group structure had no change in 2010.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.

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").

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

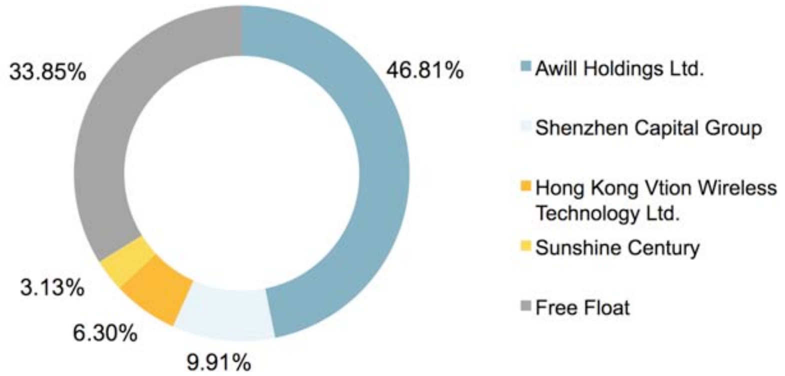
in k €	**Share**	**Equity Dec.31, 2010**	**Results from January 1 to December 31, 2010**
Vtion Technology (China) Co. Ltd., Tortola, British Virgin Island	100%	789	4,961
Vtion Information Technology (Fujian) Co. Ltd., Fuzhou, PRC	100%	81,062	24,642
Vtion Software (Fujian) Co. Ltd., Fuzhou, PRC	100%	17,448	2,386
Vtion Communication (Fujian) Co. Ltd., Fuzhou, PRC	100%	766	-138

The number of consolidated subsidiaries has no change compared to the previous year. 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.

Dividends to be paid by the Chinese subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements.

Cash transfers from China to countries outside China require a formal approval form the State Administration of Foreign Exchange ("SAFE").

THE SHAREHOLDER STRUCTURE OF VTION WIRELESS TECHNOLOGY AG



Vtion CEO Chen Guoping remains the largest single shareholder in Vtion Wireless Technology AG, with a total of 49.9% of the total shares, held in two holding companies, Awill Holdings, Ltd. and Sunshine Century Investment, Ltd. Shenzhen Capital, which became a shareholder through a round of private equity financing in April 2008 currently holds 9.91% of the company's shares, and Hong Kong Vtion Wireless Technology, Ltd., which is held jointly by the company's CTO, He Zhihong and the CEO's younger brothers Chen Guohe and Chen Guoshun, holds 6.3% of the Vtion shares. At the time of publication, all post-IPO lock-ups have expired.

1.2 BASIS OF PREPARATION

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. Regulations under commercial law pursuant to Section 315a of the German Commercial Code (HGB) were complementarily taken into account. The financial statements have been prepared under the going concern assumption.

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 summarized 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.

In accordance with the Second Annual Improvements Project (AIP 2009), the classification regulation of leases of land was extended from 2010. The transition provision stipulates that (new) classification of leasing agreements of land shall be applied retrospectively. For this reason, the "land use rights" will no longer be presented as an "intangible asset", but as "land use rights".

The amount of "land use rights" increased to EUR 559 thousand as at 31 December 2010, respectively EUR 523 thousand as at 31 December 2009. The amount of amortization (depreciation) in the statement of comprehensive income will not be influenced.

