

Annual Report

2014



Vange Software Grop AG



Letter to Shareholders

Dear Directors and colleagues ,

In 2014, VSG Vange Software Group AG goes ahead smoothly and steadily. Since VSG AG was listed on Frankfurt Stock Market on June 21st, 2012 until now, it has been ranked as top enterprise in the field of China Housing Finance, continuously maintaining its advantages both in China Housing Finance industry & Profession Software industry, meanwhile surpassing competitors with same level. In 2015, the project related to mobile internet project which is constructed in Fujian



China by our Group is confirmed by Chinese Government as Demonstration project. All the achievements strengthen us as leading company in China Housing Finance.

In 2014, VSG Vange Software Group AG goes ahead smoothly and steadily. Since VSG AG was listed on Frankfurt Stock Market on June 21st, 2012 until now, it has been ranked as top enterprise in the field of China Housing Finance, continuously maintaining its advantages both in China Housing Finance industry & Profession Software industry, meanwhile surpassing competitors with same level. In 2015, the project related to mobile internet project which is constructed in Fujian China by our Group is confirmed by Chinese Government as Demonstration project, the mobile internet business has been become a new growth point of the group since 2015, and the Group has achieved more than 50 software copyright issued by National Copyright Administration of China . All the achievements prove us the advantage as leading company in China Housing Finance.

In 2014, by efforts of Group Management and all staff, business income of Group was EUR 56.76 million, 6% increase compared with EUR 53.73 million in 2013. Net profit of 2014 is EUR11.45

Million, with net profit ratio 20%; in 2014, earning per share was EUR 2.79. Stable business and healthy finance condition is the foundation for Group sustainable development.

Among new technology innovation field, our group, cooperated with shared Grid (Fujian) commercial Software Ltd. Co. will put forward City Class medical imaging “PASS” (image data sharing) system, increase development investment in new technology application, like mobile internet etc, and pay more attention to cooperation with China's urban & rural housing construction Branch, China's health and planning committee, keep our merits by technology innovation in industry application.

Hereby I would like to express my gratitude to all shareholders, Group partners; Group shared employees and appreciation to all VSG staff. We will endeavor to maintain sustainable growth for Group performance and return profits to all shareholders.

Yours sincerely

Zhang Zhong Ying

CEO of the Group

Table of Contents

01	Key Figures	4
02	Share Performance	5
03	Management Report	7
04	Financial Statements – Vange Software Group AG	27
04.1	Consolidated balance sheet	27
04.2	Consolidated statement of comprehensive income	28
04.3	Consolidated statement of changes in equity	29
04.4	Consolidated statement of cash flow	30
04.5	Notes to the consolidated financial statement	31
05	Events after the reporting period	33
06	Auditor’s report	33
07	Financial Calendar / Imprint	34

01 Key Figures

	2014	2013	
	TEUR	TEUR	+/- %
Revenue and Earnings			
Revenue	56,763	53,729	6%
Gross profit	33,241	32,121	3%
Gross profit margin	59%	60%	
EBIT	16,076	17,267	-7%
EBIT margin (%)	28%	32%	
Net profit	11,454	12,113	-5%
Net profit margin	20%	23%	
Balance sheet			
Equity	93,956	72,440	30%
Liabilities:	8,073	8,610	-6%
Non-currents liabilities	0	28	
currents liabilities	8,073	8,582	
Assets:	102,028	81,050	26%
Non-currents assets	23,469	14,659	
currents assets	78,559	66,391	
Equity ratio (%)	92%	89%	
Employees			
No. of Employees	360	333	8%

02 Share Performance

Share price performance since IPO

For the period from June 21, 2012 to Dec 31, 2014

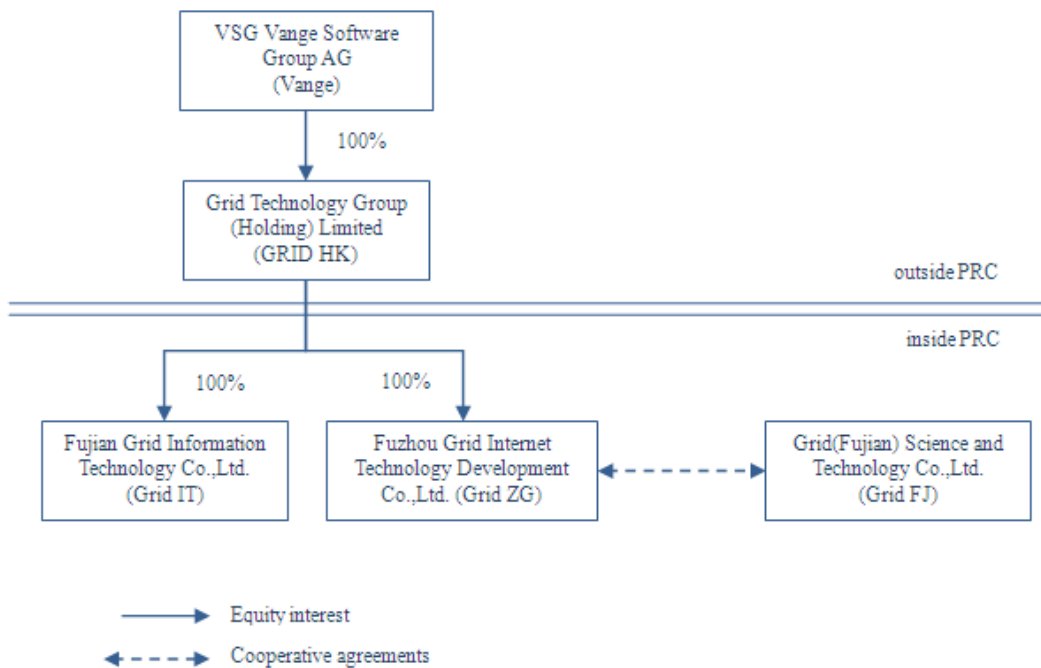
ISIN/WKN/Ticker	CH0149557099/A1JTW0/VWA.DE
Trading segment	Entry Standard, Frankfurt Stock Exchange
Commencement of trading	21 June 2012
Share capital	4,103,275 shares
Designated sponsor	VEM Aktienbank AG, Munich, Germany
Market capitalisation (as at 31 Dec 2014)	EUR1.07million

