VANGE Software Group AG

Annual Report

2012

Letter to Shareholders

Dear shareholders,

On behalf of Board of Directors of VSG Vange Software Group AG (hereafter refer as “VSG” or “our Group”), I’m pleased to release the Annual Report of VSG Vange Software Group AG for the financial year ended 31st December 2012.

1. The General situation of the Group in 2012

We experienced a fast growing year in 2012, the VSG successfully listed in Frankfurt Security Exchange in Germany as the first Chinese software enterprise on 21st June 2012, our Group continued maintaining the leading place in Chinese Housing Finance sector, with the motivation and encouragement of the staff’s innovation and persistent corporate culture spirit, our Group has become the software enterprise which gained the most independently innovative product intellectual properties in Chinese Housing Finance Industry this year.

We are benefited from the perennial profound technology accumulation in Housing Finance field and the advantage which Chinese Government gives industrial access with high qualification, our Group continuously conducted integration innovation in the new product , we not only improved the management efficiency for China’s Housing Finance and the industrial customers of the Government and promote the users’ experience through the development and operation of large information platform, but also made the housing finance service popularize among Chinese millions of users by the development of the Internet and Mobile Internet technology.

In the field of software’s research and development, our Group has already granted the second qualification of computer system integration of China’s Ministry of Industry and Information Technology and American SEI CMMI L3 software capability maturity authentication, our Group has gained ISO9001：2008 quality management system certification of China Quality Control Association and “AAA” enterprises highest credit rating certificate by the China’s Zhongchengxin Credit Rating Company for eight consecutive years. The “Housing Finance Online Approving System” and “Digital Housing Finance Filing System” which were pushed forward by our Group in the Internet and

Mobile Internet field are fully confirmed by the industry, basing on the strong research and development strength of our Group, we are highly confidence in continuing expanding shares in Chinese housing finance software market and continuing maintaining the continuous success in Chinese housing finance field and the development and operation of large information platform.

2. The performance of our Group

The performance of our Group in 2012 maintained sustainable growth, with the effort of the management and all employees, the business income in 2012 of our Group is EUR52.66 million, increased by 29.6% in comparing to FY 2011; the net profit margin in 2012 of our Group is EUR14.438 million, increased by 0.9% in comparing to FY 2011; the earnings per share is EUR3.54 , the steady business and well financial situation provide a good foundation for the sustainable development of our Group in the future.

We are facing a rapid growth of the informatization demand of the users in Chinese Housing Provident Fund, our Group's strategy is continuing strengthen the status of the leading enterprise in the developed area of China's Coastal area and expanding to central and western regions. In 2012, our Group continued to lead the housing finance urban platform product used on the Internet and Mobile Internet and made millions of users manage housing finance service in their own home; at the same time, rely on the leading advantage in the Cloud Computing Technology, our Group launched the corresponding product in the field of housing provident fund file digitization. In general, the income of Group in the superior field such as housing finance increased stably and continuously.

Meanwhile our Group devoted ourselves to cooperate with national government department such as the Ministry of Housing and Urban-Rural Development, Ministry of Science and Technology of China etc. and successfully held many industrial forums with these government authorities which resulted in favorable effect for our Group's brand awareness.

3. The group's future

Looking ahead into the coming years, the VSG is committing to adjust internal resources and group structure for optimization and perfection, establishing a strong basis for further extension on housing finance, large platform software, mobile internet application in China; the Group will continue to focus on the importance on the culture that talents cultivation and people value, to enhance the investment on development and research (R&D), and play a leading role on software market, taking the advantage of software large key enterprise which was identified by Chinese Government in Fujian Province to focus on supporting. The Group has received favorable reputation from users on trial who acquired products of new version on internet and mobile internet through housing finance, furthermore, the Group intends to set up a new business segment that responsible for housing finance data, for the purpose of new and long-term growth at digital archives software on housing fund, data processing and storage management, and thereby to enrich product line in housing finance.

In order to achieve the aforementioned business targets, the group will also strengthen the communication with investors worldwide, and plans to build interaction section in Group's English website in 2013, enable the investors to gain a better knowledge about our business; the Group will plan to reappoint the Swiss BDO AG, the biggest auditing firm in Switzerland, to be our Group's auditor. Meanwhile, the group lays stress on the cultivation to fulfill changing demands of users. The successful registration of VANGE in China's National Trademark Office as the brand name of the Group brand is increasing group value, and decreasing cost of software development and platform construction of large platform construction software. The management strives to make the group in rapid and sustainable growth.

Finally, I would like to take this opportunity to thank for the continued support and full trust from all shareholders, our Group long-term cooperative partner, clients and our staff, I also want to thank all the staff and members of the Council for their hardworking, we have the full confidence that we can bring a satisfactory retribution to all shareholders through the advantage of the industry technology we long-term gathered in China to hang on to the opportunity of the rapid development in China's housing finance software market for the promising year in 2013.

Yours sincerely

Yunjian Zheng

Deputy-chairman and CEO of Vange Software Group AG

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01 Key Figures

	2012 TEUR	2011 TEUR	+/- %
Revenue and Earnings			
Revenue	52,660	40,645	30%
Gross profit	33,008	24,204	36%
Gross profit margin	63%	60%	
EBIT	20,054	19,640	2%
EBIT margin (%)	38%	48%	
Net profit	14,438	14,303	1%
Net profit margin	27%	35%	
Balance sheet			
Equity	60,096	43,985	37%
Liabilities:	9,096	7,405	23%
Non-currents liabilities	55	80	
currents liabilities	9,041	7,325	
Assets:	69,192	51,390	35%
Non-currents assets	10,834	10,241	
currents assets	58,357	41,149	
Equity ratio (%)	87%	86%	
Employees			
No. of Employees	341	288	18%

02 Share Performance

Share price performance since IPO

For the period from June 21, 2012 to Dec 31, 2012

Source: http://de.finance.yahoo.com

Vange shares were successfully launched in the Entry Standard of the Frankfurt Stock Exchange on 21 June 2012 with the initial listing price of EUR 26.10.

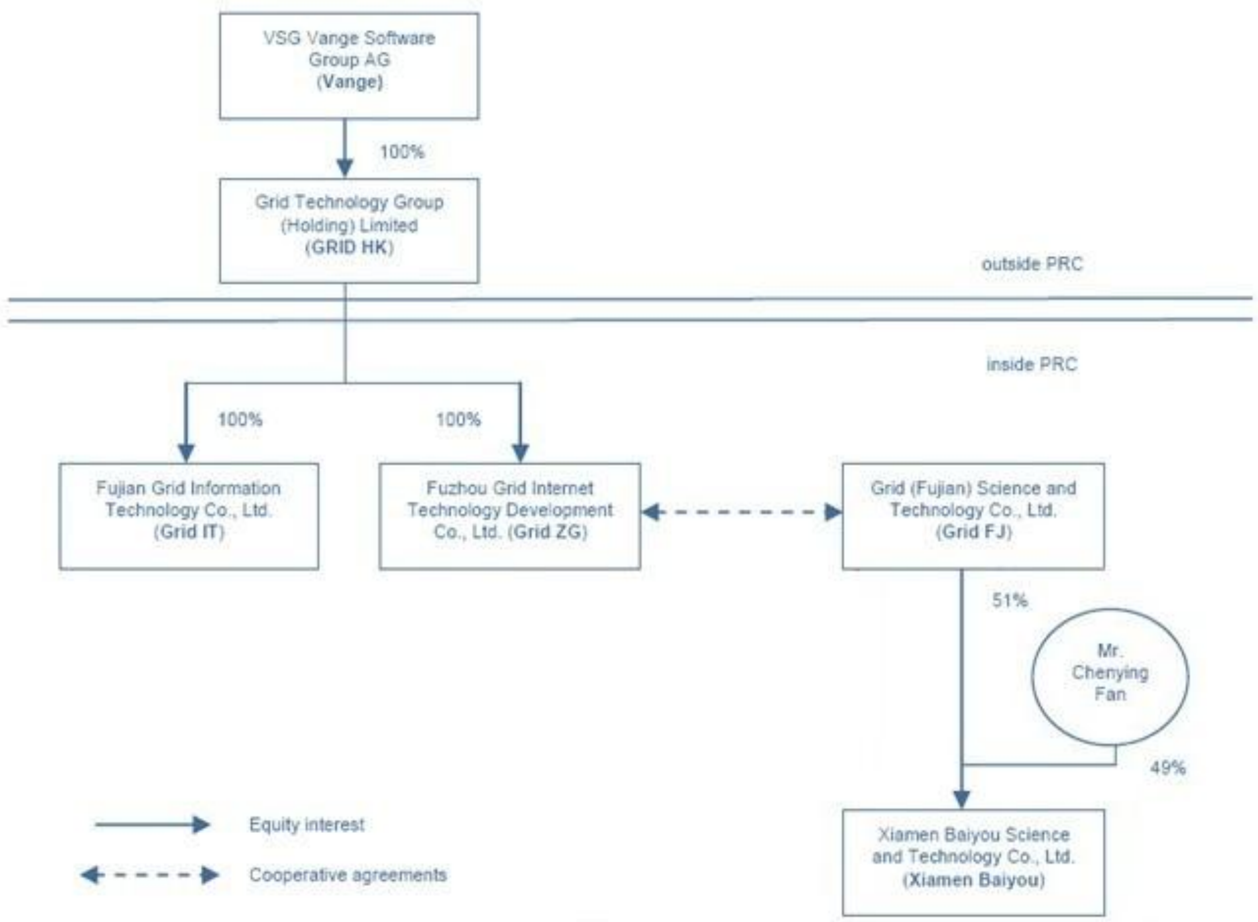
During the first month after the IPO, the price of Vange shares remained stable. As of 31 December 2012 the Xetra closing price stood at EUR 8.001. This market capitalisation is EUR 32.8 million.