Except the above mentioned, the accounting policies correspond generally to those applied in the previous year:

New standards and interpretations and amendments to existing standards and interpretations applicable for the financial year ending 31 December 2010 are:

IFRS 1 Amendment- Additional Exemptions for First-time Adopters: This amendment had no material impact on the consolidated financial statements

IFRS 2 Amendment-Group Cash-settled Share-based Payment Transactions: This amendment had no material impact on the consolidated financial statements

IFRSs (AIP 2009) Improvements-Classification of leases of land: The improvements had an impact on the consolidated financial statements

IAS 12 Deferred Tax: Recovery of Underlying Assets: This amendment had no material impact on the consolidated financial statements

IAS 32 Amendments-Financial Instruments-Presentation-Classification of Rights Issues: This amendment had no material impact on the consolidated financial statements

IFRIC 12 - Service Concession Arrangements: This amendment had no material impact on the consolidated financial statements

IFRIC 16 - Hedges of a Net Investment in A Foreign Operation: This amendment had no material impact on the consolidated financial statements

IFRIC 17 - Distributions of Non-Cash Assets to Owners: This amendment had no material impact on the consolidated financial statements

IFRIC 18 - Transfers of Assets from Customers: This amendment had no material impact on the consolidated financial statements

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: This interpretation had no material impact 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, 2010, but not yet required to be applied for this financial year then ended:

IFRS 1 Amendment-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

IFRS 7 Amendment-Financial Instruments-Disclosures

IFRS 9 Additions for Financial Liability Accounting

IFRS 9 Financial Instruments

Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Improvements to IFRSs (issued by the IASB in May 2010) (AIP 2010)

Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

IAS 24(rev.2009) - Related Party Disclosures

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 Judgments

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 judgment 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 December 31 2010 were EUR 1,249,667. 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	2010	2009
year end	8.822	9.8350
average	8.9712	9.5277

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
Leasehold improvement	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 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.

2.6 Intangible Assets

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

2.7 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 2010 and 2009, there has been no need for an impairment of non-financial assets.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 Earnings per Share

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 15,980,000 (2010) respectively 12,614,247 (2009). In 2010, no shareholders’ equity instruments diluted the earnings per share on the basis of the respective shares issued. The earnings per share in 2010 are EUR 1,38.

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 three business segments, namely " Wireless Data Terminals", "Wireless Intelligent Terminals" and "Data Solution Services".

B) GEOGRAPHICAL BUSINESS

Vtion Group' is principally engaged in products supplying and services providing in People's Republic of China ("PRC") and 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, 2010

3.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

From the fourth quarter of 2010, Vtion group has an extended product range and more profit sources. And more sales and profits will be generated from the new types of good supplied and services provided by the Group's business units in the following fiscal year. Due to the business change, in 2010 segment information reported was analyzed on the basis extended good supplied and service provided by the Group's business units. The Group's reportable segments in 2010 under IFRS 8 were therefore as follows:

- Wireless Data Terminals and others
- Wireless Intelligent Terminals
- Data Solution Services

Wireless Data Terminals included the sales of wireless data cards, wireless modem, wireless router and the commission for virtual network operation (VNO) packages. Others in "Wireless Data Terminals and others" include the sales of mobile phone, software and service in connection with wireless modem sales. Compared with the segment "Wireless Modem and others" in 2009 including wireless data cards, wireless modem, mobile phone, software and service in connection with wireless modem sales, the reportable segment "Wireless Data Terminals and others" in 2010 included not only the product categories of the segment "Wireless Modem and others", but also the new wireless data products such as wireless router.

Wireless Intelligent Terminals included the sales of e-book, pad and IPhone, which are new products supplied in 2010.

Data Solution Service kept the same service range as that in 2009. From September 2010, the Company has no longer increased the new member of business club, the Data Solution Service is continuously provided to the members registered before September 2010 until the expiration date of the membership.

Information regarding the Group's reportable segments is presented below.

3.2 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 31/12/10	Year ended 31/12/09	Year ended 31/12/10	Year ended 31/12/09
	EUR'000	EUR'000	EUR'000	EUR'000
Wireless Data Terminal and Others	97,459	65,104	28,147	17,199
Wireless Intelligent Terminal	1,560		-51	
Data Solution Service	2,642	2,535	2,335	2,127
Total for continuing operations	101,661	67,639	30,431	19,326
Central administration costs			-1,204	-225
Finance result			-3,206	-208
Profit before (continuing operations)			**26,021**	**18,893**

Revenue reported above represents revenue generated from external customers. The inter-segment sales in the year 2010 and year 2009 were eliminated.