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 2014 the Xetra closing price stood at EUR 3.0. This market capitalisation is EUR 1.07 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.

Shareholder structure



03 Management Report

1. Group profile

Vange is a top-ranking provider of software solution and IT service under the controlled market by Chinese governmental organization, financial organization and HR industry. The company is committed to construction and operation for encryption large-scale information system and related service. The products are mainly provided to the government and financial information industry, such as Chinese Urban Housing Fund Management Center. In 2014, the company made a breakthrough development in mobile APP application R&D and mobile internet service; the Group has invested by joint stock to set up Fujian Grid commercial software co. Ltd, which specializes in digital medical imaging service, and has obtained the high-tech enterprises of Chinese food and drug administration product registration. The company' s business has been expanded to cities and province of China since 2014; the development in this field gives the Group a chance to march into the digital medical imaging market.

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 Mobile Internet Intelligence Application System(the "MIS").

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 subsidized financing for purchasing qualifying housing, and a housing maintenance fund (the "HMF") to provide such financing for qualifying home maintenance works. According to the statistics from the

Ministry of Housing and Urban-Rural Development, The total fund size of HPFs in the PRC was over EUR 2.12 trillion in Dec 2013. The character of these funds which are independently managed by more than 500 Housing Provident Fund Centers set up by the Government in each city in China necessitates local software solutions of Vange for these organizations of purchasing software and long-term maintenance service provided for VSG AG software Housing Provident Fund centers.

Being a leading provider of housing finance software, the Group offers leading solutions and information platform 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 managed by the Group which owns the assets for a period of up to eight to ten years. During this period, the Group assumes the responsibility for the ongoing maintenance and operation of the platform for the customer. Customers 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, and number of users with access to the information system. At the end of this period, the Group transfers full ownership of the software and 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 8-10-year-plan. With expertise and technological knowledge, most IT companies are better suited to fulfill the HPF centre' s growing demand for upgrade and maintenance and receive stable annual revenue from fund centers and banks using its information system during the contract period.

Mobile internet is the integrated product of mobile and internet, with the advantage of movement anytime anywhere with easy taking and internet sharing, opening and interaction. The company has developed and has invested the platform which can be accessed to use the shared information after paying and confirming the regional distribution right.

The Group has been working hard to promote digital medical imaging software field which is a public service project and is actively promoted by Chinese government, the normal investment for this project exceeds EUR 150 million, which will become a new profit growth point of the Group.

The members of Group management

Name	Relationship
Zhiping Jiang	Chairman of the Board of Directors
Yunjian Zheng	Shareholder, Vice-Chairman CEO of the Group until 1 February 2015
Chahua Lin	CFO
Shenhuang Huang	CTO
Zhongying Zhang	CEO of the Group since 2 February 2015

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 2014 compared to 2013:

TEUR	2014	2013	+/-%
Revenue	56,763	53,729	6%
Cost of sales	(23,286)	(21,294)	9%
Sales taxes and surcharges	(236)	(314)	-25%
Gross profit	33,241	32,121	3%
Other income	589	195	202%
Other expenses	(235)	(308)	-24%
Distribution expenses	(4,505)	(3,954)	14%
Administrative expenses	(13,140)	(10,835)	21%
Profit from operation	15,951	17,220	-7%
Finance income	155	138	13%
Finance expense	(31)	(91)	-66%
Profit before tax	16,076	17,267	-7%
Income tax expense	(4,622)	(5,067)	-9%
Profit from continuing operations	11,454	12,200	-6%
Profit for the year from discontinued operations	0	(88)	-100%
Profit for the year	11,454	12,113	-5%
Other comprehensive income			
Exchange differences arising during the year	9,998	(820)	-1319%
Total comprehensive income for the year	21,452	11,292	90%
Profit attributable to :			
Owners of the Company	21,452	11,306	90%
Non-controlling interests	0	(14)	-100%

2.1.1 Revenue

In 2014, the revenue of the Group increased steady as a whole, from EUR 53.73 million in 2013 to EUR 56.76 million in 2014. It increased EUR 3.03 million compared with the previous, which rose 6% from a year. The mobile internet project which was developed by the group in 2014 has come into service which is a new growth point of the Group.