The management team would focus on explaining the business model of the Vange Software Group AG to potential investors in greater details and further increasing awareness within the European Stock market. Vange strives to continuously meet the information needs of investors with an open and transparent communication policy. Shareholders could obtain information about the stock of VSG AG on the internet at www.vsg-group.com.

Basic data

ISIN/WKN/Ticker	CH0149557099/A1JTW0/VWA.DE
Trading segment	Entry Standard, Frankfurt Stock Exchange
Commencement of trading	21 June 2012
Share capital	4,103,275 shares
Designated sponsor	VEM Aktienbank AG, Munich, Germany
Market capitalisation (as at 31 December 2012)	EUR 32.8 million

Shareholder structure

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03 Management Report

1. Group profile

Vange is a leading software solution and IT services provider in regulated markets for government agencies, financial institutions and the HR industry in the People's Republic of China. The company focuses on the construction and operation of encrypted large-scale information systems and related services. The products are offered to a broad range of government and and clients of financial information industry such as city housing fund management center of China.

The group's business

The Group uses its scalable modularized base software to offer construction and operation of large-scale information systems, namely the Housing Finance System (the "HFS"), the Science and Technology System (the "STS") and Human Resources System (the "HRS").

The housing provident fund system is part of the PRC's social welfare system designed to provide urban residents with preferential loan interest rate subsidies and policy for the purchase of homes and the performance of home maintenance works. For this purpose, all provincial cities and large municipalities in the PRC, as well as certain large state-owned enterprises, are required to maintain and manage a housing provident fund (the "HPF") to provide subsidised financing for purchasing qualifying housing, and a housing maintenance fund (the "HMF") to provide such financing for qualifying home maintenance works. The total fund size of HPFs in the PRC was approximately EUR 3759 million in Dec 2012 . The character of these funds which are independently managed by Housing Provident Fund Centers set up by the Government in many cities in China necessitates local software solutions of Vange for these organizations of purchasing software and long-term service..

Being a leading provider of housing finance software, the Group offers leading solutions and operation service for Housing Provident Fund Management Center of many cities in China.

In addition to its standard fee model, the Group introduced the subscription based model to better meet customer needs and to further increase its market share and profitability. According to the subscription based model, initial investments in both software and hardware (i.e. everything from investing and building to maintenance and upgrade of the information system) are covered by the

Group which owns the assets for a period of up to ten years. During this period, the Group assumes the responsibility for the ongoing maintenance and operation of the platform for the customer. HPF fund centres do not need to pay for the one-time setup costs. In return, the Group receives quarterly fees, which are calculated based on variables such as the number of integrated commercial banks into information system, number of closed housing financing deals, number of users with access to the information system. At the end of this period, the Group transfers full ownership of licenses for the software and the ownership of the hardware to the customer. The subscription based model allows well rated customers to distribute IT costs over many years. Therefore, the model is particularly suited to Housing finance industry customers, who receive a fixed annual budget for IT expenditure from the current five-year-plan. With expertise and technological knowledge, most IT companies are better suited to fulfil the HPF centre's growing demand for upgrade and maintenance and receive stable annual revenue from fund centres and banks using its information system during the contract period.

The members of Group management

Name	Relationship
Zhiping Jiang	Chairman of the Board of Directors
Yunjian Zheng	vice-chairman of the Board of Directors and CEO
Chahua Lin	member of the Board of Directors,Deputy CEO and CFO
Shenhuang Huang	CTO


Vange住房维修基金审批系统
业主委员会
小区管理
项目审批告警
开发企业管理
查询及统计
维修基金审核
财政管理
维修基金申请
系统设置
版权所有:网格科技集团（控股）有限公司 | http://www.vsg-group.com Email:service@21grid.com


积金变动
VANGE
网格科技
欢迎光临住房公积金档案管理软件


设为首页
福州住房公积金贷款互联网审批受理系统
用户登陆
欢迎使用福州住房公积金贷款互联网审批受理系统
用户名:
密码:
验证方式:
验证码
验证码:
1AJr
登 录
提示：1、连续登陆错误三次，当天将不能继续登陆；

2. Results of operations ,financial position and cash flow

2.1 Results of operation

The following table shows the consolidated income statement for the full year 2012 compared to 2011:

TEUR	2012	2011	+/-%
Revenue	52,660	40,645	29.6
Cost of sales	(18,168)	(15,120)	20.2
Sales taxes and surcharges	(1,484)	(1,321)	12.3
Gross profit	**33,008**	**24,204**	**36.4**
Other income	1	333	(99.7)
Other expenses	(1,085)	(6)	17,983.3
Distribution expenses	(2,649)	(575)	360.7
Administrative expenses	(9,398)	(4,409)	113.2
Profit from operation	**19,877**	**19,547**	**1.7**
Finance income	216	154	40.3
Finance expense	(39)	(61)	(36.1)
Profit before tax	**20,054**	**19,640**	**2.1**
Income tax expense	(5,739)	(5,376)	6.8
Profit from continuing operations	**14,315**	**14,264**	**0.4**
Profit for the year from discontinued operations	123	39	215.4
Profit for the year	**14,438**	**14,303**	**0.9**
Other comprehensive income			
Exchange differences arising during the year	(955)	2,958	(1.3)
Total comprehensive income for the year	**13,483**	**17,261**	(0.2)
Profit attributable to :			
Owners of the Company	14,369	14,233	1.0
Non-controlling interests	69	70	(0.9)

2.1.1 Revenue

The Group's revenue increased by EUR 12 million, or 29.6%, from EUR 41 million of 2011 to EUR 53 million of 2012. This increase was primarily due to the increase in software development and integration of large information platforms.

The Group divides its operating segments following its major products and services lines. These include investments, development and operation of large information systems (standard fee model), software development and integration of large information systems (subscription based model), software license and service fees as well as others. The following table presents the revenue segments on a historical basis

	2012		2011	
	TEUR	% of revenue	TEUR	% of revenue
Software license & service fees	8,247	16%	5,553	14%
Investments, development and operation of large information platforms	8,084	15%	5,975	15%
Software Development and integration of large information platforms	33,789	64%	27,140	67%
Others	2,540	5%	1,977	5%
Total	**52,660**	**100%**	**40,645**	**100%**

Growth rates across the operating segments were primarily achieved as a result:

- Software development and integration of large information systems (standard fee model):As the higher level certifications gained in 2010 which was issued by Chinese Government Ministry of Industry and Information, the Group was eligible to carry on the business with higher project volume. The increase of revenue of 2011 and 2012 is mainly due to the higher contract amount and the increase in customers.
- Investments, development and operation of large information platforms (subscription based model): The increase in revenue is mainly due to the strong HPF business based on the increasing number of processed loan applications and the integration of banks linked to the newly established information system.
- Software license and service fees: The increase of this segment is primarily explained by the increase in the total number of contracts.
- Others: The increase in 2012 is simply due to software demand growth in the housing finance industry and the higher project volume and increased of contract amount as a result of the increased reputation of the Group.