Reconciliation of the revenue

	Segment revenue	
	Year ended 31/12/2010	Year ended 31/12/2009
	EUR'000	EUR'000
Wireless Data Terminal and Others	97,488	65,630
Inter-segment sales elimination	-28	-526
Wireless Smart Terminal	1,560	-
Data Solution Service	2,642	2,535
Total for continuing operations	**101,661**	**67,639**

In 2010, sales from 3 major customers altogether were EUR 85 million, while it were EUR 53 million in 2009. These sales were generated in the segment "Wireless Data Terminal and Others".

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, finance expenses 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.

3.3 Segment assets and liabilities

	31/12/2010	31/12/2009
	EUR'000	EUR'000
Segment assets		
Wireless Data Terminal and Others	42,184	65,834
Wireless Intelligent Terminal	1,603	
Data Solution Service	1,021	12,393
Total segment assets	44,807	78,227
Unallocated	100,843	31,643
Consolidated assets	**145,650**	**109,870**
Segment liabilities		
Wireless Data Terminal and Others	15,018	11,702
Wireless Intelligent Terminal	195	
Data Solution Service	622	1,266
Total segment liabilities	15,834	12,968
Unallocated	429	895
Consolidated liabilities	**16,263**	**13,863**

Unallocated assets mainly represented cash EUR 98,961 thousand in as of 31 December, 2010.

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.

	Depreciation and amortization		Additions to non-current assets	
	Year ended 31/12/10	Year ended 31/12/09	Year ended 31/12/10	Year ended 31/12/09
	EUR'000	EUR'000	EUR'000	EUR'000
Wireless Data Terminal and Others	365	107	620	292
Wireless Intelligent Terminal	19	0	140	0
Data Solution Service	20	18	1	0
Unallocated	23	104	75	695
	427	**229**	**835**	**987**

4. Notes to the Income Statement

4.1 Revenue

	2010	2009
	EUR	EUR
Sale of goods	101,661,267	67,638,908
Other operating income		
Government grant	553,795	357,313
Service income	1,557	1,372
Others	494	350
	555,846	**359,035**
Finance income		
Interest income	685,088	176,111
Total income	**102,902,201**	**68,174,054**

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.

Government grants represents the subsidies from the PRC government. In 2010, the government grants included VAT rebates granted to entities operating in the high-tech and software sector (EUR 288 thousand), the subsidy granted to high-tech entities (EUR 54 thousand) by the official technology department, and two special monetary rewards granted by the government of Fujian province in 2010, one amounting to EUR 117 thousand granted to entities listing at stock market, and the other amounting to EUR 95 thousand granted to entities with excellent technical experts.

4.2 Cost of Sales

The cost of sales includes the cost of materials consisting of expenses for raw materials and supplies as well as for purchased goods and services totaling EUR 63,792,051 (prior year: EUR 44,729,525)

4.3 Split-up of Sales

	2010	2009
	EUR	EUR
Split-up of sales		
Sales to external customers		
Wireless Data Terminals	97,445,049	64,826,297
Wireless Intelligent Terminals	1,559,943	-
Data Solution Service	2,641,833	2,534,959
Others	14,442	277,651
	101,661,267	**67,638,908**

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.

4.4 Average number of employees/Payroll costs

	2010	2009
Average number of employees		
Management and administration	78	65
Research and development	26	28
Sales	82	63
	186	**156**

	2010	2009
	EUR	EUR
Payroll costs		
Wages and salaries	1,315,341	864,052
Social security costs	266,481	133,867
Welfare	33,488	33,295
	1,615,311	**1,031,214**

4.5 Research and Development expenditure

The research and development expenditure is included in Administrative expenses

	2010	2009
	EUR	EUR
Research and development expenditure	**614,355**	**458,960**

The company does not capitalize research and development expenditures as the company is mainly involved in the research and the early stages of the development of product ideas.