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. The Group already confirmed the operating segments, and prepared the information of every segment, which is based on reporting to the Chief operating policymaker, so that the Chief operating policymaker can distribute the resource of business content of the Group, and review the performance of this content. 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.

	2014		2013	
	TEUR	% of revenue	TEUR	% of revenue
Software license & service fees	10,359	18%	10,461	19%
Investments, development and operation of large information platforms	8,697	15%	8,549	16%
Mobile Internet	2,233	4%		
Software Development and integration of large information platforms	32,237	57%	31,697	59%
Others	3,237	6%	3,022	6%
Total	56,763	100%	53,729	100%

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

- ♦ Software development and integration of large information systems (standard fee model): the revenue of the Group increased from EUR 31.7 million in 2013 to EUR 32.24 million in 2014 in the large information software development project, with EUR 0.54 million of growth, which was keeping in a steady development. In 2013, VSG Group became one of the enterprises which being the first batch of passing the new Chinese national standards and obtained the secondary qualification of computer system integration of Chinese national ministry of industry and information. For the higher level certifications, the Group was eligible to keep the leading advantage in market, which also reduced the competitors in the same level certification. At the same time, the Group obtained the highest credit rating “AAA” in integrity reputation from Chinese rating agency in 2014.
- ♦ In 2014, the revenue of investments, development and operation of large information platforms increased from EUR 8.55 million to EUR 8.70 million in 2014, with EUR 0.15 million of growth. In 2014, the income contract of 3 BOTs was expiration. According to the original contract, the Group would freely transfer the properties which were developed and invested by the Group to the opposite party after the expiration of the contract. Contract for the following revenue would be signed with the original contract parties, and also the revenue sharing method would be discussed together; although the Group would not manage the properties any more after the expiration of the contract, the ownership of the software which

was developed by the Group in the platform belongs to the Group, normally both revenue sides would choose to maintain the original cooperation method, and would reduce proper dividends of the revenue side to keep the platform operating steadily, which has little effect on the overall project income. At the same time, the new BOT project which has been newly developed and has been invested in 2014 has been completed, and has been putting into service.

- ◆ Software license and service fee: In 2014 the revenue of the software license and service fee reduced from EUR 10.46 million in 2013 to EUR 10.36 million in 2014, reducing EUR 0.1 million, which was mainly caused by the different after adjustment in accordance with accounting standards for the Group software sale agent service. The Group operating maintenance which offers to the customers has been continued recognized by the customers, with the growing reputation after the Group passing high level of qualification certification, bringing in more long-term operation maintenance user contracts, so the operating maintenance fee kept steady in 2014.
- ◆ Other revenue: the revenue of technology trade increased from EUR 3.02 million in 2013 to EUR 3.24 million in 2014, with EUR 0.22 million of growth.
- ◆ The revenue of mobile internet : In 2014, the Group has invested and has developed the mobile internet platform, and the platform has been put into use. The customer can access to the platform and share the information after paying and confirming the regional agency. The revenue of this platform was mainly from the software access port fee, and promotion expenses in the platform from the customers etc. During October to December in 2014, the revenue of this project was EUR 2.23 million, which was a new revenue growth point in 2014.

2.1.2 Cost of sales

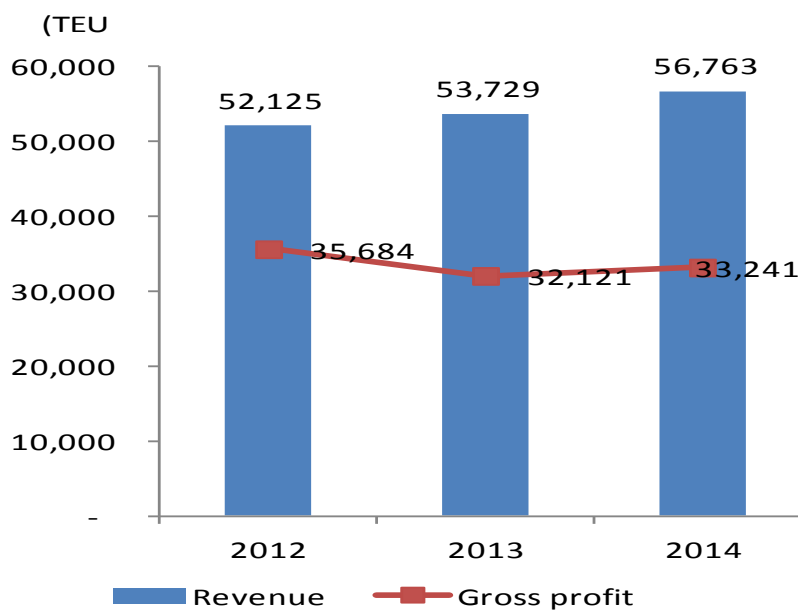
Costs by segment

Cost by nature	2014	2013	
	TEUR	TEUR	% of cost
Consumption of raw materials and working materials	12,062	12,752	60%
Outsourcing cost	5,823	4,461	21%
Labour cost	3,783	3,255	15%
Depreciation and amortization	1,618	825	4%
Others			0%
Total	23,286	21,294	100%

