

Neusoft Corporation

Annual Report 2012

SSE Stock Code: 600718

Neusoft东软

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2012年是东软步入新征程的元年，我们以创新和业务模式的转型为推动力，努力推动解决方案业务向更深入的领域发展，继续执行全球化发展策略，持续加强卓越运营管理，将公司的业务定位与社会发展的需要和趋势紧密结合，推动了国内和国际业务的持续稳步增长。

对于未来，我们需要的是更强的适应市场环境变化的能力和不断创造新竞争能力的行动。新技术的不断涌现和发展正在加速技术生态系统的演变，社会变革对创新的商业模式产生了必然的需求，技术也越来越通过各种创新的商业模式和关联产品才能实现价值，而技术、商业模式、应用环境、跨越行业的知识与业务的交融将产生十分复杂的、多彩的发展机会和空间。因此，创新和转型将成为东软未来持续很长时间的主题和行动。面对不断发展和变化的社会需求，不断改善和提高的行业应用，以及人们执著于对改变生活方式的追求，东软将更加致力于将技术与变化的商业模式相结合，与不断发展的社会需求相结合，以转型拉动技术研发、商业模式、全球资源配置的创新，提升可持续发展能力，寻找变革时代背景下的成功发展之路，推动公司向全球优秀的创新型企业转变。

董事长
刘积仁 博士

A stylized handwritten signature in black ink, consisting of the Chinese characters '刘积仁' (Liu Jiren).

2012年，公司以创造客户价值为中心，加强新业务的策划与开拓，实施积极智慧的市场营销战略，围绕客户需求，加大销售力量部署和客户覆盖，推动公司整体业务规模的快速增长。同时，公司加强领导力发展，进一步推进卓越运营改善计划，加强支撑业务发展的组织服务体系建设，提升公司整体管理水平和运营效率，保证了公司业务的可持续发展。

2013年，公司将继续执行创新和全球化发展策略，加强核心业务能力构建，以商业模式创新和知识资产驱动业务增长，加快推进卓越运营改善计划，以实现公司业务可持续、规模化发展。加快推进卓越运营改善计划，完善公司内部控制流程和制度，持续构筑支撑公司全球化发展的安全、可靠、高效率的组织级服务支撑体系。在国内市场，提升市场营销和组织能力，巩固和加强市场领先竞争地位，针对新兴重点机会统一策划和行动，加强多业务资源整合，以获取面向“智慧城市”等新领域的市场机会。在国际市场，持续加强市场前瞻性分析、业务规划、上游工程及用户体验设计能力，深度发展战略客户与合作伙伴，实现核心业务的全球化布局，保证业务持续成长。



A handwritten signature in black ink, which appears to be the name '王勇峰' (Wang Yongfeng) written in a stylized, cursive script.

总裁
王勇峰

Important Notes

The Board of Directors, Board of Supervisors, directors and supervisors as well as the senior management hereby represent and warrant that the Report contains no false representations, misleading statements to material omissions, and shall be individually and jointly reliable for the authenticity, accuracy and integrity of the contents.

BDO CHINA SHU LUN PAN Certified Public Accountants LLP has issued a standard and unqualified auditor's report.

Liu Jiren, Chairman & CEO, Zhang Xiao'ou, Senior Vice President & CFO, and Shi Peijun, Director of Accounting and Settlement Department, hereby confirm the authenticity, accuracy and integrity of the financial statements in this annual report.

This report is primarily about Neusoft Corporation ("Neusoft" or the "Company"), including any and/or all branches and subsidiaries of the Company.

I Definitions and Significant Risk Warning

1.1 Definitions

Unless otherwise indicated, the following items in this annual report have the following meanings.

China Securities Regulatory Commission	Refers to	Securities Regulatory Commission of the People's Republic of China
The Ministry of Commerce	Refers to	The Ministry of Commerce of the People's Republic of China
Stock exchange	Refers to	Shanghai Stock Exchange
Neusoft, the Company, parent company	Refers to	Neusoft Corporation
The group	Refers to	Neusoft Corporation and its subsidiaries
CPA firm	Refers to	BDO CHINA SHU LUN PAN Certified Public Accountants LLP
Reporting period	Refers to	Fiscal year of 2012, from January 1 st , 2012 to December 31 st , 2012
Yuan, Ten thousand Yuan, and one hundred million Yuan	Refers to	The RMB Yuan, RMB ten thousand Yuan, RMB ten hundred million Yuan

1.2 Significant risk warning:

The Company has described the potential risks and related countermeasures in this annual report. For more details, please refer to the *Report of the Board of Directors*.

II Company Profile

2.1 Overview

Registered Company Name in Chinese	“东软集团股份有限公司”
Abbreviation of Registered Company Name in Chinese	“东软集团”
Registered Company Name in English	Neusoft Corporation
Abbreviation of Registered Company Name in English	Neusoft
Legal Representative	Liu Jiren

2.2 Contact

	Secretary of the Board of Directors	Representative for Securities Affairs
Name	Wang Nan	Zhang Long
Address	Neusoft Park, No.2 Xinxu Street, Hunnan New District, Shenyang 110179, PR China	Neusoft Park, No.2 Xinxu Street, Hunnan New District, Shenyang 110179, PR China
Tel	024-83662115	024-83662115
Fax	024-23783375	024-23783375
Email	investor@neusoft.com	investor@neusoft.com

2.3 Basic information

Registered office	No.2 Xinxu Street, Hunnan New District, Shenyang 110179, PR China
Post code	110179
Address of office	Neusoft Park, No.2 Xinxu Street, Hunnan New District, Shenyang 110179, PR China
Post code	110179
Official website	http://www.neusoft.com
Email	investor@neusoft.com

2.4 Information disclosure and venue of report preparation

Newspaper designated by the Company for information disclosure	<i>China Securities Journal, Shanghai Securities News</i>
Website designated by China Securities Regulatory Commission for publication of annual report	http://www.sse.com.cn
Venue of preparation of annual report	Office of the Board of Directors

2.5 Company Stock

Company Stock				
Class of stock	Stock exchange	Stock name	Stock code	Name of stock before alteration
A	Shanghai Stock Exchange	Neusoft Corporation	600718	Neusoft Stock/Neu-Alpine

2.6 Alteration of registered information within the reporting period

2.6.1 Basic information

No information related to the place of registration, registered number of Corporate Business License, tax registration number and organization code are altered.

Place of registration	No.2 Xinxiu Street, Hunnan New District, Shenyang 110179, PR China
Registration number of corporate business license	210100402001491
Tax registration number	210132604608172
Organization code	60460817-2

2.6.2 Initial registration information

Date of initial registration: June 17th, 1991

Place of initial registration: No. 11, Lane 3, Wenhua Road, Heping District, Shenyang, PR China.

2.6.3 Alteration of main business since listing

Focusing on software technologies, the Company provides industry solutions, software products, platforms and services and medical equipment. No significant change in main business is found since listing.

2.6.4 Alteration of stockholders since listing

In June 1996, the Company was listed at Shanghai Stock Exchange. The largest shareholder was Software Center of Northeastern University of China, holding 27.64% of the total shares.

In May 1998, Neusoft accepted a transfer of all corporate shares held by Software Center of Northeastern University of China. After completion of the transfer, Neusoft held 27.64% equity in the Company, becoming the larg-

est shareholder.

In December 2003, Neusoft acquired all the foreign corporate shares of the Company held by Alpine Electronics (China) Co., Ltd. After completion of the acquisition, Neusoft held 60.24% equity in the Company, becoming the controlling shareholder.

In March 2008, the Company finished the registration of stock acquisition from the original controlling shareholder Neusoft Group Co., Ltd. and cancellation procedures. NEU Science & Technology Industry Co., Ltd. became the largest shareholder with a shareholding ratio of 17.6248%.

2.7 CPA firm

	Name	BDO CHINA SHU LUN PAN Certified Public Accountants LLP
CPA firm	Address of office	F4, New Huangpu Financial Plaza, No.61, East Nanjing Road, Shanghai 201804, PR China
	Certified Public Accountants	Li Chen, Jiang Lijun

III Financial and Operating Highlights

3.1 Key accounting data and financial indicators for the last three years as at the end of the reporting period

3.1.1 Key accounting data

Unit: RMB Yuan

Key accounting data	2012	2011	Year-on-year change (%)	2010
Operating income	6,960,195,011	5,751,249,330	21.02	4,937,696,440
Net profit attributable to shareholders of listed company	456,313,926	417,068,980	9.41	484,675,178
Net profit attributable to shareholders of listed company after deducting non-recurring Gains/losses	319,537,015	286,807,569	11.41	357,195,751
Net cash flow from operating activities	317,235,522	300,196,604	5.68	381,889,530
Key accounting data	Year-end 2012	Year-end 2011	Year-on-year change	Year-end 2010
Net assets attributable to shareholders of listed company	5,119,337,733	4,674,677,555	9.51	4,280,208,312
Total assets	8,501,433,333	7,925,285,114	7.27	6,858,879,805

3.1.2 Key financial data

Unit: RMB Yuan

Key financial indicators	2012	2011	Year-on-year change (%)	2010
Basic earnings per share (RMB Yuan/share)	0.37	0.34	9.41	0.39
Diluted earnings per share(RMB Yuan/share)	0.37	0.34	9.41	0.39
Basic earnings per share after deducting non-recurring gains/losses (RMB Yuan/share)	0.26	0.23	11.41	0.29
Average weighted rate of return on equity	9.32	9.34	Decline by 0.02 percent	11.67
Average weighted rate of return on equity after deducting non-recurring gains/losses	6.53	6.42	Increased by 0.11 percent	8.60

Note: In accordance with related regulations, earnings per share shall be calculated by 1,227,594,245 shares.

3.2 Non-recurring gains/losses

Unit: RMB Yuan

Non-recurring gains/losses	Amount in 2012	Remark	Amount in 2011	Amount in 2010
Gain/loss on disposal of non-current assets	54,744,245	Investment income from transfer of equity in Neusoft Park Industrial Development Co., Ltd. by Shenyang Neusoft Information Technology Services Co., Ltd.	18,180,599	43,302,916
Government grants recorded in current profit and loss, with exception of those closely related to the normal operations of the Company and continuously received at certain quotation or quantity according to the policies and regulations of China	94,363,121	Government grants for research projects and various government funds and subsidiaries recorded in the current profit and loss	105,173,354	109,335,552
Payment from non-financial businesses for use of funds recorded in current profit and loss	—	—	9,946,738	9,897,547
Gains from fair value of the investee's net identifiable assets attributable to the Company when the investment cost acquired from the subsidiary, associated or joint-venture is lower than the investment	2,354,443	Non-operating income coming from the difference between fair values of net assets of invested company, Shenyang Neusoft System Integration Engineering Co., Ltd. and investment capital	—	26,753
Gains/losses from exchange of non-monetary assets	—	—	24,934,400	—
Reversal of provision for depreciation of receivables measured separately	—	—	—	6,600,000
Gains/losses on changes in fair value from held-for-trading financial assets/liabilities, investment income from disposal of held-for-trading financial assets/liabilities and available-for-sale financial assets, except for hedging business related to normal operation of the Company	14,224,580	The loss and gain of held-for-trading financial assets and fair value of held-for-trading financial liabilities	950,557	-694,314
Other non-operating income/expenses	653,891	—	1,313,927	-1,945,474
Other non-recurring Gains/losses	—	—	1,221,899	—
Income tax consequences	-30,432,456	—	-20,258,444	-17,278,655
Minority shareholders' interests	869,087	—	-11,201,619	-21,764,898
Total	136,776,911	—	130,261,411	127,479,427

3.3 Fair value-measured items

Unit: RMB Yuan

Item	Year-begin balance	Year-end balance	Change	Influence on current profit of the reporting period (after tax)
Trading financial assets	863,170	14,917,183	14,054,013	12,648,612
Held-for-trading financial liabilities	170,567	—	-170,567	153,510
Total	—	—	—	12,802,122

IV Report of the Board of Directors

4.1 Discussion and analysis on overall operation during the reporting period

4.1.1 Overall operation during the reporting period

4.1.1.1 Overview

In compliance with the development strategy of innovation and globalization, the Company's business has seen a great-leap-forward development in 2012. Focusing on creating customer value, the Company strengthened new business planning and development, promoted business growth through business model innovation. Besides, the Company furthered the operational excellence plan, enhanced supporting organization service construction for improving management and operational efficiency, ensuring sustainable development of the Company's business. During the reporting period, the Company achieved operating income of RMB 6,960,200,000 Yuan, a 21.02% year-on-year increase, net profit (attributable to shareholders of listed companies) of RMB 456,310,000 Yuan, earnings per share of RMB 0.37 Yuan, 9.41% year-on-year increase, net profit deducting non-recurring gains/losses of RMB 319,540,000 Yuan, an 11.41% year-on-year increase.

During the reporting period, the Company actively carried out marketing strategy based on customer demands, increased the sales force and customer coverage and enhanced branding and marketing planning. These efforts led to a fast growth of business scale. The Company also focused on the development of leadership and further implemented the salary improvement plan to increase competitive power in the field of employee compensation. In addition, the Company reinforced the integration and adjustment of internal resources to optimize organization structure, started up project plan/budget/accounting management, promoted simplification of management process and authority decentralization to increase operational efficiency. Investment in cloud computing, the Internet of Things, medical system, automotive information technology and business basic platform was increased, and great stride was made in Xikang cloud platform and application R&D. To grasp the opportunity of Smart City construction implemented by China, the Company integrated its advantages in telecom, transportation, healthcare, government and enterprise informationization, creating comprehensive solutions catering to Smart City and laying a good foundation for future business development. In terms of innovation and business transformation, the Company integrated a wealth of experience in automotive electronics with its edges in China's market to expand partnerships with automobile manufacturers in China, such as Qoros Auto Co., Ltd., creating new market opportunities. In the space of healthcare service, the Company adopted an online-to-offline model and created strategic partnerships on "Healthy City" program with fourteen cities, including Shenyang, Luoyang, and Foshan etc.

In terms of solution business in China's market, the Company strengthened existing business and the market

competitive edges, accelerating business development in solutions for government, medical IT, energy resource, and finance. In addition, the Company advanced expansion into business with operators, municipal commercial banks, media, and other emerging business sectors for new market opportunities.

With respect to international business, the Company further improved its competence in major services to ensure robust growth. In the field of smart terminal, confronting with the adjustment of industry structure and business decline from key customers, the Company strengthened its ability in planning, consulting and system design, enhanced cooperation with chip manufacturers, application service suppliers to maintain sustainable development of the business. In the fields of automotive electronics, intelligent family, and IT products, the Company attempted innovation on business model, by fully identifying customers' demands, enhanced cooperation with key customers, achieving large-scale growth in these fields.

In the space of medical systems, the Company has been increasing input in research and development. In April 2012, NeuViz64 multi-slice CT scanner was put into the market and received active feedback and satisfying sales result, exerting an active influence on future development of medical systems. In the domestic market, the Company promoted marketing layout and channel construction for product lineup, and increased repurchase rate of regular customers. High-profile customer service has been developing smoothly, further consolidating competitive power of the core products. The Company emphasized on important regions of international market. Especially, great breakthroughs in sales in European market have been made.

During the reporting period, Neusoft's brand image has been widely recognized with a number of honors and awards. Remarkably, the Company was included in the "2012 Global Outsourcing 100" by IAOP for the sixth time and listed on the "2012 BCG 50 Chinese Global Challengers" sponsored by Boston Consulting Group, and won "2012 Asian Most Admired Knowledge Enterprises (MAKE) Award" jointly sponsored by Teleos and The KNOW Network, on account of its development in knowledge-based products, services and solutions. Besides, it also won the "Award of China Software and Information Service Industry Leaders over the Past Decade" at the China International Software & Information Service Fair 2012, "China Excellent Software Enterprises 2012" at the 16th China International Software Exhibition as well as "Top 100 Listed Companies by Environmental Responsibility" organized by China Listed Company Environmental Responsibility Investigating Committee.

4.1.1.2 Business Operations

(1) Software and system integration

During the reporting period, the software and system integration services developed at a good pace, generating an income (after deducting inter-industry off-set) of RMB 5,975,050,000 Yuan, increasing by 23.69% over the same period of the previous year and accounting for 85.85% of the Company's total income.

In the field of e-government, the Company further strengthened its leadership in human resource and social security industry. The model of fixed-place based customer service was spread across China; Cooperation with province and city-level social security institutions, including Guangzhou, Liaoning and Tianjin Municipal Human Resource and Social Security Bureau. For land and resource and housing construction, the Company signed cooperation agreements with the Ministry of Housing and Urban-Rural Development of the People's Republic of China, Department of Housing and Urban-Rural Development of Shanxi, Real Estate Trading and Haimen Registration Center, making a great progress in developing high-end customers and core business. In the public security field, the Company gained new customers such as Liaoning and Hunan Provincial Public Security Department. Moreover, the e-police system was put into operation in Ningbo. In the field of agricultural product traceability, the Company undertook the construction of agricultural product tracking systems in Shijiazhuang and Urumchi.

In the field of telecom industry, the Company strengthened its cooperation with the Ministry of Industry and Information Technology of the People's Republic of China, increased business coverage with the top three operators in China, and fulfilled fast development in BSS (business-supported system), management information system, and BI (business intelligence). The Company also signed contracts with China Unicom Jiangxi Branch, Sichuan Branch, China Telecom Hebei Branch and Liaoning Branch. Besides, it maintained close cooperation with China Mobile in cloud computing, information security, Internet of Things Management Platform (M2M), location service and network management complaint platform.

In the public health and medical IT industry, the Company well maintained its leadership in the market. It won health projects in Yulin, Baoji, Wuhu, etc. In medical IT field, the Company further improved the electronic medical record-centered hospital information system and developed high-value customers actively. Neusoft's electronic medical record system adopted by Shengjing Hospital reached Level Six of application of electronic medical record prescribed by the Ministry of Health and the passed the Evaluation of America HIMSS Analytics Electronic Medical Record Adoption Mode-Level Six, receiving high recognition from the industry. In the field of healthcare services, the Company continued to promote product optimization and upgrade, finished product upgrade of a series of healthcare products including healthcare watch and healthcare terminal and launched healthcare apps such as Xikang Diet. Close cooperation with enterprises and public institutions in the fields of real estate, agriculture, tourism and medical industry was made to accelerate the deployment of core markets. The construction of Healthy City plan was promoted, further expanding the influence of Xikang brand.

In the energy industry, the Company completed the SG186 related projects of the State Grid and undertook the State Grid's marketing supervision and monitoring projects in nine provinces and customer service center projects in five provinces. It gained a number of customers, including Beijing Electronic Power Company and China

Southern Power Grid. In the field of petroleum and petrochemicals, the Company established partnership with Petroleum Control Center of CNPC, Hohhot Petrochemical Company, Huabei Petrochemical Company etc. In the fields of coal and power generation, the Company won customers including Shenhua Group Corporation Limited, China Huaneng Group etc.

In the aspects of enterprise informationization and e-commerce business, the Company expanded the coverage of high-quality customers through the cooperation China Railway Group Limited, China National Gold Group Corporation, Rocar etc. In the tobacco industry, the Company won bids for the projects in Shandong, Zhejiang, Hebei, Jiangsu and Hunan, maintaining a leading position in the market. With respect to ERP implementation and consulting service, the Company continuously improved project implementation and service level, deepened the cooperation with regular customers such as Haier, China Minmetals Corporation, JiuQun Ircon & Steel (Group) Co., Ltd. and gained new customers such as CNR Changchun Railway Vehicles Co., Ltd., CITIC Dicastal Co., Ltd.

In the financial industry, the Company enhanced service planning for key customers including ICBC, Industrial Bank and CGB to increase business scale. The Company provided service for core operations of many high-end customers such as PICC Property and Casualty Company Limited, CPIC, China Financial Futures Exchange and gained new customers including China Merchants Bank, China CITIC Bank, Chang An Property and Liability Insurance. Ltd., and China Continent Property & Casualty Insurance Company Ltd.

In the field of education, the Company has achieved great breakthroughs in cloud computing application. It launched innovative solutions and products, such as cloud class and cloud classroom and won the bids for Zhuji Education Cloud Project and education cloud program sponsored by China Mobile Hubei Branch, which are being executed smoothly.

In terms of transportation, the Company developed new customers including Air China, China Eastern and Shenzhen Airlines, undertook transportation projects for China CNR Corporation Limited, Shenyang Metro Co., Ltd. and rail transit projects in Beijing, Zhengzhou and Wuxi, etc.

In the field of software products, the Company enhanced the R&D of new products to improve competitive power and promoted the construction of sales channel. In the network security field, the Company signed contracts with the Ministry of Finance of the People's Republic of China, Ministry of the Industry and Information Technology of the People's Republic of China and the State Grid Corporation, further consolidating its market share. In the E-HR field, the Company developed new cooperation with the Gezhou Dam and Air China Cargo. In the space of archive management, the Company established partnerships with China North Industries Group Corporation, China Energy Conservation and Environmental Protection Group.

In the BPO field, with smooth expansion of the IT infrastructure construction and service, the Company gained

more high-quality customers. It increased the input in IT service for medium-and small-sized enterprises, and expanded markets especially in Tianjin, Shenyang, Dalian etc, laying a good foundation for business development in the future.

With respect to international software, the Company strengthened business development and established cooperation with more partners to fulfill business growth. In Japan, the Company helped important customers such as Alpine and DENSO maintain a fast growth and furthered the partnerships with Sony and Toshiba. In European and American markets, the Company strengthened cooperation with Intel, Harman, and established partnership with high-end customers such as Amazon. During the reporting period, income from international software business was 346,690,000 US dollars, an 11.94% year-on-year increase, accounting for 31.42% of the total business income.

(2) Medical systems

In 2012, the Company deepened marketing driving force for key business, and expanded the coverage on high-end customers. Its new product NeuViz64 multi-slice CT scanner saw good sales performance and has been approved by FDA, CE and SFDA, laying a good foundation for the development of international market. Besides, the Company continued to enhance construction of service system, customer satisfaction and service business proportion. During the reporting period, the income from medical systems amounted to RMB 893,620,000 Yuan, an 11.22% year-on-year increase, accounting for 12.84% of the total business income. Income from export service reached 25,740,000 US dollars, a 1.00% year-on-year increase.

4.1.1.3 Problems and challenges in operation and management

In 2012, with continuous expansion of business scale, the Company encountered many problems and challenges.

As the slow economic recovery and repetitive financial crisis in Europe, developed economies sunk into downturn or economic recession. Emerging markets and economies also faced development dilemma at different level. In addition, a bigger fluctuation of exchange rate of RMB posed challenges for the Company's business development. Along with slowdown of China's economic growth, the potential of inflation still exist. Moreover, the increase of cost of human resource resulted in reduction or delay of IT investment by enterprises, thus intensifying market competition.

In such a context, the Company strengthened its leading position in the markets and businesses that have been well developed, promoted the depth and width of customer coverage, and enhanced the ability of business development driven by technology and consulting service. Efforts were also made in reinforcing market expansion into Japan, Europe and the United States, accelerating construction of overall market expansion plan and distributed delivery organizations to achieve large-scale business development. Besides, the Company furthered the analysis

and research on the fluctuation of exchange rate, selected appropriate currency for quotation, and took proper methods to avoid exchange risk, and negotiated with customers on collective responsibility for the risk, aggressively reducing the disadvantages to the Company. For the internal aspects, the Company enhanced the construction of Organizational capability and leadership development, further carried out operational excellence plan and employee compensation reform program, improved internal control process and regulations. Management and operation model, process and methods were also optimized to achieve efficient risk control and improve operational efficiency.

4.1.1.4 Technological innovation

As an enterprise focusing on software technology, the Company always adheres to the strategy of "open innovation" and attaches great importance to input into research and development of new services/products, technologies and approaches to promote business innovation.

In 2012, to fully leverage the opportunities from new medical system reform, 3G development, smart grid, Internet of thing, and triple play network, the Company furthered related business planning and R&D planning and launched a series of business innovation campaigns focusing on customer value. Besides, the Company enriched its technological experience in Xikang healthcare service, auto information technology and remote service, mobile Internet-based smart terminals and information security.

To copy with business transformation brought by fast development of the Internet, mobile Internet, and Internet of Things, the Company took active measures for business innovation, including provision of vertical Internet service for users and transfer and deployment of traditional enterprise application oriented to Internet. The Company has realized that rapid development of mobile Internet is changing service model of business; social network is changing the way of communication among people; Cloud computing is changing people's consumption method to information service; big data drives more accurate insight, decision making and process automation; and scenario-based perception is creating enriched customer experience, stronger customer loyalty, and better commercial process. These innovation-integrated technologies will change the way of working, learning and living while creating more business opportunities. To this end, the Company developed the next-generation software technology integration platform, SaCa (Secure Social Active Connected Cloud with Awareness), including SaCa.SNAP (social network application platform), SaCa.AppMart (multi-terminal app store platform), SaCa.WWF (Web Widget Framework), SaCa.ACAP (agile cloud application platform), SaCa.RealRec (Real Recommendation Platform), SaCa.CloudPush (cloud push platform), SaCa.MAF (HTML5-based mobile application platform), SaCa.ADSG (application delivery secure gateway) and SaCa.Aclome (agile cloud application management environment). The launch of SaCa platform greatly promoted the construction of innovative application such as B2B2 and G2B2C and innovation of Internet-based diversified business model.

The Company kept carrying out its high-efficiency strategy NeuSA?, strengthened the R&D of business unit and the construction of technology development leadership, and carried out internal technological structure auditing to promote effective implementation of the strategy. Moreover, the Company consolidated the practice of development model of the software product line, increased the input in R&D in core fields, thus improving its competitive power and profitability by reuse of the knowledge. Meanwhile, it reinforced the construction of customer experience center, enhanced customer-centered design ability, constructed products and platforms with high added value of technology and high customer stickiness, in order to increase the Company's core competitiveness in related ecosystem. The Company kept on participating in international, domestic open technology standard organization, conducted and took part in the formation of industrial criterion and regulation, and dominated and participated in the formulation of industry specifications. By advancing the building of State Key Lab of Software Architecture and developing the systems for Competence Center with partners, the Company introduced a number of cutting-edge technologies to improve the ability of continuous innovation through open cooperation.

The Company also took an active part in protecting technological innovations with intellectual rights. As of the end of 2012, it has applied for 264 patents, has been granted 135 patents and registered 421 software rights. This has not only helped the Company protect core technologies and maintain a leading position in China market but also facilitated development of international markets and core competencies.

4.1.2 Analysis on major operations

4.1.2.1 Item changes in income statement and cash flow statement

Unit: RMB Yuan

Item	Year 2012	Year 2011	Rate of change (%)
Operating income	6,960,195,011	5,751,249,330	21.02
Operating costs	4,729,720,928	4,004,998,405	18.10
Sales expenses	635,074,786	497,920,161	27.55
Administrative expenses	985,944,947	819,957,825	20.24
Financial expenses	78,565,067	23,649,196	232.21
Net cash flow from operating activities	317,235,522	300,196,604	5.68
Net cash flow from investment activities	47,483,221	-769,257,253	106.17
Net cash flow from financing activities	14,908,706	529,377,797	-97.18
Costs on research and development	468,503,476	323,514,830	44.82

4.1.2.2 Income

(1) Factors causing changes in business income

Unit: RMB Yuan

Industry	Year 2012	Year 2011	Change	Rate of change (%)	Rate of change (%)
Software and system integration	5,975,047,991	4,830,519,072	1,144,528,919	23.69	94.67
Healthcare system	893,617,148	803,436,708	90,180,440	11.22	7.46
Logistics and other business	91,529,872	117,293,550	-25,763,678	-21.97	-2.13
Total	6,960,195,011	5,751,249,330	1,208,945,681	21.02	100.00

During the reporting period, the Company's subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. ("Neusoft IT Services") transferred its equity in Dalian Neusoft Park Industrial Development Co., Ltd. ("DN-PID" for short), changing the consolidation of financial statements. Comparison with the equivalent data of previous year is as follows.

Unit: RMB Yuan

Industry	Year 2012	Year 2011 (same as the above)	Change	Rate of change (%)	Rate of change (%)
Software and system integration	5,975,047,991	4,827,725,739	1,147,322,252	23.77	92.18
Healthcare system	893,617,148	803,436,708	90,180,440	11.22	7.24
Property and other business	91,529,872	84,257,405	7,272,467	8.63	0.58
Total	6,960,195,011	5,715,419,852	1,244,775,159	21.78	100.00

Notes to the ChangesNotes to the Changes:

During the reporting period, the Company's operating income increased by RMB 1,208,950,000 Yuan, a year-on-year growth of 21.02%; among which, income from software and system integration and healthcare system increased by RMB 1,144,530,000 Yuan and RMB 90,180,000 Yuan, 23.69% and 11.22% year-on-year growth respectively. Income from property and other business income decreased by 25,760,000 Yuan, a decline of 21.97%, which is mainly caused by the change in consolidation due to selling of equity in DNPID by Neusoft IT Services. Comparing the income after deducting the counterpart of DNPID, the income in 2012 increased by RMB 1,244,780,000 Yuan, a 21.78% year-on-year increase; among which, income from property and other business increased by RMB 7.27 million Yuan, an 8.63% year-on-year increase.

(2) Sales income from key customers

During the reporting period, the total sales income from the top five customers is RMB 1,248,508,624 Yuan,

accounting for 17.94% of the total.

4.1.2.3 Cost

(1) Cost analysis

Unit: RMB Yuan

Industry	Cost composition	Amount in this period	Percentage in the total of this period (%)	Amount of the same period in the previous year	Percentage in the total of the previous period (%)	Year-on-year change ratio (%)
Software and system integration	Employee pay, project subcontracting fee, travels expense communication expenses, administrative expenses and assets depreciation and amortization expenses.	4,172,158,625	88.21	3,476,555,703	86.81	20.01
Medical systems	Raw materials, manpower cost and production expenses	530,343,758	11.21	486,024,807	12.14	9.12

(2) Main suppliers

Within the reporting period, total purchase amount from the top five suppliers is RMB 789,175,214 Yuan, accounting for 33.79% of the total in this year.

4.1.2.4 Expenses

Unit: RMB Yuan

Item	2012	2011	Change	Rate of change (%)	Reason for change
Sales expenses	635,074,786	497,920,161	137,154,625	27.55	—
Administrative expenses	985,944,947	819,957,825	165,987,122	20.24	—
Financial expenses	78,565,067	23,649,196	54,915,871	232.21	(1)
Tax expenses	106,899,561	69,341,108	37,558,453	54.16	(2)

Notes to the ChangesNotes to the Changes:

(1) The financial expenses increased by RMB 54,920,000 Yuan, a year-on-year increase of 232.21%, which is mainly caused by the increase of interest payment and loss due to exchange rate.