2.1.2 Cost of sales

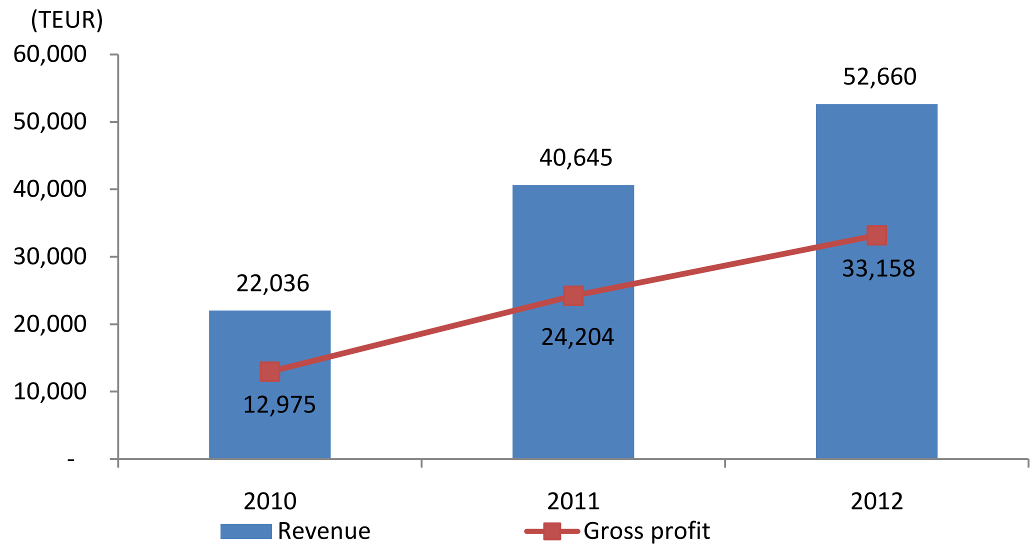
Costs by segment

	2012 TEUR	2011 TEUR
Consumption of raw materials and working materials	11,943	11,325
Outsourcing cost	2,831	1,892
Labour cost	2,268	1,189
Depreciation and amortization	831	483
Others	295	231
Total	**18,168**	**15,120**

Cost of sales mainly comprises material, labour costs for employees, depreciation of property, outsourcing cost and so on. The percentage of cost of sales in relation to revenue decreased 2% from 37% in 2011 to 35% in 2012. The decrease was mainly due to the decrease to the average material cost of each project. Consumption of raw materials and working materials increased by EUR 618 thousand or 5%, Outsourcing costs increased by EUR 939 thousand, or 50%, Labour costs increased by EUR 1 million, or 91%, as primarily as a result of higher project volume; Depreciation and amortisation increased by EUR 348 thousand or 72% which is mainly attributable to the growth of the asset base. Others costs increased by EUR 64 thousand, or 28%, from EUR 231 thousand of 2011 to EUR295 thousand of 2012.The increase in cost of sales across all operating segments was primarily achieved as a result of:

- Software development and integration of large information systems (standard fee model): The cost of sales in relation to revenue in this segment amounted to 51% in 2011 and 46% in 2012, respectively. The decrease is primarily due to decrease of maintaining the cost structure and increasing the maturity of products and applications.
- Investments, development and operation of large information platforms (subscription based model): The cost of sales in relation to revenue in this segment amounted to 9% and 12 % in 2011 and 2012, respectively. This increase was mainly due to the increase of depreciation and amortization to revenue.
- Software licence and service fees: The cost of sales in relation to revenue amounted to 8% in 2011 and 2012, respectively.
- Others: In 2012, the cost of sales in relation to revenue increased from 18% to 33% in the same period of last year, it mainly caused by the increasing of outsourcing cost by revenue.

2.1.3 Gross profit



As a result of the foregoing factors, gross profit increased by EUR 9 million, or 37%, from EUR 24 million in 2011 to EUR 33 million in 2012.

2.1.4 Distribution and administrative expenses

The table below shows the Group's administrative operating expenses broken down by type of distribution and administrative expenses for the periods indicated:

	2012	2011
	TEUR	TEUR
Labour costs	3,438	1,962
Depreciation and amortisation	926	450
Allowance for doubtful debts	215	35
Others	7,468	2,537
Total	**12,047**	**4,984**

Distribution and administrative expenses increased by EUR 7 million, or 142%, from EUR 5 million in 2011 to EUR 12 million in 2012. Labour costs increased by EUR 1 million or 75%, primarily as a result of the more employees in 2012; Depreciation and amortisation increased by EUR 476 thousand or 106% which is mainly attributable to the growth of the asset base. Allowance for doubtful debt increased by EUR 180 thousand, as result of increased project volume and non-government customers. Other expenses increased heavily by EUR 5 million, or 194%, from EUR 3 million in 2011 to 8 million in 2012. The increase is mainly due to the expense on the auditing and other professional services in relation with the IPO because our Group listed in Frankfurt Security

Exchange in Germany in June 2012.

2.1.5 Other income and other expenses

Other income decrease heavily is due to no government grants. Other expenses increased by EUR 1 million, from EUR 6 thousand in 2011 to EUR 1 million in 2012. The increase of other expenses was mainly caused by disposal of BOT equipment.

2.1.6 Profit from operation

As a result of the foregoing factors, profit from operations increased by EUR 329 thousand, or 2%, from EUR 19548 thousand in 2011 to EUR 19877 thousand in 2012.

2.1.7 Finance income and costs

In 2012 finance income was EUR 216 thousand compared to EUR 154 thousand in 2011. These increases are mainly attributable to interest of bank deposit.

Finance costs decreased from EUR 61 thousand in 2011 to EUR 39 thousand in 2012. This decrease is primarily due to the lower exchange losses realized in Grid HK, Grid ZG and Grid FJ.

2.1.8 Income tax expense

Income tax expense increased by EUR 363 thousand, or 7%, from EUR 5739 thousand in 2011 to EUR 5736 thousand in 2012. The increase in income tax expense is mainly the result of an increase in the Group's taxable profit.

2.1.9 Profit for the year

As a result of the foregoing factors, the Group's profit for year increased by EUR 135 thousand, or 0.9%, from EUR 14.303 million in 2011 to EUR 14.438 million in 2012.

2.1.10 Earnings per share

On 21 June 2012, shares of Vange were listed in the Entry Standard of the Frankfurt Stock Exchange. The issued stock number was 103,275, with the issue price of EUR 26,00.The basic earnings per share is calculated based on the net profit attributable to the owners of the company by the weighted average number of ordinary shares outstanding during the financial period:

	2012	2011
Profit for the financial year attributable to equity holder of the parent (TEUR)	14,369	14,233
Weighted average number of issued and outstanding no par shares (in thousands)	4,055	4,000
Basic and diluted earnings per share (in Euros)	3.54	3.56

Earnings per share remained relatively stable at Euros 3.56 in 2011 compared to Euros 3.54 in 2012.

2.2 Financial position

The following table presents financial position information for the Group's operations for the date indicated.

	31 Dec 2012 TEUR	31 Dec 2011 TEUR
Assets		
Non-current assets	10,834	10,241
Current assets	**58,357**	**41,149**
Total assets	**69,192**	**51,390**
Equity and liabilities		
Equity	**60,096**	**43,985**
Liabilities	**9,096**	**7,405**
Non-current liabilities	55	80
Current liabilities	9,041	7,325
Total equity and liabilities	**69,192**	**51,390**

Non-current assets

The Group's non-current assets amounted to EUR 10.2 million on 31 Dec 2011, EUR 10.8 million on 31 Dec 2012. This increase was primarily due to an decrease of EUR 1.2 million in property, plant and equipment, an increase of EUR 1.7 million in intangible assets, an increase of EUR 34 thousand in deferred tax assets, an decrease of EUR 109 thousand in finance lease receivable as well as an increase of EUR 214 thousand in deferred assets. This decrease in property, plant and equipment is attributable to disposal of BOT assets .Intangible assets increased as a result of the software part of those information systems. Deferred tax assets remained relatively stable at EUR 90 thousand on 31 December 2011 compared to EUR 124 thousand on 31 December 2012. Finance lease receivables decreased from EUR 223 thousand on 31 December 2011 compared to EUR 114 thousand on 31 December 2012.It mainly due to received payments, which are smaller than the interest effect .Prepayments increased from EUR 41 thousand on 31 December 2011 compared to EUR 255 thousand on 31 December 2012.

Current assets

The Group's current assets amounted to EUR 41 million as of 31 December 2011, EUR 58 million as of 31 December 2012. This increase was mainly a result of an increase of EUR 4 million in cash and cash equivalents, 12 million in trade and other receivables due to the excellent growing business as well as an increase of EUR 105 thousand in finance lease receivables. Prepayments increased by EUR 1 million, from 99 thousand on 31 December 2011 compared to EUR 1.1 million on 31 December 2012.

Non-current liabilities

The Group's non-current liabilities decreased by EUR 25 thousand, or 11%, from EUR 80 thousand on 31 December 2011 to EUR 55 thousand on 31 December 2012. This decrease is fully caused by the lower deferred tax liabilities.

Current liabilities

The Group's current liabilities increased by EUR 2 million, or 23%, from EUR 7 million as of 31 December 2011 to EUR 9 million as of 31 December 2012. This increase was mainly a result of an increase in trade and other payables by EUR 2 million, which in turn is attributable to the purchase of hardware components due to increasing business, in particular concerning the subscription based model.

Equity

The Group's total equity rose by EUR 16 million from EUR 44 million as of 31 December 2011 to EUR 60 million as of 31 December 2012. This increase is attributable to the share capital of EUR 343 thousand and share premium of about EUR 2.3 million by capital increasing through IPO, as well as an decrease of EUR 1 million in foreign currency translation reserves. The retained earnings increased by EUR 14 million from EUR 10 million at 31 December 2011 to EUR 24 million at 31 December 2012.

2.3 Cash flows

The following table presents statements of cash flow for the Group's operations for the periods indicated on a historical basis.