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

	2010	2009
	EUR	EUR
Amortization of intangible assets and land use rights		
Software	39,063	23,545
Licenses	127,672	91,632
Land use rights	11,849	10,808
	178,584	125,985
Depreciation of property, plant and equipment	**248,463**	**103,362**

The amortization of intangible assets was booked in “Administrative expenses” in 2010 and 2009.

4.7 Finance Expenses

	2010	2009
Finance Expense		
Exchange loss	3,848,805	185,230
Bank charges	41,751	23,142
	3,890,557	**208,372**

The exchange loss mainly results from the translation of the financial statements of the holding company into the functional currency RMB of the group.

4.8 Income Tax

4.8.1 Major Components of Income Tax Expense

	2010	2009
	EUR	EUR
Current income tax (ordinary activities)	3,758,269	2,318,557
Effect of Deferred Tax Asset	229,240	16,897
Effect of Deferred Tax Liabilities	49,103	0
Current income tax return for prior year	0	0
Income tax recognized in profit and loss	**4,036,612**	**2,335,454**

4.8.2 Applicable Tax Rate

The applicable group tax rate is based on the German Tax Laws for a corporate entity. The tax rate amounts to 31.925%. Due to full-exemption time expired, 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.

Vtion Communication, established at November 20, 2009 as an enterprise with foreign investment, 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 and 2010 were no-profit-making fiscal years 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:

	2010	2009
	kEUR	kEUR
Accounting (loss)/profit before income tax	26,021	18,892
Applicable tax rate	32%	30%
Tax at respective companies income tax rate	8,307	5,668
Non-deductible expenses	0	0
Tax differences from Chinese companies	(4,928)	(3,414)
Thereof effect from tax exemption	(3,041)	(2,422)
Thereof effect from lower local tax rate	(1,887)	(992)
Income tax return for prior years		
Other	658	82
Income tax expense recognized in profit and loss	**4,037**	**2,335**

5. Notes to the Balance Sheet

5.1 Inventory

	Dec. 31, 2010	Dec. 31, 2009
	EUR	EUR
Inventory-advances to supplier	2,733,449	3,137,004
Goods and material	920,414	646,835
Less: stock provision	-45,118	-15,568
	3,608,745	**3,768,271**

5.2 Trade and other Receivables

Trade Receivables

	Dec. 31, 2010	Dec. 31, 2009
	EUR	EUR
Trade receivables		
Trade receivables	32,572,699	34,826,296
Allowance for trade receivables	16,243	36,693
	32,556,456	**34,789,603**

Other Receivables

	Dec. 31, 2010	Dec. 31, 2009
	EUR	EUR
Other receivables		
Other receivables	5,871,926	4,986,536
Prepaid expenses	114,639	308,541
	5,986,565	**5,295,077**

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, 2010	Dec. 31, 2009
Aging list of trade receivables	**EUR**	**EUR**
Within 30 days	4,051,474	7,998,449
31-90 days	11,988,126	13,680,986
91-180 days	16,511,075	13,081,495
181-360 days	3,401	0
361-1.080 days	18,624	65,366
More than 1.080 days	0	0
	32,572,699	**34,826,296**

ALLOWANCE FOR DOUBTFUL RECEIVABLES

	Dec. 31, 2010	Dec. 31, 2009
	EUR	**EUR**
Provision for trade receivables	16,243	36,693
Exchange differences	0	0
	16,243	**36,693**

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%

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, 2010	Dec. 31, 2009
Related parties	**EUR**	**EUR**
Amount due from related parties - trade	863,151	1,101,155
Amount due from related parties - non-trade	136,577	289,417
Allowance for amount due from related parties	0	0
	999,727	**1,390,572**

5.4 Cash and Cash Equivalents

	Dec. 31, 2010	Dec. 31, 2009
	EUR	**EUR**
Cash on hand	4,570	6,199
Cash in banks	95,952,629	58,628,933
Deposit on bank's acceptance bill	3,003,859	2,846,975
	98,961,058	**61,482,107**

The deposit on bank’s acceptance bill is pledged.