(2) The income tax increased by RMB 37,560,000 Yuan, a year-on-year increase of 54.16%, which is mainly caused by an equity transfer of DNPID from Neusoft IT Services with a tax payable of RMB 18,920,000 Yuan and year-on-year increase of tax payable from the Company and its subsidiaries.

4.1.2.5 Research and development expenses

(1) Overview

Unit: RMB Yuan

R&D expenses in this reporting period	468,503,476
Capitalized R&D expenses in this reporting period	—
Total	468,503,476
Year-on-year change (%)	44.82
Percentage of total R&D expenses in net asset (%)	9.15
Percentage of total R&D expenses in operating income (%)	6.73

(2) Notes to the ChangesNotes to the Changes

Within the reporting period, with a 44.82% year-on-year growth, total expenses on research and development increased by RMB 468,500,000 Yuan, accounting for 9.15% of the owner's equity of its parent company, and 6.73% of the total revenue. This is mainly resulted from the increased input in the research and development of medical systems, auto information technology, cloud computing, Internet of Things, network security products, healthcare service and intelligent logistics.

4.1.2.6 Cash flow

Unit: RMB Yuan

Item	Year 2012	Year 2011	Change	Rate of change (%)	Type of Change
Net cash flow from operating activities	317,235,522	300,196,604	17,038,918	5.68	(1)
Net cash flow from investment activities	47,483,221	-769,257,253	816,740,474	106.17	(2)
Net cash flow from financing activities	14,908,706	529,377,797	-514,469,091	-97.18	(3)

Notes to the ChangesNotes to the Changes:

(1) With a 5.68% year-on-year growth, net cash flow from operating activities increased slightly by RMB 17,040,000 Yuan.

(2) With a 106.17% year-on-year growth, net cash flow from investment activities increased by RMB 816,740,000 Yuan. This is because that the Company invested RMB 400,000,000 Yuan in financial products in the same period last year, which was recovered within the reporting period. The amount balanced with the cost on newly-purchased financial products. Moreover, Neusoft IT Services received transfer fee of RMB 426,000,000 Yuan by transferring the equity in DNPID.

(3) With a 97.18% year-on-year decline, net cash flow from financing activities declined by RMB 514,470,000

Yuan, which resulted from a received capital of RMB 400,000,000 Yuan from the medium-term note issued in the same period of previous year and the decline of net loan from bank by its subsidiaries.

4.1.2.7 Profit structure and changes in profit sources

Unit: RMB Yuan

Item	Year 2012		Year 2011	
	Amount	Percent in total profit (%)	Amount	Percent in total profit (%)
Operating income	6,960,195,011	1,282.59	5,751,249,330	1,166.85
Operating cost	4,729,720,928	871.57	4,004,998,405	812.56
Period cost	1,699,584,800	313.19	1,341,527,182	272.18
Impairment loss on assets	136,632,109	25.18	41,405,012	8.40
Investment income	112,124,066	20.66	42,136,578	8.55
Total profit	542,668,513	100.00	492,886,660	100.00

Notes to the Changes:

The proportions of operating income, operating cost, and period cost to the total profit in 2012 increased compared with those in 2011, mainly resulted from the business expansion as well as the increasing input in manpower, sales and R&D.

The proportion of impairment loss on assets increased, resulted from the loss of RMB 86,430,000 Yuan of appropriated goodwill within the reporting period.

The proportion of investment income increased, resulted from the investment income of RMB 55,370,000 Yuan generated from the equity transfer of DNPID from Neusoft IT Services as well as year-on-year increase of profit from financing products.

4.1.2.8 Development strategy and operating plan

Neusoft's Annual Report 2011 revealed its development strategy and operation plan in 2012. Within the reporting period, by carrying out the existing development strategy, the Company achieved massive business development with total revenue of RMB 6,960,200,000 Yuan and operating cost of RMB 4,729,720,000 Yuan, period cost of RMB 1,699,580,000 Yuan, basically equal to the estimated amounts in the annual report 2011.

4.1.3 Operations analysis by industry, product and region

4.1.3.1 By industry

Unit: RMB Yuan

Industry	Operating income	Operating cost	gross profit margin (%)	Year-on-year change in operating income (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)	Notes to the Changes
Software and system integration	5,975,047,991	4,172,158,625	30.17	23.69	20.01	2.14	(1)
Medical systems	893,617,148	530,343,758	40.65	11.22	9.12	1.15	(2)

Notes to the Changes:

(1) Within the reporting period, the gross profit margin of software and system integration increased by 2.14% over the same period of the previous year, which resulted from the increase of income from software.

(2) Within the reporting period, the gross profit margin of medical systems increased by 1.15% over the same period of the previous year, which resulted from the change of product structure.

4.1.3.2 By Region

Unit: RMB Yuan

Country/city	Operating income	Year-on-year change
China	5,070,030,343	30.08
Foreign countries	1,890,164,668	1.98

Notes to the Changes:

Within the reporting period, the income from foreign countries increased by 1.98% over the same period of the previous year, as a result of the increase in international business; and the income from China region increased by 30.08% compared with the same period of the previous year, which resulted from business expansion achieved by the Company.

4.1.4 Assets and liabilities

4.1.4.1 Balance Sheet

Unit: RMB Yuan

Item	Year-end amount in this period	Proportion to the total (%)	Year-end amount in previous period	Proportion to the total (%)	Year-on-year change rate (%)	Details
Trading financial assets	14,917,183	0.18	863,170	0.01	1,628.19	(1)
Notes receivable	14,342,063	0.17	36,215,245	0.46	-60.40	(2)
Inventories	830,972,882	9.77	585,158,868	7.38	42.01	(3)
Prepayments	118,441,067	1.39	57,312,087	0.72	106.66	(4)
Long-term receivables	25,954,175	0.31	150,710,187	1.90	-82.78	(5)
Long-term equity investments	390,074,357	4.59	703,226,389	8.87	-44.53	(6)
Construction in progress	195,555,957	2.30	307,799,158	3.88	-36.47	(7)
Goodwill	140,387,437	1.65	227,376,502	2.87	-38.26	(8)
Long-term deferred expenses	72,063,173	0.85	53,694,146	0.68	34.21	(9)
Deferred tax assets	66,353,503	0.78	45,591,522	0.58	45.54	(10)
Held-for-trading financial liabilities	—	—	170,567	0.00	-100.00	(11)
Interest receivable	—	—	205,724	0.00	-100.00	(12)
Other payables	212,020,218	2.49	149,882,015	1.89	41.46	(13)
Other current liabilities	120,743	0.00	71,666	0.00	68.48	(14)
Long-term payables	179,459,431	2.11	134,609,431	1.70	33.32	(15)
Deferred tax liabilities	3,738,493	0.04	2,409,781	0.03	55.14	(16)
Minority interest	125,641,275	1.48	340,445,713	4.30	-63.10	(17)

Notes to the Changes:

(1) With a 1,628.19% year-on-year growth, trading financial assets increased by RMB 14.05 million Yuan, which resulted from forward foreign exchange contract signed by the Company. The forward foreign exchange contract was accounted by different foreign currencies based on open market exchange rates during the reporting period. The estimated floating profit (RMB 14.05 million Yuan) was listed into gains/losses from change in fair val-

ue for the purpose of increasing trading financial assets; the estimated floating loss (RMB 170,000 Yuan) was listed into gains/losses from change in fair value for the purpose of lowering trading financial liabilities.

(2) With a 60.40% year-on-year decline, notes receivable declined by RMB 21,870,000 Yuan as a result of payment for note receivable in software and system integration contract within the reporting period.

(3) With a 42.01% year-on-year growth, inventories increased by RMB 245,810,000 Yuan as a result of increase of software and system integration contracts in process at the end of reporting period.

(4) With a 106.66% year-on-year growth, prepayments increased by RMB 61,130,000 Yuan. That resulted from the increase of prepayments to main suppliers according to the contracts within the reporting period.

(5) With an 82.78% year-on-year reduction, long-term receivables reduced by RMB 124,760,000 Yuan. That mainly resulted from the share transfer of DNPID from Neusoft Information Technology, which makes a decline of RMB 103,630,000 Yuan of long-term receivables within the reporting period.

(6) With a 44.53% year-on-year reduction, long-term equity investments reduced by RMB 313,150,000 Yuan. That mainly resulted from equity transfer of DNPID from Neusoft Information Technology, which makes a decline of RMB 355,520,000 Yuan of long-term equity investments within the reporting period. Meanwhile, the Company's subsidiaries invested in some companies, including Shenyang Neusoft System Integration Engineering Co., Ltd., Beijing Venusource Information Technology Co., Ltd., which increased the long-term equity investments by RMB 3,850,000 Yuan.

(7) With a 36.47% decline, construction in progress reduced by RMB 112,240,000 Yuan, which resulted from Guangzhou Neusoft Park and Shanghai Neusoft Park that have been available for intended use and transferred into fixed assets within the reporting period.

(8) With a 38.26% decline, the Goodwill reduced by RMB 86,990,000 Yuan, as a result of appropriation of impairment loss of goodwill with an amount of RMB 86,430,000 Yuan.

(9) With an increase of 34.21%, the long-term deferred expenses increased by RMB 18,370,000 Yuan, which resulted from the increase of decoration expenses within the reporting period.

(10) With a 45.54% growth, the deferred tax assets increased by RMB 20,760,000 Yuan, which resulted from the increase of deductible temporary difference caused by appropriated employee bonus and increase of appropriated impairment provision for assets.

(11) Held-for-trading financial liabilities reduced by RMB 170,000 Yuan, please refer to item (1) hereunder for reason.

(12) With a decline of 100%, interest payable reduced by RMB 210,000 Yuan, which resulted from the payment for unpaid interest payable in previous year.

(13) With a 41.46% growth, other payables increased by RMB 62,140,000 Yuan as a result of estimated project payment for Guangdong Neusoft Park and Shanghai Neusoft Park that have been available for intended use and transferred into fixed assets within the reporting period.

(14) With a growth of 68.48%, other current liabilities increased by RMB 50,000 Yuan as a result of rise in appropriated expenses.

(15) With a 33.32% growth, the long-term payables increased by RMB 44,850,000 Yuan, which resulted from payment for Neusoft Group (Tianjin) Co., Ltd.'s purchase of use right of the land located in Tianjin Free Trade Zone from Tianjin Port Free Trade Zone Investment Co., Ltd., for construction of office building and related facilities on the land, and final payment for property purchase.

(16) With a 55.14% increase, the deferred tax liabilities increased by RMB 1,330,000 Yuan, which resulted from the taxable temporary difference caused by change in fair value by the end of the reporting period.

(17) With a 63.10% decline, the minority interest reduced by RMB 214,800,000 Yuan, which mainly resulted from equity transfer of DNPID from Neusoft IT Services, which made 40% net assets in DNPID (minority interest) reduce by RMB 248,450,000 Yuan due to change in consolidation. Meanwhile, Shenyang Neusoft Medical Systems Co., Ltd., a wholly-funded subsidiary of the Company, established a controlled company Neusoft A&T Medical Technology Co., Ltd., absorbing investment from minority shareholders with an amount of RMB 29,590,000 Yuan.

4.1.4.2 Change in fair value measurement assets and main asset measurement attributes

No change was found in the fair value measurement assets and measure attributes of the main assets during the reporting period.

4.1.4.3 Internal control system related to the measurement of fair value

In accordance with the *Accounting Standards for Business Enterprises* and *Basic Standards for Enterprise Internal Control*, the Company worked out the internal control system related to fair value to specify the utilization, acquisition, measurement and disclosure of fair value. In the aspect of financial accounting, the Company conducted financial accounting and disclosure pursuant to applicable provisions of *Accounting Standards for Business Enterprises* while for internal control, it designated professional staff to check the utilization and acquisition of fair value in addition to supervising the implementation of the system.

Items related to the measurement of fair value:

Unit: RMB Yuan

Item	Year-begin amount	Gains/losses from changes in current fair value	Changes in fair value listed in equity	Current provision for depreciation	Year-end amount
Financial assets					
Include: a) Financial assets measured by fair value with changes accounted into current profits and losses	86	1,405			1,492
Including: a) Derivative financial assets					
b) Available-for-sale financial assets					
Sub-total	86	1,405			1,492
Financial liabilities	17	17			—
Investment property					
Productive biological assets					
Others					

4.1.5 Analysis on core competitive power

As China's first listed software enterprise (listing done in 1996), Neusoft has now become the largest IT solutions and services provider in China. Focusing on software technologies, the Company provides a number of offerings including industry solutions, product engineering solutions and relevant software products, platforms and services by integrating software with service provision and production. With two decades of development, the Company now boasts forceful core competence powered by edges in many aspects including business scale, brand and technological research and development.

1. Business scale

Neusoft is the largest IT solution and service provider in China with operations that cover 134 fields and 578 solutions and products, as well as Neusoft branded medical systems involving CT, MRI, X-ray, Nuclear Magnetic Resonance, ultrasound, radiation therapy and nuclear medicine imaging equipment. The Company has ten thousand of customers across many countries and regions including Japan, America, Europe and Middle East. In recent years, the Company's income from main business has been increasing year by year as the implementation of innovation and globalization development strategy, contributing to a large business scale.

2. Brand power

The Company strengthened brand communication and management oriented to global market and was highly

recognized by customers with its high-quality products and reliable brand. In 2008, the Company ranked No. 1 on China Independent Software Brand Top Ten List elected by the Ministry of Industry and Information Technology of the People's Republic of China. In 2009, the Company was included in Top Sixty Brands over the Past Six Decades by CCTV as the only enterprise in software and service industry. In 2011, Neusoft was regarded as a well-known brand in China by the State Administration for Industry and Commerce of the People's Republic of China. The Company continuously enhanced brand and market construction, integrated platforms and sources for brand communication, and created exclusive communication strategy for key business, in an effort to increasingly promote the Company's brand advantages.

3. Technical research and development

Being a knowledge-intensive high-tech enterprise that focuses on cultivation of R&D forces, the Company established two-level R&D system composed of company-level technology development supporting platform and business unit-level R&D platform. As the R&D center for China's national computer software engineering field, the Company established State Key Lab of Software Architecture, taking a leading position in basic research on application of cutting-edge software architecture technologies and general key technologies in China. In recent years, the Company has enhanced business and R&D planning and increased input in core business fields to drive sustainable business growth by knowledge assets.

4. Marketing and service

The Company put forward the business strategy philosophy of "achieving excellent service process and creating customer value" to fulfill its positioning as service-oriented software enterprise. In China, it set up total eight regional headquarters with marketing and service network covering more than 40 cities across the country, and established marketing and service system for key accounts, shaping a complete national-wide marketing and service network providing support for marketing, technology consulting and customer service. Meanwhile, it established many subsidiaries in Japan, Europe and America as overseas oriented technology supporting platform and marketing facilities, laying a good foundation for developing overseas markets.

5. Human resource

The Company has established international and professional Board of Directors and senior management team, providing insightful suggestion and support for the implementation of global expansion strategy and ensuring a dynamic steady development under the complex and ever-changing economic climate. As the first PCMM Level 5 certified Chinese enterprise, the Company maintained an industry-leading position in process improvement and human capital management. The Company has 22,403 employees, whose professional competence have been increasingly improved through a wide range of special training plans and two-channel career development program,

forming a well-deployed, high-performance, high-quality employee force that is supporting the Company's business development dynamically.

6. Quality management

With great attention to quality management, the Company sustained upgrade and improvement of quality system based on its international strategy and business development demands. It has approved by a number third-party certification institutions including DNV, BSI, QAI, CQC etc. In 1998, the Company was approved by ISO9001:1994 quality management system certification, becoming the first ISO-certified software enterprise in China. In 2002, the Company was certified by CMM5 for its excellent performance in quality management and process improvement. In 2004, the Company was approved by CMMI5, which demonstrates its well matured business competence and industry-leading project management, enhancing its comprehensive competitive power in both domestic and global markets.

4.1.6 Investments

4.1.6.1 Analysis on equity investment in other companies

Unit: RMB' 0,000 Yuan

Amount of investment during the reporting period	237,286
Change in the amount of investment	90,157
Amount of investment in the previous year	147,129
Rate of change in the amount of investment (%)	61.28

(1) Security investment

During the reporting period, no security investment was generated.

(2) Equity in other listed companies

No equity in other listed companies was held by the Company by the end of the reporting period.

(3) Equity in other unlisted financial companies

No equity in other unlisted financial companies was held by the Company by the end of the reporting period.

(4) Acquisition/selling of equity in other listed companies

No acquisition/selling of equity in other listed companies happened during the reporting period.

4.1.6.2 Overview of invested companies

Unit: RMB Yuan

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(1)	Neusoft A&T Medical Technology Co., Ltd.	Medical system, manufacturing and sales of lab automation system, development and sales of computer software/hardware system.	3,060	51.00%	Newly-established holding Subsidiary
(2)	Shenyang Neusoft System Integration Engineering Co., Ltd.	Software development, retail and wholesale of electronic product	2,000	26.65%	Subscription of newly-added registered capital
(3)	Neusoft Medical (U.S.A) Co., Ltd.	Product R&D/manufacturing and related technical consulting and service	2.2 million US dollars	100.00%	Capital increase
(4)	Hunan Xikang Healthcare Co., Ltd.	Health management, health consulting, medical institution management consulting, health archive management, equipment sales and lease.	200	100.00%	Newly-established wholly owned subsidiary
(5)	Anhui Xikang Healthcare Co., Ltd.	Health management, health consulting, medical institution management consulting, health archive management, equipment sales and lease.	100	100.00%	Newly-established wholly owned subsidiary
(6)	Jiangsu Xikang Healthcare Co., Ltd.	Electronic product development, design, transfer, sales consultation and lease of computer software and hardware technology.	500	100.00%	Newly-established wholly owned subsidiary
(7)	Hubei Xikang Healthcare Co., Ltd.	Except for what are not allowed by law with approval of related departments. For those without regulation, free choice can be made.	100	100.00%	Newly-established wholly owned subsidiary
(8)	Guangzhou Xikang Healthcare Technology Co., Ltd.	Health consultation, sales of electronic product, computer software and hardware and mechanical equipment.	100	100.00%	Newly-established wholly owned subsidiary
(9)	Jiangxi Xikang Healthcare Co., Ltd.	Management consultation, health information consultation, enterprise management and sales and lease of the equipment.	200	100.00%	Newly-established wholly owned subsidiary
(10)	Liaoning Neusoft Xikang Healthcare Co., Ltd.	Health information management/consulting, management services, management system development	2,000	100.00%	Capital increase

Continued table

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(11)	Hangzhou Xikang Healthcare Co., Ltd.	Health consultation, sales and lease of electronic product, computer software and hardware and mechanical equipment.	100	100.00%	Newly-established wholly owned subsidiary
(12)	Neusoft Xikang Holdings Co., Ltd.	IT and related consulting services	2,765,000 US dollar	70.00%	Capital increase
(13)	Neusoft Medical (MEFTA) Co., Ltd.	Medical systems and relevant technical consulting and services	900,000 US Dollars	100.00%	Capital increase
(14)	Luoyang Xikang Healthcare Co., Ltd.	Management consultation, health information consultation, enterprise management and sales and lease of the equipment.	100	100.00%	Newly-established wholly owned subsidiary
(15)	Hainan Xikang Healthcare Co., Ltd.	Health information service and archive management, medical institution consulting, equipment sales and lease.	500	100.00%	Newly-established wholly owned subsidiary
(16)	Jinzhou Xikang Healthcare Co., Ltd.	Health management, health information consulting, medical institution management consulting, equipment sales and lease	100	100.00%	Newly-established wholly owned subsidiary
(17)	Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Technology development/consulting/transfer/service/promotion, enterprise management, enterprise management consulting management, economic and trade consulting, sales of electronic products/computer/software and ancillary equipment/communication equipment/mechanical equipment, lease of commodity and mechanical equipment. (Except for those without administrative licensing)	500	50.00%	Newly-established joint venture
(18)	Shenzhen Xikang Healthcare Co., Ltd.	Health consulting management, medical project investment, technology development and sales of health products, technology development, sales lease and technical consulting of electronic products, computer software/hardware, corporate image plan, meeting affair planning and investment consulting.	50	100.00%	Newly-established wholly owned subsidiary

Continued table

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(19)	Shenyang Neusoft Medical Systems Co., Ltd.	Medical systems	30,000	100.00%	Capital increase
(20)	Neusoft Medical (Peru) Inc.	Medical system, related technical consulting	5.0385 USD	100.00%	Newly-established wholly owned subsidiary
(21)	Shenyang Xikang Alps Technologies Co., Ltd.	Design, R&D of sensor and related electronic products, electronic parts, software and hardware, related technical consulting and service.	550,000 USD	55.00%	Newly-established wholly owned subsidiary
(22)	NEC Neusoft Information Technology Co., Ltd.	Development, sales and consulting of computer software	300	30.00%	Continuous investment for affiliated company
(23)	Neusoft Group (Beijing) Co., Ltd.	Import/ export of computer software and hardware, related goods and technologies.	9,000	100.00%	Capital increase
(24)	Neusoft Group (Dalian) Co., Ltd.	Computer software/hardware	30,000	100.00%	Capital increase
(25)	Beijing Neusoft Xikang Hospital Management Co., Ltd.	Hospital management, sales of electronic products, computers, software/hardware, communication equipment/mechanical equipment, lease of computers, communication equipment and medical equipment, technology development/transfer/consulting/service.	50	100.00%	Newly-established wholly owned subsidiary
(26)	Dalian Neusoft Xikang Healthcare Co., Ltd.	Healthcare consulting, lease of electronic products/computer/communication equipment/mechanical equipment for construction engineering, normal domestic trade	50	100.00%	Newly-established wholly owned subsidiary
(27)	Neusoft Group (Shanghai) Co., Ltd.	Computer software, technical consulting and services	10,000	100.00%	Capital increase
(28)	Neusoft GmbH	Computer software/hardware, technical consulting and services	200,000 EUR	100.00%	Acquisition
(29)	Shanghai Xikang Healthcare Co., Ltd.	Health management consulting, business information consulting, sales and lease of electronic products/computer software/hardware/mechanical equipment/communication equipment.	50	100.00%	Newly-established wholly owned subsidiary

Continued table

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(30)	Shandong Neusoft System Integration Co., Ltd.	Computer software/hardware	3,500	100.00%	Capital increase
(31)	Wuhan Neusoft Information Technology Co., Ltd.	Computer software/hardware	1,000	100.00%	Capital increase
(32)	Beijing Venusource Information Technology Co., Ltd.	Computer software/hardware, technology service.	1,050	34.43%	Purchase of newly-added registered capital
(33)	Neusoft Group (Guangzhou) Co., Ltd.	Computer software, technical consulting and services	3,000	100.00%	Capital increase
(34)	Xi'an Neusoft System Integration Co., Ltd.	Computer software/hardware	1,000	100.00%	Capital increase

1. In July 2012, Shenyang Neusoft Medical Systems Co., Ltd., a subsidiary wholly owned by the Company, established this company by making a contribution of RMB 30.6 million Yuan and held 51% of its shares, which was recorded in the consolidated financial statements from the said month.

2. In March 2012, Shenyang Neusoft System Integration Technology Co., Ltd. and Xi'an Neusoft System Integration Co., Ltd., two subsidiaries of the Company, invested RMB 10 million respectively for subscription of newly-added registered capital of Shenyang Neusoft System Integration Engineering Co., Ltd. and held 13.325% respectively, totaling 26.65%, which was accounted in equity method as an associate from the said month.

3. In March 2012, Shenyang Neusoft Medical Systems Co., Ltd., a subsidiary wholly owned by the Company, made a decision to infuse an additional 2 million US Dollars into the registered capital of Neusoft Medical (U.S.A.) Co., Ltd. With this infusion, the total registered capital of the US entity reached 6 million US dollars. Till date, an accumulative contribution of 4.7 million US dollars has been made as an amount of 2.2 million US dollars was paid during the reporting period.

4. In April 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 2 million Yuan, which was recorded in the consolidated financial statements from the said month.

5. In April 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

6. In April 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 5 million Yuan, which was recorded in the consolidated financial statements from the said month.

7. In May 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

8. In May 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

9. In May 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 2 million Yuan, which was recorded in the consolidated financial statements from the said month.

10. In May, 2012, the Company's subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. made a capital increase of RMB 20 million Yuan to its wholly-owned subsidiary Liaoning Neusoft Xikang Healthcare Co., Ltd., with total investment amounting to RMB 50 million Yuan.

11. In May 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

12. In May, 2012, the Company's wholly-owned subsidiary Neusoft (Hong Kong) Co., Ltd. made a capital increase of 2.765 million US dollars to its controlling company Neusoft Xikang Holdings Co., Ltd. Total investment amounted to 2.8 million US dollars and equity ratio at 70% after the increase.

13. In May and December 2012, the Company's wholly-owned subsidiary Shenyang Neusoft Medical Systems Co., Ltd. increased a capital of RMB 0.9 million Yuan for its subsidiary Neusoft Medical (MEFTA) Co., Ltd., amounting to 2.3 million US dollars in registered capital. The registered capital of Neusoft Medical (MEFTA) Co., Ltd. is 3.5 million US dollars.

14. In June 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

15. In June 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 5 million Yuan, which was recorded in the consolidated financial statements from the said month.

16. In June 2012, Liaoning Neusoft Xikang Healthcare Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 1 million Yuan, which was recorded in the consolidated financial statements from the said month.

17. In July 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 50% of its shares by investing RMB 5 million Yuan, which was recorded in the equity method of joint venture from the said month.

18. In August 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 0.5 million Yuan, which was recorded in the consolidated financial statements from the said month.

19. In August 2012, the Company infused RMB 300 million Yuan into the registered capital of Shenyang Neusoft Medical Systems Co., Ltd. a subsidiary wholly owned by it, achieving a total investment of RMB 378 million Yuan.

20. In August 2012, Shenyang Neusoft Medical Systems Co., Ltd., a subsidiary wholly owned by the Company and its subsidiary jointly established this company and held 100% of its shares by contributing 50,385 US dollars, which was recorded in the consolidated financial statements from the said month.

21. In September 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 55% of its shares by investing 0.55 million US dollars, which was recorded in the consolidated financial statements from the said month.

22. In August 2012, Shenyang Neusoft Information Technology Services Co., Ltd., a subsidiary wholly owned by the Company, made a capital increase of RMB 3 million Yuan to its associate NEC Neusoft Information Technology Co., Ltd. Total investment amounted to 7.5 million with equity ratio at 30%.

23. In September 2012, the Company increased RMB 90 million Yuan into the registered capital of Neusoft Group (Beijing) Co., Ltd., a subsidiary wholly owned by it, achieving a total investment of RMB 340 million Yuan.

24. In September 2012, the Company infused RMB 300 million Yuan into the registered capital of Neusoft Group (Dalian) Co., Ltd. a subsidiary wholly owned by it, achieving a total investment of RMB 600 million Yuan.

25. In October 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 100% of its shares by investing RMB 0.5 million Yuan, which was recorded in the consolidated financial statements from the said month.

26. In October 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the

Company, established this company and held 100% of its shares by investing RMB 0.5 million Yuan, which was recorded in the consolidated financial statements from the said month.

27. In October 2012, the Company infused RMB 100 million Yuan into the registered capital of Neusoft Group (Shanghai) Co., Ltd., a subsidiary wholly owned by it, achieving a total investment of RMB 200 million Yuan.

28. In November 2012, the Company's indirect wholly-funded subsidiary Neusoft EDC SRL (altered its name from the original Neusoft Mobile Solutions SRL to Neusoft EDC SRL in September 2012) acquired Neusoft GmbH by investing 25,000 Euros, which was recorded in the consolidated financial statements from the said month. In December 2012, Neusoft EDC SRL invested RMB 175,000 Euros, achieving a total investment of 200,000 Euros.

29. In December 2012, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this Company and held 100% of its shares by investing RMB 0.5 million Yuan, which was recorded in the consolidated financial statements from the said month.

30. In November 2012, the Company infused RMB 35 million Yuan into the registered capital of Shandong Neusoft System Integration Co., Ltd., a subsidiary wholly owned by it, achieving a total investment of RMB 50 million Yuan.

31. In November 2012, the Company infused RMB 10 million Yuan into the registered capital of Wuhan Neusoft Information Technology Co., Ltd., a subsidiary wholly owned by it, achieving a total investment of RMB 25 million Yuan.

32. In November 2012, Liaoning Neusoft Venture Capital Investment Co., Ltd., a subsidiary controlled by the Company, invested RMB 10.5 million Yuan for subscription of newly-added registered capital of this company and held 34.43% of its shares, which was accounted in equity method as an associate from the said month.

33. In November, 2012, the Company increased a capital of RMB 30 million Yuan for its wholly-owned subsidiary Neusoft Group (Guangzhou) Co., Ltd. Its registered capital amounted to RMB 130 million Yuan after the increase.

34. In December 2012, the Company increased a capital of RMB 10 million Yuan for its wholly-owned subsidiary Xi'an Neusoft System Integration Co., Ltd. Its registered capital amounted to RMB 35 million Yuan after the increase.

4.1.6.3 Wealth management and derivative investment

(1) Wealth management

During the reporting period, the Company purchased the following wealth management products:

Unit: RMB '0,000 Yuan

Agency	Type	Amount	Date of commencement	Date of termination	Compensation mode	Estimated income	Amount of actually retracted principal	Actually gained income	Subject to legal proceedings or not	Amount of depreciation provision	Related transaction or not	Whether involved in prosecution	Source from financing capital or not	Association relationship or not
Industrial bank (China)	Principal and income guaranteed	30,000	2011-12-1	2012-2-28	repay capital with interest	512	30,000	512	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	10,000	2011-12-23	2012-2-6	repay Capital with interest	74	10,000	74	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	10,000	2012-2-13	2012-5-14	repay capital with interest	137	10,000	137	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	30,000	2012-4-1	2012-5-28	repay capital with interest	253	30,000	253	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	30,000	2012-6-20	2012-9-20	repay capital with interest	378	30,000	378	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	25,000	2012-11-1	2013-2-18	repay capital with interest	508	—	—	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	7,000	2012-12-20	2013-3-20	repay capital with interest	88	—	—	Yes	—	No	No	No	N/A

Continued table

Agency	Type	Amount	Date of commencement	Date of termination	Compensation mode	Estimated income	Amount of actually retracted principal	Actually gained income	Subject to legal proceedings or not	Amount of depreciation provision	Related transaction or not	Whether involved in prosecution	Source from financing capital or not	Association relationship or not
Industrial Bank (China)	Principal and income guaranteed	5,000	2012-12-13	2013-1-17	repay capital with interest	23	—	—	Yes	—	No	No	No	N/A
Industrial Bank (China)	Principal and income guaranteed	3,000	2012-12-13	2013-2-18	repay capital with interest	27	—	—	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	300	2012-3-1	2012-3-5	repay capital with interest	0.10	300	0.10	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	100	2012-3-1	2012-3-5	repay capital with interest	0.03	100	0.03	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	50	2012-3-1	2012-3-5	repay capital with interest	0.02	50	0.02	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	50	2012-3-1	2012-3-5	repay capital with interest	0.02	50	0.02	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	500	2012-3-8	2012-3-15	repay capital with interest	0.38	500	0.38	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	50	2012-3-9	2012-3-16	repay capital with interest	0.04	50	0.04	Yes	—	No	No	No	N/A

Continued table

Agency	Type	Amount commenced	Date of commencement	Date of termination	Compensation mode	Estimated income	Amount of actually retracted principal	Actually gained income	Subject to legal proceedings or not	Amount of depreciation provision	Related transaction or not	Whether involved in prosecution	Source from financing capital or not	Association relationship or not
China Merchants Bank	Principal and income guaranteed	500	2012-3-19	2012-3-26	repay capital with interest	0.34	500	0.34	Yes	—	No	No	No	N/A
China Merchants Bank	Principal and income guaranteed	50	2012-3-20	2012-3-27	repay capital with interest	0.03	50	0.03	Yes	—	No	No	No	N/A
Total		151,600				2,001	111,600	1,355		—				
Accumulative amount of overdue principal and income outstanding (RMB Yuan)														
0														

Note: With regard to the wealth management products mentioned above, the Board of Directors has agreed that the management of the Company may, at its discretion, purchase wealth management products amounting to a total amount of RMB 400 million Yuan based on capital position at any time following the bond issuance and use such an amount within two years from the date of the Board of Directors' resolution. This resolution was passed for the purpose of reducing the total interest cost on bonds to the greatest extent in accordance with the Proposal on the Purchase of Wealth Management Products which was approved by the Board of Directors at the 26th session of its meeting held on April 25th, 2011. At the end of the reporting period, the principal and income related to the two of the above wealth management products that had not been received as they were under recognized as an investment and an income of RMB 3.16 million Yuan was entered into the balance sheet based on an estimate.