TEUR	2012	2011
Net cash generated by/used in operating activities	6,071	13,079
Net cash generated by/used in investing activities	(4,557)	(5,149)
Net cash generated by/used in financing activities	2,685	81
Net increase/decrease in cash and cash equivalents	4,199	8,011

Net cash generated from operating activities

Net cash generated from operating activities decreased by EUR 7 million, from EUR 13 million in 2011 to EUR 6 million in 2012. This decrease was primarily a result of a EUR 6 million increase in account receivable and other receivable, a EUR 4 million decrease of trade payable and other payable and an increase of EUR 1 million in income tax paid.

Net cash used in investing activities

The Group had net cash used in investing activities of EUR 5 million in 2011 compared to net cash used in investing activities of about EUR 6 million in 2012. This increase is mainly a result of the increased amount of subscription based models projects, which result in purchases of EUR 1 million in intangible assets.

Net cash used in financing activities

Net cash generated in financing activities was EUR 81 thousand in 2011 compared to net cash generated in financing activities of EUR 3 million in 2012. The significant change is attributable to increasing issues in Group's stocks and receiving the capital from the investors' subscription of the

Group’s IPO.

04 Financial Statements – Vange Software Group AG

04.1 Consolidated balance sheet

	Note	2012 TEUR	2011 TEUR
Assets			
Non-current assets			
Property,plant and equipment	18	5,679	6,976
Intangible assets	19	4,663	2,911
Deferred tax assets	20	124	90
Finance lease receivable	22	114	223
Prepayments	23	255	41
Total non-current assets		**10,834**	**10,241**
Current assets			
Inventories	24	3	2
Finance lease receivable	22	106	1
Prepayments	23	1,160	99
Trade and other receivable	25	25,365	13,539
Cash and cash equivalents	26	31,723	27,508
Total current assets		**58,357**	**41,149**
Total assets		**69,192**	**51,390**
Equity and liabilities			
Equity			
Share capital	27	13,353	13,010
Share premium	27	18,685	16,344
Foreign currency translation reserves	27	3,212	4,167
Retained earnings		24,691	10,322
Total attributable to equity holders of parent		**59,942**	**43,843**
Non-controlling interests		154	142
Total equity		**60,096**	**43,985**
Non-current liabilities			
Deferred tax liabilities	28	55	80
Total non-current liabilities		**55**	**80**
Current liabilities			
Trade and other payables	29	8,878	7,026
Accrued liabilities	30	163	299
Total current liabilities		**9,041**	**7,325**
Total liabilities		**9,096**	**7,405**
Total equity and liabilities		**69,192**	**51,390**

04.2 Consolidated statement of comprehensive income

	Note	2012 TEUR	2011 TEUR
Revenue	5	52,660	40,645
Cost of sales	6	(18,168)	(15,120)
Sales taxes and surcharges	6	(1,484)	(1,321)
Gross profit		**33,008**	**24,204**
Other income	7	1	333
Other expenses	8	(1,085)	(6)
Distribution expenses	10	(2,649)	(575)
Administrative expenses	10	(9,398)	(4,409)
Profit from operation		**19,877**	**19,547**
Finance income	13	216	154
Finance expense	14	(39)	(61)
Profit before tax		**20,054**	**19,640**
Income tax expense	15	(5,739)	(5,376)
Profit from continuing operations		**14,315**	**14,264**
Profit for the year from discontinued operations	16	123	39
Profit for the year		**14,438**	**14,303**
Other comprehensive income			
Exchange differences arising during the year		(955)	2,958
Total comprehensive income for the year		**13,483**	**17,261**
Profit attributable to :			
Owners of the Company		14,369	14,233
Non-controlling interests		69	70
Total comprehensive income attributable to:			
Owners of the Company		13,414	17,191
Non-controlling interests		69	70

04.3 Consolidated statement of changes in equity

	Issued capital TEUR	Share premium TEUR	Other capital reserves TEUR	Foreign currency translation reserve TEUR	Retained earnings TEUR	Total attributable to equity holders of the parent TEUR	Non-controlling interests TEUR	Total equity TEUR
Balance at 1/1/2011	**-**	**-**	**2,357**	**1,209**	**13,487**	**17,053**	**72**	**17,125**
Profit for the year	-	-	-	-	14,233	14,233	70	14,303
Other comprehensive income for the year	-	-	-	2,958	-	2,958	-	2,958
Total comprehensive income	**-**	**-**	**-**	**2,958**	**14,233**	**17,191**	**70**	**17,261**
Capital increase			9,518		-	9,518		9,518
Incorporation of VSG by cash deposit	81		-		-	81		81
Acquisition of Grid HK	12,929	16,344	(11,874)		(17,398)	-		-
Balance at 31/12/2011	**13,010**	**16,344**	**-**	**4,167**	**10,322**	**43,843**	**142**	**43,985**
Profit for the year					14,369	14,369	69	14,438
Other comprehensive income for the year				(955)		(955)		(955)
Total comprehensive income	**-**	**-**	**-**	**(955)**	**14,369**	**13,414**	**69**	**13,483**
Capital increase	344	2,342	-	-	-	2,685	-	2,685
Disposal of non-controlling interests of JiangxiZhujin						-	(57)	(57)
Balance at 31/12/2012	**13,353**	**18,685**	**-**	**3,212**	**24,691**	**59,942**	**154**	**60,096**

04.4 Consolidated statement of cash flow

	2012 TEUR	2011 TEUR
Operating activities		
Profit before tax from continuing operations	20,054	19,640
Profit before tax from discontinued operations	177	52
Profit before tax	20,231	19,692
Adjustments for:		
Interest income from finance lease	(23)	(27)
Accrued allowance for doubtful debts	214	36
Depreciation of property, plant and equipment	1,210	596
Amortisation of intangible assets	553	339
Movements in prepayments	(1,832)	(38)
Loss on disposal of property, plant and equipment	1,084	6
Net foreign exchange (gain)/loss	29	(6)
Operating cash flow not including changes in working capital	**21,467**	**20,597**
Decrease/(increase) of inventories	(13)	0
Increase of trade receivables and other receivables	(10,910)	(4,871)
Increase of trade payables	172	2,031
Increase/(decrease) of other payables	1,534	(152)
Increase/(decrease) of accrued liability	(135)	192
Cash generated from operations	**12,115**	**17,798**
Paid income tax	(6,044)	(4,719)
Net cash generated by/used in operating activities	**6,071**	**13,079**
Investing activities		
Proceeds on disposal of property, plant and equipment	1,515	-
Payments for property, plant and equipment	(3,371)	(3,996)
Payments for intangible assets	(2,563)	(1,263)
Payments for prepayments	(262)	-
Priciple and interest received from finance lease	123	111
Net cash used in investing activities	**(4,557)**	**(5,149)**
Financing activities		
Incorporation of VSG by cash deposit	-	81
Proceeds from capital increase	2,685	-
Net cash generated by financing activities	**2,685**	**81**
Increase/decrease in cash and cash equivalents	**4,199**	**8,011**
Opening balance of cash and cash equivalents	27,508	17,624
Effects of exchange rate changes on the balance of cash held in foreign currencies	16	1,873
Closing balance of cash and cash equivalents	**31,723**	**27,508**
Including		
Cash on hand	5	6
Cash in bank	31,718	27,502

04.5 Notes to the consolidated financial statement

1. Corporate information

VSG Vange Software Group AG, Zurich (the Parent or VSG) is a limited company incorporated in Zurich, Switzerland. It’s ultimately controlled by Mr Yunjian Zheng, Ms Chahua Lin and Mr Shenhuang Huang together. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 6 Segment information and note 21.

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Euro (EUR) and all values are rounded to the nearest Euro, except when otherwise indicated. The functional currency of the group entities is the Chinese Yuan Renminbi (CNY), except for VSG Vange Software Group AG, Zurich where the functional currency is the Swiss Franc (CHF).

VSG Group was formed in the course of certain restructuring steps and therefore had no historical financial date within the meaning of Annex 1, No. 20.1 of the (EC) Regulation No. 809/2004 as of 31 December 2011. The comparative information for the prior year are not the legally required consolidated financial statements of the Parent but have been prepared on a voluntary basis for the purpose of the prospectus according to sec. 7 of the German Securities Prospectus Act (Wertpapiergesetz, WpPG) in connection with Art. 3 of the EU Commission Regulation No. 809/2004 (EU Prospectus Directive) and Cipher 20.1 of the Annex I to the EU Commission Regulation. Comparative information is included to put the investor in the position to better compare the development of the business, financial condition and the results of operations of VSG Group over the last two years in accordance with predecessor accounting as if the Group existed prior to the Business combination under common control as of 25 October 2011.

2.2 Basis of consolidation

The consolidated financial statements as at 31 December 2012 and 2011 comprise the financial statements of Grid FJ, Xiamen Baiyou and Jiangxi Zhujin (subgroup one) and VSG, Grid HK, Grid ZG and Vange FJ (subgroup two) as described in note 21. Firstly, the two subgroups were consolidated separately then both subgroups were consolidated.