Among the balance of cash and cash equivalents in 2010, kEUR 81,049 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 31 December 2008	95,255	203,178	112,115	189,004	35,169	634,720
Additions	2,884	68,714	0	177,051	31,826	280,475
Disposal	12,565	22,660	0	0	0	35,226
Exchange differences	-1,422	-1,140	-2,436	-5,212	-1,214	-11,424
At 31 December 2009	**84,151**	**248,092**	**109,679**	**360,843**	**65,781**	**868,546**
Accumulated depreciation and impairment						
At 31 December 2008	25,270	79,317	19,355	17,722	0	141,664
Charged for the FY	14,787	40,541	20,945	27,090	0	103,362
Disposal	3,776	13,803	0	0	0	17,579
Exchange differences	999	3,134	765	701	0	5,599
At 31 December 2009	**37,280**	**109,190**	**41,065**	**45,513**	**0**	**233,047**
Net carrying amount						
At 31 December 2008	69,985	123,860	92,760	171,282	35,169	493,056
At 31 December 2009	**46,871**	**138,902**	**68,614**	**315,330**	**65,781**	**635,499**

	Office equipment	Electronic equipment	Machinery	Motor vehicle	Leasehold improvement	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition Costs							
At 31 December 2009	84,151	248,092	109,679	360,843		65,781	868,546
Additions	86,891	35,700	0	554,979	119,523	0	797,092
Disposal	1,695	18,957	0	0	0	0	20,652
Exchange differences	9,642	28,487	12,594	41,435		7,553	99,711
At 31 December 2010	**178,989**	**293,321**	**122,273**	**957,258**	**119,523**	**73,334**	**1,744,698**
Accumulated depreciation and impairment							
At 31 December 2009	37,280	109,190	41,065	45,513	0	0	233,047
Charged for the FY	26,187	46,243	22,901	136,105	17,027	0	248,463
Disposal	1,340	16,098	0	0	0	0	17,438
Exchange differences	4,722	13,320	5,103	7,527	288	0	30,959
At 31 December 2010	**66,849**	**152,654**	**69,068**	**189,145**	**17,315**	**0**	**495,031**
Net carrying amount							
At 31 December 2009	46,871	138,902	68,614	315,330		65,781	635,499
At 31 December 2010	**112,140**	**140,667**	**53,205**	**768,113**	**102,208**	**73,334**	**1,249,667**

5.6 Land Use Rights

	2010	2009
	EUR	**EUR**
Acquisition Costs		
Balance at the beginning of financial year	554,397	559,711
Additions		
Exchange difference	48,052	-5,314
Balance at the end of financial year	**602,448**	**554,397**
Accumulated amortisation		
Balance at the beginning of financial year	31,326	17,724
Amortisation for the FY	11,849	10,808
Exchange difference	1	2,794
Balance at the end of financial year	**43,175**	**31,326**
Net carrying amount		
Balance at the beginning of financial year	523,071	541,987
Balance at the end of financial year	**559,273**	**523,071**

5.7 Intangible Assets

	Licenses	Office Software	Total
	EUR	EUR	EUR
Acquisition Costs			
At 31 December 2008	146,111	199,267	345,378
Additions	694,357	12,242	706,599
Disposal	-	-	-
Exchange difference	-7,313	-3,462	-10,776
At 31 December 2009	**833,155**	**208,047**	**1,041,201**
Accumulated amortization			
At 31 December 2008	16,235	118,809	135,044
Amortization for the FY	91,632	23,545	115,177
Disposal for the FY	-	-	-
Exchange difference	-3,725	-3,060	-6,785
At 31 December 2009	**111,592**	**145,414**	**257,006**
Net carrying amount			
At 31 December 2008	129,876	80,458	210,334
At 31 December 2009	**721,563**	**62,632**	**784,196**