(2) Entrusted loans

The Company and its subsidiaries did not have any entrusted loan within the reporting period.

(4) Other wealth management and derivative investment

The Company and its subsidiaries did not have any other wealth management and derivative investment within the reporting period.

4.1.6.4 Utilization of raised capital

No raised capital or funds raised from previous offering were in use during the reporting period.

4.1.6.5 Main subsidiaries and shareholding companies

Unit: RMB Yuan

Invested company	Industry	Scope of business	Registered capital	Equity ratio	Total assets at the end of the period	Net assets at the end of the period	Operating income	Current net profit
Shenyang Neusoft Medical Systems Co., Ltd.	Medical systems	Medical systems	378,000,000	100%	1,515,593,446	1,173,624,693	915,814,461	69,294,843
Neusoft Group (Dalian) Co., Ltd.	Software and system integration	Computer software/hardware	600,000,000	100%	915,039,082	832,486,493	949,986,397	75,801,341
Shenyang Neusoft Information Technology Co., Ltd.	Software and system integration	Computer software/hardware	50,000,000	100%	127,958,171	125,673,901	143,576,057	37,811,536
Neusoft (Japan) Co., Ltd.	Software and system integration	Computer software/hardware	187,750,000 Yen	100%	295,794,896	86,198,869	909,274,402	12,989,065
Neusoft (Europe) Co., Ltd.	Software and system integration	Computer software, technical consulting and services	37,900,000 CHF	100%	239,360,453	206,054,005	255,547,555	-3,870,244
Neusoft Technology Co., Ltd.	Software and system integration	Computer software, technical consulting and services	1,000 US Dollars	100%	11,405,225	2,304,591	12,451,921	-28,149,942
Neusoft (Hong Kong) Co., Ltd.	Software and system integration	Development, sales and consulting of computer software	850,000 US Dollars	100%	179,567,734	60,243,004	202,721,265	-22,810,438

4.1.6.6 Utilization of non-raised capital

During the reporting period, the Company and its subsidiaries made a total investment of RMB 228.33 million Yuan for the construction of projects including Beijing Software Park and Shanghai Software Park with their own capital, including:

Unit: RMB Yuan

Item	Amount	Progress	Amount invested this year	Actually accumulative invested amount
Beijing Software Park	550,000,000	32%	1,381,842	130,316,802
Renovation of canteen of Shenyang Neusoft Park	43,000,000	80%	23,266,994	32,521,121
Hainan Software Park (Phase I)	209,110,000	40%	28,909,528	30,333,467
Neusoft Dalian Hekou Park (Phase II)	347,890,000	0.40%	1,270,181	1,270,181
Medical information construction system	10,830,000	47%	2,431,861	5,091,456
Xikang renovation project	3,000,000	91%	2,724,689	2,724,689
Cloud Base Healthcare Center (Phase I)	140,030,000	0.50%	152,028	152,028
Shanghai Software Park	272,950,000	95%	99,433,632	206,362,290
Guangzhou Software Park (Phase I)	143,810,000	95%	68,761,888	115,276,222
Total	1,720,620,000		228,332,643	524,048,256

4.1.6.7 Entity controlled by the Company for special purpose

As at the end of the reporting period, there was no entity controlled by the Company for special purpose.

4.2 The Board of Directors' discussion and analysis on future development

4.2.1 Industry competition and development trend

(1) Software and system integration

With the implementation of China's 12th-Five-Year Plan and other important projects favorable for the people's livelihood, preferential policies for China's software industry was further promoted. New-generation information technology has been listed in China's national strategic emerging industry. Benefiting from the implementation of the preferential policies, domestic software market saw growingly enlarged scale. Emerging fields such as smart city, cloud computing, mobile Internet, big data are also developing at a fast speed. Meanwhile, with the readjustment of structure of international software industry, China's software industry further expands its development in R&D, design and full-life-cycle solution with industry chain developing from the low end to the high end. All these brought new market opportunities and vitality for dynamic development of China's enterprises.

So far, the Company has maintained a leading position in the business fields of government, enterprise informationization, telecom, energy resource, finance, medical system and automobile electronics as the largest IT solution and service provider in China. In the future, the Company will fully develop its advantages in resource and

technology integration to promote innovation on business model and technology, and strengthen its core competitive power in emerging business and segment fields, thereby achieving sustainable development in global market.

(2) Medical system

Medical system industry is a multisubject-involved, knowledge-intensive and capital-intensive high-tech industry. With the promotion of China's reform on medical treatment system, China's medical equipment market has large development potential. China has included medical equipment industry into strategic emerging industry. Following the increase of input in basic-level hospitals by China, demands for local high-end medical equipment and international emerging market's demands for middle- and low-end medical apparatus and instruments increased dramatically. These brought significant development opportunities and promising prospect for China's medical equipment industry.

The Company currently is the only enterprise that is able to provide independently branded four high-tech imaging devices including CT, X-ray, MRI and ultrasound. The Company has launched a series of high-end medical equipment such as NeuViz64 multi-slice CT scanner and nuclear medical imaging system, further enlarging its market share and influence. In the future, the Company will make more input in R&D, accelerate market expansion and customer coverage and enhance comprehensive competitive power to promote large-scale, fast development of business in the field of medical system.

4.2.2 Development strategy of the Company

The Company has mapped out the following development strategy and plan in 2013:

1. The Company will further promote the innovation and globalization development strategy, enhance core business competence, strengthen deployment of sales network focusing on creating customer value, and drive business growth through business model innovation and knowledge assets in order to fulfill sustainable and large-scale development.

2. Accelerate operational excellence plan, improve internal control process and regulations, promote decentralization of business management rights, optimize labor cost structure, strengthen control on cost, continuously construct secure, reliable, high-efficient organization-level service supporting system that can support global development of the Company.

3. In the field of domestic solutions, the Company plans to strengthen marketing and organizing abilities; reinforce leading position in the market. Take unified planning and action for emerging opportunities, increase resource integration of multiple business and establish partnerships with key customers to make an effective breakthrough.

4. In international software field, the Company will promote prospective analysis on market, business plan-

ning, upstream project and ability of customer experience design to ensure sustainable growth of business.

5. In the field of medical systems, the Company plans to increase input in product R&D, promote the marketing of new products and customer coverage, and expand business scale effectively, in an effort to enhance competitive power in the market.

4.2.3 Operating plan

It is estimated that in 2013, the Company's operating income will hit RMB 8.61 billion Yuan, operating cost will amount to RMB 5.97 billion Yuan and period cost will reach RMB 2.07 billion Yuan.

4.2.4 Capital needed for maintaining existing business and finishing in-progress investment projects

In order to achieve these planning targets mentioned above, it is estimated that an amount of RMB 2.5 billion Yuan, mainly sourced from self-owned funds, bank loans, will be required for purpose of daily operation, infrastructure and equity investments.

4.2.5 Potential risks

(1) Macro-economy risk

Global economy is still in the phase of adjustment after the crisis with continued slow growth. As China is in a key period for growth transfer and seeking for new balance, the driving force of economy growth is weakened to some extent. At the same time, increase of manpower cost is still a challenge. These will impact enterprises' demands for information technology as well as input cycle of informationization, thus aggravating market competition. In such a context, the Company actively carried out well-targeted marketing strategy and strengthened market development to ensure robust business growth. In addition, the Company accelerated the execution of operational excellence plan, optimized its management and operating model, process and methods to increase operating efficiency, by doing so, to defense against the adverse effect caused by fluctuation of economic cycle.

(2) Market risk

So far, information technology is being upgraded and innovated at an astounding speed. Mobile Internet, as an emerging market, stimulates a tremendous transformation of software and information technology. In consideration of technology and market factors, some customers may execute in-depth adjustment on their strategies and business. This leads changes in their demands for information technology, exerting impact on the Company's existing business. To this end, the Company will highly regard persistent innovation an essential factor for supporting business growth and development and strengthen its competence in sustainable development by planning and de-

veloping new business and engaging in business model transformation and technical innovation.

(3) Risk in change in core technicians

For a high-tech enterprises centering on software, high-quality team for software development, sales, service and management is an important element for sustainable development. Therefore, the Company always pays high attention to the influence of human resource on corporate development. With growing business expansion and fierce competition, the Company may confront with great pressure in terms of talents recruitment and reservation. Therefore, the Company enhanced the construction of corporate culture, carried out compensation improvement plan, enhanced introduction, training and reservation of core talents, laying a good human resource foundation for the Company's sustainable development.

4.3 Profit distribution/capital reserve-based capitalization proposal

4.3.1 Cash dividends policy making, implementation and adjustment

Proposal on Modifying the Company's Articles of Association was approved at the 2nd Session of Interim Shareholders' Meeting 2012 held on September 18th, 2012, indicating profit distribution policies especially for cash dividends.

According to the Company's Articles of Association, the Company shall put high value on investors' return on investment and keep the dividends distribution policy running continuously and stably. The Company may distribute dividends in cash or shares. Plan of profit distribution shall be mapped out by the Board of Directors and approved at the shareholders' meeting. The Board of Directors should take the following factors into full consideration, including business status of the Company, capital demands, shareholder return plan, when mapping out the plan for profit distribution. If no profit distribution proposal is proposed when the Company makes profits, detailed reasons and the use of such reserved capital should be indicated. Independent director shall give independent opinion about the rationality of the profit distribution proposal. The Company should listen to the opinions about the profit distribution proposal from minority shareholders through multiple channels, such as telephone consulting, field investigation and E-mail. The Company should invite minority shareholders to the shareholders' meeting related with profit distribution proposal actively. The Board of Directors, independent directors and shareholders who conform to related regulations could collect voting right of shareholders to ensure minority shareholders' right to vote on profit distribution plan. If the Company makes profits, while no distribution is carried out, cash dividends should be distributed at least once every three consecutive years. The profits distributed in cash in recent three years should not be less than 30% of the annual average distributable profit of the recent three years. For particu-

lar cases when the dividend cash cannot be distributed in the above proportion, the Board of Directors should give a special explanation at the shareholders' meeting. For the alteration of dividends distribution policy impacted by factors, such operation status, capital planning and long-term development, the Board of Directors should put forward adjustment proposal. The independent directors should give their opinions and then deliver it to the shareholders' meeting for approval. The proposal should be passed after special resolution at the shareholders' meeting.

4.3.2 Profit distribution/Capitalized capital reserves proposal

According to the auditing results from BDO CHINA SHU LUN PAN Certified Public Accountants LLP on the Company's finance situation in 2012, the parent company made a net profit of RMB 470,480,907 Yuan. According to the Company Law of the People's Republic of China and the Company's Articles of Association, the Company appropriated statutory surplus reserve of RMB 47,048,091 Yuan, accounting for 10% of the total, other surplus reserve of RMB 23,524,045 Yuan and accounting for 5%. The amount of profit distributable for shareholders is RMB 399,908,771 Yuan, plus undistributed profits of previous reporting period with the amount of RMB 1,602,603,981 Yuan, the undistributed profits by the end of this reporting period is RMB 2,002,512,752 Yuan.

According to the Company's future development plan, the Board of Directors plans to give returns to shareholders. Based on total share capital of 1,227,594,245 shares on December 31st, 2012, cash dividends will be distributed to all shareholders on a 1.5-for-10 basis. Total cash dividends with an amount of RMB 184,139,137 Yuan (tax included) will be distributed. The remaining undistributed profits will be given in following year.

The sections mentioned above shall be approved at the Shareholders' Meeting.

4.3.3 Profit distribution/capital reserve-based capitalization proposal in recent three years (the reporting period is included)

Unit: RMB Yuan

Year	Number of bonus shares per 10 ordinary shares (Share)	Number of dividends per 10 ordinary shares (taxes included)	Number of shares converted by capital reserve per 10 ordinary shares (Share)	Amount of cash dividends (Taxes included)	Net profit attributable to shareholders of listed companies recorded in the consolidated financial statements for distribution year	Percentage in net profit attributable to shareholders of listed companies recorded in the consolidated financial statements
2012	0	1.5	0	184,139,137	456,313,926	40.35%
2011	0	0	0	0	417,068,980	0
2010	0	0	0	0	484,675,178	0

4.4 Corporate Social Responsibility

4.4.1 Performance of corporate social responsibility

When announcing this Report, the Company shall disclose the Annual Social Responsibility Report 2012 concurrently. For more information, please visit the official website of Shanghai Stock Exchange <http://www.sse.com.cn>.

4.4.2 Environment protection at listed companies from industries with heavy pollution recognized by China's national environmental protection authority

Neither the Company nor its subsidiaries attribute to enterprises with heavy pollution recognized by China's national environmental protection authority.

V Important Issues

5.1 Material litigation, arbitration material, and issue widely questioned by media

During the reporting period, there are no material litigation, arbitration material, and issue widely questioned by media.

5.2 Fund appropriation and clearing progress during the reporting period

During the reporting period, no fund appropriation happened.

5.3 Bankruptcy reorganization related issues

During the reporting period, the Company has not experienced any bankruptcy reorganization.

5.4 Asset transaction and business combination

5.4.1 Assets acquisition

Unit: RMB Yuan

Counterparty/ultimate controller	Assets acquired	Date of acquisition	Acquisition price	Net profit contributed to the listed company from the date of acquisition to the end of 2012 (Note 1)	Net profit contributed to the listed company from the beginning to the end of 2012 (Applicable to business combination under common control)	Is it a related transaction? (Please give an explanation of pricing basis in case of a related transaction)?	Pricing basis for assets acquisition	Are the property rights of assets involved fully transferred? (Note2)	Are the claims and liabilities involved fully transferred?	Percentage of net profit contributed to the listed company by the purchased assets against total net profit (%)	Is there any relevance?
Tianjin Port Free Trade one Investment Co. Ltd.	Use right of a land located in Tianjin Airport Economic Zone with an area of 400,030,000 square meters, as well as the ownership of a newly-built R&D office building with a floor area of 31,477.54 square meters and its facilities on the land lot	May 2012	No more than RMB 150 million Yuan	N/A	N/A	No	Pricing of the land use right was RMB 120 Yuan per square meter and the building on the land lot was priced based on project estimates.	Yes	N/A	N/A	No

Note: The purchase of the building and land is divided into two phases. Phase I includes the use right of the land with an area of 17,835.7 square meters and a building with a floor area of 31,477.54 square meters. Asset transfer has been finished. Phase II includes the use right of the land with an area of 22,167.3 square meters. The asset transfer is still in progress. The company's wholly-owned subsidiary Neusoft Group (Tianjin) Co., Ltd. has paid totally RMB 88,149,300 Yuan during the reporting period in accordance with the relevant purchase agreement.

5.4.2 Sale of assets

Please refer to 5.6.2 "Related transactions caused by assets acquisition and selling" for details.

5.5 Equity Incentive & Influence

During the reporting period, the company did not carry out equity incentive program.

5.6 Material Related Transactions

5.6.1 Related transactions in connection with normal business

5.6.1.1 Execution of estimated route related transactions for 2012 during the reporting period

Unit: RMB Yuan

Related transaction	Actual amount incurred in 2012	Estimated total amount in 2012	Percent in estimated amount of 2012
Raw material/finished product purchase	418,401,238	434,000,000	96.41
Product/commodity selling	730,847,180	720,000,000	101.51
Labor service receiving	40,360,033	18,000,000	224.22
Labor service rendering	16,173,902	30,300,000	53.38

5.6.1.2 Related transactions in connection with normal business

Unit: RMB Yuan

Counterparty	Relevance	Content	Pricing basis for related transaction	Amount	Rate of change over the previous year (%)	Percentage to the amount of similar transaction (%)	Settling method of related transaction	Cause for material difference between transaction price and market reference price
Alpine Electronics Inc. and its subsidiaries (collectively referred to as "Alpine")	Hold more than 5% of the Company's equity	System integration/software selling	Market price	184,816,274	68.57	3.09	Cash settlement	N/A
Harman International Industries, Incorporated and its subsidiaries (collectively referred to as "Harman")	The Company's Chairman serves as director in Harman	System integration/software selling	Market price	224,939,395	8.81	3.76	Cash settlement	N/A
Toshiba Corporation and its subsidiaries (collectively referred to as "Toshiba")	Hold more than 5% of the Company's equity	System integration/software selling	Market price	184,356,833	11.81	3.09	Cash settlement	N/A
Nokia Siemens Networks Neusoft Commtech Company ("Nokia Siemens Neusoft")	The Company's Chairman serves as its Vice Chairman	System integration/software selling	Market price	112,600,705	-15.04	1.88	Cash settlement	N/A
Philips and Neusoft Medical Systems Co., Ltd. ("Neusoft Philips")	The Company's Chairman serves as its Chairman	Raw material, finished product/service purchase	Market price	393,312,137	8.20	69.87	Cash settlement	N/A
Total				1,100,025,344	—	—		

The amount of transactions with Alpine, Harman, Toshiba and Nokia Siemens Neusoft was equivalent to the accumulative amount of related transactions in its kind. By leveraging the advantages in software development, the Company provides Alpine, Harman, Toshiba and Nokia Siemens Neusoft with software products in the fields of in-car audio, navigation and industry solutions, thus generating stable and continuous income and promoting the

development of its international software business.

The amount of related transactions with Neusoft Philips, mainly focusing on acquiring medical imaging systems including CT, MRI, X-ray and B-mode ultrasound systems from Neusoft Philips which was the production base for such medical imaging systems was equivalent to the accumulative amount of such transactions in 2012. By selling these products through its own channels, the Company helped the medical systems business develop on a scaled basis continuously.

5.6.2 Related transactions caused by assets acquisition and selling

Unit: RMB '0,000 Yuan

Related party	Relevance	Related transaction type	Related transaction content	Pricing basis for related transaction	Transfer price	Settling method of related transaction	Book value of transferred asset	Estimated value of transferred asset	Cause for material difference between transfer price and book value or estimated value	Asset transfer avenue (after tax)
Dalian Neusoft Holdings Co., Ltd.	The Company's Chairman serves as its Chairman	Equity transfer	A wholly-owned subsidiary of the Company, Shenyang Neusoft IT Services Co., Ltd. held 60% equity in Dalian Neusoft Software Park Development Company Limited	Based on mutual-agreement	42,601.57	Cash settlement	38,707.54	42,417.18	N/A	3,818.43
		Investment transfer of shareholders	All contribution of the Company's 17.47% equity in Chengdu Neusoft Institute of Information	Based on mutual-agreement	314.00	Cash settlement				
		Investment transfer of shareholders	All contribution of the Company's 12.82% equity in Nanhai Neusoft Institute of Information	Based on mutual-agreement	314.00	Cash settlement				
		Investment transfer of shareholders	All contribution of the Company's 1.74% equity in Dalian Neusoft Institute of Information	Based on mutual-agreement	628.01	Cash settlement				
		Investment transfer of shareholders	All contribution of the Company's 60% equity in Dalian Neusoft Institute of Information	Based on mutual-agreement	376.80	Cash settlement				

Note: For more information, please refer to the Notice of Neusoft Corporation on Resolutions of the 6th Session of the 6th Meeting of the Board of Directors and the Notice of Neusoft Corporation on the related transaction concerning the sale of equity and other related educational assets of its indirectly controlled subsidiaries as well as the *Notice of Neusoft Corporation on Resolutions of the First Interim Shareholders' Meeting 2011* published in China Securities Journal and Shanghai Securities News on December 7th and 23rd, 2011 respectively.

Within this reporting period, Neusoft Group (Dalian) Co., Ltd. (Neusoft Dalian) has paid all transactions to the Company, totally RMB 442,340,000 Yuan. The net income after tax of the above transfer is expected to achieve a total of RMB 38.18 million Yuan, of which, during the reporting period Neusoft IT has an increases after-tax net income of RMB 36.45 million Yuan after selling equities of Dalian development. At the same time, related transfer processes about the contribution made by sponsors from the four institutes are in progress. Therefore, during the reporting period, the company receives an after-tax net income of RMB 1.73 million Yuan contributed by four institutes to be confirmed.

5.6.3 Related transactions for co-investment on other companies

Unit: RMB Yuan

Co-investor	Relevance	Invested company	Main business of invested company	Registered capital of invested company	Total assets of invested company	Net assets of invested company	Net profits of invested company	Major projects of invested company
Smyway Holding Co., Ltd	The Company's Chairman serves as its Vice Chairman	Neusoft Xikang Holdings Co., Ltd.	IT and related consulting services	USD 51,000	130,074,655	-27,119,528	-36,124,998	N/A
Dalian Neusoft Holdings Co., Ltd.	The Company's Chairman serves as its Chairman	Liaoning Neusoft Venture Capital Investment Co., Ltd.	Investment and management to small and medium-size companies	125,000,000	174,117,176	130,481,570	4,178,609	N/A

Description of co-invested significant related transactions

(1) Neusoft Xikang Holdings Co., Ltd.

On May 14th 2012, the Company's wholly-owned subsidiary Neusoft Xikang Holding Co., Ltd. (Neusoft Xikang) was authorized to newly issue 50 thousand shares. The total number of authorized shares increased from 50 thousand to 100 thousand. At the same time, Neusoft Xikang carried out a share split at a ratio of 1:1,000. The authorized shares increased to 100 million shares, including 50 million issued shares and 50 million treasury shares.

On May 14th 2012, the Company's wholly-owned subsidiary Neusoft (Hong Kong) Co., Ltd. (Neusoft Hong Kong) and the Company's related legal person Smyway Holding Co., Ltd. (Smyway), as current shareholders of Neusoft Xikang Holdings Co., Ltd., subscribed 1 million shares newly issued at the price of 3.95 US dollars per share in accordance with the shareholding ratio. Among them, Neusoft Hong Kong invested 2.765 million US dollars and subscribed 700 thousand shares. Smyway invested 1.185 million US dollars and subscribed 300 thousand shares. After completion of this subscription, Neusoft Hong Kong held 35.7 million shares of Neusoft Xikang, accounting for 70% of the issued shares. Smyway held 15.3 million shares of Neusoft Xikang, accounting for 30% of the issued shares.

To sum up, Neusoft Xikang's shareholding structure is: authorized shares total 100 million, including 51 million issued shares and 49 million unissued shares.

(2) Liaoning Neusoft Venture Capital Investment Co., Ltd.

On Dec. 21st, 2012, Liaoning Neusoft Venture Capital Investment Co., Ltd. (Neusoft Venture Capital) increased its registered capital from RMB 105 million Yuan to RMB 125 million Yuan according to business development demand. The Company's related legal person Dalian Neusoft Holdings Co., Ltd. (Neusoft Holdings) has newly increased registered capital by RMB 20 million Yuan at a subscription price of RMB 20.4 million Yuan. Through negotiation, based on the book value per share RMB 1.01 Yuan of Neusoft Venture Capital on September 30th, the increased price was RMB 1.02 Yuan for per RMB 1 Yuan of registered capital.

After the capital increase, the shareholders' status of Neusoft Venture Capital is as follows:

Unit: RMB'0,000 Yuan

Shareholder	Amount of contribution	Contribution ratio (%)
Neusoft Corporation	7,500	60.00
Shenyang Hongyitong Technology Co., Ltd.	3,000	24.00
Dalian Neusoft Holdings Co., Ltd.	2,000	16.00
Total	12,500	100.00

5.6.4 Related Debts and Liabilities

During the reporting period, the Company has no related debts or liabilities.

5.7 Major contracts and their performance

5.7.1 Custody, contracting and leasing services

5.7.1.1 Custody

The Company did not provide any custodian in 2012.

5.7.1.2 Contracting

The Company was not engaged in any contracting service in 2012.

5.7.1.3 Leasing

The Company was not engaged in any leasing service in 2012.

5.7.1.4 Other issues

The dispute incurred by Neusoft (Europe) Co., Ltd. ("Neusoft Europe") and the bankruptcy curator of Sesca Group Oy ("SESCA") arising out of or in connection with the equity acquisition agreement and the purchase price was filed at the Arbitration Court of Central Chamber of Commerce of Finland for settlement on May 20th, 2011. On January 9th, 2012, the parties entered into a dispute resolution agreement. According to the agreement, Neusoft Europe will pay 990,000 Euros to the bankruptcy curator of SESCO and it will have no obligation to pay the remaining transaction price amounting to 1.8 million Euros provided that the parties shall, at their own cost, pay any expense arising from the dispute respectively incurred by them as well as the arbitration fees shared by them. This agreement shall not affect Neusoft's continuous role in the bankruptcy liquidation of SESCO as well as its relevant claims. The arbitration came to an end when Neusoft Europe paid 990,000 Euros to the bankruptcy curator of SESCO on January 19th, 2012.

5.7.2 Security

Unit: RMB'0,000 Yuan

Security provided by the Company for third parties (Excluding the subsidiaries controlled by the Company)													
Guarantor	Relationship between the guarantor and listed company	Guarantee	Amount of the security	Date of security (Date of agreement)	Commencement date	Expiry date	Security type	Has the security been fulfilled?	Is the security overdue?	Default penalty for security	Is there any counter security	Is the security for the related party?	Relevance
N/A													
Total amount of security occurred in the reporting period (excluding that for the Company's subsidiaries)												-15,004	
Total balance of security occurred during the reporting period (excluding that for the Company's subsidiaries) (A)												0	
Security provided by the Company for its controlled subsidiaries													
Guarantor	Relationship between the guarantor and listed company	Guarantee	Amount of the security	Date of security (Date of agreement)	Commencement date	Expiry date	Security type	Has the security been fulfilled?	Is the security overdue?	Default penalty for security	Is there any counter security	Relevance to the Company	
Neusoft Corporation	Headquarters of the Company	Neusoft (Hong Kong) Co., Ltd.	1.8 million US Dollars	2012.11.01	2012.11.01	2013.10.31	Joint and several liability security	No	No	0	No	Wholly-owned subsidiaries	
Total amount of security for the Company's subsidiaries during the reporting period												1,131	
Total balance of security for the Company's subsidiaries during the reporting period (B)												1,131	
Total security provided by the Company (Excluding that for its controlled subsidiaries)													
Total security (A+B)												1,131	
Percentage of total security to the Company's net assets (%)												0.22	
Include:													
Amount of security for shareholders, ultimate controllers and their associates (C)												0	
Amount of security directly or indirectly provided for guarantees whose asset/liability ratio is more than 70% (D)												0	
Amount of security amount exceeding 50% of net assets (E)												0	
Total amount of security mentioned above (C+D+E)												0	
Unexpired guarantee might assume joint liability.												0	

The security items mentioned above refer to Neusoft (Hong Kong) Co., Ltd. is the Proposal on Providing Amount of Security for Bank Loans of Neusoft (Europe) Co., Ltd., Neusoft (Japan) Co., Ltd. and Neusoft (Hong Kong) Co., Ltd. approved at the 3rd session of the 6th meeting of the Board of Directors held on August 24th, 2011.

It was agreed that the company would provide a total amount of RMB 50 million USD or the equivalent of other currencies as security for bank loans of the company's three wholly-owned subsidiaries for two years from the approval date of the proposal (i.e. from August 24th, 2011 to August 23rd, 2013).

5.7.3 Other important contracts

At the 8th session of the 6th meeting of the Board of Directors held on March 12th, 2012, the *Proposal on Signing Letter of Intent and Other Related Documents with Chery Quantum Auto Co., Ltd.* (now renamed as "Qoros Auto Co. Ltd.") and the *Proposal on Signing Letter of Intent and Other Related Documents with Alpine Electronics (China) Co., Ltd.* were approved. At the first interim Shareholders' Meeting 2012 held on March 30th, 2012, the *Proposal on Signing Letter of Intent and Other Related Documents with Alpine Electronics (China) Co., Ltd.* was approved. For more information, please refer to the related notices published in the China Securities Journal and Shanghai Securities News on March 15th and 31st, 2012.

During the reporting period, based on the *Letter of Intent* and other related documents as well as the need of Qoros Auto Co. Ltd, the Company carried out requirement analysis, design, custom development and testing for in-vehicle infotainment system, of which the operation income with the amount of RMB 11.77 million Yuan was recognized. In addition, the Company entrusted Alpine Electronics (China) Co., Ltd. to carry out designated hardware development, of which the operation cost with the amount of RMB 11.66 million Yuan was recognized.

5.8 Fulfillment of undertakings

The shareholders of the Company holding floating shares with trading restrictions have made the following undertakings upon stock acquisition:

Undertaker	Undertaking	Fulfillment
NEU Science & Technology Industry Group Co., Ltd.	Undertaking with regard to the eight premises and one land lot for which the Company has not received any property right certificate as of September 30 th , 2007: In the event that the Company fails to receive the property right certificate for any of the said land lot or premises as of December 31 st , 2008 following the merger, NEU Science & Technology Industry Group Co., Ltd. will pay the Company in cash equivalent to the net assessable value of premises or land lot without a property right certificate (from December 31 st , 2006).The said payment in cash (excluding interest) will be refunded to NEU Science & Technology Industry Group Co., Ltd. provided that the property right certificates are made available for all of the said premises and land lot.	During the reporting period, the Company has acquired the property right certificates of all the above said premises and land lot. Thus, NEU Science & Technology Industry Group Co., Ltd. is under no obligation of the said undertaking.