- ◆ Cost expense mainly comprises material, labor costs for employees, depreciation of property, outsourcing cost and so on. The percentage of cost expense in relation to revenue increased 9.4%. The increase was mainly due to more project contracts in 2014, the continued increased labor cost caused the outsourcing cost increasing, and the increased labor cost for keeping the Group key developer and increasing the Group technical force, consumption of the material and so on. Details: the raw material and processing material decreased by EUR 0.7 million, dropping in 5.4%; the outsourcing cost increased by EUR 1.36 million, with 30.5% growth rate; labor cost increased by EUR 0.5 million, with 16.2% growth rate; depreciation and amortization increased by EUR 0.8 million, which was because the new project mobile internet putting into use then caused the variation of depreciation.

2.1.3 Gross profit

	2012	2013	2014
Revenue	52,125	53,729	56,763
Gross profit	35,684	32,121	33,241



Based on the above factors, the gross profit of the Group in 2014 increased by EUR 1.1 million comparing with 2013, with 3.4% growth, which was from EUR 32.1 million in 2013 to EUR 33.2 million in 2014.

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:

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Selling and distribution expenses	TEUR	TEUR
Labour costs	1,696	1,619
Advertising expense	1,714	1,746
Marketing expense	699	85
Industry summit expense	397	351
Others	-	153
Total	4,505	3,954

Selling expense increased by EUR 0.56 million, from EUR 3.95 million in 2013 to EUR 4.51 million in 2014, the main reason was the increased marketing expense, including the company industry broadcast investment increased by EUR 0.05 million, market promotion expense increased by EUR 0.61 million.

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Administrative expenses	TEUR	TEUR
Labour costs	4,510	4,299
Depreciation and amortisation	3,569	1,370
Allowance for doubtful debts	(22)	213
Entertainment charges	378	437
Office expenses	371	353
Travelling expenses	44	127
R&D expense	220	371
Consultant expenses	932	230
Long-term deferred assets amortisation	1,823	2,072
Service expenses	308	845
Listing expenses	79	64
Rental expenses	112	72
Successful bid service fee	112	99
Annual auditing expenses	110	79
Recruiting fee	336	0
Others	257	204
Total	13,140	10,835

Management spending increased by EUR 2.29 million, with 21.3% growth rate, from EUR 10.84 million in 2013 to EUR 12.14 million in 2014. Including labor cost increased by EUR 0.2 million, with 4.9% growth rate, which was mainly caused by the more attractive policy welfare system of the Group; the depreciation and amortization increased by EUR 2.2 million, with 160.05% growth rate, which was mainly caused by increased property, and the R&D projects which haven't been applied software copyright in R&D department of the Group, which was virtually serviced to the platform

and technology development project those were developed by the company, and with the auditor opinions, filling the property amortization in 2014. Allowance for bad debts reduced by EUR 0.24 million. The long-term amortization reduced by EUR 0.25 million, other expenses increased by EUR 0.05 million.

2.1.5 Other income and other expenses

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Other operating income	TEUR	TEUR
Government grant	588	194
Others	1	1
Total	589	195

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Other operating expenses	TEUR	TEUR
Loss on disposal of property, plant and equipment	-	(4)
Donation	(233)	(304)
Others	(2)	(0)
Total	(235)	(308)

In 2014, other revenue was EUR 0.6 million, which was mainly from subsidy for the Group project from the government, and other expenses was mainly caused by donation.

2.1.6 Profit from operation

Based on the above factor, the operating profit reduced from EUR 17.22 million in 2013 to EUR 15.95 million in 2014, dropping in 7.4%.

2.1.7 Finance income and costs

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Financial income	TEUR	TEUR
Interest income from finance lease	6	14
Interest income from bank deposit	121	122
Exchange gains	29	1
Total	155	138

	1 Jan to 31 Dec , 2014	1 Jan to 31 Dec , 2013
Financial cost	TEUR	TEUR
Exchange loss	(23)	(86)
Interest expense of bank credit	(7)	(5)
Total	(31)	(91)

In 2014, the financial revenue was EUR 0.16 million, and EUR 0.14 million in 2013.

In 2014, the financial cost was EUR 0.03 million, and EUR 0.09 million in 2013, which was mainly caused by exchange rate movement.

2.1.8 Income tax expense

Income tax expense decreased by EUR 0.45 million, dropping in 8.9%, from EUR 5.07 million in 2013 to EUR 4.62 million in 2014. The decrease in income tax expense was mainly the result of a decrease 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 decreased by EUR0.66 million, dropping in 5.4%, from EUR 12.11 million in 2013 to EUR 11.45 million in 2014.