	Licenses	Office Software	Total
	EUR	EUR	EUR
Acquisition Costs			
At 31 December 2009	833,155	208,047	1,041,201
Additions		38,302	38,302
Disposal			-
Exchange difference	98,200	14,971	113,171
At 31 December 2010	**931,355**	**261,319**	**1,192,674**
Accumulated amortization			
At 31 December 2009	111,592	145,414	257,006
Amortization for the FY	127,672	39,063	166,735
Disposal for the FY			-
Exchange difference	-831	15,633	14,802
At 31 December 2010	**238,432**	**200,110**	**438,543**
Net carrying amount			
At 31 December 2009	721,563	62,632	784,196
At 31 December 2010	**692,923**	**61,209**	**754,132**

The intangible assets do not comprise any internally generated intangible assets.

As of December 31, 2010 there was no binding agreement about the purchase of intangible assets.

5.8 DEFERRED TAX ASSETS

In 2010 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 Communication accumulated a net loss since the establishment of the company. Vtion Communication expects a net taxable income generated from IPhone business. Therefore Vtion Communication recognized at December 31, 2010 a deferred tax asset (EUR 46,020) on the tax losses carried forward from the first time.

Vtion Wireless Technology AG ("Vtion AG") accumulated a net accounting profit (EUR 3,9 million) under German GAAP since the establishment of the company, mainly resulting from the dividend distributed (EUR 4,4 million) from the subsidiaries in 2010. Under German Corporation Income Tax regulations, only 5% of the dividend income is taxable, Deducted 95% of dividend income, Vtion AG accumulated a tax loss at December 31,2010. 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 recalculated at December 31, 2010 a deferred tax asset on the tax losses carried forward from the first time. The amount recognized as deferred tax asset (kEUR 921) 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 834.

	Dec. 31, 2010	Dec. 31, 2009
	kEUR	kEUR
Deferred tax asset of Vtion AG	921	1,185
Deferred tax asset of Vtion IT, Vtion Com and Vtion Software	54	17

5.9 Trade and Other Payables and Accruals

All trade payables are non-interest bearing. The fair value of trade payable as well as other payables has not been disclosed, since, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value. The trade payables include notes payable, which amount to RMB 53 million and decreased with RMB 3 million as compared to December 31, 2009. 50% of the funds received (kEUR 3,004) are kept as a cash deposit on bank acceptance bills. Please see “cash and cash equivalents”.

	Dec. 31, 2010	Dec. 31, 2009
	EUR	EUR
Other payables and accruals		
Deferred revenues	562,056	1,150,531
VAT payable	1,463,332	1,896,404
Other payable	2,311,928	1,670,659
Advances from customers	29,748	110,816
Accrued payroll	210,553	65,753
Other tax payables	118,737	59,974
	4,696,353	**4,954,137**

Other payable in “Other payables and accruals” increased by 38% to EUR 2,312 thousand due to the increase of the rebates payable to coopyright holder, a result from the significant increase of sales volume of wireless data cards,

5.10 Deferred tax liabilities

The amount is primarily based on different trade receivable recognized and different revenue recognized in connection with data solution service.

5.11 Equity

5.11.1 Paid-in Capital

The capital stock of the Parent Company as at December 31, 2010 amounts to kEUR 15,980 and is divided into 15,980,000 shares of a par value of EUR 1.00 each. Reference is made to the notes under 1.1.

5.11.2 Reserves and retained earnings

a) Reserves

The reserves presented in the statement of changes of equity as of January 1, 2010 and December 31,2010 relates to the proceeds from IPO in 2009. The reserves remain unchanged compared to last year..

b) Retained earnings

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

5.12 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:

	2010	2009
	EUR	EUR
Lease payment recognized as expense	276,823	171,362

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

	Dec. 31, 2010	Dec. 31, 2009
	EUR	**EUR**
Not later than one year	192,363	141,619
Later than one year but not later than five years	140,971	190,317
Later than five years	0	1,391
	333,334	**333,327**

Contingent Liabilities

The Company does not have any contingent liabilities as at December 31, 2010.