Continued table

Undertaker	Undertaking	Fulfillment
NEU Science & Technology Industry Group Co., Ltd.	In the event that any educational assets result in any loss against the issuers within five years from April 28 th , 2008, NEU Science & Technology Industry Group Co., Ltd. will acquire such assets in accordance with the Assessment Report (No. 053 [2007] of CEA) issued by China Enterprise Appraisals Co., Ltd.	According to the resolution of the 1 st Interim Shareholders' Meeting 2011 held on December 22 nd , 2011, all educational assets would be sold at the price that is higher than the original contribution made by sponsors, causing no economic losses to the Company. Therefore, NEU Science & Technology Industry Group Co., Ltd. is under no obligation of the said undertaking. During the reporting period, the Company has received all due amounts with respect to the educational assets.

5.9 Employment and dismissal of CPA firm

5.9.1 Financial Auditing Agency

Unit: RMB'0,000 Yuan

Whether to appoint a CPA firm	No
Name of the appointed CPA firm	BDO CHINA SHU LUN PAN Certified Public Accountants LLP
Rewards of the appointed CPA firm	1.3 million (excluding taxes)
Term of audit of the appointed CPA firm	5 years

At the 2011 Annual Shareholders' Meeting held on June 19th, 2012, the *Proposal on Employment of Financial Auditing Agency for 2012* was approved and the resolution related to the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP to perform financial auditing for 2012 was made. The service term was fixed from the date of approval at the 2011 Annual Shareholders' Meeting till the date of holding the 2012 Annual Shareholders' Meeting.

In 2012, BDO China Shu Lun Pan Certified Public Accountants LLP audited the Annual Report 2012 of the Company, for which the Company paid an amount of RMB 1.3 million Yuan (excluding tax). Till the end of the reporting period, BDO China Shu Lun Pan Certified Public Accountants LLP has performed auditing service for the Company for five years. Li Chen and Jiang Lijun, public certified accountants of BDO China Shu Lun Pan Certified Accountants were the authorized signatories on the relevant auditors' reports.

5.9.2 Internal-Controlled Financial Auditing Agency

At the 9th Session of the 6th Meeting of the Board of Directors held on March 29th, 2012, the *Proposal on Em-*

ployment of Internal-Controlled Financial Auditing Agency for 2012 was approved and the resolution related to the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the internal financial auditing agency of the company for 2012 was made to audit the effectiveness of the internal control and prepare the Annual Report 2012 of the Company.

In 2012, BDO China Shu Lun Pan Certified Public Accountants LLP audited the effectiveness of internal control mechanism for Annual Report 2012 of the Company, for which the Company paid an amount of RMB 350 thousand Yuan.

5.10 Punishments and rectifications received by the listed company, its directors, supervisors, senior management, shareholders and ultimate controllers

In 2012, the Company, its directors, supervisors, senior managements and shareholders have not received any inspection orders, administrative punishment and public reprimand or censure from the China Securities Regulatory Commission or any stock exchange and have not engaged in any illegal dealings in shares.

5.11 Listing Suspension or Termination

No listing suspension or termination occurred by the end of the reporting period.

5.12 Convertible Bonds

No convertible bonds were issued in 2012.

5.13 Buyer's Credit

To facilitate the Company's medical system operations, Dalian Kangruidao Investment Co., Ltd. has provided loan guarantees for medical system customers since August 2012. By the end of the reporting period, the balance of buyer's credit guaranteed by Dalian Kangruidao Investment Co., Ltd. was RMB 32.58 million Yuan.

VI Changes in Equity and Shareholders

6.1 Changes in equity

6.1.1 Statement of changes in equity

Overview

During the reporting period, the total number of shares and shareholding structure of the Company has not changed.

Unit: Share

Item	Before		Changes (+/-)					After	
	Quantity	Per-cent (%)	New issue	Bonus issue	Conver-sion from reserves	Others	Sub-total	Quantity	Per-cent (%)
1. Shares with trading restrictions									
a) State-owned shares									
b) Shares held by state-owned companies									
c) Shares held by other domestic investors									
Include: Shares held by companies other than state-owned companies									
Shares held by domestic natural persons									
d) Shares held by foreign investors									
Include: Shares held by foreign companies									
Shares held by foreign natural persons									
2. Floating shares without trading restrictions	1,227,594,245	100						1,227,594,245	100
a) RMB-denominated ordinary shares	1,227,594,245	100						1,227,594,245	100
b) Shares traded in non-RMB currencies and listed domestically									
c) Shares listed overseas									
d) Others									
Total shares	1,227,594,245	100						1,227,594,245	100

6.1.2 Changes in shares with trading restrictions

During the reporting period, there was no change in shares with trading restrictions. All the Company's 1,227,594,245 shares were tradable shares without trading restrictions hereto.

6.2 Issue and listing of securities

6.2.1 Issue of securities in the past three years by the end of the reporting period.

No securities were issued and listed in the past three years prior to the end of the reporting period.

6.2.2 Changes in the total number of shares, shareholding and liability structures

There is no change in the total number of shares and shareholding structure caused by bonus issue and allotted shares during the reporting period.

6.2.3 Shares held by employees

During the reporting period, no shares for employees of the Company were issued.

6.3 Shareholders and ultimate controllers

6.3.1 shareholders and their shareholdings

		Unit: Share				
Total number of shareholders at the end of 2012	69,655	Total number of shareholders by March 25 th , 2013	65,062			
Shareholdings of the top ten shareholders						
Shareholder	Nature	Share-holding ratio (%)	Total shareholdings	Change during the reporting period	Number of shares with trading restrictions	Number of shares pledged or frozen
NEU Science & Technology Industry Group Co., Ltd.	State-owned company	17.6248	216,361,562	0	0	0
Alpine Electronics (China) Co., Ltd.	Domestic non-state-owned company	13.9512	171,263,547	0	0	0
Baosteel Group Corporation	The state	5.1320	63,000,000	0	0	0
Toshiba Solutions Corporation	Foreign company	4.7433	58,228,036	0	0	0
Intel Capital Corporation	Foreign company	2.6045	31,973,228	0	0	0
Philips Electronics China B.V.	Foreign company	2.0328	24,954,871	0	0	0
Chinese People's Life Insurance Company Limited - Dividend - Insurance dividend	Unknown	1.8144	22,273,192	10,424,067	0	0

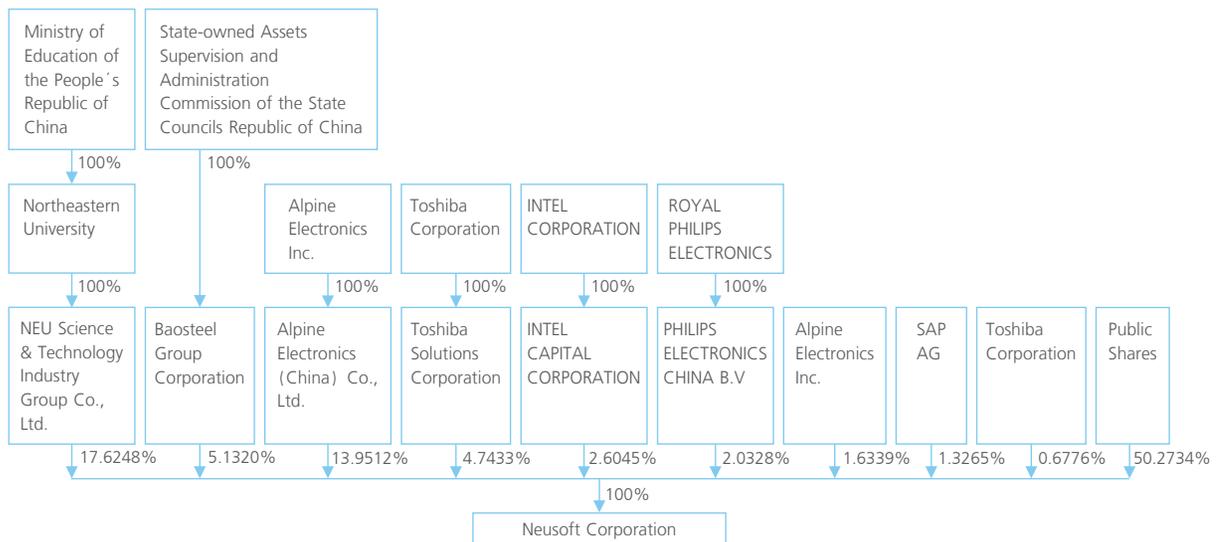
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Shareholdings of the top ten shareholders						
Shareholder	Nature	Shareholding ratio (%)	Total shareholdings	Change during the reporting period	Number of shares with trading restrictions	Number of shares pledged or frozen
Bank of Communications - Bosera Emerging Growth Equity Securities Investment Fund	Unknown	1.7980	22,072,383	7,656,609	0	0
China Construction Bank - Bosera Thematic Sector Equity Securities Investment Fund	Unknown	1.7921	21,999,877	3,000,108	0	0
Alpine Electronics Inc.	Foreign company	1.6339	20,057,144	0	0	0
Shareholdings of top ten shareholders with shares without trading conditions						
Shareholder	Number of shares without trading restrictions		Class and number of shares			
NEU Science & Technology Industry Group Co., Ltd.	216,361,562		RMB-denominated ordinary shares	216,361,562		
Alpine Electronics (China) Co., Ltd.	171,263,547		RMB-denominated ordinary shares	171,263,547		
Baosteel Group Corporation	63,000,000		RMB-denominated ordinary shares	63,000,000		
Toshiba Solutions Corporation	58,228,036		RMB-denominated ordinary shares	58,228,036		
Intel Capital Corporation	31,973,228		RMB-denominated ordinary shares	31,973,228		
Philips Electronics China B.V.	24,954,871		RMB-denominated ordinary shares	24,954,871		
Chinese People's Life Insurance Company Limited — Dividend — Insurance dividend	22,273,192		RMB-denominated ordinary shares	22,273,192		
Bank of Communications - Bosera Emerging Growth Equity Securities Investment Fund	22,072,383		RMB-denominated ordinary shares	22,072,383		
China Construction Bank - Bosera Thematic Sector Equity Securities Investment Fund	21,999,877		RMB-denominated ordinary shares	21,999,877		
Alpine Electronics Inc.	20,057,144		RMB-denominated ordinary shares	20,057,144		
Notes on the relationship or concerted action of the said shareholders	<p>Alpine Electronics (China) Co., Ltd. operates as an investment company solely owned by Alpine Electronics Inc. in China.</p> <p>Both Bank of Communications - Bosera Emerging Growth Equity Securities Investment Fund and China Construction Bank - Bosera Thematic Sector Equity Securities Investment Fund are products of BOSERA Fund Management Co., Ltd.</p> <p>The Company has no knowledge of the relationship of other shareholders such as concerted actor.</p>					

6.3.2 Holding shareholders and ultimate controllers

6.3.2.1 At present, the Company, with stock held in separate shareholdings, has no holding shareholders or ultimate controllers. The largest shareholder is NEU Science & Technology Industry Group Co., Ltd. with a shareholding percentage of 17.6248%.

6.3.2.2 Shareholder and Control Relation Chart



6.3.2.3 Introduction to major shareholders

a) NEU Science & Technology Industry Co., Ltd.

NEU Science & Technology Industry Group Co., Ltd., approved by the Ministry of Education of the People's Republic of China through issuing the Document of No.11 [2005] of Department of Science and Technology, the Ministry of Education on July 1st, 2005, was incorporated as a limited liability company wholly-owned by Northeastern University in compliance with a judicial restructure of NEU Industry Development Co., Ltd. (a company owned by all members of Northeastern University) in accordance with the *Guidelines for Promoting the Development of Technology Industry in China's Colleges and Universities*. It holds the equity and business assets of investees on behalf of Northeastern University.

Date of incorporation: August 5th, 2005

Registered capital: RMB 500 million Yuan

Registered office: No.11, Lane 3, Wenhua Road, Heping District, Shenyang 110819, PR China

Legal representative: Zuo Liang

Organization code: 11772782-8

Business scope: Research/development/manufacturing/contracting of computer software/hardware, mechatronics, high-tech products, emerging materials and metallurgical products, technology consulting/service/transfer/training, importing/exporting of self-owned and commissioned products and technologies, corporate investment management, corporate assets management, property management

b) Baosteel Group Corporation

Baosteel Group Corporation is a legally incorporated and wholly state-owned corporation for which the State-owned Assets Supervision & Administration Commission under the State Council of the People's Republic of China performs the duty of investor on behalf of the State Council.

Date of incorporation: January 1st, 1992

Registered capital: RMB 51,082,621,000 Yuan

Registered office: Baosteel Plaza, No.370, Pudian Road, Pudong New Area, Shanghai 200122, PR China

Legal representative: Xu Lejiang

Organization code: 13220082-1

Business scope: State-owned assets business under authorization of the State Council of the People's Republic of China and relevant investment business, other business related to steel, mineral & metals, chemicals (except for hazardous goods), power supply, terminal service, warehousing and transpiration and development/transfer/management/consulting of technologies related to such business, importing/exporting services approved by the Ministry of Foreign Trade and Economic Cooperation, domestic and foreign trading (except for those under special regulations of China) and relevant services.

c) Alpine Electronics Inc.

Alpine Electronics Inc., organized and existing under the laws of Japan, is an auto electronics manufacturer mainly engaged in the production of in-car audio, information and communication products. It is listed on Tokyo Stock Exchange.

Date of incorporation: May 10th, 1967

Registered capital: 25,920,599,127 Yen

Registered office: 1-1-8 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8501, Japan

Business scope: In-car audio products/in-car information & communication products

d) Alpine Electronics (China) Co., Ltd.

Alpine Electronics (China) Co., Ltd., established in Beijing, China in 1994, operates as an investment company wholly-owned by Alpine Electronics Inc.

Date of incorporation: December 28th, 1994

Registered capital: 90,000,000 US dollars

Registered office: F4, Block R2, China Merchants Tower, No.116, Jianguo Road, Chaoyang District, Beijing 100022, PR China

Legal representative: Toshinori Kobayashi

Organization code: 60003725-3

Business scope: Investment in in-car audio products, in-car information/communication/navigation products and relevant parts, sales of and services for products designed for investees.

e) Toshiba Corporation

Toshiba Corporation, a company organized and existing under the laws of Japan, is listed on the Tokyo Stock Exchange.

Date of incorporation: 1875

Registered capital: 439,901,268,477 Yen

Registered office: 1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan

Business scope: Digital products, electronic devices and components, infrastructure systems, home appliance & others

f) Toshiba Solutions Corporation

Toshiba Solutions Corporation is a company incorporated and existing under the laws of Japan. Its major shareholder is Toshiba Corporation.

Date of incorporation: October 2003

Registered capital: 23,500,000,000 Yen

Registered office: 1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan

Business scope: Software development and solutions offering. Its software is now widely used in the infrastructure development industry covering government, roadways, transportation and exhibition as well as other sectors such as manufacturing, industries, logistics, service offering, finance, telecommunication, and media.

g) Philips Electronics China B.V.

Philips Electronics China B.V., a limited liability company organized and existing under the laws of the Netherlands, operates as a subsidiary of Koninklijke Philips Electronics NV. Based in Eindhoven, the Netherlands, the company is dedicated to Philips' investment and development in China.

Date of incorporation: September 12th, 1946

Registered capital: 15,750,000 Euros

Registered office: High Tech Campus, Eindhoven, The Netherlands

Business scope: Healthcare, high-quality lifestyle, lighting systems

h) SAP AG

SAP AG, organized under the laws of Germany, is one of the global leading software providers, ranking third among the world's independent software developers in terms of market. Serving more than 232,000 customers from 180-plus countries, the company has 64,000 employees in 60-plus countries including EMEA, USA, Asia Pacific and Japan. SAP is listed on a number of stock exchanges such as Frankfurt Stock Exchange and New York Stock Exchange.

Date of incorporation: 1972

Registered capital: 1,228,504,232 Euros

Registered office: SAP AG, Dietmar-Hopp-Allee 16, 69190 Walldorf, Germany

Business scope: Development/sales/implementation of commercial software solutions and relevant support & consulting services

i) Intel Capital Corporation

Listed on NASDAQ Stock Market, Intel Capital Corporation operates as a wholly-owned subsidiary of Intel Corporation. Being a capital venture company under the control of Intel, it is dedicated to providing innovative technology enterprises and fresh businesses with access to capital investments.

Date of incorporation: April 6th, 1998

Registered capital: 10 US dollars

Registered office: 2200 Mission College Boulevard, Santa Clara, California 95052, USA

Business scope: Capital venture

VII Directors, supervisors and Senior management

7.1 Changes in shareholdings of directors, supervisors and senior managements and their compensation

Name	Title	Gender	Age	Commencement of service	Expiry of service	Number of shares at the beginning of 2012	Number of shares at the end of 2012	Changes within 2012	Reason for changes	Compensation received from the Company during the reporting period (Unit: RMB10,000 Yuan/before tax)
Liu Jiren	Chairman & CEO	Male	58	2011-5-25	2014-5-24	7,160,832	7,160,832			330.00
Wang Yongfeng	Vice Chairman & President	Male	43	2011-5-25	2014-5-24	3,178,391	3,178,391			216.30
Seizo Ishiguro	Director	Male	70	2011-5-25	2014-5-24	0	0			0
Klaus Michael Zimmer	Director & Senior Vice President	Male	57	2011-5-25	2014-5-24	0	0			304.80
Akira Kasano	Director	Male	57	2011-5-25	2014-5-24	0	0			0
Chen Ximin	Director, Senior Vice President & COO	Male	44	2011-5-25	2014-5-24	449,272	449,272			98.00
Fang Hongxing	Independent Director	Male	41	2011-5-25	2014-5-24	0	0			8.00
Xue Lan	Independent Director	Male	54	2011-5-25	2014-5-24	0	0			8.00
Gao Wen	Independent Director	Male	57	2011-5-25	2014-5-24	0	0			8.00
Tu Ganfeng	Chairman, Board of Supervisors	Male	49	2011-5-25	2014-5-24	0	0			0
Hu Aimin	Supervisor	Male	40	2011-5-25	2014-5-24	0	0			0
Shingo Kurata	Supervisor	Male	42	2011-5-25	2014-5-24	0	0			0
Ge Shengliu	Supervisor	Male	38	2011-5-25	2014-5-24	315,267	315,267			77.78
Ma Chao	Supervisor	Male	36	2011-5-25	2014-5-24	0	0			84.74
Lu Zhaoxia	Senior Vice President	Female	56	2011-5-25	2014-5-24	2,201,949	1,993,005	-208,944	Note 1	118.00

Continued table

Name	Title	Gender	Age	Commencement of service	Expiry of service	Number of shares at the beginning of 2012	Number of shares at the end of 2012	Changes within 2012	Reason for changes	Compensation received from the Company during the reporting period (Unit: RMB10,000 Yuan/before tax)
Zhang Xia	Senior Vice President, CTO & CKO	Female	48	2011-5-25	2014-5-24	1,103,048	1,103,048			101.00
Wang Jingxi	Senior Vice President	Male	44	2011-5-25	2014-5-24	792,609	792,609			95.00
Zhang Xiao'ou	Senior Vice President & CFO	Male	41	2011-5-25	2014-5-24	370,000	370,000			95.00
Li Jun	Senior Vice President & CMO	Male	40	2011-5-25	2014-5-24	660,508	660,508			95.00
Wang Nan	Senior Vice President & Secretary of the Board of Directors	Female	37	2011-5-25	2014-5-24	344,278	344,278			74.00
Wang Li	Former Director, Senior Vice President & CFO	Female	48	2011-5-25	2012-4-5	1,445,403	1,445,403		Note 2	19.96
Total	—	—	—	—	—	18,021,557	17,812,613	-208,944	—	1,733.58

Note 1: From June 25th to 26th 2012, shares held by Lu Zhaoxia decreased by 208,944.

Note 2: The data indicates the change in shareholdings from the beginning of the year to six months after her expiration of service.

Present directors, supervisors and senior management's working experience in the past five years:

(1) Liu Jiren

Dr. Liu has been Chairman & CEO at Neusoft since August 1999. As one of the founders of Neusoft, which was established in 1991, Dr. Liu has successfully transformed a small college business into a leading IT solutions & services provider in China with his exceptional academic record and his unparalleled industry insight. Dr. Liu also holds the positions of Vice President of Northeastern University of China, Vice-chairman of the China Software Industry Association and Director of Harman International Industries, Incorporated. Prior to this, he served as Director

and General Manager of Neusoft from June 1993 to August 1999.

Dr. Liu started his doctoral study since 1984 at Northeastern University. After completing the research on his doctoral thesis at Computer Research Institute of the U.S. National Bureau of Standards from 1986 to 1987, Dr. Liu returned to China in 1987. He then earned his doctorate degree in computer applications at the Northeastern University, thus becoming China's first doctor in the field of computer applications. Dr. Liu has received a number of awards, such as "6th Sixth Asian Business Leaders Awards - Innovator of the Year", "2009 CCTV China Economic Person of the Year", "Ernst & Young Entrepreneur of the Year 2010 China Awards", "2011 China Software Industry Leaders in the Past Decade" and "Advanced Worker of National Engineering Research Center".

(2) Wang Yongfeng

Mr. Wang currently serves as Vice Chairman and President of Neusoft. He joined Neusoft in May 1992 and served as Director since October 1999 and President since August 1999. Prior to this, he served as Vice General Manager from December 1997 to August 1999.

Mr. Wang received his master's degree in artificial intelligence of computer applications from Jilin University, China.

(3) Seizo Ishiguro

Mr. Seizo Ishiguro has been President of Alpine Electronics Inc. since June 2010. He joined Alpine in 1978 and served successively as Operations Manager, Managing Director and Vice General Manager, He served as General Manager of the company from 1997 to June 2010.

Mr. Seizo Ishiguro graduated from the Law School of Waseda University, Japan.

(4) Klaus Michael Zimmer

Mr. Klaus Michael Zimmer is Director and Senior Vice President of Neusoft and President of Neusoft Europe. Prior to joining Neusoft in 2009, Mr. Zimmer was with SAP, where he served as Chairman & CEO SAP, North Asia.

Mr. Zimmer received his master's degree from the University of Trier, Germany.

(5) Akira Kasano

Mr. Akira Kasano is Director of Neusoft. He also serves as Director, Executive Director, General Manager of Innovation Division, General Manager of System Quality Division, General Manager of Purchase Management and Director of Reform Promotion Division at Toshiba Solutions Corporation.

Mr. Akira Kasano received his master's degree of physics from the Faculty of Science, University of Tokyo, Japan.

(6) Chen Ximin

Dr. Chen is Director, Senior Vice President and Chief Operating Officer of Neusoft as well as General Manager of Embedded Software Division of the Company. Since joining the Company in January 1999, he has served succes-

sively as Manager of the Intelligent Device Development Department, Deputy General Manager of Neusoft Middleware Technologies and Vice President of Neusoft.

Dr. Chen received his doctorate degree in automatic control from Tsinghua University, China.

(7) Fang Hongxing

Dr. Fang is President of the Accountant Institute of Dongbei University of Finance & Economics. Currently, he also serves as consulting expert for the Accounting Standards Committee of the Ministry of Finance & China Internal Control Standards Committee, Director of Accounting Society of China, Deputy Director of Chinese Institute of Finance and Cost for Young and Mid-career Professionals, member of the Technological Guidance Committee of the Chinese Institute of Certified Public Accountants and consulting expert of Accounting and Auditing Standards Panel. Besides, Dr. Fang is a professor and doctoral tutor and has a special government allowance granted by the State Council of People's Republic of China whilst serving as Independent Director at Shenyang Machine Tool Co., Ltd. and Dalian Zhangzidao Fishery Group Co., Ltd.

Dr. Fang received his doctorate degree in accounting from Dongbei University of Finance & Economics, China.

(8) Xue Lan

Dr. Xue holds three titles with Tsinghua University, China, namely, Dean of School for Public Policy and Management, Director of China Institute for Science and Technology Policy. He is also Vice President of the China Administration Society, Vice General Director of Chinese Association for Science of Science and S&T Policy, Vice President of Society of Management Science of China, Vice Director of National MPA Education Steering Committee, Director of International Development and Research Center (IDRC), non-permanent senior researcher of Brookings Institution, member of Advisory Committee of John F. Kennedy School of Government (KSG), visiting Professor at Carnegie-Mellon University, doctoral tutor and specially employed professor for Cheung Kong Scholars Program.

Dr. Xue received his doctorate degree in engineering and public policy from Carnegie-Mellon University, the United States.

(9) Gao Wen

Dr. Gao is currently a professor at the School of Electronic Engineering and Computer Science, Peking University as well as a member of Chinese Academy of Engineering. He also maintains an active presence in the industry, currently serving as Dean of the National Engineering Laboratory for Video Technology, President of Audio Video Coding Standard Group of China, Executive Director of China Computer Association, and Director of Langchao Electronic Information Industry Co. Ltd.

Dr. Gao received his doctorate degree in electronics from the University of Tokyo, Japan.

(10) Tu Ganfeng

Dr. Tu is General Manager of Northeastern University Science & Technology Industry Group Co., Ltd. Dr. Tu is a professor and doctoral advisor. He is also Standing Director of Chinese University Industry Association and Director of the China Metallurgical University Industry Association.

Dr. Tu received his doctorate degree in nonferrous metal metallurgy from Northeastern University, China.

(11) Hu Aimin

Mr. Hu currently works as Vice General Manager and Chief Project Manager of Capital Operations Department, Baosteel Group Co. Ltd. After joining Baosteel in 1995, he successively served as Senior Manager of Financial Planning Department and Investment & Merger Manager of Capital Operations Department.

Mr. Hu earned his bachelor's degree in business administration from Jiangxi University of Finance & Economics, China.

(12) Shingo Kurata

Mr. Shingo Kurata is the Legal Manager of Business Planning Department of Alpine Electronics Inc. After joining Alpine in 1999, he served as Legal Manager at the Intellectual Property Rights Department.

Mr. Shingo Kurata received his bachelor's degree in law from Meiji University, Japan and holds a master's degree in law from the Law Center of Georgetown University, the United States.

(13) Ge Shengliu

Mr. Ge is Vice General Manager of IA Business Division of Neusoft. Since his accession in July 1997, he has served as Manager of the 3rd Department of IA Business Division and Embedded Application Development Department of NEU-APN IA Business Division successively.

Mr. Ge received his bachelor's degree in Computer Applications from Northeastern University, China.

(14) Ma Chao

Mr. Ma currently works as General Manager of International Business Development Division and Vice President of American Business Development Division of Neusoft. Since his accession in May 2005, he has served successively as Sales Manager, Senior Sales Manager and Vice General Manager of Neusoft's International Business Development Division.

Mr. Ma received his bachelor's degree in Computer Applications from Northeastern University, China and master's degree in Information System from the University of Liverpool, England.

(15) Lu Zhaoxia

Ms. Lu has been Senior Vice President of Neusoft. Since joining the Company in 1995, she has served succes-

sively as Deputy General Manager of Marketing and COO. Prior to that, she was Director of Management Control Center of Northeastern University, China.

Ms. Lu received her master's degree in computer applications from Northeastern University, China.

(16) Zhang Xia

Dr. Zhang is Senior Vice President, CTO & CKO at Neusoft. She joined Neusoft in Nov. 1994 and has been serving as CTO & CKO since November 2004.

Dr. Zhang received her doctorate degree in computer applications from Northeastern University, China.

(17) Wang Jingxi

Mr. Wang has served as Senior Vice President at Neusoft since Feb. 2002. He joined Neusoft in Mar. 1999 and served as Director of Administrations from 2001.

Mr. Wang received his bachelor's degree in computer applications from Northeastern University, China.

(18) Zhang Xiao'ou

Mr. Zhang currently serves as Senior Vice President and CFO of Neusoft. In 2012, he was assigned as CFO of the Company in April 2012 and won the "Rising Star Award, 2012 CFO of the Year Awards". As a senior certified public accountant, Mr. Zhang joined Neusoft in April 2000 and has worked as Financial Director, senior Vice President and Financial Operating Officer.

Mr. Zhang received his master's degree in management from Northeastern University of China. He also has an EMBA degree from China European International Business School.

(19) Li Jun

Mr. Li has served as Senior Vice President & CMO at Neusoft since May 2008. Since joining the company in July 1995, he has served successively as General Manager of East China Region and Sales Director of Neusoft.

Mr. Li received his bachelor's degree in computer software from the Northeastern University of China.

(20) Wang Nan

Dr. Wang has been Senior Vice President since May 2011 in addition to holding the position of Secretary of the Board of Directors at Neusoft from December 2011. She joined in the Company in 1995 and has served successively as Manager of Java Application Department of Software Center, Vice General Manager of Middleware Technology Branch, Manager of Mobile Internet Division and Deputy Director of Advanced Automotive Electronic Technology Research Center, General Manager of the Company's International Business Development Division of the Company.

Dr. Wang received her doctorate degree in Computer Applications from Northeastern University, China.