Change in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the change in the relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2.3 Application of new and revised International Financial Reporting Standards ("IFRS")

2.3.1 New standards, interpretations and amendments effective from 1 January 2012

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2012, have had a material effect on the consolidated financial statements.

2.3.2 New standards, interpretations and amendments not yet effective

- IFRS 1 First-time Adoption of International Financial Reporting Standards – (Amendments – Government Loans)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – (Improvements to IFRSs (2009 – 2011 Cycle))
- IFRS 7 Financial Instruments: Disclosures (Amendments - Transition Disclosures)
- IFRS 7 Financial Instruments: Disclosures (Amendments - Offsetting Financial Assets and Financial Liabilities)
- IFRS 9 Financial Instruments
- IFRS 9 Financial Instruments (Amendments)
- IFRS 9 Financial Instruments (Amendments - Mandatory Effective Date)
- IFRS 10 Consolidated Financial Statements IFRS 10 Consolidated Financial Statements

- IFRS 10 Consolidated Financial Statements (Amendments – Investment Entities)
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements (Amendments)
- IAS 1 Presentation of Financial Statements – (Improvements to IFRSs (2009 – 2011 Cycle))
- IAS 16 Property, Plant & Equipment - (Improvements to IFRSs (2009 – 2011 Cycle))
- IAS 19 Employee Benefits (Amendments)
- IAS 27 Separate Financial Statements (Amendments)
- IAS 28 Investments in Associates and Joint Ventures (Amendments)
- IAS 32 Financial Instruments: Presentation (Amendments)
- IAS 32 Financial Instruments: Presentation - (Improvements to IFRSs (2009 – 2011 Cycle))
- IAS 34 Interim Financial Reporting - (Improvements to IFRSs (2009 – 2011 Cycle))
- IFRIC 20 Stripping cost in the Production Phase of a Surface Mine

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the Group's future consolidated financial statements.

3. Summary of significant accounting policies

3.1 Business combination under common control

Given that the acquisition of Grid HK Group in 2011 is a common control transaction, no purchase price allocation was performed on the assets acquired, the liabilities assumed and any non-controlling interest in the Grid HK Group and therefore no goodwill or gain from a bargain purchase was identified either. The net assets of the Grid HK Group were taken over at their carrying amounts.

The capital increase by contribution in kind corresponds to the equity book value attributable to the holders of Grid HK plus the carrying amount of the borrowings as of 30 June 2011 of Grid HK Group and was set to the final amount of CHF 36'000'000 ("the purchase price"). Any differences between the equity book value plus the carrying amount of the borrowings of Grid HK Group in Swiss Francs as at 30 June 2011 and the purchase price of CHF 36'000'000 as at 25 October 2011 has been assigned to equity attributable to holders of VSG.

3.2 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, based on the following:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
(b) from construction, in proportion to the stage of completion of a contract;
(c) from the rendering of services, when the services are rendered;
(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
(e) dividend income, when the shareholders' right to receive payment has been established.

3.3 Financing lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services.

The Group aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

3.4 Retirement benefit

Pursuant to the relevant regulations of the government in the People's Republic of China ("PRC"), the entity Grid FJ in the PRC has participated in central pension schemes operated by local governments, whereby Grid FJ is required to contribute a certain percentage of basic salaries of their employees to fund their retirement benefits. The local municipal government is committed to assuming the retirement benefits obligations of all existing and future retired employees of Grid FJ. The only obligation of Grid FJ with respect to the schemes is to pay the ongoing required contributions under the schemes mentioned above. Contributions under the schemes are charged to the consolidated statement of comprehensive income. There are no provisions under the schemes as pensions paid in accordance with the Chinese pension system are unable to be returned or used to offset future amounts payable.

3.5 Government grants

Government grants are assistance provided by the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

(a) the entity will comply with the conditions attached to them; and

(b) the grants will be received.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

3.6 Income tax

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case such tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the liability method, providing for temporary differences as at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The depreciation method for property, plant and equipment is on straight-line basis. Different components of a fixed asset are depreciated individually on a reasonable basis where different useful lives apply. Residual values, useful lives, and depreciation methods are to be reviewed and adjusted for every reporting period (if applicable).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant or equipment that is under construction or is in the process of being installed, which is stated at cost less any impairment losses, and is not depreciated.

Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss on a straight-line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each financial year on a prospective basis and verified in light of the impact of estimated changes.

3.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset maybe 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 recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such an indication exists, the recoverable amount can be estimated. A previously recognised 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 was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount can't exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised in the statement of comprehensive income. After such a reversal, the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, over its remaining useful life.

3.11 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when their fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated to EUR as it is the presentational currency using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

The financial information has been translated at the following rates:

	Period end rates	Average rates
31 December 2012	CNY 1.00 = EUR 0.1198	CNY 1.00 = EUR 0.1231
31 December 2011	CNY 1.00 = EUR 0.1213	CNY 1.00 = EUR 0.1111
31 December 2012	CHF 1.00 = EUR 0.8280	CHF 1.00 = EUR 0.8296
31 December 2011	CHF 1.00 = EUR 0.8216	CHF 1.00 = EUR 0.8123

3.12 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Research expenses are not material and hence are included in administrative expenses.
An internally-generated intangible asset arising from development is recognised if, and only if, all of the following criteria have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally generated intangible asset is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditures are charged to profit or loss in the period in which they are incurred. Development expenses are not material and hence are included in administrative expenses.
Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as

intangible assets that have been acquired.

3.13 Financial assets

The financial assets of the Group are classified as loans and receivables.

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of receivables, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivables. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administration expense in the statement of comprehensive income. Upon confirmation that a trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables in the statement of financial position.

Cash and cash equivalents include cash in hand and bank deposits.

A financial asset is derecognised where:

(a)The contractual rights to receive cash flows from the asset have expired;
(b)The Group has transferred its rights to receive cash flows from the asset and (i) has either transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.14 Financial liabilities

The Group's financial liabilities include trade and other payables.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the consolidated statement of comprehensive income. A financial liability is derecognised when the obligation under the liability is discharged, 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 cancellation of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

4. Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Revenue recognition

Revenue recognition of software development and integration of large information platforms is separated into two parts as follows:

One is revenue of software development, which is recognised according to the percentage-of-completion method (POC). If the outcome of software development can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the end of the reporting period, and measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total budgeted costs, except where this would not be representative of the stage of completion.

If the outcome of software development cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred will be possibly recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where total contract costs are likely to exceed total contract revenue, the expected loss will be recognised as an expense immediately.

Another is revenue of hardware sales, which is recognised when hardware has been accepted by clients. In other words, the Group has transferred to the clients the significant risks and rewards of ownership of the goods. The amount of revenue and costs incurred or to be incurred in respect to the transaction must also be able to be measured reliably.

4.2 Impairment of receivables

The Group's management determines the provision for the impairment of receivables. This estimate is based on the evaluation of collectability and the ageing analysis of receivables as well as on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the end of each of the relevant periods. If the financial conditions of the customers or debtors of the Group deteriorate, thus resulting in an impairment of their ability to make payment, additional allowances may be required.

4.3 Useful lives of intangible assets, property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue which are periodically reviewed to ensure continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

5. Revenue

An analysis of the Group's operating income for each of the accounting periods is as follows: (excluding other income and finance income - see notes 7&13)

	2012 TEUR	2011 TEUR
Software license & service fees	8,247	5,553
Investments, development and operation of large information platforms	8,084	5,975
Software Development and integration of large information platforms	33,789	27,140
Others	2,540	1,977
Total	**52,660**	**40,645**

For an analysis of the Group's income from its main products and services, please see note 6.

6. Segment information

6.1 Products and services information by segments

The Group has identified its operating segments and prepared information for each segment based on the regular financial information reported to the chief operating decision maker for their decisions about resource allocation to the Group's business components and review of these components' performance. The business components in the internal report to the chief operating decision maker are determined following the Group's major products and service lines which are: software license and service fees, investment, development and operation of large information platforms and software development and integration of large information platforms as well as others.

Software license and service fees refer to software licenses authorised by the Group and fees paid by customers for services provided by the Group. Investment, development and operation of large information platforms refers to the Group's engagement in investing, developing and operating large information platforms, based on the operating period of up to 5 to 10 years specified in a related contract. Software development and integration of large information platforms refers to the computer system engineering service provided and related hardware sales according to customers' requirements. During the system construction period, the Group is responsible for all the expenses incurred for hardware and software and the service fee is charged according to an agreement between both parties. Others refer to the technology trade of which income generated by transferring the system after developing.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profits refer to those earned by different segments before the allocation of central administration costs, directors´ salaries, profits of associates, investment revenues, finance costs and income tax expenses. Segment profits are adopted for reports to the chief operating decision maker for the purpose of resource allocation and performance evaluation of the personnel responsible for each of the segments.