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:

	2010	2009
	EUR	**EUR**
Sales of finished goods to a related party	2,642,387	2,201,746
Rental fee paid to a related party	99,206	27,709
	2,741,593	**2,229,455**

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

C) Due from/to related parties

	2010	2009
	KEUR	**KEUR**
Due from related parties	**1,000**	**1,391**
Trade	863	1,101
Non-trade	137	289
Allowance for doubtful trade debts	0	0
Due to related parties	**1**	**0**
Trade	0	0
Non-trade	1	0

D) Key management remuneration

	2010	2009
	kEUR	**kEUR**
Key management of the Group	213	158

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, 2010-	Amounts recognized in balance sheet according to IAS 39 at Amortized cost	Carrying amount Dec. 31, 2009	Amounts recognized in balance sheet according to IAS 39 at amortized cost
		EUR	EUR	EUR	EUR
Trade receivables	LaR	32,556,456	32,556,456	34,789,603	34,789,603
Other receivables	LaR	5,986,565	5,986,565	5,295,077	5,295,077
Amounts due from related parties	LaR	999,727	999,727	1,390,572	1,390,572
Cash and cash equivalents	LaR	98,961,058	98,961,058	61,482,107	61,482,107
Short-term loans	FLAC	0	0	0	0
Trade payables	FLAC	11,163,962	11,163,962	8,224,990	8,224,990
Other payables	FLAC	4,696,353	4,696,353	4,954,137	4,954,137
Amounts due to related parties	FLAC	729	729	0	0
Of which: aggregated by category in accordance with IAS 39					
Cash and receivables	LaR	138,503,806	138,503,806	102,957,359	102,957,359
Financial liabilities measured at amortized cost	**FLAC**	**15,861,045**	**15,861,045**	**13,179,127**	**13,179,127**

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

In 2010 and 2009 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	2010	2009
	EUR	EUR	EUR
Cash and receivables	685,088	685,088	176,111
Financial liabilities measured at amortized cost		-3,890,557	-208,372
	685,088	**-3,205,469**	**-32,261**

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

The loss of 2010 is mainly attributable to the translation of the holding company into the functional currency RMB.

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.

The term deposit in EUR at the holding company is EUR 15,000,000.00, movement in the foreign currency exchange rates can effect the Group's financial results.

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")

Since the average stock price of the Company's shares was lower than the IPO price, in 2010, the Company didn't execute the Management Stock Option Plan, As of December 31, 2010, there has been no formal agreement on the stock option plan.

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.

The Company's 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. As of 31 December 2010, the shareholders' equity rate of the company was 89% (previous year: 87%). The return on shareholders' equity – the ratio of the share of consolidated income of the Group's shareholders and the shareholders' equity on the report date – amounted to 17% and 17% in the 2010 and 2009 financial years, respectively.

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, merchant, 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 Management Board and Supervisory Board

For the fiscal year 2010 and 2009, 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; furthermore the management board is not entitled to receive a specific remuneration if contracts would be terminated prematurely:

Name	2010	2009
	in kEUR	in kEUR
Chen, Guoping	46.1	39.1
Chen, Huan	33.4	20.7
He, Zhihong	40.1	32.8
Ding, Chaojie	53.5	32.8
Fei, Ping	40.1	32.8

In 2010 and 2009, the supervisory board members received the following fixed remuneration:

Name	2010	2009
	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 5.4.

11. Audit

BDO AG ("BDO") has been appointed as auditor of the individual and consolidated financial statements of the company for fiscal year 2010. The following table gives an overview about the fees of BDO recognized (including out of pocket expenses and VAT, if any) in the business year.