7.2 Current Directors, Supervisors and Senior Management and Changes

7.2.1 Posts held in shareholding companies

Name	Shareholding company	Title
Liu Jiren	Northeastern University	Vice President
Seizo Ishiguro	Alpine Electronics Inc.	Chairman
Akira Kasano	Toshiba Solutions Corporation	Director, Executive Director, General Manager of Operation Reform, General Manager of System Quality, General Manager of Purchase Management, and Manager of Reform Promotion Division
Tu Ganfeng	NEU Science & Technology Industry Group Co., Ltd.	General Manager
Hu Aimin	Baosteel Group Corporation	Vice General Manager of Capital Operation Division & Chief Project Manager
Seizo Ishiguro	Alpine Electronics Inc.	Legal Manager of Business Planning Department

7.2.2 Posts in other organizations excluding wholly-owned subsidiaries, holding subsidiaries and associated shareholders' firms

Name	Company	Title
Liu Jiren	Philips and Neusoft Medical Systems Co., Ltd.	Chairman
	Nokia Siemens Networks Neusoft Commtech Company	Vice Chairman
	Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Vice Chairman
	Liaoning Shengjing Xikang Healthcare Co., Ltd.	Vice Chairman
	Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Director
	Shanghai Shimao Xikang Healthcare Co., Ltd.	Chairman
	Dalian Neusoft Information Services Co., Ltd.	Director
	Dalian Kangruidao Investment Co., Ltd.	Chairman
	Dalian Neusoft Holdings Co., Ltd.	Chairman
	Tianjin Neusoft Ruidao Education Information Technology Co., Ltd.	Chairman
	Dalian Ruidaoyibo Education Information Technology Co., Ltd.	Chairman
	Dalian Neusoft Park Industrial Development Co., Ltd.	Chairman
	Dalian Neusoft Institute of Information	Chairman
	Chengdu Neusoft Institute of Information	Chairman
	Neusoft Institute of Information Technology, Nanhai	Chairman
	Neusoft Holdings International Inc.	Director
	Smartwave Holdings Inc.	Director
	Harman International Industries, Incorporated	Director

Continued table

Name	Company	Title
Wang Yongfeng	Nokia Siemens Networks Neusoft Commtech Company	Director
	Liaoning Shengjing Xikang Healthcare Co., Ltd.	Director
	Shenyang CataData Technology Co., Ltd.	Director
	Beijing Neu-Alpine Power System Technology Co., Ltd.	Director
	Dalian Kangruidao Investment Co., Ltd.	Director
	Dalian Neusoft Holdings Co., Ltd.	Director
Klaus Michael Zimmer	Aerotel Medical Systems (1998) Ltd.	Director
Fang Hongxing	School of Accounting, Dongbei University of Finance and Economics	President
Xue Lan	School of Public Policy and Management, Tsinghua University	President
	China Institute for Science and Technology Policy, Tsinghua University	Dean
Gao Wen	School of Electronic Engineering and Computer Science, Peking University	Professor
	National Engineering Laboratory for Video Technology	Dean
Tu Ganfeng	Dalian Neusoft Holdings Co., Ltd.	Director
Lu Zhaoxia	Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Director
	Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Director
	Shanghai Shimao Xikang Healthcare Co., Ltd.	Director
Wang Jingxi	Dalian Kangruidao Investment Co., Ltd.	Director
Zhang Xiao'ou	Dalian Kangruidao Investment Co., Ltd.	Chairman of Board of Supervisors
Li Jun	Nokia Siemens Networks Neusoft Commtech Company	Director
	Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Director
	NEC Neusoft Information Technology Co., Ltd.	Director

7.3 Compensation for directors, supervisors and senior management

1) Decision-making process of compensation for directors, supervisors and senior management: The Company shall pay compensation to the directors, supervisors and senior management who hold administrative positions at the Company those taking no administrative posts will receive no payments from the Company. In accordance with the decision of the Shareholders' Meeting, the Company shall pay an allowance of RMB 80,000 Yuan (before tax) to each independent director every year since 2010; other expenses arising from presence at the meeting shall be paid on an incurred basis.

2) Decision basis of compensation for directors, supervisors and senior management: Compensation for the directors, supervisors and senior management holding administrative positions at the Company shall be determined by the Board of Directors after the review of its compensation & evaluation committee based on business perfor-

mance and industry reference in accordance with the Company's general compensation policies and standards.

3) Actual payment of compensation for directors, supervisors and senior management: The Company has paid off the compensation for the directors, supervisors and senior management holding administrative positions as well as allowance for independent directors.

4) By the end of the reporting period, actual total compensation for all directors, supervisors and senior management amounted to RMB 17.3358 million Yuan.

7.4 Changes in directors, supervisors and senior management

On April 5, 2012, Wang Li resigned from the posts of Director, Senior Vice President, and CFO for personal reasons.

On April 6, 2012, the 10th Session of the 6th Meeting of Board of Directors reached a resolution to appoint Senior Vice President Zhang Xiao'ou as Chief Financial Officer, responsible for financial operations of the Company with a term of service till the expiry of his post at this Board of Directors. Mr. Zhang did no more serve as the Financial Operating Officer of the Company.

At the 2011 Shareholders' Meeting held on June 19th 2012, Chen Ximin was elected as the Director of the Company.

7.5 Core Technical Team or Key Technical Personnel

During the reporting period, the Company's core technical team or key technical personnel (other than directors, supervisors and senior management) who have a significant impact on the company's core competitiveness remained stable without significant changes.

Members of the Company's core technical team are core technical backbones selected based on comprehensive evaluation results of the annual employee performance appraisal and competency assessment, etc. As for the core technical backbones, the Company and divisions adopted a two-stage development management system (from training, paying attention to reservation) according to development goals and strategies, business development challenges and personnel capacity conditions to achieve full-process, full-cycle management. In 2012, in order to maintain the stability of the core technology team, the Company implemented a succession plan and external recruitment program for key positions. The former was a preventive measure to reserve and foster 3-5 successors for each key position and fill the vacancies as soon as possible. The latter was a supplemental program. Comprehensive talent hunting channels were utilized to supplement suitable candidates in place. This realized effective training and reservation of core technical team and provided important talent supply and guarantee for the operation of the Company.

7.6 Employees of Parent Company and Main Subsidiaries

7.6.1 Employees

Number of employees in the parent company	8,378	
Number of employees in main subsidiaries	Neusoft Group (Dalian) Co., Ltd.	5,675
	Shenyang Neusoft Medical Systems Co., Ltd.	1,043
	Shenyang Neusoft Information Technology Co., Ltd.	931
	Neusoft Group (Beijing) Co., Ltd.	945
	Neusoft Group (Shanghai) Co., Ltd.	936
	Neusoft Group (Guangzhou) Co., Ltd.	785
Total	22,403	
Number of retirees whose allowance should be paid by the parent company and its main subsidiaries	0	
Employee functions		
Category	Number	
Technology development	18,500	
Marketing	1,924	
Administration	1,833	
Logistics	146	
Total	22,403	
Geographical Distribution		
Country/city	Number	
Shenyang	8,273	
Dalian	6,134	
Other cities in China	7,305	
Japan	244	
Europe/America	447	
Total	22,403	
Education		
Education	Number	
Master and above	2,455	
Bachelor	17,197	
College (3-year)	2,393	
Others	358	
Total	22,403	

7.6.2 Compensation Policy

The company's compensation policy aims to effectively combine the interests of employees with the company's business development and the interests of shareholders, and to attract, retain and motivate key talents. Responsibility, ability and contribution are the basis of the company's compensation policy, which effectively connects the general pay level with job value and performance.

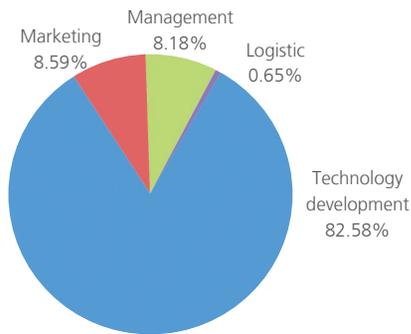
Compensations and welfare programs are important parts of the Company's value allocation and the comprehensive pay of employees. The company has established a growth-driven wage system, under which employee pay will be adjusted and improved according to the Company's business status and market labor cost. At the same time, a differentiated compensation concept is advocated, so that the wage structure can be designed and adjusted based on the value of various positions and market research data. The welfare system is based on China's national social security system, supplemented by other benefits such as Corporate Pension Plan, additional commercial insurance, gift bonus and solatium, visiting leave and travel expense reimbursement. By building a comprehensive compensation system and strengthening human resource management, the Company aims to establish a sustained and stable personnel system to ensure robust development.

7.6.3 Training Program

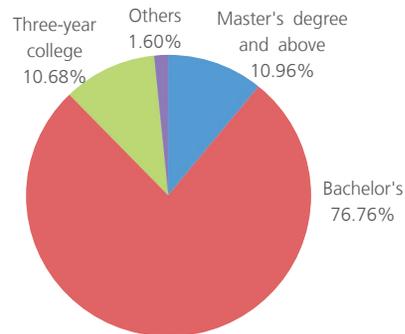
Focusing on the development and growth of employees, the Company has developed a dual-channel career development model and "Career Development Roadmap" for employees so that they can choose their career direction and opportunities according to their strengths and interests.

To promote the continuous improvement of the professional competence of employees, the Company has established and continuously improved its training system at the Company and division levels. Systematic human resource management strategies have been formulated. Besides, a wide range of trainings and further education opportunities are provided, including in-class learning, e-learning, network classroom, in-service training, assignment training, project practice, tutorials etc. Relevant curricula cover a number of areas such as technology, marketing, self-improvement and corporate systems. Moreover, a "Falcon Plan" for project managers, architect-oriented "Excellence Program", and other training programs for leadership development were also set up. Besides, customized courses based on capacity development have been offered to make a good knowledge preparation for the promotion of employees, providing a comprehensive support for their growth, fair job promotion and development space.

7.6.4 Employee Constitution



7.6.5 Education Level Chart



7.6.6 Labor Outsourcing

Total work hours	1,815,000 Hrs
Total pay	RMB 48,229,525 Yuan

VIII Corporate Governance

8.1 Statement of Corporate Governance and Management of Insider Information Sources

To ensure its smooth operation, the Company has been devoted to developing and improving its corporate governance system in accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, and relevant regulations formulated by China Securities Regulatory Commission and stock exchanges in China. By revising the *Articles of Association* according to the *Guidelines for Articles of Association of Listed Companies* and the *Code of Corporate Governance for Listed Companies*, formulating and improving the *Rules of Procedure for the Shareholders' Meeting*, *Rules of Procedure for the Board of Directors*, *Rules of Procedure for the Board of Supervisors*, *Investors Relations Management System*, and *Information Disclosure Management System*, the Company has defined the authorities and procedures for decision making to make scientific reasonable decisions. Prior to the *Guidelines on Establishment of Independent Director System of Listed Companies* issued by China Securities Regulatory Commission, the Company has developed its independent director system and organized various committees for the Board of Directors to promote standard development and corporate governance under the *Code of Corporate Governance for Listed Companies in China*. Also, it is a constituent stock of SSE Corporate Governance Index. Also, it is a constituent stock of SSE Corporate Governance Index.

In accordance with the *Notice on the Matters concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies* (No.28 [2007] of China Securities Regulatory Commission) issued by China Securities Regulatory Commission, the Company initiated a dedicated campaign involving the establishment and implementation of a series of reforming measures and actions, which helped further enhance the Company's corporate governance. Consequently, the Company received the Best Board of Directors Award granted by the *Board of Directors* in both 2007 and 2010. In 2010, it also received the 2010 Best Board of Directors Award at the 9th China Corporate Governance Forum hosted by Shanghai Stock Exchange, demonstrating its efforts and achievements in corporate governance.

In 2012, the Company continued its actions related to corporate governance for further optimized and improved governance. During the reporting period, the Company made amendments to the *Articles of Association of the Company* to further clarify the profit distribution policy, especially the cash dividend policy. Also, the *Inter-bank Bond Market Debt Financing Instruments Information Disclosure Management System* is established to further improve the company's management system. Furthermore, the Company also worked harder in building the Board of Directors, managing investor relations and perfecting a series of systems covering incentives, monitoring, internal control and training of directors, supervisors and senior management, including:

(1) Strengthen the construction of the Board of Directors

The Board of Directors was made of 9 members from China, Japan and Europe, including experienced professionals in the fields of IT, management and finance, well-known scholars as independent directors and outside directors with an absolute majority. With the help of the Board of Directors, the Company made continuous improvements in corporate governance as well as innovations to both management and business models to move towards international development at a faster pace. Also, it provided the Company with valuable experience and support for global deployment of business and effective implementation of international merge & acquisition strategies.

All directors fulfilled their duties diligently and faithfully, attended the meetings of the Board of Directors actively, and provided professional opinions on a wide range of topics, including strategic planning, business plans, internal management optimization and risk management, thus helping the Company make scientific and reasonable decisions. Also, they protected the interests of the Company and its shareholders through strict oversight and evaluation on business affairs. As a special committee for decision making, nomination, auditing, compensation and evaluation, they played an essential role in decision making for important issues.

(2) Enhance investor relations management

With an always focus on minority investors, the Company used its best efforts to provide them with easy access to company information, making them more confident in their shareholdings. Relying on the *Information Disclosure Management System* and the *Investor Relations Management System*, the Company was able to make integral accurate disclosure of information on an instant, effective and equitable basis and give investors a good understanding of its status, thereby winning great trust and high recognitions from them.

The Company made good preparation for each session of Shareholders' Meeting, offered detailed introduction of both business and development strategies, and responded to the questions and views of investors seriously. In addition, it also provided them with opportunities to visit and understand relevant projects, making them really owners of the Company. During the reporting period, the Company invites investors to participate in the "Neusoft Solutions Forum" to enable investors to gain insight into the company's innovative strategies and key business development. The Company received a total number of 74 investors throughout 2012.

(3) Build up incentive/monitoring systems

Up to now, no equity incentive plans have been made available. As a high-tech company focusing on computer software, the Company has a number of high-quality talents who are important to its survival and development. Due to inadequate senior talents and fast talent turnover existing in China's computer software industry, the Company will, in accordance with the regulations of competent authorities, develop equity incentive plans based on actual conditions to protect the interests of the Company and its shareholders and employees, thus perfecting corpo-

rate governance and promoting normal operation and sustainable development.

(4) Optimize internal control systems

The Company attaches great importance to internal control management and encourage all employees to participate. Focusing on "improving internal control systems to ensure effective operation", the Company has, targeting "effective design and efficient implementation", comprehensively strengthened the implementation of the internal control standards and established a risk-control oriented, system-based internal control system with complete processes.

During the reporting period, the Company has continuously implemented and optimized the internal control management. In accordance with the *Basic Standards for Enterprise Internal Control* and *The Guidelines for Enterprise Internal Control* released by the Ministry of Finance and other five ministries, the Company improved risk assessment, summarized the risk control & management process, perfected various operations and management systems, optimized internal information systems, and carried out internal control assessment, to actively make further improvement on internal control systems.

(5) Develop and implement the system of management of insider information sources

The Company has developed a System of Management of Insider Information Sources to define the scope of insider information and its sources as well as registration, confidentiality, obligation and responsibility of the sources.

During the reporting period, no insider information sources have bought or sold any share of the Company by leveraging the information they possess prior to the disclosure of material sensitive information.

(6) Reinforce the training of directors, supervisors and senior management

The Company helped the directors, supervisors and senior management enforce self-discipline by causing them to learn the laws, regulations and rules formulated by competent authorities in order to further strengthen the directors' knowledge and understanding of standard operation in good faith and promote the normal operation ideal. During the reporting period, in order to further strengthen the Company's internal management, the Company classified and customized the responsibility and rules of the domestic subsidiaries according to the actual situation. Trainings for corresponding management staff is also or organized to enhance their knowledge and understanding of standard operation in good faith and promote normal operation as well as improve corporate governance.

In addition to continuous consolidation and perfection of corporate governance, the Company will further enhance the development of corporate management and internal control systems accordingly, standardize the operation of the Shareholders' Meeting, Board of Directors and Board of Supervisors, and continually improve the directors, supervisors and senior management's knowledge and understanding of standard operation in good faith in accordance with applicable laws and regulations as well as relevant regulatory documents such as the *Company*

Law of the People's Republic of China, Securities Law of the People's Republic of China, Administrative Measures for the Disclosure of Information of Listed Companies and Stock Listing Rules to promote standard operation and corporate governance.

8.2 Shareholders' Meeting

8.2.1 The 1st Session of Interim Shareholders' Meeting in 2012

At the first interim Shareholders' Meeting 2012 held on March 30th 2012, the *Proposal on Signing Letter of Intent and other related documents with Alpine Electronics (China) Co., Ltd.* was approved.

Please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) for more information about relevant notice which was disclosed on March 31st, 2012.

8.2.2 The 2011 Shareholders' Meeting

At the 2011 Shareholders' Meeting hold on June 19th 2011, the following proposals were approved:

- 1) Annual Report of the Board of Directors 2011
- 2) Annual Report 2011
- 3) Annual Report of the Board of Supervisors 2011;
- 4) Annual Reports of Independent Directors
- 5) Annual Financial Report 2011;
- 6) Proposal on Profit Distribution 2011;
- 7) Proposal on Employment of Financial Auditing Agency 2012;
- 8) Proposal on Estimate of Route Related Transactions 2012;
- 9) Proposal on Re-election of the Board of Supervisors

Please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) for more information about relevant notice which was disclosed on June 20th 2012.

8.2.3 The 2nd Session of Interim Shareholders' Meeting in 2012

At the 2nd Session of Interim Shareholders' Meeting holds on September 18th 2012, the following proposals were approved:

1. Proposal on revising the Articles of Association

2. Proposal on the amount of security for bank loans of shareholder Aerotel Medical Systems (1998) Ltd.

Please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) for more information about relevant notice which was disclosed on September 19th 2012.

8.3 Directors' performance of duties and responsibilities

8.3.1 Attendance to the meetings of the Board of Directors and the Shareholders' Meeting

During the reporting period, the Board of Directors held 8 sessions of meeting in total, including 3 in-person meetings and 6 tele/video conferences. The content below shows the attendance of directors in such meetings.

Name of director	Independent director	Attendance at the meetings of the Board of Directors						Attendance at the Shareholders' Meeting
		Number of attendance to meetings of the Board of Directors in 2012	Number of personal attendance	Number of attendance by telephone/video means	Number of delegate attendance	Number of absence	Failure to attend the meeting of the Board of Directors for two consecutive years	Times
Liu Jiren	No	8	8	6	0	0	No	3
Wang Yongfeng	No	8	8	6	0	0	No	3
Seizo Ishiguro	No	8	7	6	1	0	No	0
Klaus Michael Zimmer	No	8	7	6	1	0	No	2
Akira Kasano	No	8	7	6	1	0	No	3
Chen Ximin	No	3	3	2	0	0	No	3
Fang Hongxing	Yes	8	8	6	0	0	No	2
Xue Lan	Yes	8	8	6	0	0	No	1
Gao Wen	Yes	8	7	6	1	0	No	0

8.3.2 Dissidence to items relevant to the Company from independent directors

During the reporting period, no independent directors raise any objection against the resolutions and other items of the Board of Directors.

8.4 Important suggestions proposed by special committees under the Board during the reporting period

The Board of Directors has four special committees including the Strategy/Decision Making Committee, Nomination Committee, Auditing Committee and Compensation & Evaluation Committee. Independent directors actively participated in the operations of the special committees, playing an essential role in decision making for important issues.

1. Nomination Committee

The Nomination Committee of the Company is consisted of 3 members, including 2 independent directors, one of whom serves as Chairman. In 2012, the Nomination Committee fulfilled its duties and responsibilities actively including nominating directors, senior management staffs.

2. Auditing Committee

The Auditing Committee of the Company is made up of 3 independent directors. Among them, Fang Hongxing is an expert in accounting who also serves as Chairman of the Committee. During the reporting period, the Auditing Committee fulfilled its duties and responsibilities regarding annual report and related transaction auditing in a diligent and faithful manner.

3. The Compensation and Evaluation Committee

The Compensation and Evaluation Committee is made up of three members, of which, two are independent directors with one serving as Chairman of the Committee. In 2012, the Committee fulfilled its duties and responsibilities actively including reviewing the Company's compensation systems for employees and senior executives.

8.5 The Board of Supervisors' Statement on existing risks of the Company

The Board of Supervisors has no objection against the auditing items during the reporting period.

8.6 Statement on disclaimer of warranty for independent operations in business, personnel, assets, organization, finance and other aspects for its controlling shareholders

By the end of the reporting period, the Company has no controlling shareholders.

8.7 Establishment and implementation of evaluation & incentive mechanism for senior management during the reporting period

In order to protect the interests of the Company and its shareholders, the Company has to deal with the challenges existing in world economy and exploit opportunities found in the industry. It has to maintain a steady development during globalization with an effectively motivated senior management. At Neusoft, senior management strives to keep abreast of developments in industry and market trends and company conditions. Neusoft has perfected the competency model of senior management, kept evaluation by means of balanced score card and 360° feedback, continuously aroused the attention from senior management to business performance and long-term development targets, set great value on leadership improvement and contribution to corporate development and heightened senior management's responsibility and created pride in their posts, thus achieving better results in the stability and development of senior management. Based on the good momentum in globalized and enlarged development, the Company will continue to develop more complete and effective incentive and control systems for senior management in order to achieve continuous improvements in business performance and operation quality.

IX Internal Control

9.1 Internal Control Evaluation Report

Upon release of this Report, the Company shall disclose the Internal Control Evaluation Report 2012. For more information, please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

9.2 Statement on Internal Control Auditing Report

BDO CHINA SHU LUN PAN Certified Public Accountants LLP has conducted auditing and prepared an auditing report for the effectiveness of the internal control for Annual Financial Report 2012.

Upon release of this Report, the Company shall disclose the Internal Control Auditing Report 2012 issued by BDO CHINA SHU LUN PAN Certified Public Accountants LLP. For more information, please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

9.3 Accountability system for material errors on information disclosure in Annual Report and its implementations

The Company formulated the *Accountability System for Material Errors on Information Disclosure in Annual Reports*, defining who shall be liable for material errors on information disclosure in annual reports and relevant punishments.

During the reporting period, no correction of material accounting errors, supplementation of material omissions or rectification of performance prediction was made by the Company.

X Financial Report

Auditors' Report to Shareholders of Neusoft Corporation

Report No.: BDO [2013] 111284

We have audited the accompanying financial statements of Neusoft Corporation ("the Company"), which comprise the balance sheet/consolidated balance sheet as at December 31, 2012, the income statement/consolidated income statement, the cash flow statement/consolidated cash flow statement, the statement of changes in equity/the consolidated statement of changes in equity and the notes thereto for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements. This responsibility includes: selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of the Company as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Li Chen/Jiang Lijun, Chinese Certified Accountants,
BDO CHINA SHU LUN PAN Certified Public Accountants LLP
Shanghai China

Date: March 27th, 2013

Neusoft Corporation
Balance Sheet at December 31

(Expressed in Renminbi unless otherwise indicated)

Assets	Note 13	Year-end balance	Year-begin balance
Current assets:			
Monetary capital		1,047,858,225	831,393,669
Trading financial assets		8,337,715	863,170
Notes receivable		5,767,102	3,042,407
Accounts receivable	13.1	574,584,723	512,545,772
Prepayments		79,912,795	42,660,634
Interests receivable			304,676
Dividends receivable			
Other receivables	13.2	141,169,261	231,779,851
Inventories		399,208,162	234,673,448
Non-current assets due within one year			
Other current assets		88,821,463	168,595,350
Subtotal		2,345,659,446	2,025,858,977
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment	13.3	322,958,466	401,931,507
Long-term accounts receivable			
Long-term equity investment	13.4	2,732,245,904	2,149,288,869
Investment properties		317,051,989	305,082,712
Fixed assets		646,782,233	675,191,398
Construction in progress		32,673,149	9,967,715
Construction supplies			
Disposal of fixed assets			
Capitalized biological assets			
Oil & gas assets			
Intangible asset		136,005,401	141,016,756
Development expenditures			
Goodwill			
Long-term deferred expenses		12,963,672	11,667,429
Deferred tax assets		43,327,690	31,162,641
Other non-current assets			
Subtotal		4,244,008,504	3,725,309,027
Total		6,589,667,950	5,751,168,004

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Balance Sheet at December 31 (Continued)
(Expressed in Renminbi unless otherwise indicated)

Liabilities and owners' (shareholders') equity	Note 13	Year-end balance	Year-begin balance
Current liabilities:			
Short-term borrowings		500,000,000	250,000,000
Trading financial liabilities			170,567
Notes payable		106,763,675	83,204,957
Accounts payable		332,931,203	367,795,074
Advance receipts		321,840,397	325,614,892
Employee pays payable		145,123,164	132,562,557
Taxes payable		28,556,889	28,775,208
Interests payable			
Dividends payable			
Other payables		218,140,587	114,428,677
Non-current liabilities due within one year			
Other current liabilities			
Subtotal		1,653,355,915	1,302,551,932
Non-current liabilities:			
Long-term borrowings			
Bonds payable	13.5	403,658,667	403,658,667
Long-term accounts payable		134,501,075	134,501,075
Special accounts payable			
Estimated liabilities		14,746,497	11,890,630
Deferred tax liabilities		833,772	86,317
Other non-current liabilities		140,417,544	126,805,810
Subtotal		694,157,555	676,942,499
Total		2,347,513,470	1,979,494,431
Owners' (shareholders') equity:			
Paid-in capital (share capital)		1,227,594,245	1,227,594,245
Capital reserves		353,061,885	353,061,885
Less: treasury stocks			
Special reserves			
Surplus reserves		658,985,598	588,413,462
General risk provisions			
Undistributed profits		2,002,512,752	1,602,603,981
Subtotal		4,242,154,480	3,771,673,573
Total		6,589,667,950	5,751,168,004

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Balance Sheet at December 31
(Expressed in Renminbi unless otherwise indicated)

Assets	Note 5	Year-end balance	Year-begin balance
Current assets:			
Monetary capital	5.1	2,095,472,280	1,738,515,965
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Trading financial assets	5.2	14,917,183	863,170
Notes receivable	5.3	14,342,063	36,215,245
Accounts receivable	5.4	1,407,087,344	1,161,288,549
Prepayments	5.6	118,441,067	57,312,087
Premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Interests receivable			
Dividends receivable			
Other receivables	5.5	204,764,870	179,486,463
Securities purchased under resale agreements			
Inventories	5.7	830,972,882	585,158,868
Non-current assets due within one year			
Other current assets	5.8	14,290,515	14,262,836
Subtotal		4,700,288,204	3,773,103,183
Non-current assets:			
Disbursement of entrusted loans and advances			
Available-for-sale financial assets			
Held-to-maturity investment	5.9	403,159,918	401,931,507
Long-term accounts receivable	5.10	25,954,175	150,710,187
Long-term equity investment	5.12	390,074,357	703,226,389
Investment properties	5.13	317,051,989	438,134,937
Fixed assets	5.14	1,801,268,482	1,395,400,942
Construction in progress	5.15	195,555,957	307,799,158
Construction supplies			
Disposal of fixed assets			
Capitalized biological assets			
Oil & gas assets			
Intangible asset	5.16	389,276,138	428,316,641
Development expenditures			
Goodwill	5.17	140,387,437	227,376,502
Long-term deferred expenses	5.18	72,063,173	53,694,146
Deferred tax assets	5.19	66,353,503	45,591,522
Other non-current assets			
Subtotal		3,801,145,129	4,152,181,931
Total		8,501,433,333	7,925,285,114

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Balance Sheet at December 31 (Continued)
(Expressed in Renminbi unless otherwise indicated)

Liabilities and owners' (shareholders') equity	Note 5	Year-end balance	Year-begin balance
Current liabilities:			
Short-term borrowings	5.21	511,312,055	470,000,000
Borrowings from central bank			
Customer and interbank deposits			
Borrowings from bank and other financial institutions			
Trading financial liabilities	5.22		170,567
Notes payable	5.23	107,630,675	83,204,957
Accounts payable	5.24	620,096,812	543,996,141
Advance receipts	5.25	497,627,237	452,920,955
Securities sold under repurchase agreements			
Fees and commissions payable			
Employee pays payable	5.26	329,621,795	292,042,551
Taxes payable	5.27	65,941,991	67,567,092
Interests payable			205,724
Dividend payable			
Other payables	5.28	212,020,218	149,882,015
Cession insurance premiums payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Non-current liabilities due within one year			
Other current liabilities		120,743	71,666
Subtotal		2,344,371,526	2,060,061,668
Non-current liabilities:			
Long-term borrowings	5.30	84,000,000	104,000,000
Bonds payable	5.31	403,658,667	403,658,667
Long-term accounts payable	5.32	179,459,431	134,609,431
Special accounts payable			
Estimated liabilities	5.29	18,628,581	15,686,425
Deferred tax liabilities	5.19	3,738,493	2,409,781
Other non-current liabilities	5.33	222,597,627	189,735,874
Subtotal		912,082,799	850,100,178
Total		3,256,454,325	2,910,161,846

Continued table

Liabilities and owners' (shareholders') equity	Note 5	Year-end balance	Year-begin balance
Owners' (shareholders') equity			
Paid-in capital (share capital)	5.34	1,227,594,245	1,227,594,245
Capital reserves	5.35	356,289,108	362,247,201
Less: treasury stocks			
Special reserves			
Surplus reserves	5.36	667,275,850	596,703,714
General risk provisions			
Undistributed profits	5.37	2,922,439,964	2,536,698,174
Converted difference in foreign currency statements		-54,261,434	-48,565,779
Total owners' equity attributable to parent company		5,119,337,733	4,674,677,555
Minority interest		125,641,275	340,445,713
Subtotal		5,244,979,008	5,015,123,268
Total		8,501,433,333	7,925,285,114

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Income Statement 2012

(Expressed in Renminbi unless otherwise indicated)

Item	Note 13	Amount in this period	Amount in previous period
1. Revenue from operations	13.6	3,705,696,757	3,027,330,275
Less: Operating costs	13.6	2,694,231,947	2,193,319,213
Business taxes and surtaxes		73,695,704	55,114,928
Sales expenses		192,933,758	153,527,526
Administrative expenses		376,159,961	354,954,095
Financial expenses		40,914,330	5,338,347
Impairment loss on assets		33,446,174	12,104,692
Add: Income from change in fair value ("- " for loss)		7,645,112	950,557
Investment income ("- " for loss)	13.7	116,274,913	14,018,085
Including: Income from investment on associates and joint ventures		1,448,885	6,038,618
2. Operating profit ("- " for loss)		418,234,908	267,940,116
Add: Non-operating incomes		93,473,496	115,768,235
Less: Non-operating expenses		1,633,648	3,391,560
Including: Loss on disposal of non-current assets		1,027,214	1,594,749
3. Total profit ("- " for loss)		510,074,756	380,316,791
Less: Income tax		39,593,849	32,384,441
4. Net profit ("- " for loss)		470,480,907	347,932,350
5. Earning per share (EPS):			
(1) Basic EPS			
(2) Diluted EPS			
6. Other composite income			
7. Total composite income		470,480,907	347,932,350

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Income Statement 2012
(Expressed in Renminbi unless otherwise indicated)

Item	Note 5	Amount in this period	Amount in previous period
1. Revenue from operations		6,960,195,011	5,751,249,330
Including: Operating income	5.38	6,960,195,011	5,751,249,330
Interest income			
Earned premium			
Fee and commission income			
2. Total cost of operations		6,677,046,223	5,484,036,286
Including: Operating costs	5.38	4,729,720,928	4,004,998,405
Interest expenses			
Fee and commission expenses			
Retirement pension			
Net compensation expenses			
Net reserves for reinsurance contract			
Policy dividend expenses			
Reinsurance expenses			
Business taxes and surtaxes	5.39	111,108,386	96,105,687
Sales expenses	5.40	635,074,786	497,920,161
Administrative expenses	5.41	985,944,947	819,957,825
Financial expenses	5.42	78,565,067	23,649,196
Impairment loss on assets	5.45	136,632,109	41,405,012
Add: Income from change in fair value ("- " for loss)	5.43	14,224,580	950,557
Investment income ("- " for loss)	5.44	112,124,066	42,136,578
Including: Income from investment on associates and joint ventures		39,038,402	39,714,198
Exchange income ("- " for loss)			
3. Operating profit ("- " for loss)		409,497,434	310,300,179
Add: Non-operating incomes	5.46	139,552,127	188,085,954
Less: Non-operating expenses	5.47	6,381,048	5,499,473
Including: Loss on disposal of non-current assets		5,173,148	2,748,601
4. Total profit ("- " for loss)		542,668,513	492,886,660
Less: Income tax	5.48	106,899,561	69,341,108