2.1.10 Earnings per share

As at 31 December 2014, 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:

	2014	2013
Profit for the financial year attributable to equity holder of the parent (TEUR)	11,454	12,200
Weighted average number of issued and outstanding no par shares (in thousands)	4,103	4,103
Basic and diluted earnings per share (in Euros)	2.79	2.97

Earnings per share remained relatively stable at EURs 2.97 in 2013 compared to EURs 2.79 in 2014.

2.2 Financial position

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

	31 Dec 2014 TEUR	31 Dec 2013 TEUR
Assets		
Non-current assets	23,469	14,659
Current assets	78,559	66,391
Total assets	102,028	81,050
Equity and liabilities		
Equity	93,956	72,440
Liabilities	8,073	8,610
Non-current liabilities	0	28
Current liabilities	8,073	8,582
Total equity and liabilities	102,028	81,050

2.2.1 Non-current assets

Non-current assets of the Group in 2014 was Euro 23.47 million in total, and Euro 14.66 million in 2013, including:

2.2.1.1 Fixed assets

TEUR	Vehicle	Office equipment	Hardware of investment, development and operation of large information platforms	Mobile Internet Asset	Construction in progress	Total
Cost						
Balance at 1/1/2013	656	2,512	3,086		932	7,187
Additions	-	782	-		1,379	2,161
Disposals	(37)	(2)	-		-	(40)
Discontinued operations	(28)	(136)	-		-	(164)
Reclassify as hardware	-	-	1,000		(1,000)	-
Reclassify as software	-	-	(39)		(1,274)	(1,313)
Exchange differences	(4)	(35)	(48)		12	(75)
Balance at 31/12/2013	586	3,120	4,000		49	7,756
Additions	-	849	-	344	-	1,193
Disposals	-	-	(134)	-	-	(134)
Discontinued operations	-	-	-	-	(43)	(43)
Reclassify as hardware	-	-	-	-	-	-
Reclassify as software	-	-	-	-	-	-
Exchange differences	73	468	489	31	2	1,063
Balance at 31/12/2014	660	4,437	4,355	375	8	9,835
Accumulated depreciation						
Balance at 1/1/2013	(249)	(623)	(637)		-	(1,508)
Disposals	20	2	-		-	23
Discontinued operations	17	58	-		-	75
Reclassify as software	-	-	7		-	7
Depreciation	(123)	(702)	(485)		-	(1,310)
Exchange differences	4	19	16		-	39
Balance at 31/12/2013	(330)	(1,246)	(1,099)		-	(2,675)
Disposals	-	-	134	-	-	134
Discontinued operations	-	-	-	-	-	-
Reclassify as software	-	-	-	-	-	-
Depreciation	(115)	(1,223)	(481)	(38)	-	(1,857)
Exchange differences	(52)	(267)	(169)	(3)	-	(491)
Balance at 31/12/2014	(497)	(2,735)	(1,615)	(42)	-	(4,888)
Net book value						
Balance ended 31 December 2013	256	1,875	2,901	-	49	5,081
Balance ended 31 December 2014	163	1,702	2,740	333	8	4,947

In 2014, the Group did not change the property of office equipment of cars, the mainly changes was from BOT property and mobile internet purchasing property. In 2014, the contract of 3 BOT was expiration, according to the contract, the BOT fixed property would be transferred to the customer party, so the BOT fixed property reduced by EUR 0.13 million in 2014. At the same time, the Group newly invested and developed mobile internet project, the hard equipment belong to fixed assets management, these fixed equipment were using as tester during mobile internet project R&D process, the different equipments were based on APP compatibility test. The main

purpose was verifying the software correctness and performance, which was showing to the purchaser that the software can meet the users' requirement. During software maintenance, testing the software after modification, there newly increased by EUR 0.34 million of mobile internet assets.

2.2.1.2 Intangible assets

TEUR	Internally developed software	Development tool	Software of investment, development and operation of large information platforms	Development costs	IDC certificate	Mobile Internet Asset	Total
Cost							
Balance at 1/1/2013	1,265	1,263	1,353	1,949	62		5,892
Additions	851	1,570	-	1,463	-		3,884
Reclassify as Software	(683)	-	1,996	-	-		1,313
Discontinued operations	-	-	-	-	(63)		(63)
Exchange differences	(14)	(45)	(56)	(49)	1		(164)
Balance at 31/12/2013	1,418	2,789	3,293	3,364	(0)		10,863
Additions	-	1,989	757	1,742	-	5,970	10,458
Disposals	-	-	(180)	-	-	-	(180)
Reclassify as Software	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-
Exchange differences	178	529	465	579	-	540	2,290
Balance at 31/12/2014	1,596	5,307	4,335	5,684	(0)	6,509	23,431
Accumulated depreciation							
Balance at 1/1/2013	(332)	(367)	(521)	-	(9)		(1,229)
Reclassify as software	69	-	(76)	-	-		(7)
Amortisation	(166)	(404)	(340)	-	(3)		(913)
Discontinued operations	-	-	-	-	13		13
Exchange differences	5	12	13	-	(0)		30
Balance at 31/12/2013	(425)	(759)	(923)	-	(0)		(2,106)
Reclassify as software	-	-	-	-	-	-	-
Amortisation	(189)	(757)	(435)	(1,285)	-	(663)	(3,329)
Disposals	-	-	180	-	-	-	180
Discontinued operations	-	-	-	-	-	-	-
Exchange differences	(70)	(163)	(139)	(116)	-	(60)	(549)
Balance at 31/12/2014	(685)	(1,679)	(1,317)	(1,401)	(0)	(723)	(5,805)
Net book value							
Balance ended 31 December 2013	993	2,030	2,370	3,364	(0)		8,757
Balance ended 31 December 2014	911	3,628	3,018	4,283	(0)	5,786	17,626