The Group is principally engaged in supplying products and providing services in the People´s Republic of China ("PRC") and over 99.7% of its assets are based in the PRC. In addition, all identifiable assets of the Group are principally located in the PRC. Accordingly, no geographic analysis is presented.

6.2 Segment revenue and results

TEUR	Software license & service fees	Investments, development and operation of large information platforms	Software Development and integration of large information platforms	Others	Total
31 Dec 2012					
Revenue	8,247	8,084	33,789	2,540	52,660
Cost of sale	(653)	(963)	(15,709)	(843)	(18,168)
Sales tax and surcharges	(186)	(320)	(828)	-	(1,334)
Segment Profit	**7,408**	**6,801**	**17,252**	**1,697**	**33,158**
Unallocated surcharges					(150)
Gross profit					**33,008**
Segment assets	1,129	10,123	14,053	676	25,981
Unallocated assets	-	-	-	-	43,211
Total assets					**69,192**
Segment liabilities	-	776	4,214	456	5,445
Unallocated liabilities	-	-	-	-	3,651
Total liabilities					**9,096**
Depreciation and amortisation	32	812	-	-	844
Purchased non-current assets	-	4,281	-	-	4,281
31 Dec 2011					
Revenue	5,553	5,975	27,140	1,977	40,645
Cost of sale	(444)	(520)	(13,810)	(346)	(15,120)
Sales tax and surcharges	(114)	(341)	(866)	-	(1,321)
Segment Profit	**4,995**	**5,114**	**12,464**	**1,631**	**24,204**
Unallocated surcharges					-
Gross profit					**24,204**
Segment assets	607	8,149	8,685	650	18,091
Unallocated assets	-	-	-	-	33,299
Total assets					**51,390**
Segment liabilities	248	287	3,274	275	4,084
Unallocated liabilities	-	-	-	-	3,321
Total liabilities					**7,405**
Depreciation and amortisation	16	-	483	-	499
Purchased non-current assets	1	-	3,635	5	3,641

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: nil).

The accounting policies of the reportable segments are the same as the Group's accounting described in note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and director's salaries, other gains and losses as well as finance income and costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

No individual account was over 10% of the Group's total revenues for the year ended 2012 and 2011.

7. Other income

	2012	2011
	TEUR	TEUR
Government grant	-	333
Others	1	-
Total	**1**	**333**

The government grant mentioned in the above calculation is the government subsidies in support of the Group's contribution to the public for its success in software development.

8. Other expenses

	2012	2011
	TEUR	TEUR
Loss on disposal of property, plant and equipment	(1,084)	(6)
Others	(1)	-
Total	**(1,085)**	**(6)**

9. Cost of sales by nature

	2012	2011
	TEUR	TEUR
Consumption of raw materials and working materials	11,943	11,325
Outsourcing cost	2,831	1,892
Labour cost	2,268	1,189
Depreciation and amortization	831	483
Others	295	231
Total	**18,168**	**15,120**

10. Distribution and administrative expenses by nature

	2012 TEUR	2011 TEUR
Labour costs	3,438	1,962
Depreciation and amortisation	926	450
Allowance for doubtful debts	215	35
Others	7,468	2,537
Total	**12,047**	**4,984**

"Others" includes expenses for running the office, travelling, auditing and other services and consulting fees.

11. Labour costs

	2012 TEUR	2011 TEUR
Wages	4,624	2,573
Social insurance	443	168
Others	639	409
Total	**5,706**	**3,150**

12. Depreciation and amortisation

	2012 TEUR	2011 TEUR
Depreciation of property, plant and equipment	1,210	596
Amortisation of intangible assets	553	339
Total	**1,763**	**935**

13. Finance income

	2012 TEUR	2011 TEUR
Interest income from finance lease	23	27
Interest income from bank deposit	186	59
Exchange gains	7	68
Total	**216**	**154**

14. Finance costs

	2012 TEUR	2011 TEUR
Exchange loss	(36)	(61)
Interest expense of bank credit	(3)	-
Total	**(39)**	**(61)**

15. Income tax expense

The income tax rate applicable to VSG Vange Software Group, Ltd. is up to 8.5%. There is no taxable profit for VSG during the current accounting period.

The Hong Kong income tax rate applicable to Grid HK is up to 16.5%. There is no taxable profit for Grid HK during the current accounting period.

The enterprise income tax rate in the Chinese mainland is up to 25%. Income tax recognised in profit or loss:

	2012 TEUR	2011 TEUR
Profit before tax from continuing operations	**20,054**	**19,640**
Operating loss not included in taxable income	2,223	1,827
Provision for bad debts	214	36
Difference from finance leases	64	51
Amortisation of disposed intangible assets	(34)	(31)
Accrued liabilities	(15)	24
Overspending on entertainment expenses	546	16
Overspending on training fee	103	-
Penalty expenses	-	-
Taxable income	**23,155**	**21,563**
Income tax expense at the tax rate of 25%	**5,789**	**5,391**
Income tax expense includes:		
Current income tax expense	5,789	5,391
Deferred tax expense which related to origination and reversal of the temporary difference	(50)	-
Effect of changes in tax rates and tax laws		(14)
Total income tax expense recognised in profit or loss	**5,739**	**5,377**

16. Discontinued operations

16.1 Disposal of subsidiary

On 18 December 2012, Grid FJ, the parent of Jiangxi Zhujin (Zhujin), entered into a sale agreement to transfer 51% of the share rights of Zhujin. The proceeds of sale substantially correspond to the carrying amount of the related net assets. The disposal of Zhujin is consistent with the Group’s long-term policy.

16.2 Analysis of profit for the year from discontinued operations

The results of the discontinued operation included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

	2012 TEUR	2011 TEUR
Profit for the year from discontinued operations		
Revenue	362	295
Cost of sales	(216)	(173)
Sales taxes and surcharges	(20)	(17)
Gross profit	**126**	**105**
Distribution expenses	(18)	-
Administrative expenses	(64)	(53)
Profit from operations	**44**	**52**
Finance income	-	-
Gain reclassified from equity on disposal of intangible assets, net of tax	-	-
Post tax gain on the disposal of the subsidiary	133	-
Profit before tax	**177**	**52**
Income tax expense	(54)	(13)
Profit for the year from discontinued operations	**123**	**39**
Attributable to:		
Owners of the Company	63	20
Non-controlling interests	60	19
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	28	(2)
Net cash outflows from investing activities	(43)	(1)
Net cash inflows from financing activities	25	-
Net cash inflows/(outflows)	**10**	**(3)**

16.3 The financial position of disposed subsidiary

On 18 December 2012, Grid FJ, the parent of Jiangxi Zhujin (Zhujin), entered into a sale agreement to transfer 51% of the share rights of Zhujin. The financial position of Zhujin is set out below:

	2012	2011
	TEUR	TEUR
Assets		
Non-current assets		
Property,plant and equipment	15	4
Intangible assets	166	-
Prepayments	1	-
Total non-current assets	**182**	**4**
Current assets		
Inventories	3	-
Trade and other receivable	126	94
Cash and cash equivalents	26	5
Total current assets	**155**	**99**
Total assets	**337**	**103**
Equity and liabilities		
Equity		
Share capital	238	45
Foreign currency translation reserves	4	6
Retained earnings	72	40
Total equity	**314**	**91**
Current liabilities		
Trade and other payables	23	12
Total current liabilities	**23**	**12**
Total liabilities	**23**	**12**
Total equity and liabilities	**337**	**103**

16.4 Earnings per share from discontinued operation

	2012	2011
Profit for the financial year attributable to equity holder of the parent (TEUR)	63	20
Weighted average number of issued and outstanding no par shares (in thousands)	4,055	4,000
Basic and diluted earnings per share (in Euros)	0.016	0.005

17. Earnings per share

On 21 June 2012, shares of Vange were listed in the Entry Standard of the Frankfurt Stock Exchange.

The issued stock number was 103,275, with the issue price of EUR 26.00.