Continued table

Item	Note 5	Amount in this period	Amount in previous period
5. Net profit ("-" for loss)		435,768,952	423,545,552
Including: Net profit of the merged party which has been realized prior to the combination			
Net profit attributable to the shareholders of the parent company		456,313,926	417,068,980
Minority interest		-20,544,974	6,476,572
6. EPS:			
(1) Basic EPS	5.49	0.37	0.34
(2) Diluted EPS	5.49	0.37	0.34
7. Other composite income	5.50	-11,853,741	-22,413,285
8. Total composite income		423,915,211	401,132,267
Total composite income attributable to the shareholders of the parent company		444,420,178	394,468,919
Total composite income attributable to minority shareholders		-20,504,967	6,663,348

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Cash Flow Statement 2012

(Expressed in Renminbi unless otherwise indicated)

Item	Amount in this period	Amount in previous period
1. Cash flow from operating activities		
Cash received from the sales of products or provision of labor services	3,888,212,496	3,015,281,197
Tax refund	32,015,708	58,520,232
Other cash receipts relating to operating activities	1,498,246,370	1,325,930,211
Subtotal	5,418,474,574	4,399,731,640
Cash paid for goods and labor services	3,227,360,254	3,048,007,907
Cash paid to and for employees	924,942,579	607,331,520
Payments for taxes	216,183,677	144,833,142
Other cash payment relating to operating activities	699,540,199	183,083,465
Subtotal	5,068,026,709	3,983,256,034
Net cash flow from operating activities	350,447,865	416,475,606
2. Cash flow from investment activities		
Cash received from disinvestment	1,360,000,000	
Cash received from investment income	109,127,566	6,047,960
Net cash received from disposal of fixed assets, intangible asset and other long-lived assets	26,855,346	25,126,894
Net cash received from disposal of subsidiaries and other operating units	54,523,596	
Other cash received relating to investment activities	299,939,131	126,446,883
Subtotal	1,850,445,639	157,621,737
Cash paid for purchase/construction of fixed assets, intangible asset and other long-lived assets	79,611,913	123,858,787
Cash paid for investment	1,020,000,000	400,000,000
Net cash received from subsidiaries and other operating units	875,000,000	544,151,832
Other cash payments relating to investment activities	210,143,985	109,149,331
Subtotal	2,184,755,898	1,177,159,950
Net cash flow from investment activities	-334,310,259	-1,019,538,213
3. Cash flow from financing activities		
Cash received from investors		
Cash received from borrowings	500,000,000	300,000,000
Cash received from issuing bonds		400,000,000
Other cash received relating to financing activities		
Subtotal	500,000,000	700,000,000

Continued table

Item	Amount in this period	Amount in previous period
Cash paid for borrowings	250,000,000	180,000,000
Cash paid for dividends, profit distribution or interest expenses	47,114,736	14,325,313
Other cash paid relating to financing activities	100,000	1,242,000
Subtotal	297,214,736	195,567,313
Net cash flow from financing activities	202,785,264	504,432,687
4. Effect of change in exchange rate on cash and cash equivalents	-2,458,314	-2,682,913
5. Net increase of cash and cash equivalents	216,464,556	-101,312,833
Add: Year-begin cash and cash equivalent balance	831,393,669	932,706,502
6. Year-end cash and cash equivalent balance	1,047,858,225	831,393,669

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Cash Flow Statement 2012
(Expressed in Renminbi unless otherwise indicated)

Item	Note 5	Amount in this period	Amount in previous period
1. Cash flow from operating activities			
Cash received from sales of products or provision of labor services		7,275,198,214	5,904,584,629
Net increase of customer and inter-bank deposits			
Net increase of loans from central bank			
Net increase of borrowings from other financial institutions			
Cash received from primary insurance premium			
Net cash received from reinsurance business			
Net increase of policy holder reserve and investment fund			
Net increase of disposal of trading financial assets			
Cash received from interests, fees and commissions			
Net increase of borrowings from banks and other financial institutions			
Net increase of repurchase business fund			
Tax refund		56,067,242	91,508,307
Other cash receipts relating to operating activities	5.51	366,904,197	341,055,750
Subtotal		7,698,169,653	6,337,148,686
Cash paid for goods and labor services		3,462,929,495	2,888,590,902
Net increase of loans and advances to customers			
Net increase of deposits in central bank and other banks			
Cash paid for primary insurance indemnity			
Cash paid for interests, fees and commissions			
Cash paid for policy dividend			
Cash paid to and for employees		2,892,181,223	2,327,332,220
Payments for taxes		521,646,458	337,820,086
Other cash payments relating to operating activities	5.51	504,176,955	483,208,874
Subtotal		7,380,934,131	6,036,952,082
Net cash flow from operating activities		317,235,522	300,196,604
2. Cash flow from investment activities			
Cash received from disinvestment		1,116,000,000	
Cash received from investment income		49,327,100	24,010,000

Continued table

Item	Note 5	Amount in this period	Amount in previous period
Net cash received from disposal of fixed assets, intangible asset and other long-lived assets		27,099,505	158,526,740
Net cash received from disposal of subsidiaries and other operating units		415,773,861	
Other cash received relating to investment activities	5.51	270,000	15,905,244
Subtotal		1,608,470,466	198,441,984
Cash paid for purchase/construction of fixed assets, intangible asset and other long-lived assets		406,343,260	412,253,867
Cash paid for investment		1,116,000,000	400,000,000
Net increase of pledged loan			
Net cash received from subsidiaries and other operating units		38,500,000	153,044,444
Other cash payments relating to investment activities	5.51	143,985	2,400,926
Subtotal		1,560,987,245	967,699,237
Net cash flow from investment activities		47,483,221	-769,257,253
3. Cash flow from financing activities			
Cash received from investors		60,288,436	21,561,981
Including: Cash received from investment absorption of minority shareholders by subsidiaries		60,288,436	21,561,981
Cash received from borrowings		642,975,880	677,000,000
Cash received from issuing bonds			400,000,000
Other cash received relating to financing activities			
Subtotal		703,264,316	1,098,561,981
Cash paid for borrowings		625,800,807	533,277,160
Cash paid for dividends, profit distribution or interest expenses		62,454,803	34,665,024
Including: Dividends & profits paid to minority shareholders by subsidiaries		3,610,159	3,244,741
Other cash paid relating to financing activities	5.51	100,000	1,242,000
Subtotal		688,355,610	569,184,184
Net cash flow from financing activities		14,908,706	529,377,797
4. Effect of change in exchange rate on cash and cash equivalents		-28,135,034	-11,589,325
5. Net increase of cash and cash equivalents		351,492,415	48,727,823
Add: Year-begin cash and cash equivalent balance		1,736,706,930	1,687,979,107
6. Year-end cash and cash equivalent balance		2,088,199,345	1,736,706,930

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation

Statement of Changes in Equity 2012

(Expressed in Renminbi unless otherwise indicated)

Item	Amount in this period							Total
	Paid-in capital (share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	
1. Balance at the end of 2011	1,227,594,245	353,061,885			588,413,462		1,602,603,981	3,771,673,573
Add: Change in accounting policies								
Prior-period error correction								
Other								
2. Year-begin balance	1,227,594,245	353,061,885			588,413,462		1,602,603,981	3,771,673,573
3. Changes through 2012 ("-" for decrease)					70,572,136		399,908,771	470,480,907
(1) Net profit							470,480,907	470,480,907
(2) Other composite income								
Subtotal of (1) & (2)							470,480,907	470,480,907
(3) Capital paid in and reduced by owners								
1) Capital paid in by owners								
2) Amounts of share-based payments recognized in owners' equity								
3) Other								
(4) Dividends					70,572,136		-70,572,136	
1) Appropriation of surplus reserves					70,572,136		-70,572,136	
2) Appropriation of general risk provisions								
3) Dividends to owners (shareholders)								
4) Other								
(5) Internal carry-over of shareholders' equity								
1) Capitalized capital reserves								
2) Capitalized surplus reserves								
3) Surplus reserves for making up losses								
4) Other								
(6) Special reserves								
1) Appropriation								
2) Use								
(7) Other								
4. Year-end balance	1,227,594,245	353,061,885			658,985,598		2,002,512,752	4,242,154,480

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation
Statement of Changes in Equity 2012 (Continued)

(Expressed in Renminbi unless otherwise indicated)

Item	Amount in previous period							Total
	Paid-in capital (share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	
1. Balance at the end of 2011	1,227,594,245	353,061,885			536,223,609		1,306,861,484	3,423,741,223
Add: Changes in accounting policies								
Prior-period error correction								
Other								
2. Year-begin balance	1,227,594,245	353,061,885			536,223,609		1,306,861,484	3,423,741,223
3. Changes through 2012 ("-" for decrease)					52,189,853		295,742,497	347,932,350
(1) Net profit							347,932,350	347,932,350
(2) Other composite income								
Subtotal of (1) & (2)							347,932,350	347,932,350
(3) Capital paid in and reduced by owners								
1) Capital paid in by owners								
2) Amounts of share-based payments recognized in owners' equity								
3) Other								
(4) Dividends					52,189,853		-52,189,853	
1) Appropriation of surplus reserves					52,189,853		-52,189,853	
2) Appropriation of general risk provisions								
3) Dividends to owners (shareholders)								
4) Other								
(5) Internal carry-over of shareholders' equity								
1) Capitalized capital reserves								
2) Capitalized surplus reserves								
3) Surplus reserves for making up losses								
4) Other								
(6) Special reserves								
1) Appropriation								
2) Use								
(7) Other								
4. Year-end balance	1,227,594,245	353,061,885			588,413,462		1,602,603,981	3,771,673,573

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation

Consolidated Statement of Changes in Equity 2012

(Expressed in Renminbi unless otherwise indicated)

Item	Amount in this period										Total	
	Equity attributable to parent company											Minority interest
	Paid-in capital (share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Other				
1. Balance at the end of 2011	1,227,594,245	362,247,201			596,703,714	2,536,698,174	-48,565,779			340,445,713	5,015,123,268	
Add: Changes in accounting policies												
Prior-period error correction												
Other												
2. Year-begin balance	1,227,594,245	362,247,201			596,703,714	2,536,698,174	-48,565,779			340,445,713	5,015,123,268	
3. Changes through 2012 ("-" for decrease)		-5,958,093			70,572,136	385,741,790	-5,695,655			-214,804,438	229,855,740	
(1) Net profit						456,313,926				-20,544,974	435,768,952	
(2) Other composite income		-6,198,093								40,007	-11,853,741	
Subtotal of (1) & (2)		-6,198,093				456,313,926				-20,504,967	423,915,211	
(3) Capital paid in and reduced by owners		240,000								-190,689,312	-190,449,312	
1) Capital paid in by owners		240,000								60,008,427	60,248,427	
2) Amounts of share-based payments recognized in owners' equity												
3) Other												
(4) Dividends										-250,697,739	-250,697,739	
1) Appropriation of surplus reserves					70,572,136	-70,572,136				-3,610,159	-3,610,159	
2) Appropriation of general risk provisions					70,572,136	-70,572,136						
3) Dividends to owners (shareholders)												
4) Other										-3,610,159	-3,610,159	
(5) Internal carry-over of shareholders' equity												
1) Capitalized capital reserves												
2) Capitalized surplus reserves												
3) Surplus reserves for making up losses												
4) Other												
(6) Special reserves												
1) Appropriation												
2) Use												
(7) Other												
4. Year-end balance	1,227,594,245	356,289,108			667,275,850	2,922,439,964	-54,261,434			125,641,275	5,244,979,008	

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation

Consolidated Statement of Changes in Equity 2012 (Continued)

(Expressed in Renminbi unless otherwise indicated)

Item	Amount in this period									
	Equity attributable to parent company									
	Paid-in capital (share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Other	Minority interest	Total
1. Balance at the end of 2011	1,227,594,245	363,002,779			544,513,861		2,171,819,047	-26,721,620	305,004,159	4,585,212,471
Add: Changes in accounting policies										
Prior-period error correction										
Other										
2. Year-begin balance	1,227,594,245	363,002,779			544,513,861		2,171,819,047	-26,721,620	305,004,159	4,585,212,471
3. Changes through 2012 ("-" for decrease)		-755,578			52,189,853		364,879,127	-21,844,159	35,441,554	429,910,797
(1) Net profit							417,068,980		6,476,572	423,545,552
(2) Other composite income		-755,902						-21,844,159	186,776	-22,413,285
Subtotal of (1) & (2)		-755,902					417,068,980	-21,844,159	6,663,348	401,132,267
(3) Capital paid in and reduced by owners		324							32,022,947	32,023,271
1) Capital paid in by owners		324							32,925,491	32,925,815
2) Amounts of share-based payments recognized in owners' equity										
3) Other									-902,544	-902,544
(4) Dividends					52,189,853		-52,189,853		-3,244,741	-3,244,741
1) Appropriation of surplus reserves					52,189,853		-52,189,853			
2) Appropriation of general risk provisions										
3) Dividends to owners (shareholders)										
4) Other									-3,244,741	-3,244,741
(5) Internal carry-over of shareholders' equity										
1) Capitalized capital reserves										
2) Capitalized surplus reserves										
3) Surplus reserves for making up losses										
4) Other										
(6) Special reserves										
1) Appropriation										
2) Use										
(7) Other										
4. Year-end balance	1,227,594,245	362,247,201			596,703,714		2,536,698,174	-48,565,779	340,445,713	5,015,123,268

The accompanying Notes are integral part of these financial statements.

Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaou Accounting body's principal: Shi Peijun

Neusoft Corporation

Notes to Financial Statements 2012

Note 1 Company Profile

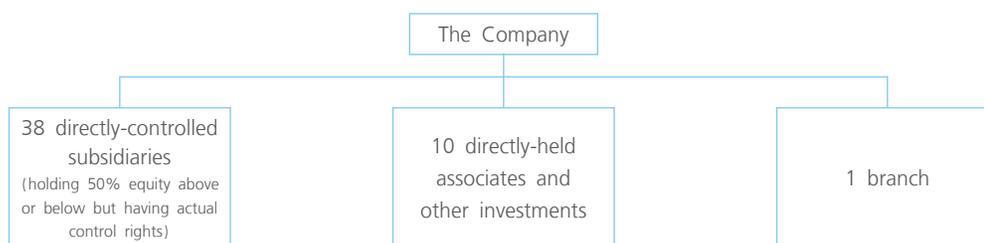
Neusoft Corporation ("the Company") formerly "Shenyang Neusoft Co., Ltd.", is a Sino-foreign joint venture duly organized and registered in the People's Republic of China, under the approval and authorization numbered (1993) 47 by Shenyang Economic System Reform Commission on June 7th, 1993. The registration number of the Company's Business License is 210100402001491. In June 1996, the Company was listed on Shanghai Stock Exchange in the category of IT.

The company came from two college start-ups of the Northeastern University, OPENSOFTE System Co., Ltd. of Northeast Institute of Technology ("OPENSOFTE System") and Shenyang Neu-Alpine Software Co., Ltd. ("Neu-Alpine Software"). OPENSOFTE System was incorporated as a high-tech company in Shenyang National New and High-tech Industrial Development Zone, formerly known as Shenyang Nanhu Sci-tech Development Zone, in April 1991; it was also one of the earliest high-tech companies going through ownership restructuring in the Zone. Neu-Alpine Software was a joint venture established in June 1991 with Alpine Electronics Inc. The company came from two college start-ups of the Northeastern University, OPENSOFTE System Co., Ltd. of Northeast Institute of Technology ("OPENSOFTE System") and Shenyang Neu-Alpine Software Co., Ltd. ("Neu-Alpine Software"). OPENSOFTE System was incorporated as a high-tech company in Shenyang National New and High-tech Industrial Development Zone, formerly known as Shenyang Nanhu Sci-tech Development Zone, in April 1991; it was also one of the earliest high-tech companies going through ownership restructuring in the Zone. Neu-Alpine Software was a joint venture established in June 1991 with Alpine Electronics Inc. In June 1993, the Company initiated its shareholding reform program. On May 9th, 1996, under the authorization of China Securities Regulatory Commission ("CSRC"), the Company issued 15 million shares of common stocks during its domestic initial public offering; on June 18th, 1996, the Company was listed on the Shanghai Stock Exchange. On February 5th, 2004, Neusoft Group Ltd., the original controlling shareholder of the Company, acquired the foreign legal person's shares held by Alpine Electronic (China) Co., Ltd., formerly the Company's second largest shareholder. The Company hereto became a domestic-funded stock corporation after finishing Registration of Change on March 5th, 2004. On March 27th, 2006, the Company's Meeting of Shareholders approved its Split Share Structure Reform Proposal; further, on April 7th, 2006, Neusoft Group Ltd. completed the payment to shareholders of tradable shares with 28,314,574 shares and cash of RMB 41,339,277 Yuan (2.5 shares and 3.65 Yuan for every 10 tradable shares). With the same total shares as before,

the Company's stock structure was changed after the reform. The Company merged Neusoft Group Ltd. on January 16th, 2008 and finished corresponding share registration and cancellation procedures in Shanghai Branch of China Securities Depository and Clearing Corporation Limited under the authorization of CSRC on March 11th, 2008. After the registration of cancellation on April 28th, 2008, the Company became a Sino-foreign joint venture with 28.62% of shares owned by foreign shareholders. On May 30th, 2008, the Meeting of Shareholders for Year 2007 approved the change of company name from "Shenyang Neusoft Co., Ltd." to "Neusoft Corporation". On June 5th, 2008, the Company finished registration of changes in name and domicile. On October 29th, 2008, the Company carried out 2008 Half-yearly Profit Distribution and Share Capital Raise Program, under which, based on total share capital of 524,612,925 shares as at June 30th, 2008, bonus shares were distributed to all shareholders on a 2-for-10 basis, and capital reserves were converted into share capital on a 6-for-10 basis. Total 419,690,340 shares were distributed and converted, increasing the Company's registered capital to RMB 944,303,265 Yuan. In July 2010, the Company executed 2009 Profit Distribution and Share Capital Raise Program, under which, based on total share capital of 524,612,925 shares as at December 31st, 2009, capital reserves were converted into share capital on a 3-for-10 basis. Total 283,290,980 shares were converted, increasing the Company's registered capital to RMB 1,227,594,245 Yuan. On March 14th, 2011, 900,294,040 tradable shares held by the Company's shareholders such as Northeastern University Science & Technology Industry Group Co., Ltd., subject to trading restrictions, were listed. Till then, all the Company's 1,227,594,245 shares were tradable shares without trading restrictions hereto.

As at December 31st, 2012, the Company and its subsidiaries ("the Group") have evolved into a high-tech complex specialized in industry solutions, product engineering solutions related software products/platform and services through seamless integration of software and services, and manufacturing/sales of digital medical systems covering CT, X-ray, Color Doppler Ultrasound and Nuclear Magnetic Resonance, etc. The Company's registered address is at No. 2 Xinxiu Street, Hunnan New District, Shenyang, China; and the headquarter is located at Neusoft Software Park, No. 2 Xinxiu Street, Hunnan New District, Shenyang, China.

As at December 31st, 2012, the Company's corporate structure is as follows:



Note 2 Principal Accounting Policies, Accounting Estimates and Errors

2.1 Basis of Preparation of the Financial Statements

These Financial Statements have been prepared on the basis of the Company's continuous operations and actually occurred transactions and events in accordance with the Accounting Standards for Business Enterprises, including the Basic Standards and 38 detailed standards issued by the Ministry of Finance of the People's Republic of China on February 15th, 2006 and the subsequently issued application guide, interpretations and other relevant provisions ("hereafter collectively referred to as "Accounting Standards for Business Enterprises"), as well as the Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports (revision 2010) issued by the CSRC.

2.2 Statement of Compliance with the Accounting Standards for Business Enterprise

The Company's Financial Statements have been prepared in accordance with the Accounting Standards for Business Enterprises and give a true and fair view of the Company's financial position, results of operations, cash flows and other relevant information obtained and applied in 2012.

2.3 Accounting Period

The accounting period is from January 1 to December 31, 2012.

2.4 Functional Currency

The functional currency of the Company is Chinese Renminbi (RMB).

The functional currencies of the Company's overseas subsidiaries/units are based on local currencies and translated into RMB when preparing the Financial Statements.

2.5 Accounting Methods for Business Combination

2.5.1 Business combination under common control

The assets and liabilities obtained by the Company through business combination under common control shall be measured on the basis of their book values within the acquiree on the acquisition date. If the accounting policies adopted by the acquiree are different from that of the Company, the Company shall, on the acquisition date, adjust the book values according to its accounting policies and recognize the assets and liabilities based on the book values after the adjustment.

The difference between the book value of the net assets obtained from the acquisition and that of the acquisition consideration (or the total amount of par value of the shares issued) shall be firstly offset against capital surplus and then debited to retained earnings if the capital surplus is insufficient for offsetting.

The Company's direct costs arising from the business combination, including the expenses for audit, assess-

ment and legal services shall be included in current profit and loss statement (P&L).

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be firstly offset against the surplus revenue from equity securities and then debited to retained earnings if the surplus revenue is insufficient for offsetting.

2.5.2 Business combination under non-common control

The assets paid and liabilities assumed by the Company through business combination not under common control on the acquisition date shall be measured by their fair values. The difference between their fair values and book values shall be included in current P&L.

The Company shall allocate the combination costs on the acquisition date and recognize the fair values of all identifiable assets, liabilities and contingent liabilities obtained from the acquiree.

If the combination cost exceeds the fair value of the identifiable net assets obtained from the acquiree, the difference shall be recognized as goodwill; otherwise, it will be included in current P&L after review.

As for all the other assets excluding intangible asset acquired from the acquiree in the combination (not limited to the assets which have been recognized by the acquiree), if the economic benefit brought by them is likely to flow in the Company and their fair values can be measured reliably, they shall be separately recognized and measured by their fair values; for any intangible asset, if its fair value can be measured reliably, it shall be separately recognized as intangible asset and measured at fair value; for all the other liabilities excluding contingent liabilities, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the Company, and their fair values can be measured reliably, they shall be separately recognized and measured at fair value; and for the contingent liabilities, if their fair value can be measured reliably, they shall be separately recognized as liabilities and measured at fair value.

The deductible temporary differences obtained from the acquiree through the combination shall not be recognized if they are not qualified for conditions of recognition of deferred income tax assets on the acquisition date. Within 12 months after the acquisition date, if any new information or further information can prove the relevant situation has existed since the acquisition date and the economic benefit from the deductible temporary differences may be achieved, such deductible temporary differences shall be recognized as deferred income tax assets; Goodwill shall be deducted hereto. If the goodwill is not sufficient for offsetting, the difference shall be included in current P&L. Otherwise the above-mentioned conditions, deferred income tax assets related to business combination shall be recognized and included in current P&L.

In any business combination under non-common control, the acquirer's expenses of audit, legal services, assessment and consulting services, agent fees and other related administrative expenses shall be included in current

P&L; the transaction expenses for the issuance of equity securities for the business combination shall be included in the initially recognized amount of equity securities or bonds.

2.6 Preparation of the consolidated financial statements

The scope of consolidated financial statements is confirmed based on the Company's control over its subsidiaries; and all the Company's subsidiaries are included in the consolidated financial statements.

The accounting policies and period adopted by the subsidiaries shall be in accordance with that of the Company; otherwise, they shall be adjusted according to the Company's policies and period when preparing the consolidated financial statements. For any subsidiary acquired from business combination under non-common control, its financial statements shall be adjusted based on the fair value of identifiable net assets on the acquisition date. Based on the financial statements of the Company and subsidiaries and other relevant materials, the consolidated financial statements have been prepared by the Company after adjusting long-term equity investment on the subsidiaries by equity method.

When consolidating the financial statements, effect of internal transactions between the Company and subsidiaries or among the subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in equity shall be offset.

The equity, profit and loss attributable to the minority shareholders of the subsidiaries shall be separately indicated under the item of owners' equity in the consolidated balance sheet and the item of net profit in the consolidated income statement. The difference by which the current loss assumed by the minority shareholders of the subsidiaries exceeds the share belonging to them at the beginning of the period shall offset against the minority interest.

During the reporting period, if any subsidiary is obtained through business combination under common control, the year-begin balance of the consolidated balance sheet shall be adjusted; the subsidiary's income, expenses, profit from the beginning of the combination period to the end of the reporting period shall be included in the consolidated income statement; and cash flow in the consolidated cash flow statement.

During the reporting period, if any subsidiary is obtained through business combination under non-common control, the year-begin balance of the consolidated balance sheet shall have no change; the subsidiary's income, expenses, profit from the acquisition date to the end of the reporting period shall be included in the consolidated income statement; and cash flow in the consolidated cash flow statement. For subsidiary obtained by stages through business combination under non-common control, equity in the acquiree held by the Company before the acquisition date shall be re-measured based on its fair value on the acquisition date. Difference between the fair value and book value shall be included into current investment income. If other composite income is involved with the foregoing equity, such income shall be converted into current investment income on the acquisition date.

During the reporting period, in case of disposal of a subsidiary, the subsidiary's income, expenses, profit from the beginning of the period to the disposal date shall be included in the consolidated income statement; and the cash flow included in the consolidated cash flow statement. If the Company loses control over a subsidiary it originally owns due to disposal of part of equity investment or other reasons, the remaining equity investment shall be re-measured based on its fair value on the date when the control is lost. Difference by which the sum of the consideration received on the disposal of equity and the fair value of the remaining equity subtracts the amount of attributable net assets calculated from the purchase date on the basis of the original equity ratio shall be included in investment income in the period when the control is lost. Other composite income relevant to the equity investment in the originally owned subsidiary shall be converted into investment income in the period when the control is lost.

The difference between long-term equity investment newly obtained from purchasing minority interest and the subsidiary's identifiable net assets attributable to the Company which is calculated according to newly increased equity ratio, and the difference between disposal price obtained from disposal of equity investment to the subsidiary, without losing control over the subsidiary, and attributable net assets from disposal of long-term equity investment, shall be firstly offset against capital surplus in the consolidated balance sheet and then debited to retained earnings if the capital surplus is insufficient for offsetting.

2.7 Determination of cash and cash equivalents

In the Financial Statements, cash refers to all cash on hand and deposit held at call with banks. Cash equivalents refer to short-term (due in three months after the purchase date), highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

2.8 Foreign currency transactions and translation

2.8.1 Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the transaction date.

The foreign currency-denominated monetary items shall be translated into RMB at the spot exchange rate on the balance sheet date; and the resulting currency translation difference shall be included in current P&L, except for the exchange difference arising from special foreign currency borrowings related to purchase/construction of assets compliant with capitalization conditions, which shall be disposed according to the principles of capitalization of borrowings. The foreign currency-denominated non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency-denominated non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date when the fair value is determined; the resulting currency translation

differences shall be included in current P&L or capital reserves.

Overseas subsidiaries use their local currencies as the functional currencies. Their foreign currency operations shall be recorded in local currencies at the exchange rate on the operation date. Overseas subsidiaries' monetary assets and liabilities dominated in foreign currencies in the balance sheets shall be translated into local currencies; and the resulting translation difference shall be included in current P&L.

2.8.2 Translation of financial statements represented in foreign currency

Foreign currency-dominated assets and liabilities of overseas subsidiaries included in the Company's financial statements shall be translated into RMB at the spot exchange rate on the balance sheet date; all the other items except for the "Undistributed profits" under the owners' equity shall be translated into RMB at the spot exchange rate on the date of the transactions. Foreign currency-dominated income and expenses in the income statement shall be translated into RMB at the average exchange rate during the reporting period. The resulting translation difference shall be separately indicated under the item of owners' equity in the balance sheet.

When disposing the overseas operations, relevant translation difference indicated under the item of the owners' equity in the balance sheet shall be included in current P&L. If the overseas operations are disposed partially, relevant translation difference based on percentage of the disposal shall be included in current P&L.

2.9 Financial Instruments

Financial instruments include financial asset, financial liability and equity instrument.

2.9.1 Classification

For the purpose of holding financial assets and assuming financial liabilities on a contract basis, the Company's managements classify financial instruments into financial assets measured at fair value through profit or loss, including trading financial assets or liabilities (and directly recognized as financial assets or liabilities measured at fair value through profit or loss); held-to-maturity investment; loans and accounts receivable; available-for-sale financial assets; and other financial liabilities.

2.9.2 Recognition and measurement

(1) Financial assets (liabilities) measured at fair value through profit or loss

Its fair value (deducting cash dividends that have been recognized but not issued or bond interests to be received) upon the acquisition shall be identified as initially recognized amount and the related transaction expenses thereof shall be included in current P&L.

The interests or cash dividends obtained during the holding period shall be recognized as investment income, and change in fair value shall be, at the end of the period, included in current P&L.

On the disposal of the assets, the difference between their fair value and initial book value shall be recognized

as investment income, and the profit or loss of change in fair value shall be accordingly adjusted.

(2) Held-to-maturity investment

The sum of fair value (deducting bond interests to be received) of the assets on the acquisition and relevant transaction expenses shall be identified as initially recognized amount.

During the holding period, the interest income shall be calculated on the basis of amortized cost and real interest rate (coupon rate prevails in case of insignificant difference between real interest rate and coupon rate) and included in the investment income. The real interest rate shall be recognized upon the acquisition and shall have no change during the predicted duration or a shorter applicable term.

On the disposal of the assets, the difference between the sale price and book value shall be included in investment income.

If the Company reclassifies or sells large amount of held-to-maturity investment before maturity (compared with the total amount of such investment before re-classification or sale), the rest of such investment will be re-classified as available-for-sale financial asset; meanwhile, no financial asset shall be classified as a held-to-maturity investment within the current accounting year and the following two complete accounting years. However, the following circumstances shall be excluded:

a) The date of sale or re-classification is quite near to the maturity date or the repurchase date of the said investment (e.g., within 3 months prior to maturity) that any change of the market interest rate has little impact upon the fair value of the said investment;

b) After almost all the initial principal of the investment has been drawn back by way of repayment at fixed intervals or repayment ahead of schedule according to the provisions of the contract, the remaining part of the investment will be sold or re-classified; and

c) The sale or re-classification is caused by any independent event that the Company cannot control, is predicted not to occur again and is hard to be reasonably predicted.

(3) Accounts receivable

The contract price charged to the buyers shall be recognized as initial amount for those receivables which is composed of the Company's accounts receivable by the sale of goods and provision of labor services, and receivables in other companies excluding debt instruments priced in active markets, including accounts receivable, other receivables, notes receivable, prepayments and long-term receivables. Finance receivables shall be initially recognized based on their present value.

On recovery or disposal of accounts receivable, the difference between sale value and book value shall be included in current P&L.

(4) Available-for-sale financial assets

The sum of fair value (deducting cash dividends that have been recognized but not issued or bond interests to be received) and relevant transaction expenses of the assets on the acquisition shall be identified as initially recognized amount.