The net asset value of the Group intangible assets was EUR 17.63 million in 2014, increased by EUR 8.87 million from EUR 8.76 million in 2013. The main increased reasons: increased by EUR 1.99 million in R&D tools purchase and increased by EUR 1.74 million in the continued development of R&D investment, at the same time the finished mobile internet project added by EUR 5.97 million of intangible assets. The construction of new operational BOT assets were EUR 0.75 million, at the same time the assets which were transferred after expiration of the contract were EUR 0.18 million.

2.2.1.3 Deferred income tax assets

Year ended 31 December, 2014

	Opening balance	Profit or loss	Exchange differences	Closing balance
	EUR	EUR	EUR	EUR
Temporary differences:				
Allowance for doubtful debts	0	-5	167	162
Amortisation of development co	-	321	29	350
Assets for finance lease	0	-9	9	-
Total	0	307	205	512

Year ended 31 December, 2013

	Opening balance	Profit or loss	Exchange differences	Closing balance
	EUR	EUR	EUR	EUR
Temporary differences:				
Allowance for doubtful debts	98	53	96	149
Assets for finance lease	18	(9)	18	9
Amortisation of disinfector	8	(8)	0	-
Total	124	36	114	158

In 2014 the deferred income tax assets were EUR 0.51 million, and 2013 was EUR 0.16 million, the main different was from the projects of intangible assets of the R&D cost which have been finished and have been put into use, but the assets which haven' t been applied copyright. The amortization deferred assets was EUR 0.32 million.

2.2.1.4 Other Non-current assets

Payment in advance increased to EUR 0.25 million in 2014 from EUR 0.65 million in 2013. In the end of 2014, the Group newly added EUR 0.12 million investment.

2.2.2 Current assets

The current assets of the Group were EUR 78.56 million in 2014 and in 2013 was EUR 66.39 million, main changes as below:

2.2.2.1 Account receivable and other receivables

	31 Dec 2014 TEUR	31 Dec 2013 TEUR
Trade receivables	32,994	30,774
Allowance for doubtful accounts	(647)	(596)
Other receivables - related parties	972	1,090
Other receivables - third parties	6,406	6,172
Total	39,724	37,439

In 2014, the account receivable was EUR 39.72 million, and 2013 was EUR 37.43 million. The percentage of account receivable of private enterprise was 38%; provision for bad debts was EUR 0.65 million. The percentage of account receivable from government was 62% in all the account receivable. The average turnover days of the account receivable were 182 in 2014, which were 155 days in 2013. The reason of increased payment collection time was because the Chinese Financial department has increased internal financial procedures for examination and approval in government public institution since 2013, which was stricter in 2014. In recent years, due to the violent competition market, the Group has broadened the payment collection policy for the private enterprises, but the main customers are still from the government, so this policy has limited effect on the payment collection.

2.2.2.2 Cash

	31 Dec 2014 TEUR	31 Dec 2013 TEUR
Cash on hand	13	67
Cash at banks	35,590	23,914
Total	35,603	23,981

Cash and the bank deposit was EUR 35.6 million in 2014, 2013 was EUR 23.98 million.

2.2.3 Current liabilities

The Group reduced by EUR 0.51 million of current liabilities, dropping in 8%, from EUR 8.59 million on Jun.30, 2013 to EUR 8.07 million in 2014. The main reasons were because the Group speeded up the payment of hardware purchase, and the reduction of tax payment of the Group.

2.2.3.1 Account payable and other payables

	31 Dec 2014	31 Dec 2013
	TEUR	TEUR
Trade payables	2,484	4,275
Advances from customers	852	970
Other payables - third parties	6	91
Other payables - related parties	98	8
Other taxes payable	251	526
Salary payable	1,877	1,314
Total	5,568	7,185

The account payable was EUR 2.48 million in 2014, 2013 was EUR 4.28 million, dropping in 42%, the mainly reason was the more quickly payment of hardware purchase by the Group.

In order to keep the high-end talent for adapting the high speed development of the Group business, the Group has issued more generous benefit package, so the employee pay payable of 2014 increased by 41.8% compare with the previous.

2.2.4 Equity

The equity of the Group increased by EUR 21.52 million, which was from EUR 72.44 million in 2013 to EUR 93.96 million in 2014. The deferred equity of 2014 increased by EUR 11.45 million, from EUR 36.82 million in 2013 to EUR 48.27 million in 2014; In 2014 the Group company added additional investment to the participation Fujian commercial software Co., Ltd, including ownership of the software copy right evaluation investment by Fujian Grid company together with Mr Xu Chang qiu, the other multiple equity was EUR 0.06 million, and the equity of foreign currency conversion was EUR 10 million.