	2012	2011
Profit for the financial year attributable to equity holder of the parent (TEUR)	14,369	14,233
Weighted average number of issued and outstanding no par shares (in thousands)	4,055	4,000
Basic and diluted earnings per share (in Euros)	3.54	3.56

18. Property, plant and equipment

TEUR	Vehicle	Office equipment	Hardware of investment, development and operation of large information platforms	Construction in progress	Total
Cost					
Balance at 1/1/2011	**276**	**410**	**1,316**	**1,086**	**3,088**
Additions	331	1,564	-	2,583	4,479
Reclassify as hardware	-	-	2,175	(2,175)	-
Reclassify as software	-	-	-	(258)	(258)
Disposal	-	(18)	-	-	(18)
Exchange differences	48	168	283	82	580
Balance at 31/12/2011	**655**	**2,124**	**3,774**	**1,318**	**7,871**
Additions	36	677	-	3,902	4,615
Disposals	(28)	(227)	(4,327)	-	(4,581)
Discontinued operations	-	(24)	-	-	(24)
Reclassify as hardware	-	-	3,668	(3,668)	-
Reclassify as software	-	-	-	(613)	(613)
Exchange differences	(8)	(38)	(29)	(7)	(81)
Balance at 31/12/2012	**655**	**2,512**	**3,086**	**932**	**7,187**
Accumulated depreciation					
Balance at 1/1/2011	**(13)**	**(123)**	**(106)**	**-**	**(242)**
Disposals	-	12	-	-	12
Depreciation	(109)	(170)	(317)	-	(596)
Exchange differences	(11)	(22)	(36)	-	(69)
Balance at 31/12/2011	**(133)**	**(303)**	**(459)**	**-**	**(895)**
Disposals	11	126	422	-	559
Discontinued operations	-	9	-	-	9
Depreciation	(132)	(468)	(610)	-	(1,210)
Exchange differences	5	13	11	-	29
Balance at 31/12/2012	**(249)**	**(623)**	**(636)**	**-**	**(1,508)**
Net book value					- -
Balance ended 31 December 2011	**522**	**1,821**	**3,315**	**1,318**	**6,976**
Balance ended 31 December 2012	**406**	**1,889**	**2,450**	**932**	**5,677**

Construction in progress represents property, plant or equipment that is under construction or is in the process of being installed, which is stated at cost less any impairment losses, and is not depreciated.

The useful lives of property, plant and equipment for depreciation calculations are as follows:

Vehicle and office equipment	3-5 years
Hardware of investment, development and operation of large information platforms (based on the operating period of a project specified in the contract)	5 to 10 years

19. Intangible assets

TEUR	Internally developed software	Development tool	Software of investment, development and operation of large information platforms	Development costs	IDC certificate	Total
Cost						
Balance at 1/1/2011	**563**	**217**	**1,096**	**185**	**59**	**2,120**
Additions	-	333	-	651	-	984
Reclassify as software	-	-	258	-	-	258
Exchange differences	36	44	93	71	4	248
Balance at 31/12/2011	**599**	**594**	**1,447**	**907**	**63**	**3,610**
Additions	-	695	-	1,082	-	1,777
Reclassify as Software	-	-	613	-	-	613
Reclassify as internally developed software	692	-	(692)	-	-	-
Exchange differences	(26)	(26)	(15)	(40)	(1)	(108)
Balance at 31/12/2012	**1,265**	**1,263**	**1,353**	**1,949**	**62**	**5,892**
Accumulated depreciation						
Balance at 1/1/2011	**(60)**	**(61)**	**(186)**	**-**	**(3)**	**(310)**
Amortisation	(94)	(77)	(165)		(3)	(339)
Exchange differences	(12)	(11)	(27)		-	(50)
Balance at 31/12/2011	**(166)**	**(149)**	**(378)**	**-**	**(6)**	**(699)**
Reclassify as internally developed software	(51)	-	51		-	-
Amortisation	(122)	(226)	(202)		(3)	(553)
Exchange differences	7	8	8		-	23
Balance at 31/12/2012	**(332)**	**(367)**	**(521)**	**-**	**(9)**	**(1,229)**
Net book value						- -
Balance ended 31 December 2011	**433**	**445**	**1,069**	**907**	**57**	**2,911**
Balance ended 31 December 2012	**933**	**896**	**832**	**1,949**	**53**	**4,663**

Development tool includes the software or program purchased for the research and development activities.

Development costs includes the costs of internal developing programs which are still not finished.

The software and tools which are developed internally are amortised over 10 years. The software of investment, development and operation of large information platforms is amortised based on the operating period specified in the contract, which is 5 to 10 years.

The useful lives of intangible assets are as follows:

Internally developed software	10 years
Development tools	5 years
Software development	5 to 10 years

(based on the operating period of a project specified in the contract)

20. Deferred tax assets

The following are the major deferred tax assets recognised by the Group and movement thereon ：

TEUR	Opening balance	Profit or loss	Exchange differences	Closing balance
2012				
Temporary differences:				
Allowance for doubtful debts	46	54	(2)	98
Assets for finance lease	27	(9)	-	18
Amortisation of disinfector	17	(9)	-	8
Total	**90**	**36**	**(2)**	**124**
2011				
Temporary differences:				
Allowance for doubtful debts	34	9	3	46
Assets for finance lease	34	(8)	1	27
Amortisation of disinfector	24	(8)	1	17
Total	**92**	**(7)**	**5**	**90**

21. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2012	2011
Grid Technology Group (Holding) Limited (Referred to as "Grid HK")	Adminstration & investment	Hongkong	100%	100%
Fuzhou Grid Internet Technology Development Co. Ltd. (Referred to as "Grid ZG")	Technology consultant	Fujian	100%	100%
Fujian Vange Information Technology Co.,LTD (Referred to as "Vange FJ")	Technology consultant	Fujian	100%	100%

Grid (Fujian) Science and Technology Co., Ltd (Referred to as "Grid FJ"):

In December 2010, the shareholders of Grid FJ and Grid ZG signed the following agreements: Strategy consulting services agreement, Technology supporting services agreement, Purchasing options and cooperation agreement, Share pledge agreement, Voting Right Proxy Agreement and Supplementary agreement to call-option and cooperation agreement (the above agreements hereafter referred to as “Cooperative agreement”). In the Cooperative agreement, Grid ZG provides the following services to Grid FJ: (1) Strategy consulting services, fee of which is based on labour cost of Grid ZG; (2) Technology supporting services, fee of which is based on labour cost of Grid ZG. The cooperation period for the above two services is 10 years. As a follow-up to this agreement, all of the shares from Grid FJ have been pledged to Grid ZG as security. (3) Grid ZG and/or the designee has the right to purchase all the equity interests held by the shareholders or the assets in Grid FJ at the price of CNY 1.00 or that of the equivalent value in foreign currencies. According to the above provision, we believe that Grid FJ is controlled by Grid ZG.

Details of Grid FJ’s subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2012	2011
Xiamen Baiyou Science and Technology Co. Ltd. (Referred to as "Baiyou")	Internet Data Center	Fujian	51%	51%
Jiangxi Zhujin Information Science and Technology Co.Ltd.(Referred to as "Zhujin")	Software services	Jiangxi	nil	51%

22. Finance lease receivable

In 2006, Grid FJ entered into a contract with Fujian Online Gold Co. Ltd. (hereafter referred to as "FOG"). According to the contract, Grid FJ would build a website platform for FOG with the cost paid by Grid FJ. In return, FOG would pay a fee to Grid FJ annually based on the IP click rate, members, and amount of software sold. In the terms of the contract, Grid FJ will receive a minimum payment of CNY 1,000,000 from FOG every year. The project started to operate on 1 January 2007, the contract duration is 8 years.

The total investment balance and the present value of the minimum payments are shown here:

TEUR	Less than 1 year	1 year to 5 years
2012		
Gross investment	120	120
Present value of minimum lease Payments receivable	106	114
2011		
Gross investment	121	243
Present value of minimum lease Payments receivable	99	223

23. Prepayments

	2012 TEUR	2011 TEUR
Service expense	823	42
Advertising expenses	499	-
Insurance	93	-
Total	**1,415**	**42**
Current	1,160	1
Non-current	**255**	**41**
Total	**1,415**	**42**

24. Inventories

	2012 TEUR	2011 TEUR
Commodity stocks	3	2
Total	**3**	**2**

25. Trade and other receivables

	2012 TEUR	2011 TEUR
Trade receivables	21,989	12,411
Allowance for doubtful accounts	(391)	(185)
Other receivables - related parties	536	365
Other receivables - third parties	3,221	498
Prepayment	10	450
Total	**25,365**	**13,539**

25.1 Trade receivables

The Group has a credit rating system for potential and new customers to assess a customer's creditability and to determine their credit limit. The customer's credit rating will be reviewed and a credit limit will be set which is then revised accordingly in non-periodical meetings.

There are two major types of customers for Grid FJ. One is government departments and public institutions (“public”), for which no provision for bad debts is made due to their high credit rating. The other is business clients (“private”), the bad debt provision rates of residual values for business clients without any governmental participation are as follows: 5% within one year, 10% for one to two years, 30% for two to three years, 50% for more than three years.

	2012 TEUR	2011 TEUR
Ageing of trade receivables (private)		
Less than 60 days	1,701	2,476
61 days to 180 days	5,078	922
181 days to 1 year	1,044	298
Total trade receivables (private)	**7,823**	**3,696**
Ageing of trade receivables (public)		
Less than 60 days	8,611	5,650
61 days to 180 days	3,784	2,265
181 days to 1 year	1,771	799
Total trade receivables (public)	**14,166**	**8,714**
Total	**21,989**	**12,410**

25.2 Bad debt variation

	2012 TEUR	2011 TEUR
Opening balance	185	137
Accrued	214	36
Exchange differences	(8)	12
Total	**391**	**185**

There is no interest charged on trade receivables as the credit period is short, therefore the fair value is close to the book value. Trade receivables balances are recorded at their original invoice amount at fair value.