The interests and cash dividend received during the holding period shall be recognized as investment income and measured at fair value at the end of the period; and change in fair value shall be included in capital reserves (other capital reserves).

On the disposal of the assets, the difference between sale price and book value shall be recognized as investment P&L, and the accumulated amount of changes in fair value caused by the disposal shall be accordingly converted into investment P&L from owners' equity.

(5) Other financial liabilities

The sum of fair value and relevant transaction expenses shall be confirmed as initially recognized amount, and amortized cost shall be used for subsequent measurement.

2.9.3 Recognition and measurement of transfer of financial assets

On the transfer of financial assets, recognition of these assets shall be terminated if nearly all the risks and rewards relating to the ownership have been transferred to the transferee; otherwise, they shall be still recognized as financial assets of the Company.

The principle of "Substance over Form" is adopted in judging the termination or not of recognizing financial assets. The transfer of financial assets is also divided into two cases: entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the amounts of the following two items shall be included in current P&L:

(1) The book value of the transferred financial asset; and

(2) Sum of the consideration received from the transfer, and the accumulated amount of the changes in fair value originally recorded in the owners' equity (in the event that the financial asset involved in the transfer is available-for-sale financial asset).

If the transfer of partial financial asset satisfies the conditions for termination of recognition, the book value of the entire financial asset transferred shall, between the portion whose recognition has been terminated and the portion whose recognition has not been terminated, be allocated at their respective relative fair value, and the difference between the amounts of the following two items shall be included in current P&L:

(1) The book value of the portion whose recognition has been terminated; and

(2) The sum of the consideration of the portion whose recognition has been terminated, and the portion of

the accumulated amounts of the changes in fair value originally recorded in the owners' equity which is corresponding to the portion whose recognition has been terminated (in the event that the financial asset involved in the transfer is available-for-sale financial asset).

The Company shall continue to recognize the financial assets and recognize the received consideration as a financial liability in case the transfer of these financial assets cannot meet the conditions of termination.

2.9.4 Termination of recognition of financial liabilities

If the existing obligations of the financial liabilities have been removed in whole or in part, recognition of the financial liabilities or a part of them shall be terminated. If the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liabilities or part of them, and at the same time recognize the financial liability after the revisions as a new financial liability.

If the recognition of financial liabilities is terminated in whole or in part, the difference between the book value and paid consideration (including transferred non-cash assets or newly assumed financial liabilities) shall be included in current P&L.

If the Company buys back part of its financial liabilities, it shall distribute, on the repurchase day, the entire book value of the financial liabilities in light of the comparative fair values of the part that continues to be recognized and the part whose recognition has already been terminated. The difference between the book value which is distributed to the part whose recognition has been terminated and the paid consideration (including transferred non-cash assets or newly assumed financial liabilities) shall be included in current P&L.

2.9.5 Recognition of fair values of financial assets and liabilities

Financial assets and liabilities measured at fair value shall be directly based on quotation price in active market. During the reporting period, if estimated P&L of the long-term foreign exchange contract is not calculated according to the quoted exchange rate, estimated profit shall be included in P&L of change in fair value and trading financial assets; and estimated loss shall be included in P&L of change in fair value and trading financial liabilities.

2.9.6 Appropriation of impairment provision for financial assets (excluding receivables)

The Company carries out an inspection, on the balance sheet date, on the book value of the financial assets other than those measured at fair value through profit and loss. If there is any objective evidence proving that such

financial asset has been impaired, an impairment provision shall be made.

(1) Impairment provision for available-for-sale financial assets

At the end of the period, if there is a significant decline in the fair value of an available-for-sale financial asset, or the decline is deemed non-temporary after considering all relevant factors, impairment of such asset shall be recognized; and the accumulated losses as a result of the decline in the fair value that is originally included in the owners' equity shall be removed and recognized as impairment losses.

(2) Held-to-maturity investment

The impairment loss of held-to-maturity investment is calculated in the light of the measurement method of impairment loss on accounts receivable.

2.10 Provision for bad debts in accounts receivable

2.10.1 Appropriation of provision for bad debts in receivables with significant single amount:

Determination of significant single amount	The balance of accounts receivable is above RMB 10 million Yuan and the balance of other receivables is above RMB 2 million Yuan.
Appropriation method	The Company shall take independent impairment test for the accounts receivable with significant single amount at the end of the year, recognize the impairment loss and make provision for bad debts based on difference by which the present value of future cash flow is less than its book value. If the future cash flow is not less than the book value, provision for bad debts shall be appropriated according to aging analysis method.

2.10.2 Appropriation of provision for bad debts in accounts receivable by portfolio:

Basis for determination of the portfolio	
Portfolio	The Company determines the following proportion of provision for bad debts based on the actual loss ratio of the previous periods' receivable accounts with similar credit risk feature and taking the actual situation into consideration.
Appropriation method	
Portfolio	Account receivable aging analysis method

Appropriation of provision for bad debts by aging analysis method in portfolio:

Accounting age	Appropriation ratio of receivables (%)	Appropriation ratio of other receivables (%)
Within 1 year	1	1
1-2 years	2	2
2-3 years	5	5
3-5 years	10	10
Over 5 years	100	100

2.10.3 Single appropriation of provision for bad debts in receivables with insignificant single amount

Reason	The single amount is insignificant but obvious impairment has been shown. Independent impairment loss test indicates that the present value of its future cash flow is less than the book value.
Appropriation method	Specific identification method will be adopted to recognize impairment loss and appropriate provision for bad debts based on the difference by which the present value of its future cash flow is less than the book value.

2.11 Inventories

2.11.1 Classification

Inventories are classified into raw materials, work in process, and finished products.

2.11.2 Valuation of outgoing inventories

Outgoing freight costs on raw materials shall be counted with weighted average method. Costs of work in process and finished products include materials, labor force and manufacturing expenses proportioned according appropriate percentage under normal production capacity.

The cost of work in process, including the contract cost, is calculated as follows:

As of the balance sheet date, the balance between the accumulated cost of contract in process and the confirmed accumulated contract expense shall be listed into inventories in the current assets. The contract cost mainly refers to the cost of contracted projects in process, including cost of system hardware that have been delivered to customer's designated location, cost of installation work that is being conducted or system integration cost, direct labor force cost and indirect expenses arising from contract which has been performed and cost occurred by being performing obligations under other contracts.

2.11.3 Recognition of net realizable value of inventories and appropriation method of provision for depreciation of inventories

The Company checks up inventory at the end of each accounting period, and makes or adjusts provision for depreciation of inventories based on the cost and net realizable value of inventories, whichever is lower. During normal production, the net realizable value of inventories directly for sale, such as finished products, inventory products and materials for sale, is calculated by the estimated price less the estimated sales expenses and taxes; and the net realizable value of materials to be processed is calculated by the estimated price of finished products less the estimated cost, sales expenses and taxes. For those inventories held for the purpose of implementing sales contract or labor contract, the net realizable value is based on the contract price; if the inventories held are more than ordered quantities in the contract, the net realizable value of the surplus is calculated based on the market price.

In case the factors causing the write-down of the inventories disappear, the write-down shall be recovered to the original amount; and the depreciation amount shall be recorded as current P&L from the provision.

2.11.4 Inventory system

The Company adopts perpetual inventory system.

2.12 Long-term equity investment

2.12.1 Determination of investment cost

(1) Long-term equity investment through business combination

Business combination under common control: if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the book value of owners' equity obtained from the acquiree on the acquisition date is recognized as initial investment cost of the long-term equity investment. The difference between the initial investment cost and acquisition consideration shall be recorded as capital surplus. If the capital surplus is not sufficient for offsetting, the retained earnings shall be adjusted. The direct costs arising from the business combination, including the expenses for audit, assessment and legal services, shall be included in current P&L. The bonds issued for the business combination or the handling fees, commissions and expenses for assuming other liabilities shall be included in initially measured amount of the bonds or other debts. The handling fees, commissions and expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

Business combination under non-common control: The combination cost confirmed on the acquisition date is recognized as initial investment cost of the long-term equity investment. Combination cost refers to paid assets, assumed liabilities and fair value of the issued equity securities for obtaining right of control over the acquiree on the acquisition date. The acquirer's expenses of audit, legal services, assessment and consulting services, agent fee and other related administrative expenses shall be included in current P&L; the transaction expenses for the issuance of equity securities for the business combination shall be included in the initially recognized amount of equity securities or bonds. In business combination under non-common control which is achieved through more than one transaction, the sum of book value of the acquiree's equity held by the Company before the acquisition date and newly increased investment cost on the acquisition date shall be recognized as initial investment cost of the investment. The contingent consideration under the combination agreement is recognized as a part of transferred consideration for the combination and included in combination cost based on its fair value on the acquisition date.

(2) Long-term equity investment through other methods

For long-term equity investment through cash, the actual paid price shall be recognized as initial investment cost.

For long-term equity investment through issuing equity securities, the fair value of issued equity securities shall be recognized as initial investment cost.

For long-term equity investment by investor, the value contracted in the investment contract or agreement (deducting cash dividends or interests that have been recognized but not issued) shall be recognized as initial investment cost, unless it is not stipulated fair in the contract or agreement.

Provided that exchange of non-monetary assets has business substance and the fair value of the ingoing assets or outgoing assets can be measured reliably, its initial investment cost shall be determined based on fair value of the outgoing assets, unless there is obvious proof indicating the fair value of the ingoing asset is much more reliable. If the exchange of non-monetary assets cannot meet foregoing condition, book value of outgoing asset and payable taxes shall be recognized as initial investment cost of ingoing long-term equity investment.

For long-term equity investment through debt restructuring, its initial investment cost is recognized based on its fair value.

2.12.2 Subsequent measurement and recognition of P&L

(1) Subsequent measurement

The Company's long-term equity investment on subsidiary is measured by cost method and adjusted by equity method when preparing the consolidated financial statements.

For long-term equity investment where the Company does not have joint control or significant influence over the investee, the investment is not quoted in an active market, and its fair value cannot be measured reliably, it shall be measured by cost method.

For long-term equity investment where the Company has joint control or significant influence over the investee, it shall be measured by equity method. If the initial investment cost is more than the fair value of the investee's identifiable net assets attributable to the Company, the difference shall not be recorded as initial investment cost of the long-term equity investment; otherwise, the difference shall be included in current P&L.

As for other change in owners' equity of the investee except for net P&L, the Company's attributable P&L calculated based on the shareholding ratio which has no change, shall be recorded as book value of the long-term equity investment; and the capital reserves (other capital reserves) shall be accordingly increased or reduced.

(2) Recognition of P&L

According to the cost method, except for actually paid price or cash dividends or interests that have been recognized but not issued in the consideration, the Company recognizes the investment income according to the cash dividends or interests that have been announced by the investee.

Under the equity method, based on the carrying amount of the investee's net profit, net P&L of the investee

attributable to the Company shall be recognized after adjustments to following circumstances: if the accounting policies adopted by the investee are different from that of the Company, the Company, according to its accounting policies, adjusts the relevant items in the financial statements of the investee; depreciation amount or amortized amount that is appropriated based on fair value of the investee's fixed assets, intangible asset upon the investment, and amount of provisions for asset impairment have impact on the investee's net profit; and unfulfilled internal transactions between the Company and associates and joint ventures are offset.

Upon determination of the investee's losses attributable to the Company, book value of the long-term equity investment shall be offset first; If the book value is not sufficient, investment losses shall be further recognized, subject to the long-term equity that materially constitute net investment on the investee, to offset against the book value of long-term receivables. At last, estimated liabilities shall be recognized according to additional attributable obligations under the investment contract or agreement and included in current investment loss. If the investee makes profits in following accounting periods, book balance of estimated liabilities that have been recognized shall be written down, and book values of long-term equity which materially constitutes net investment on the investee and long-term equity investment shall be recovered; investment income shall be recognized.

During the investment period, if the investee can provide consolidated financial statements, the recognition of P&L shall be based on net profit and other change in equity in its consolidated financial statements.

2.12.3 Determination of common control or significant influence over investee

Common control refers to the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. If the investing enterprise and other party exercise common control over the investee, the investee is its joint venture.

Significant influence refers to the investing enterprise's power to participate in decision making of the investee's financial and operating policies, but the investing enterprise cannot control or jointly control over decision making of those policies. If an investing enterprise can exert significant influence on the investee, the investee is its associate.

2.12.4 Impairment test method and appropriation method for impairment provision

As for long-term equity investment that has no significant influence on the investee and no quotation in an active market and whose fair value cannot be measured reliably, its impairment loss is determined according to the difference between its book value and cash value of future cash flow recognized based on current rate of return.

If the measurement result reveals that the recoverable amount of other long-term equity investment (except for goodwill arising from business combination) with impairment signs is lower than its book value, the difference

shall be recognized as impairment loss.

Upon recognition, the impairment loss of the long-term equity investment will not be recovered.

2.13 Investment Property

Investment property is a property held to earn rentals, or for capital appreciation or both, including land use right that is leased out, land use right held for transfer upon capital appreciation, and building that is leased out.

The Company adopts cost method for measurement of investment property. As for investment property measured by cost method, the Company adopts the same depreciation policy as that of fixed assets for measurement of building for rental, and the same amortization policy of intangible asset for land use right for rental.

On appearance of evidence for depreciation, the Company estimates the recoverable amount and recognizes the impairment loss if the recoverable amount is lower than its book value.

Upon recognition, the impairment loss of investment property will not be recovered.

2.14 Fixed assets

2.14.1 Recognition of fixed assets

Fixed assets refer to as the tangible assets possessed for producing goods, providing labor, lease or operation and management with more than one fiscal year of service life. Fixed assets are recognized when satisfying the following conditions:

- (1) The economic benefits related to such fixed assets can flow into the Company; and
- (2) The cost of such fixed assets can be measured reliably.

2.14.2 Depreciation of fixed assets

The depreciation of fixed assets is made by use of life averaging method. The depreciation rate is determined according to the nature and use of different types of the fixed assets, estimated useful life and estimated net residual value rate.

The depreciation period and annual depreciation rate of fixed assets are as follows:

Category	Depreciation period (Years)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	30-50	5	1.90-3.20
Electronic equipment	3	5	31.70
Transportation equipment	5	5	19.00
Other equipment	3-5	5	19.00-31.70

2.14.3 Impairment test method and appropriation method of provision for fixed assets

The Company reviews whether there are signs indicating impairment of fixed assets at the end of every accounting period.

When such signs do exist, impairment tests will be conducted to recognize the recoverable amount of fixed assets. The recoverable amount of the fixed assets is recognized based on the higher between the net amount of the fair value of the assets after deducting the disposal expenses and the present value of future cash flow of the assets.

If the recoverable amount is lower than the book value of the fixed assets, the book value shall be written down to its recoverable amount; the write-down amount shall be recognized as impairment loss of fixed assets and included in current P&L; and impairment provision for the fixed asset shall be appropriated.

Upon recognition of impairment loss of the fixed assets, depreciation of the fixed assets shall be adjusted in the future periods so that their adjusted book value (deducting estimated net residual value) can be properly apportioned in the remaining service periods.

Once the impairment loss is recognized, it shall not be recovered in subsequent accounting periods.

If there is any sign indicating a fixed asset may have impairment, the Company shall recognize the recoverable amount based on such fixed asset. If recognition of its recoverable amount is not reachable, its recognition shall be based on the asset group it is attributable to.

2.14.4 Other remarks

In term of the Company's any land-based construction project for own use from January 1st, 2002 to December 31st, 2006, the book value of the land use right constitutes the cost of houses and buildings. As for land use right that has been recorded into the cost of houses and buildings, the Company has removed it from book value of its original asset and recorded it into intangible asset on January 1st, 2007 provided that it has been separately recognized as intangible asset according to relevant standards. Since January 1st, 2007, the cost of land use right was not included in the cost of houses and buildings for any land-based construction project for own use.

2.15 Construction in progress

2.15.1 Construction in progress

Construction in progress is calculated according to project classification.

2.15.2 Criteria and timing for conversion of construction in progress into fixed assets

If the construction in process has been available for intended use but final account is not made, it shall be counted into fixed assets at the estimated value based on construction budget, cost or actual cost upon it is available for intended use; and depreciation of fixed assets shall be made as per the Company's depreciation policy of fixed assets. After the final account, the originally estimated value shall be accordingly adjusted based on actual cost, without changing the appropriated depreciation amount.

2.15.3 Impairment test method and provision appropriation for construction in progress

The Company reviews whether there are signs indicating impairment of construction in progress at the end of

every accounting period.

When such signs do exist, impairment tests will be conducted to recognize the recoverable amount of fixed assets. If there is any sign indicating a fixed asset may have impairment, the Company shall recognize the recoverable amount based on such construction in progress. If recognition of its recoverable amount is not reachable, its recognition shall be based on the asset group it is attributable to.

The recoverable amount of the construction in progress shall be decided based on the higher between the net amount of its fair value after deducting the disposal expenses and its present value of future cash flow.

If the recoverable amount is lower than the book value, the book value shall be written down to its recoverable amount; the write-down amount shall be recognized as impairment loss on construction in progress and included in current P&L; and impairment provision for the construction in progress shall be appropriated.

Once the impairment loss is recognized, it shall not be recovered in subsequent accounting periods.

2.16 Borrowing costs

2.16.1 Recognition of capitalization of borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses and exchange balance on foreign currency borrowings.

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current P&L.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

(1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest-bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;

(2) The borrowing costs has already incurred; and

(3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2.16.2 Capitalization period

Capitalization period refers to the period from the commencement to the termination of the capitalization of

borrowing costs, which excludes the suspension period of the borrowing cost capitalization.

When the assets with its purchase and construction or production meeting the capitalization conditions have reached expected purpose for use or sale, the capitalization of borrowing cost shall be stopped.

If part of projects of the assets with its purchase and construction or production meeting the capitalization conditions have been finished respectively and can be used separately, the capitalization of such projects shall be stopped.

If part of projects of the assets with its purchase and construction or production meeting the capitalization conditions have been finished respectively but they are not available for use or sale until the whole assets are finished, the capitalization of such projects shall be stopped upon the whole assets are finished.

2.16.3 Suspension of capitalization

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into current P&L, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

2.16.4 Calculation of capitalized amount of borrowing costs

If the special loan is borrowed for purchase or production of the assets meeting the condition of capitalization, the interest charges of special loan actually occurring in current period deducted by the interest income of the not-used-loan fund in the bank or the income obtained from temporary investment shall be confirmed as the capitalized amount of the interest charge of special loan.

If the Company uses the general loan in order to purchase or produce the assets meeting the conditions of capitalization, it shall use the weighted average (at the end of each month) of the portion by which the total expenditure for assets exceeds the special loan multiplied by the capitalization rate of the occupied general loan to calculate the interest amount of the general loan which should be capitalized. The capitalization rate shall be calculated based on weighted average interest rate of the general loan.

For a borrowing at a discount or premium, the actual interest rate method shall be used to determine amortization for each accounting period and adjust interest amount of each period.

2.17 Intangible asset

2.17.1 Measurement of intangible asset

The company measures its intangible asset initially by cost.

The cost of the purchased intangible asset shall include the purchase price, relevant taxes and other necessary

expenditures directly attributable to intangible asset for the expected purpose. Where the payment of purchase price for intangible asset is delayed beyond the normal credit conditions, which is for financing purpose, the cost of intangible asset shall be determined on the basis of the current value of the purchase price.

For intangible asset obtained from the debtor for payment of debts through debt restructuring, its account value shall be recognized based on its fair value. The difference between the book value of the restructured debts and fair value of the intangible asset for payment of debts shall be included in current P&L.

Provided that exchange of non-monetary assets has business substance and the fair value of the ingoing assets or outgoing assets can be measured reliably, its account value shall be determined based on fair value of the outgoing assets, unless there is obvious proof indicating the fair value of the ingoing asset is much more reliable. If the exchange of non-monetary assets cannot meet foregoing condition, book value of outgoing asset and payable taxes shall be recognized as cost of ingoing intangible asset and not recorded into P&L.

For intangible asset obtained through business combination under common control, its account value shall be recognized based on acquiree's book value of the asset;

For intangible asset obtained through business combination under non-common control, its account value shall be based on its fair value. The cost of intangible asset formed during internal development activities consists of the materials, labor cost, register fee, amortization of other patents and franchise right during development period, interests paid for capitalization, and other direct expenses before the intangible asset is available for intended use.

Subsequent measurement

The service life of intangible asset shall be analyzed and judged upon acquisition.

Intangible asset with limited service life shall be amortized by straight-line method within the period when it brings economic benefit to the Company. If it is unable to forecast the period when the intangible asset can bring economic benefit to the Company, it shall be regarded as an intangible asset with uncertain service life and not be amortized.

2.17.2 Estimate of service life of intangible asset:

Item	Estimated service life	Basis
Land use right	40-50 years	Term prescribed in the land use certificate
Property use right	50 years	Term prescribed in the property use contract or agreement
Industrial property right and proprietary technology	10 years	Term prescribed in relevant contract or estimated life
Other intangible asset	5-10 years	Term prescribed in relevant contract or estimated life

Service life and amortization method of the intangible asset with limited service life shall be rechecked at the end of each report year.

The rechecked result in current period shows that there is no difference in the estimate of service life and amortization method.

2.17.3 Appropriation of impairment provision for intangible asset

If there are signs indicating impairment of intangible asset with certain service life, impairment test shall be conducted at the end of the period.

Impairment test on intangible asset with uncertain service life shall be conducted at the end of every period.

Recoverable amount shall be estimated through impairment test on the intangible asset. If there is any sign indicating a fixed asset may have impairment, the Company shall recognize the recoverable amount based on such fixed asset. If recognition of its recoverable amount is not reachable, its recognition shall be based on the asset group it is attributable to.

The recoverable amount of the fixed assets is recognized based on the higher between the net amount of the fair value of the assets after deducting the disposal expenses and the present value of future cash flow of the assets.

If the recoverable amount is lower than the book value of the fixed assets, the book value shall be written down to its recoverable amount; the write-down amount shall be recognized as impairment loss of fixed assets and included in current P&L; and impairment provision for the fixed asset shall be appropriated.

Upon recognition of impairment loss of the fixed assets, depreciation of the fixed assets shall be adjusted in the future periods so that their adjusted book value (deducting estimated net residual value) can be properly apportioned in the remaining service periods.

Once the impairment loss is recognized, it shall not be recovered in subsequent accounting periods.

2.17.4 Determination of research phase and development phase of internal R&D projects

Expenses of internal R&D projects are divided into expense during research phase and expense during development phase.

Research phase refers to the period when special planned survey and research activities are carried out to obtain and understand any new technology or knowledge.

Development phase refers to the period when research results or other knowledge is applied to specific plan or design, before its commercial production or use, to create new or essentially improved material, device and products, etc.

2.17.5 Capitalization of expense during development phase

The expenditure in development phase which meets the following conditions shall be confirmed as intangible

asset:

- (1) Complete this intangible asset and make it usable or salable technically;
- (2) Have the intention of completing this intangible asset and using or selling it;
- (3) The way for generating economic interest by the intangible asset, includes the proof that the products produced with this intangible asset have a market or this intangible asset self has a market, and if the intangible asset is used inside the Company, it can be proved to be useful;
- (4) Have the support with sufficient source of technique and finance and other resources to complete the development of this intangible asset, and the ability to use or sell this intangible asset; and
- (5) The expenditure in the development phase of this intangible asset can be measured reliably.

Expenditure during development phase which cannot meet foregoing conditions shall be recorded into current P&L.

Expenditure during research phase shall be recorded into current P&L

2.17.6 Other Remarks

Please refer to 2.14.4.

2.18 Goodwill

As for good will arising from business combination under non-common control, its initial cost is based on the difference by which the combination cost exceeds the fair value of acquired identifiable net assets.

On disposal of relevant asset group or asset group portfolio, the goodwill shall be removed and included into current P&L.

The Company does not amortize the goodwill. Impairment test on goodwill is conducted at the end of every year.

The Company conducts impairment test on goodwill. Fair value of goodwill arising from business combination is amortized into relevant asset group since the acquisition date by proper method or into relevant asset group portfolio if it is unable to amortize into the asset group. Amortization of fair value of goodwill shall be based on the proportion of fair value of each asset group or asset group portfolio to the total amount of fair value of relevant asset group or asset group portfolio. If the fair value cannot be measured reliably, the amortization shall be based on the proportion of book value of each asset group or asset group portfolio to the total amount of fair value of relevant asset group or asset group portfolio.

If asset group or asset group portfolio with respect to goodwill shows signs of impairment, impairment test on asset group or asset group portfolio that does not include goodwill shall be conducted firstly; recoverable amount will be calculated and impairment loss will be recognized after comparison with the book value. Impairment test on asset group or asset group portfolio that included goodwill will be followed. Comparison of its book value (including book value of amortized goodwill) and recoverable amount will be made. If the recoverable amount is less

than the book value, the difference shall be recognized as impairment loss of goodwill. The impairment loss will be recorded in current P&L and will not be recovered in following accounting periods.

2.19 Long-term deferred expenses

Long-term deferred expenses refer to all the expenses paid but attributable to the current and subsequent accounting periods.

Long-term deferred expenses include expenses covering decoration fee, expenses of refurbishment of leased fixed assets, etc, of which, the deferred period is over one year (excluding one year). They shall be amortized on average according to estimated profitable period and presented by net amount by which the actual expenses less accumulated amortization. If the long-term deferred expense cannot be profitable in future accounting periods, the amortized value of the expense shall be all counted into current P&L.

2.20 Estimated liabilities

The obligation related to contingencies, if meeting all following conditions, shall be confirmed as estimated liabilities:

- (1) The obligation is the current obligation borne by the Company;
- (2) The fulfillment of the obligation shall most likely cause the economic interest flowing out from the Company; and
- (3) The amount of the obligation can be measured reliably.

The Company's estimated liabilities mainly refer to liabilities caused by product quality warranty. Based on previous experience, certain labor or business travel expense occurred during the warranty period is recorded as estimated liabilities. Hardware quality warranty is generally assumed by OEMs.

2.21 Share-based payments and equity instruments

Share-based payment refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.

2.21.1 Equity-settled share-based payment and equity instruments

Equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the granting date, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance

sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the granting date.

During the period when performance conditions or service term conditions are satisfied, cost or expense of equity-settled share-based payment shall be recognized as capital reserves. Before the vesting date, recognized accumulated amount of equity-settled share-based payment on each balance sheet date reflects the best estimate of expired part and the Company's quantity of actually vested equity instruments.

Share-based payment in which the vesting is not performed eventually, its cost or expense shall not be recognized, unless the vesting conditions are involved with market conditions or non-vesting conditions. If so, no matter the market conditions or non-vesting conditions are met or not, vesting shall be recognized as long as all the non-market conditions in the vesting conditions are met.

If provisions of equity-settled share-based payment are modified, obtained service shall be recognized according to the original provisions. Any increase of fair value of the granted equity instruments or change that is beneficial to employees on the modification date shall be recognized as increase of obtained service.

If equity-settled share-based payment is canceled, undetermined amount shall be recognized on the cancellation date to accelerate the vesting. If employees or other party select non-vesting conditions, which are not met during the vesting period, the equity-settled share-based payment shall be deemed canceled. However, if new equity instrument is granted and recognized as substitution of the canceled equity instrument on the granting date, modification methods for the terms and conditions of original equity instrument shall be adopted for the new equity instrument.

2.21.2 Cash-settled share-based payment

Cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. As to cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the granting date, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company. On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the fair values of the liabilities shall be re-measured and the changes shall be included in current P&L.

2.22 Income

The Company's operating income is mostly from system integration contracts, sales of software products and medical systems, software development and other services, property services, rental, advertising, etc. Business income shall be presented based on the net amount deducting all discounts. Recognition basis of each income item is as follows:

2.22.1 Income from system integration contracts

According to the accounting standards for construction contracts, the Company recognizes income from system integration development projects in process based on percentage-of-completion method. If the project result can be estimated reliably, the Company shall adopt the percentage-of-completion method to confirm the income from the projects on the balance sheet date. The completion progress shall be determined at the proportion of the completed contract work to the expected total contract work.

If the final result of a construction contract cannot be estimated reliably, it shall be dealt with as follows:

(1) If the contract costs can be recovered, the contract revenue shall be recognized based on actually recoverable contract costs; and the contract costs shall be recognized as contract expenses in the current period they are incurred; and

(2) If the contract costs cannot be recovered, these costs shall be recognized as contract expenses immediately when incurred and no contract revenue shall be recognized.

The current contract revenues in the current period shall, on the balance sheet date, be recognized in accordance with the balance of the total contract revenues multiplied by the schedule of completion then deducting the accumulated revenue recognized in previous accounting periods. At the same time, the current contract expenses in the current period shall be recognized in accordance with the balance of the expected total contract costs multiplied by the schedule of completion then deducting the accumulated expenses recognized in preceding accounting periods. If the total expected contract costs exceed the total expected contract revenue, the expected loss shall be recognized as current expenses.

2.22.2 Income from sales of software products

Income from sales of software products shall be recognized provided that main risks and rewards related to the ownership of the products have been transferred to the buyers and the products will not be managed and controlled by the Company; economic benefit with respect to the sales transaction may flow into the Company; and relevant income and costs can be measured reliably.

2.22.3 Income from sales of medical systems

Income from sales of medical systems shall be recognized after the installation and debugging have been finished, and main risks and rewards related to them have been transferred to the customers.

2.22.4 Income from labor services

Income from labor services mainly refers to revenue from the provision of customized software, software maintenance/upgrade, training, web page creation, etc.

Income from provision of services of which the start date and finish date are in the same accounting year shall be recognized upon completion of the provision.

If the start date and finish date are attributed to different accounting years, and the transaction results can be measured reliably, the relevant service income shall be recognized on the balance sheet date based on percentage-of-completion method.

The start date and finish date of providing customized software are usually attributed to different accounting years, and the results can be measured reliably. Therefore, the Company adopts percentage-of-completion method to recognize the service income. The percentage of completion is determined at the proportion of labor hour for software production to the total labor hour.

2.22.5 Income from property service and leasing

Income from property service and leasing is recognized by direct method within the leasing term.

2.22.6 Income from advertising

Advertising income is mainly from advertising agency service, which is recognized upon the ad is broadcasted; and advertising production, which is recognized based on production schedule.

2.23 Government Subsidies

2.23.1 Types

Government subsidies refer to monetary or non-monetary assets obtained free from the government. Government subsidies consist of asset-related subsidies and income-related subsidies.

2.23.2 Accounting treatment

Government subsidies related to long-term assets such as purchased or constructed fixed assets and intangible asset shall be recognized as deferred income and included in current non-operating income after being averagely allocated over the useful life of the related assets;

Income-related subsidies used for compensating future expenses or losses of the Company shall be recognized as deferred income and included in current non-operating income during the period when the relevant expenses are recognized; Those subsidies used for compensating the related expenses or losses incurred to the Company shall be directly included in current non-operating income.