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	1 Jan to Dec 31, 2014	1 Jan to Dec 31, 2013
Net cash generated by/used in operating activities	19,838	2,910
Net cash generated by/used in investing activities	(11,815)	(10,785)
Net cash generated by/used in financing activities	0	336
Net increase/decrease in cash and cash equivalents	8,022	(7,539)

Net cash generated from operating activities

The net value of operating activities in 2014 was EUR 19.84 million, from EUR 2.91 in 2013 to EUR 19.84 million in 2014; the powerful cash flow is the vital force for continued development of the Group business.

Net cash used in investing activities

The net value of the using cash of the Group investment activities was EUR 10.78 million in 2013, and EUR 11.82 million in 2014, which increased by EUR 1.04 million. In 2014 the cash for investment activities were mainly using in developing the assets of new mobile internet platform, and the investment in R&D tools. To ensure the Group leading advantage in the technology of the related industry in China in long-term.

04 Financial Statements – Vange Software Group AG

04.1 Consolidated balance sheet

	Note	31 Dec 2014 TEUR	31 Dec 2013 TEUR
Assets			
Non-current assets			
Property, plant and equipment	18	4,947	5,081
Intangible assets	19	17,626	8,757
Deferred tax assets	20	512	158
Finance lease receivable	22	-	8
Financial assets	31	133	7
Prepayments	23	251	648
Total non-current assets		23,469	14,659
Current assets			
Inventories	24	1	1
Finance lease receivable	22	3,230	4,864
Prepayments	23	-	105
Trade and other receivable	25	39,724	37,439
Cash and cash equivalents	26	35,603	23,981
Total current assets		78,559	66,391
Total assets		102,028	81,050
Equity and liabilities			
Equity			
Share capital	27	13,353	13,353
Share premium	27	18,657	18,657
Other capital reserves	27	1,220	1,220
Foreign currency translation reserves	27	12,390	2,392
AFS reserves		64	
Retained earnings		48,271	36,817
Total attributable to equity holders of parent		93,956	72,440
Non-controlling interests		-	-
Total equity		93,956	72,440
Non-current liabilities			
Deferred tax liabilities	28	-	28
Total non-current liabilities		-	28
Current liabilities			
Trade and other payables	29	5,568	8,439
Accrued liabilities	30	158	142
Provisions		205	
Income tax payable		2,143	
Total current liabilities		8,073	8,582
Total liabilities		8,073	8,610
Total equity and liabilities		102,028	81,050

04.2 Consolidated statement of comprehensive income

TEUR	2014	2013
Revenue	56,763	53,729
Cost of sales	(23,286)	(21,294)
Sales taxes and surcharges	(236)	(314)
Gross profit	33,241	32,121
Other income	589	195
Other expenses	(235)	(308)
Distribution expenses	(4,505)	(3,954)
Administrative expenses	(13,140)	(10,835)
Profit from operation	15,951	17,220
Finance income	155	138
Finance expense	(31)	(91)
Profit before tax	16,076	17,267
Income tax expense	(4,622)	(5,067)
Profit from continuing operations	11,454	12,200
Profit for the year from discontinued operations	0	(88)
Profit for the year	11,454	12,113
Other comprehensive income		
Exchange differences arising during the year	9,998	(820)
Total comprehensive income for the year	21,452	11,292
Profit attributable to :		
Owners of the Company	21,452	11,306
Non-controlling interests	0	(14)

04.3 Consolidated statement of changes in equity

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 1/1/2013	13,353	18,685	-	3,212	24,691	59,942	154	60,096
Profit for the year					12,126	12,126	(14)	12,113
Other comprehensive income for the year				(820)	-	(820)	-	(820)
Total comprehensive income	-	-	-	(820)	12,126	11,306	(14)	11,292
Capital increase	-	-	1,220	-	-	1,220	-	1,220
Transaction costs		(28)				(28)		(28)
Discontinued operations	-					-	(140)	(140)
Balance at 31/12/2013	13,353	18,657	1,220	2,392	36,817	72,440	-	72,440
Profit for the year				-	11,454	11,454	-	11,454
Other comprehensive income for the year				9,998	-	10,062	-	10,062
Total comprehensive income	-	-	-	9,998	11,454	21,516	-	21,516
Capital increase	-	-	-	-	-	-	-	-
Transaction costs						-	-	-
Discontinued operations						-	-	-
Balance at 31/12/2014	13,353	18,657	1,220	12,390	48,271	93,956	-	93,956