	2010	2009
	EUR	EUR
Audit of financial statements	176	139
Other assurance services	80	363
	256	502

12. Events after Balance Sheet Date

ORGANIZATIONAL STRUCTURE

Vtion Anzhuo (Beijing) Technology Co., Ltd, PRC (Vtion Andriod) was founded on January 14, 2011 with RMB 10 million of capital. Vtion Communication holds 100%.of the shares in this subsidiary and fully paid in the registered capital in Jannuary 2011. By this establishing, it is hoped to committ to provide high quality, professional, one-stop service to Andriod application developers and mobile application stores.

Vtion Communication Technology Service (Fuzhou) Co., Ltd, PRC was founded on March 1, 2011 with RMB 1 million of capital, which commits to provide high quality communication equipment, electronics, hardware and software of computer, and the services connected with the products. Vtion IT holds 100% of the shares in this subsidiary and fully paid in the registered capital in February 2011.

DIVIDENDS DISTRIBUTION

On February 23, 2011, Vtion announced that it intends to pay its shareholders a dividend in 2011.

BUSINESS DEVELOPMENT

At the time of the Chinese Spring Festival, the telecom operators began to implement their yearlong strategy for 2011, which involves seeking lower prices for wireless data cards and emphasizing greater product diversification at the expense of wireless data card products. This has had an adverse effect on the company’s core business, and therefore Vtion has begun a process of transition to a more diversified business model to meet the opportunities provided by this changing market environment. Though this will have a negative short-term effect on the company’s profitability, the company believes that it will emerge better positioned for long-term growth in an increasingly diversified 3G market.

OTHER DEVELOPMENTS

At the time of publication there were no other significant post-balance sheet date events to report.

13. Proposal on the utilization of net retained profits

The Individual financial statements of Vtion Wireless Technology AG prepared according to German GAAP as of December 31, 2010 reflect net accumulated profit of EUR 3,879 thousand. At the Annual General Meeting, the Executive Board and the supervisory Board will propose that an amount of EUR 0.21[24] per share will be distributed out of the retained profit to the shareholders and the remaining amount of EUR 582 thousand will be carried forward to 2011.

14. Declaration of Compliance with the German Corporate Governance Code

The Management Board and the Supervisory Board submitted their Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 Aktiengesetz (German Stock Corporation Act) on 18 June 2009, and made this declaration permanently accessible to shareholders on the Company’s website at www.vtion.de.

15. Approval of the Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors on April 20, 2011.

Frankfurt, April 20, 2011

Chen Guoping Chen Huan Ding Chaojie Fei Ping He Zhihong

[24] The figure is accurate to two decimal places

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, 2010 to December 31, 2010. 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 full IFRS 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.”

We issued this report on the audit of the consolidated financial statements and the group management report of Vtion Wireless Technology AG, Frankfurt am Main, for the business year year from January 1, 2010 to December 31, 2010 in accordance with the legal requirements and German generally accepted standards for reporting in the scope of audits of consolidated financial statements.

Hamburg, April 20, 2011

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Butte	ppa. Sichting
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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 20, 2011

Vtion Wireless Technology AG

Management Board

Chen Guoping Chen Huan Ding Chaojie Fei Ping He Zhihong

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT

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

Credits

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Financial Calendar

PUBLICATION OF ANNUAL REPORT 2010

Thursday, April 21, 2011

PUBLICATION OF INTERIM REPORT 1ST QUARTER 2011

Thursday, May 12, 2011

ANNUAL GENERAL MEETING, FRANKFURT

Tuesday, June 21, 2011

PUBLICATION OF INTERIM REPORT 2ND QUARTER 2011

Thursday, August 11, 2011

PUBLICATION OF INTERIM REPORT 3RD QUARTER 2011

Monday, November 14, 2011

VTION WIRELESS TECHNOLOGY AG
www.vtion.de