When considering the recoverability of trade receivables, the Group will take the credit quality of its customers into consideration, from the start date of the credit period to the end date of the report date. Since the number of customers is small, credit risk is low.

26. Cash and cash equivalents

	2012 TEUR	2011 TEUR
Cash on hand	5	6
Cash at banks	31,718	27,502
Total	**31,723**	**27,508**

The interest of bank deposits is subject to a floating interest rate.

27. Issued capital and reserves

27.1 Share capital

VSG Vange Software Group AG, Zurich was founded on 23 August 2011 with a share capital of CHF 100,000, divided into 25,000 fully paid-in registered shares with a nominal value of CHF 4 each. On 25 October 2011 the Company conducted a first capital increase and increased its share capital to CHF 16,000,000 by issuing 3,975,000 new Shares with a nominal value of CHF 4 each. These new shares were issued against contribution in kind of all shares of Grid HK.

On 21 June 2012, shares of Vange were listed in the Entry Standard of the Frankfurt Stock Exchange. The Company issued 103,275 new shares with a nominal value of CHF 4 each.

	2012		2011	
	Number of registered shares held(in thousand)	TEUR	Number of registered shares held(in thousand)	TEUR
Yunjian Zheng, Chahua Lin, Shenhuang Huang	2,988	9,718	2,988	9,718
NewMargin Growth Fund, L.P.	655	2,131	655	2,131
Gobi Partners, Inc.	357	1,161	357	1,161
Public	103	343		-
Total	**4,103**	**13,353**	**4,000**	**13,010**

27.2 Share premium

Based on the approval of the extraordinary shareholders' meeting of 25 October 2011, VSG Vange Software Group AG, Zurich has increased the registered share capital from nominal CHF 100'000 by CHF 15,900,000 to nominal CHF 16,000,000 through the issuance of 3,975,000 registered shares with a nominal value of CHF 4 and a share premium of CHF 5.06 (rounded) each.

On 21 June 2012, shares of Vange were listed in the Entry Standard of the Frankfurt Stock Exchange. The Company issued 103,275 new shares with a nominal value of CHF 4 each and a share premium of CHF 27.55 (rounded) each.

	2012	2011
	TEUR	TEUR
Yunjian Zheng, Chahua Lin, Shenhuang Huang	12,208	12,208
NewMargin Growth Fund, L.P.	2,677	2,677
Gobi Partners, Inc.	1,459	1,459
Public	2,341	-
Total	**18,685**	**16,344**

27.3 Foreign currency translation reserves

	2012	2011
	TEUR	TEUR
Balance at beginning of year	4,167	1,209
Exchange differences arising on translating the foreign operations	(955)	2,958
Balance at end of year	**3,212**	**4,167**

27.4 Other capital reserves

The other capital reserves arise from the share capital and non-distributable reserves of Grid FJ and issued capital of Grid HK before VSG Vange Software Group Ltd, Zurich was incorporated.

	2012 TEUR	2011 TEUR
Arising on Grid FJ		
Balance at beginning of year	-	2,357
Acquisition of Grid HK Group by VSG	-	(2,357)
Balance at end of year	**-**	**-**
Arising on Grid HK		
Balance at beginning of year	-	-
Capital increase	-	9,518
Acquisition of Grid HK Group by VSG	-	(9,518)
Balance at end of year	**-**	**-**

28. Deferred tax liabilities

Shown below are the major deferred tax liabilities recognised by the Group and movement thereon:

TEUR	Opening balance	Profit or loss	Exchange differences	Closing balance
2012				
Temporary differences:				
Finance lease receivable	80	(25)	-	55
Total	**80**	**(25)**	**-**	**55**
2011				
Temporary differences:				
Finance lease receivable	97	(21)	4	80
Total	**97**	**(21)**	**4**	**80**

29. Trade and other payables

	2012 TEUR	2011 TEUR
Trade payables	3,890	3,285
Advances from customers	1,527	794
Other payables - third parties	104	17
Taxes payable	2,264	2,128
Salary payable	1,093	802
Total	**8,878**	**7,026**

30. Accrued liabilities

	2012 TEUR	2011 TEUR
Opening balance	298	84
Provisions	47	234
Payments	(182)	(42)
Exchange differences	-	23
Total	**163**	**299**

31. Financial instruments

31.1 Categories of financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Finance lease receivables
- Trade and other payables

A summary of the financial instruments held by category is as follows:

	2012 TEUR	2011 TEUR
Financial Assets		
Trade and other receivables	25,365	13,539
Finance lease receivables	220	321
Total	**25,585**	**13,860**
Financial liabilities		
Trade payables	3,890	3,285
Other payables	104	17
Total	**3,994**	**3,302**

31.2 Capital risk management

The Group manages its capital by optimising the balance between assets and liabilities to ensure that the Group can continue to operate and maximise the shareholder's return at the same time. The Group has adopted the same strategy as that of the previous accounting year.

The Group is not subject to any external mandatory capital requirements.

The Group reviews its capital structure annually, including a review of capital costs and associated risks by management. The leverage ratio was calculated as total liabilities divided by total assets.

The leverage ratio at the end of each reporting period is as follows:

	2012 TEUR	2011 TEUR
Total liabilities	9,096	7,405
Total assets	69,192	51,390
Debt to asset ratio	**13%**	**14%**

The ratio of total liabilities to total assets is currently at a good level, therefore the capital risk is relatively low.

31.3 Credit risk management

Credit risk refers to the risk that a counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business operations and its investing activities.

The cash at bank balances of the Group as at 31 December 2012 are mainly deposited in Swisss Credit AG and branches of Industrial Bank Co., Ltd, Bank of China Co., Ltd and China Everbright Bank Co., Ltd. The risk on these bank deposits is limited because the counterparties are banks with high credit ratings.

The trade and other receivables presented in the financial assets indicate most of the credit risk of the Group. There is no significant credit risk associated with other financial assets. The Group continually monitors default activities of clients or other related parties through individual or group evaluations and uses this information to determine the existence of any credit risk. The Group has no significant concentration of credit risk, further details about the trade and other receivables are disclosed in note 22 to these financial statements.

31.4 Interest rate risk management

The Group currently has no interest bearing loans.

31.5 Liquidity risk management

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligations as they become due.

The contractual maturities of financial liabilities (representing undiscounted contractual cash-flows) are as follows:

TEUR	Less than 3 months	3-12months	1-2 years	More than 2 years
2012				
Trade and other payables	8,878	-	-	-
Total	**8,878**	**-**	**-**	**-**
2011				
Trade and other payables	7,026	-	-	-
Total	**7,026**	**-**	**-**	**-**

31.6 The fair value of the financial instruments

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

32. Related party transactions

The details of the related party transactions are shown below.

The list of related parties is as follows:

Name of the related parties	Relationship
Zhiping Jiang	Chairman of the Board of Directors
Yunjian Zheng	Shareholder, Vice-Chairman and CEO of the Group
Chahua Lin	Shareholder, Member of the Board of Directors, Deputy CEO of the Group, CFO of the Group since 1 August, 2012
Weigang Greg Ye	Member of the Board of Directors
Lin Zhu	Member of the Board of Directors
Fang Ruan	Member of the Board of Directors
Shenhuang Huang	Shareholder, CTO of the Group
Beiou Huang	CFO of the Group until 31 July, 2012

The outstanding balances of current accounts at the end of each reporting period are as follows:

Amount due from related parties

	2012 TEUR	2011 TEUR
Yunjian Zheng	331	259
Chahua Lin	110	44
Shenhuang Huang	49	49
Beiou Huang	47	13
Total	**537**	**365**

33. Compensation for key management personnel

	2012 TEUR	2011 TEUR
Wages	601	344
Social insurance	24	12
Total	**625**	**356**

34. Operating leases

This balance relates mainly to office rental. The details of the operating lease are listed as follows:

Irrevocable operating lease obligations:

	2012 TEUR	2011 TEUR
Less than 1 year	110	110
Over 1 year and less than 5 years	76	95
Over 5 years	-	-
Total	**186**	**205**

Rental recognised as expense:

	2012 TEUR	2011 TEUR
Minimum lease payments	186	205
Total	**186**	**205**

35. Events after the reporting period

There have been no events between 31 December 2012 and 30 April 2013 that would require an adjustment to the carrying amount of the assets and liabilities or that would need to be disclosed.

36. Approval of financial statements

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 30 April 2013.

05 Auditor's report

As statutory auditor, we have audited the accompanying consolidated financial statements of VSG Vange Software Group Ltd, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act(AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that iternal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 30 April 2013

BDO Ltd

René Füglister	ppa. Manuela Brühlmann
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

06 Financial Calendar / Imprint

Financial Calendar

Until 30 Jun 2013	Annual Report 2012
Until 30 Sep 2013	Half-year Report 2013

Imprint

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