04.4 Consolidated statement of cash flow

Cash flow

	Note	1 Jan to 31 Dec, 2014 TEUR	1 Jan to 31 Dec, 2013 TEUR
Operating activities			
Profit before tax from continuing operations		16,076	17,267
Loss before tax from discontinued operations		-	(69)
Profit before tax		16,076	17,198
Adjustments for:			
Accrued allowance for doubtful debts		(22)	215
Depreciation of property, plant and equipment	17	1,857	1,310
Amortisation of intangible assets	18	3,329	913
Finance income	13	(155)	(138)
Finance costs	14	23	86
Loss on disposal of property, plant and equipment		-	4
Loss on disposal of former subsidiary		-	45
Movements in prepayments		1,823	2,072
Movements in provision		205	-
		23,136	21,705
Movements in working capital:			
Decrease/(increase) in inventories		0	(1)
Decrease/(increase) in trade receivables and other receivables		2,227	(12,813)
Decrease/(increase) in prepayments		1,087	(1,338)
Increase/(decrease) in trade payables and other payables		(2,422)	640
Increase/(decrease) in other payables		-	-
Increase/(decrease) in accrued liability		(2)	(20)
		24,026	8,173
Interest received	13	121	122
Income tax paid		(4,309)	(5,386)
Net cash flows from operating activities		19,838	2,910
Investing activities			
Proceeds from sale of property, plant and equipment		-	14
Purchase of property, plant and equipment		(641)	(1,730)
Purchase of intangible assets		(11,267)	(5,894)
Payments for prepayments		-	(3,268)
Proceeds from finance lease		123	122
Disposal of a subsidiary, net of cash disposed of		-	(21)
Available-for-sale investment		(29)	(7)
Net cash flows used in investing activities		(11,815)	(10,785)
Financing activities			
Incorporation of VSG by cash deposit		-	-
Transaction costs on issue of shares		-	(28)
Interest expense of bank credit		-	-
Proceeds from capital increase		-	364
Net cash flows from financing activities		-	336
Net increase in cash and cash equivalents		8,022	(7,539)
Opening balance of cash and cash equivalents	25	23,981	31,724
Effects of exchange rate changes on the balance of cash held in foreign currencies		3,599	(203)
Closing balance of cash and cash equivalents	25	35,603	23,981
Including:			
Cash on hand		13	67
Cash in bank		35,590	23,914

04.5 Notes to the consolidated financial statement

1. Corporate information

Vange Software Group AG (hereinafter referred to as “the Company”) was founded on 25 October 2011. Its registered office is located at Seefeldstrasse 69, 8008 Zurich Switzerland. The Company holds 100% of the shares in Grid Technology Group (Holding) Limited (“Grid HK”), a limited liability company incorporated on 2 January 2009 under the laws of Hong Kong and established by Yunjian Zheng and Chahua Lin. GRID HK owns 100% of the shares in Fuzhou Grid Internet Technology Development Co. Ltd. (“Grid ZG”), a limited liability company incorporated on 20 April 2010 under the laws of the PRC. On 2 December 2010, the Company incorporated Fujian Grid Information Technology Co., Ltd. (“Grid IT”), a limited liability company organized under the laws of the PRC.

In 2010, Grid ZG concluded Cooperative Agreements with Grid (Fujian) Science and Technology Co., Ltd. (“Grid FJ”) and its shareholders in order to acquire control over Grid FJ. These Cooperative Agreements have been signed and the Equity Pledge Agreement has been registered with the Fuzhou Administration for Industry and Commerce (the “Fuzhou AIC”). Neither the Company nor any of its subsidiaries have any equity interest in Grid FJ or its respective participations.

The principal activity of the Company is that of an investment holding whereas the Company’ s subsidiary Grid (Fujian) Science and Technology Co., Ltd, principal activities are in the provision of information systems and related services to government and commercial customers in the housing finance industry in the PRC.

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.

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

2.2 Basis of consolidation

The consolidated financial statements as of December 31th, 2014, which contain the financial statements of following companies : Grid FJ, Grid HK, Grid ZG and Vange FJ (subsidiary of the group). The financial statements of Vange FJ is complied independently and all are Comprehensive financial statements.

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

The Group combines the financial report in accordance with International Financial Reporting Standards (“IFRS”), for details please refer to the annual audit report in 2014.

2.4 The financial information are transferred by the following exchange rates:

	Period end rates	Average rates
31 December 2014	CNY 1.00 = EUR 0.1337	CNY 1.00 = EUR 0.1226
31 December 2013	CNY 1.00 = EUR 0.1188	CNY 1.00 = EUR 0.1215
31 December 2014	CHF 1.00 = EUR 0.8313	CHF 1.00 = EUR 0.8233
31 December 2013	CHF 1.00 = EUR 0.8157	CHF 1.00 = EUR 0.8125

05、 Events after the reporting period

There are no significant events between December 31st, 2014 and April 30th, 2015 that would require an adjustment to the carrying amount of the assets and liabilities or that would need to be disclosed.

06、 Auditor's report



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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of VSG Vange Software Group Ltd., Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of VSG Vange Software Group Ltd., which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of these 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 and 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 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 2014 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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal 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 2015

IBDO Ltd



René Füglistner
Auditor in Charge
Licensed Audit Expert



Manuela Brühlmann
Licensed Audit Expert

07、 Financial Calendar / ImprintFinancial Calendar

Until 20 Jun 2016 Annual Report 2015

Until 20 Sep 2015 Half-year Report 2015

Imprint

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