2.24 Deferred income tax assets/liabilities

The Company shall recognize the deferred income tax assets arising from a deductible temporary difference to

the extent of the amount of the taxable income which it is most likely to obtain and can be used for offsetting the deductible temporary difference in following accounting period.

Taxable temporary difference shall be recognized as deferred income tax liabilities unless following special circumstances: initial recognition of goodwill;

And other transactions or items that have no impact on accounting profits or taxable amount (or deductible loss).

2.25 Operating lease

Accounting treatment

(1) Lease fee paid by the Company shall be equally amortized by straight-line method based on the whole lease term without deducting rent-free period and be included in current expenses. Initial direct expenses paid by the Company for the transactions related to the lease shall be included in current expenses.

If the asset lessor assumes the related expense that should have been borne by the Company, the Company shall deduct the expense from the total rent. Deducted rent shall be equally amortized based on the lease term and included in current expenses.

(2) Rental fee received by the Company shall be equally amortized by straight-line method based on the whole lease term without deducting rent-free period and be recognized as lease income. Initial direct expense paid by the Company for the leasing transactions shall be included in current expenses; if the amount of the expense is large, it shall be capitalized and included in current income as the same as the recognition of lease income.

If the Company assumes the related expense that should have been borne by the lessee, the Company shall deduct the expense from the total lease income. Deducted lease income shall be equally allocated based on the lease term.

2.26 Related parties

When a party controls, jointly controls or exercises significant influence over another party, or when two or more parties are under the control, joint control or significant influence of the same party, the related party relationships are constituted. Related parties may be individuals or corporate entities. Enterprises shall not be regarded as the Company's related parties if they are all under the control of the state without any other affiliated relationships.

The Company's related parties include, but not limited to:

- (1) The parent company thereof;
- (2) The subsidiaries thereof;
- (3) Other enterprises under the control of the same parent company thereof;
- (4) The investors having joint control over the Company;
- (5) The investors having significant influence thereon;

- (6) The joint ventures thereof, including their subsidiaries;
- (7) The associates thereof, including their subsidiaries;
- (8) The main individual investors and their close family members;
- (9) Key managements of the Company or its parent company and their close family members; and
- (10) Other enterprises that is controlled or jointly controlled by the Company's main individual investors, key managements or their close family members.

2.27 Changes in principal accounting policies and estimates

2.27.1 Change in principal accounting policies

The company has no change in principal accounting policies in this reporting period.

2.27.2 Change in accounting estimates

The company has no change in principal accounting estimates in this reporting period.

2.28 Prior-period error correction

The company doesn't make any correction for previous accounting errors in this reporting period.

Note 3 Taxes

Tax type and rate

Type	Tax basis	Tax rate
VAT	The VAT payable is recognized as the difference between output VAT which is calculated based on income from sales of products and provision of services according to the tax law and deductible input VAT in the current period.	17%, 6%(Note 1)
Business tax	Based on taxable business income	5% (Note 2)
Property tax	Leasing property: Based on rental income Own property: Based on the original value of the fixed asset	12% 1.2%
Urban maintenance and construction tax, Educational surtax and local education surtax	Based on actually paid business tax, VAT and consumption tax	7%, 3%, 2%, 1%-7% (Note 3)
Corporate income tax	Based on taxable income amount	10%, 12.5%, 15%, 25% (Note 4)

Note 1: According to the *Policies to Further Support the Development of Software and Integrated Circuit Industry* issued by the State Council of China (GF [2011] NO. 4), the portion of VAT on software products independently developed by the taxpayers which exceeds 3% of the taxpayers' sales income from such software products will be refunded after the collection at the legal tax rate of 17%;

According to the *Announcement about Pilot Change in Collection of Business Tax into VAT in Shanghai for Transportation and Some Modern Service Industries* (CS [2011] No. 111) as well as the *Announcement about Pilot Change in Collection of Business Tax into VAT in Eight Provinces/Cities for Transportation and Some Modern Service Industries* (CS [2012] No. 71) released by the Ministry

of Finance of the People's Republic of China and State Taxation Administration, the Company's subsidiaries Neusoft Group (Shanghai) Co., Ltd., Shanghai Neufashion Digital Technology Co., Ltd., since January 1st, 2012, Neusoft Group (Beijing) Co., Ltd., Beijing LBS Social Insurance Information Technology Co., Ltd., Neusoft Group (Tianjin) Co., Ltd., Wuhan Neusoft Information Technology Co., Ltd., since September 1st, 2012, Neusoft Group (Wuxi) Co., Ltd., Neusoft Group (Wuhu) Co., Ltd., Nanjing Neusoft System Integration Co., Ltd., Neusoft Group (Nanjing) Co., Ltd., since October 1st, 2012, Neusoft Group (Guangzhou) Co., Ltd., Guangzhou Neufashion Digital Technology Co., Ltd. and Guangdong Neusoft Co., Ltd., since November 1st, 2012, Hangzhou Neusoft Co., Ltd., since November 1st, 2012, were subject to the collection change from business tax into VAT at a rate of 6%.

Note 2: Business tax was paid by 5% of income from software technology development, transfer and service, system integration, leasing, labor service, ad production as well as net income from advertising agency. According to the *Notice about Taxation related to the State Council's Announcement to Advance Technology Innovation, Develop High-tech and Promote Industrialization* issued by the Ministry of Finance and State Taxation Administration (CSZ [1999] No. 273) and executed by Shenyang Bureau of Finance and Shenyang Taxation Bureau (SCYZ [2000] No. 102), income from technology transfer, development, consulting and technology service shall be exempted from business tax. As per the requirements of the Administrative Notice (GSH [2004] NO. 825) given by the State Administration of Taxation, the Company was entitled to the foregoing preferential policy after registration of the approved technology contract and relevant certificates in local tax bureau.

Note 3: According to the *Notice about Unification of Local Education Surtax Policies* (CZ [2010] NO. 98), the Company shall pay 7%, 3% and 2% of the sum of taxable VAT, consumption tax and business tax respectively for the urban maintenance and construction tax, educational surtax and local educational surtax since February 1st, 2011. Subsidiaries except for overseas ones shall pay 1%-7%, 3% and 2% of the actually paid goods turnover tax respectively for foregoing taxes.

Note 4: According to the *Corporate Income Tax Law of the People's Republic of China* (ZXL [2012] NO. 63), rate of corporate income tax shall be cut off to 15% for high-tech companies that are supported by the State. The Company and its subsidiary Neusoft Group (Dalian) Co., Ltd. ("Dalian Neusoft"), as high-tech companies, were entitled to this preferential policy in 2012. In addition, according to the *Notice about Corporate Income Tax Preferential Policy* (CS [2008] NO.1) given by the State Taxation Administration, rate of corporate income tax shall be cut off to 10% for key software companies under certain national plan. In 2011 - 2012, the Company and Dalian Neusoft was recognized as key software companies jointly by China's National Development and Reform Commission, the Ministry of Industry and Information, Ministry of Finance and Ministry of Commerce and State Taxation Administration and thereby was granted the preferential policy at the rate of 10%.

According to the *Corporate Income Tax Law of the People's Republic of China* (ZXL [2007] NO. 63), corporate income taxes on following high-tech subsidiaries were paid at the rate of 15%: Neusoft Group (Beijing) Co., Ltd., Shenyang Neusoft Medical Systems Co., Ltd., Chengdu Neusoft System Integration Co., Ltd., Xi'an Neusoft System Integration Co., Ltd., Qinhuangdao Neusoft Co., Ltd., Shenyang Neusoft Information Technology Service Co., Ltd. and Shandong Neusoft System Integration Co., Ltd.

According to the *Notice about Corporate Income Tax Preferential Policy* (CS [2008] NO.1) given by the State Council, the Company's subsidiaries including Neusoft Group (Shanghai) Co., Ltd., Neusoft Group (Guangzhou) Co., Ltd., Shenyang Neusoft System Integration Technology Co., Ltd., and Neusoft Group (Guangzhou) Co., Ltd. were exempted from corporate income tax in the first two years since the profit-making year and pay the tax by half from the third to fifth year. Confirmed by the applicable tax administration, Shenyang Neusoft System Integration Technology Co., Ltd., Neusoft Group (Guangzhou) Co., Ltd., Neusoft Group (Shanghai) Co., Ltd. were in the preferential period when only half corporate income tax shall be exempted at a rate of 12.5%.

Other domestic subsidiaries paid the tax at the rate of 25% according to the *Corporate Income Tax Law of the People's Republic of China*.

Note 4 Business Combination and Consolidation of Financial Statements

Monetary unit in following tables is expressed in Renminbi unless otherwise indicated.

4.1 Subsidiaries

4.1.1 Wholly-owned or controlled subsidiaries

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Shenzhen Neusoft Co., Ltd.	Wholly owned	Shenzhen	Limited liability company	5,000,000	Computer software/hardware	5,000,000		100	100	Yes			
Neusoft Group (Beijing) Co., Ltd.	Wholly owned	Beijing	Limited liability company	340,000,000	Computer software/hardware, import/export of related goods and technologies	339,396,361		100	100	Yes			
Shandong Neusoft System Integration Co., Ltd.	Wholly owned	Qingdao	Limited liability company	50,000,000	Computer software/hardware	50,000,000		100	100	Yes			
Hunan Neusoft Co., Ltd.	Wholly owned	Changsha	Limited liability company	12,000,000	Computer software/hardware	12,000,000		100	100	Yes			
Nanjing Neusoft System Integration Co., Ltd.	Wholly owned	Nanjing	Limited liability company	12,000,000	Computer software/hardware	12,000,000		100	100	Yes			
Chengdu Neusoft System Integration Co., Ltd.	Wholly owned	Chengdu	Limited liability company	20,000,000	Computer software/hardware	20,000,000		100	100	Yes			
Xi'an Neusoft System Integration Co., Ltd.	Wholly owned	Xi'an	Limited liability company	35,000,000	Computer software/hardware	32,502,469		100	100	Yes			
Wuhan Neusoft Information Technology Co., Ltd.	Wholly owned	Wuhan	Limited liability company	25,000,000	Computer software/hardware	25,000,000		100	100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Shenyang Neusoft Medical Systems Co., Ltd.	Wholly owned	Shenyang	Limited liability company	378,000,000	Medical systems	387,082,539		100	100	Yes			
Shenyang Zhuri Digital Advertising Communications Co., Ltd.	Wholly owned	Shenyang	Limited liability company	1,000,000	Ad production/ publicity	1,000,000		100	100	Yes			
Shenyang Neusoft Boan Software Co., Ltd.	Controlled	Shenyang	Limited liability company	2,500,000 USD	Computer software/hardware	12,416,895		60	60	Yes	242,392		
Neusoft (Hong Kong) Co., Ltd.	Wholly owned	Hong Kong	Limited liability company	850,000 USD	Development, sales and consulting of computer software	850,000 USD		100	100	Yes			
Qinhuangdao Neusoft Co., Ltd.	Controlled	Qinhuangdao	Limited liability company	10,000,000	Computer software development & network integration	8,500,000		85	85	Yes	2,169,356		
Shanghai Neufashion Digital Technology Co., Ltd.	Wholly owned	Shanghai	Limited liability company	20,000,000	Computer software/hardware	20,000,000		100	100	Yes			
Shenyang Neusoft Information Technology Co., Ltd.	Wholly owned	Shenyang	Limited liability company	20,000,000	Computer software, technical consulting and services	20,000,000		100	100	Yes			
Neusoft Group (Guangzhou) Co., Ltd.	Wholly owned	Guangzhou	Limited liability company	130,000,000	Computer software, technical consulting and services	130,000,000		100	100	Yes			
Neusoft Group (Shanghai) Co., Ltd.	Wholly owned	Shanghai	Limited liability company	200,000,000	Computer software, technical consulting and services	200,000,000		100	100	Yes			
Hangzhou Neusoft Co., Ltd.	Wholly owned	Hangzhou	Limited liability company	500,000	Computer software, technical consulting and services	500,000		100	100	Yes			
Neusoft Group (Tianjin) Co., Ltd.	Wholly owned	Tianjin	Limited liability company	20,000,000	Computer hardware	20,000,000		100	100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft Group (Tangshan) Co., Ltd.	Wholly owned	Tangshan	Limited liability company	30,000,000	Computer software/hardware, technical consulting and services	30,000,000		100	100	Yes			
Neusoft Group (Hainan) Co., Ltd.	Wholly owned	Hainan	Limited liability company	100,000,000	Computer software/hardware, technical consulting and services	100,000,000		100	100	Yes			
Neusoft Group (Wuxi) Co., Ltd.	Wholly owned	Wuxi	Limited liability company	20,000,000	Computer software/hardware, technical consulting and services	20,000,000		100	100	Yes			
Neusoft Group (Wuhu) Co., Ltd.	Wholly owned	Wuhu	Limited liability company	10,000,000	Sales and development of computer software/hardware	10,000,000		100	100	Yes			
Guangdong Neufashion Digital Technology Co., Ltd.	Con-trolled	Guangzhou	Limited liability company	37,500,000	Sales and development of computer software/hardware	22,500,000		60	60	Yes	8,111,438		
Neusoft Group (Nanjing) Co., Ltd.	Wholly owned	Nanjing	Limited liability company	12,000,000	Computer software/hardware and its development, sales and technical consulting	12,000,000		100	100	Yes			
Shenyang Neusoft Transportation Information Technology Co., Ltd.	Con-trolled	Shenyang	Limited liability company	7,000,000	Computer services	3,535,000		50.5	50.5	Yes	2,020,878		
Neusoft Group (Zhengzhou) Co., Ltd.	Wholly owned	Zhengzhou	Limited liability company	10,000,000	Sales and development of computer software/hardware	10,000,000		100	100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft Group (Nanchang) Co., Ltd.	Wholly owned	Nanchang	Limited liability company	20,000,000	Computer hardware development/production, technical consulting, services	20,000,000		100	100	Yes			
Neusoft (Europe) Co., Ltd.	Wholly owned	Switzerland	Limited liability company	37,900,000 CHF	Computer software/hardware, technical consulting and services	259,661,002		100	100	Yes			
Tianjin Neusoft Technology Co., Ltd. (Note 1)	Wholly owned	Tianjin	Limited liability company	5,000,000	Computer software/hardware, system integration, technology consulting	5,000,000			100	Yes			
Hefei Neusoft Technology Co., Ltd. (Note 2)	Wholly owned	合肥 合肥	Limited liability company	500,000	Computer software/hardware, system integration, technology consulting	451,952			100	Yes			
Dalian Neusoft Business Process Consulting Services Co., Ltd. (Note 3)	Wholly owned	Dalian	Limited liability company	5,000,000	Computer software/hardware	5,000,000			100	Yes			
Beijing Neusoft Huiju Information Technology Co., Ltd. (Note 4)	Controlled	Beijing	company limited by shares	30,000,000	Computer software, technical consulting and services	27,265,000			80.28	Yes	7,459,049		
Shenzhen Neusoft Mobile Terminal Design Co., Ltd. (Note 5)	Controlled	Shenzhen	Limited liability company	5,000,000	Development and sales of electronic product, technical consulting	3,500,000			70	Yes	-39,187		
Beijing Neusoft Yuetong Software Technology Co., Ltd. (Note 6)	Controlled	Beijing	Limited liability company	15,000,000	Computer software/hardware/services	10,500,000			70	Yes	4,364,371		
Beijing Inbridge Consulting Co., Ltd. (Note 7)	Wholly owned	Beijing	Limited liability company	100,000	Recruitment outsourcing and job hunting service	100,000			100	Yes			

Continued table													
Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft Yuetong Software Technology (Dalian) Co., Ltd. (Note 8)	Wholly owned	Dalian	Limited liability company	5,000,000	Computer software/hardware, technical consulting and services	5,000,000			100	Yes			
Neusoft Xikang Holdings Co., Ltd. (Note 9)	Con-trolled	Cayman Islands	Limited liability company	51,000 USD	IT and related consulting services	2,800,000 USD			70	Yes	-8,136,573		
Neusoft Xikang International Co., Ltd. (Note 10)	Wholly owned	Hong Kong	Limited liability company	1,000,000 HKD	IT and related consulting services	1,000,000 HKD			100	Yes			
Neusoft A&T Diagnostics Co., Ltd. (Note 11)	Con-trolled	Shenyang	Limited liability company	60,000,000	Production and sales of medical equipment and lab automation system, development and sales of computer hardware/software and app systems	30,600,000			51	Yes	24,867,646		
Shenyang Neusoft Medical Systems Import & Export Co., Ltd. (Note 12)	Wholly owned	Shenyang	Limited liability company	5,000,000	Import & export of goods and technologies	5,000,000			100	Yes			
Shenyang Neusoft Spectrum MRI Technologies Co., Ltd. (Note 13)	Con-trolled	Shenyang	Limited liability company	10,000,000	R&D and manufacturing of Low-filed permanent magnet products, MRI technology development and consulting	8,000,000			80	Yes	3,697,956		
Neusoft Positron Medical Systems Co., Ltd. (Note 14)	Con-trolled	Shenyang	Limited liability company	3,500,000 USD	Development and manufacturing of PET systems, technology consulting/service	3,465,000 USD			99	Yes	-26,186		
Neusoft Medical System U.S.A. Inc. (Note 15)	Wholly owned	USA	Limited liability company	6,000,000 USD	R&D/manufacturing of medical systems, technology consulting & service	4,700,000 USD			100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft Medical Systems (Middle East) Co., Ltd. (Note 16)	Wholly owned	United Arab Emirates	Limited liability company	3,500,000 USD	Medical systems and relevant technical consulting and services	2,300,000 USD		100	100	Yes			
Neusoft Medical System Peru Inc. (Note 17)	Wholly owned	Peru	Limited liability company	1,800,000 USD	Medical systems and relevant technical consulting and services	50,385 USD		100	100	Yes			
Shenzhen Neufashion Digital Technology Co., Ltd. (Note 18)	Wholly owned	Shenzhen	Limited liability company	1,000,000	Design/R&D/production/sales of watch mobiles, technology development/sales of computer software/hardware	1,000,000			100	Yes			
Neusoft Xikang Healthcare Technology Co., Ltd. (Note 19)	Wholly owned	Beijing	Limited liability company	8,000,000 USD	Computer software/hardware, electronics product development, corporate investment management & consulting	8,000,000 USD			100	Yes			
Tianjin Xikang Healthcare Technology Co., Ltd. (Note 20)	Controlled	Tianjin	Limited liability company	30,000,000	Computer software/hardware, electronics product development, corporate investment management & consulting	4,500,000			75	Yes	1,495,697		
Liaoning Neusoft Xikang Healthcare Management Co., Ltd. (Note 21)	Wholly owned	Shenyang	Limited liability company	50,000,000	Health information management/consulting, management services, management system development	50,000,000			100	Yes			
Shenyang Neusoft Xikang Medical Systems Co., Ltd. (Note 22)	Wholly owned	Shenyang	Limited liability company	10,000,000	Computer software/hardware development for medical systems, healthcare consulting services	10,000,000			100	Yes			

Continued table													
Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Jiangsu Xikang Healthcare Management Co., Ltd. (Note 23)	Wholly owned	Nanjing	Limited liability company	5,000,000	R&D of electronic products, technical development, transfer, consulting and lease of computer software/hardware	5,000,000		100	100	Yes			
Hainan Xikang Healthcare Management Co., Ltd. (Note 24)	Wholly owned	Chengmai	Limited liability company	5,000,000	Health information service and archive management, medical institution consulting, equipment sales and lease	5,000,000		100	100	Yes			
Guangzhou Xikang Healthcare Technology Co., Ltd. (Note 25)	Wholly owned	Guangzhou	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000		100	100	Yes			
Anhui Xikang Healthcare Management Co., Ltd. (Note 26)	Wholly owned	Hefei	Limited liability company	1,000,000	Health management, health consulting, medical institution management consulting, healthcare archive management, sales and lease of healthcare equipment	1,000,000		100	100	Yes			
Hubei Xikang Healthcare Management Co., Ltd. (Note 27)	Wholly owned	Wuhan	Limited liability company	1,000,000	Subject to laws and regulations of China and shall be approved by related authorization department.	1,000,000		100	100	Yes			
Hangzhou Xikang Healthcare Co., Ltd. (Note 28)	Wholly owned	Hangzhou	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000		100	100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Luoyang Xikang Healthcare Management Co., Ltd. (Note 29)	Wholly owned	Luoyang	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000		100	100	Yes			
Hunan Xikang Healthcare Management Co., Ltd. (Note 30)	Wholly owned	Changsha	Limited liability company	2,000,000	Health management, health consulting, medical institution management consulting, healthcare archive management, sales and lease of healthcare equipment	2,000,000		100	100	Yes			
Jiangxi Xikang Healthcare Management Co., Ltd. (Note 31)	Wholly owned	Nanchang	Limited liability company	2,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	2,000,000		100	100	Yes			
Jinzhou Xikang Healthcare Management Co., Ltd. (Note 32)	Wholly owned	Jinzhou	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000		100	100	Yes			
Shenzhen Xikang Healthcare Management Co., Ltd. (Note 33)	Wholly owned	Shenzhen	Limited liability company	500,000	Healthcare consulting/management, medical project investment, development and sales of technologies for healthcare products Technical development, sales, lease and technical consulting of electronic products and computer hardware/software; corporate image planning, meeting business planning and investment consulting	500,000		100	100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Shenyang Xikang Alps Technologies Co., Ltd. (Note 34)	Controlled	Shenyang	Limited liability company	1,000,000 USD	Design, research and development of sensors and related electronic products, components, software/hardware; related technical consulting and service	550,000 USD			55	Yes	2,513,700		
Beijing Neusoft Xikang Hospital Management Co., Ltd. (Note 35)	Wholly owned	Beijing	Limited liability company	500,000	Hospital management; sales of electronic products, software, mechanical equipment; sales and lease of computer and communication equipment; lease of medical equipment; technology development, transfer and consulting	500,000			100	Yes			
Dalian Neusoft Xikang Healthcare Management Co., Ltd. (Note 36)	Wholly owned	Dalian	Limited liability company	500,000	Healthcare consulting; lease of electronic products, computer and communication equipment; Construction engineering and mechanical equipment; computer software development, consulting and service; general trading	500,000			100	Yes			

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Shanghai Xikang Healthcare Management Co., Ltd. (Note 37)	Wholly owned	Shanghai	Limited liability company	500,000	Healthcare consulting, business information consulting, sales and lease of computer software/hardware, mechanical equipment, and communication equipment	500,000		100	100	Yes			

Note 1: This subsidiary was invested by another subsidiary Neusoft Group (Beijing) Co., Ltd. with an equity ratio of 100%;

Note 2: This subsidiary was invested by another subsidiary Shanghai Neufashion Digital Technology Co., Ltd. with an equity ratio of 100%;

Note 3: This subsidiary was invested by another subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. with an equity ratio of 100%;

Note 4: This subsidiary was invested by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 80.28%;

Note 5: This subsidiary was invested by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 70%;

Note 6: This subsidiary was invested by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 70%;

Note 7: This subsidiary was invested by Beijing Neusoft Huiju Information Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;

Note 8: This subsidiary was invested by Beijing Neusoft Yuetong Software Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;

Note 9: This subsidiary was invested by another subsidiary Neusoft (Hong Kong) Co., Ltd. with an equity ratio of 70%;

Note 10: This subsidiary was invested by Neusoft Xikang Holdings Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;

Note 11: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 51%;

Note 12: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 100%;

Note 13: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 80%;

Note 14: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 99%;

Note 15: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 100%;

- Note 16: This subsidiary was invested by another subsidiary Shenyang Neusoft Medical Systems Co., Ltd. with an equity ratio of 100%;
- Note 17: This subsidiary was jointly invested by Shenyang Neusoft Medical Systems Co., Ltd. and its subsidiary with an equity ratio of 100%;
- Note 18: This subsidiary was invested by another subsidiary Guangdong Neufashion Digital Technology Co., Ltd. with an equity ratio of 100%;
- Note 19: This subsidiary was invested by Neusoft Xikang International Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 20: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 75%;
- Note 21: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 22: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 23: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 24: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 25: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 26: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 27: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 28: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 29: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 30: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 31: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 32: This subsidiary was invested by Liaoning Neusoft Xikang Healthcare Management Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 33: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 34: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 55%;
- Note 35: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 36: This subsidiary was invested by Liaoning Neusoft Xikang Healthcare Management Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%;
- Note 37: This subsidiary was invested by Neusoft Xikang Healthcare Technology Co., Ltd. indirectly controlled by the Company, with an equity ratio of 100%.

4.1.2 Subsidiaries obtained through business combination under common control

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Shenyang Neusoft Property Management Co., Ltd.	Wholly owned	Shenyang	Limited liability company	1,000,000	Property management and service	1,000,000		100	100	Yes			
Neusoft Group (Chengdu) Co., Ltd.	Wholly owned	Dujiangyan	Limited liability company	1,000,000	Computer software/hardware	1,000,000		100	100	Yes			
Shenyang Neusoft Information Technology Services Co., Ltd.	Wholly owned	Shenyang	Limited liability company	50,000,000	Computer software/hardware	50,000,000		100	100	Yes			
Neusoft Group (Dalian) Co., Ltd.	Wholly owned	Dalian	Limited liability company	600,000,000	Computer software/hardware	600,000,000		100	100	Yes			
Neusoft Science & Technology Co., Ltd.	Wholly owned	USA	Limited liability company	1,000 USD	Computer software/hardware, technical consulting and services	63,329,610		100	100	Yes			

4.1.3 Subsidiaries obtained through business combination under non-common control

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft (Japan) Co., Ltd.	Wholly owned	Japan	Limited liability company	187,750,000 JPY	Computer software/hardware	11,826,901		100	100	Yes			
Beijing Lanruisoft Co., Ltd.	Wholly owned	Beijing	Limited liability company	10,000,000	Development, design, production and sales of computer software	9,454,820		100	100	Yes			
Liaoning Neusoft Venture Capital Investment Co., Ltd.	Controlled	Dalian	Limited liability company	125,000,000	Small and medium-sized enterprise investment and management	80,552,833		60	60	Yes	51,611,873		
Beijing LBS Social Insurance Information Technology Co., Ltd.	Controlled	Beijing	Limited liability company	15,000,000	Technology development/consulting services, product selling	10,390,275		61.67	61.67	Yes	3,918,395		
Kunming Neusoft Jinsha Information Technology Co., Ltd. (Note 1)	Controlled	Kunming	Limited liability company	30,000,000	Design, development, production, service and sales of computer equipment and software products	15,119,513			51	Yes	15,556,966		
Neusoft Technology Solutions GmbH (Note 2)	Wholly owned	Germany	Limited liability company	1,025,000 EUR	Computer software/hardware, technical consulting and services	6,029,000 EUR			100	Yes			
Neusoft Mobile Solutions Oy (Note 3)	Wholly owned	Germany	Limited liability company	8,578 EUR	Computer software/hardware, technical consulting and services	7,972,800 EUR			100	Yes			
Neusoft EDC SRL (Note 4)	Wholly owned	Romania	Limited liability company	94,000 RON	Computer software/hardware, technical consulting and services	1,200,000 EUR			100	Yes			
Beijing Neusoft Viewhigh Technology Co., Ltd. (Note 5)	Controlled	Beijing	Limited liability company	27,790,000	Computer software development/production, self-made product sales, technical support	114,101,440			73.14	Yes	5,813,504		

Continued table

Subsidiary	Type	Domicile	Nature	Registered capital	Scope of business	Actual investment amount at the end of the period	Balance of other items constituting net investment on the subsidiary	Equity ratio (%)	Voting share (%)	Whether it is included in the consolidated financial statements	Minority interest	Amount of minority interest used to offset minority profit/loss	Balance of the owner's equity of parent company after offsetting the portion by which the loss of current period borne by the minority shareholders of the subsidiary exceeds the beginning balance of owner's equity of the subsidiary shared by the minority shareholders
Neusoft GmbH (Note6)	Wholly owned	Germany	Limited liability company	25,000 EUR	Computer software/hardware, technical consulting and services	200,000 EUR			100	Yes			

Note 1: This subsidiary was acquired by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 51%;

Note 2: This subsidiary was acquired by another subsidiary Neusoft (Europe) Co., Ltd. with an equity ratio of 100%;

Note 3: This subsidiary was acquired by another subsidiary Neusoft (Europe) Co., Ltd. with an equity ratio of 100%;

Note 4: This subsidiary (former "Neusoft Mobile Solutions SRL" and changed into "Neusoft EDC SRL" during the reporting period) was acquired by another subsidiary Neusoft (Europe) Co., Ltd. with an equity ratio of 100%;

Note 5: This subsidiary was acquired by another subsidiary Neusoft Group (Beijing) Co., Ltd. with an equity ratio of 73.14%;

Note 6: This subsidiary was acquired by Neusoft EDC SRL with an equity ratio of 100%.

4.2 Notes to the changes in consolidation

4.2.1 There are 18 newly consolidated companies in this year including Neusoft A&T Medical Technology Co., Ltd., Jiangsu Xikang Healthcare Co., Ltd., Hunan Xikang Healthcare Co., Ltd., Anhui Xikang Healthcare Co., Ltd., Guangzhou Xikang Healthcare Technology Co., Ltd., Hubei Xikang Healthcare Co., Ltd., Hangzhou Xikang Healthcare Co., Ltd., Jiangxi Xikang Healthcare Co., Ltd., Hainan Xikang Healthcare Co., Ltd., Luoyang Xikang Healthcare Co., Ltd., Jinzhou Xikang Healthcare Co., Ltd., Neusoft Medical System Peru Inc., Shenzhen Xikang Healthcare Co., Ltd., Shenyang Xikang Alps Technologies Co., Ltd., Beijing Neusoft Xikang Hospital Management Co., Ltd., Dalian Xikang Healthcare Co., Ltd., Shanghai Xikang Healthcare Co., Ltd. and Neusoft GmbH.

4.2.2 Five companies were deconsolidated this year: all share ownership of Dalian Neusoft Park Industrial Development Co., Ltd. indirectly controlled by the Company was sold during the reporting period; This indirectly controlled company and its subsidiaries including Nanhai Neusoft Information Technology Development Co., Ltd. (Foshan) and Chengdu Neusoft Information Technology Development Co., Ltd. have been not included in the consolidation since February 2012; The Company's subsidiaries Dalian Neusoft Finance Information Technology Co., Ltd. and Guangdong Neusoft Co., Ltd. have cancelled their business registrations and not included in the consolidation since August 2012 and November 2012.

4.3 Entities newly included in the consolidated financial statements

Entity	Net assets at the end of this period	Net profit of this period
Neusoft A&T Medical Technology Co., Ltd. (Note 1)	50,553,534	-9,635,516
Jiangsu Xikang Healthcare Co., Ltd. (Note 2)	4,992,217	-7,783
Hunan Xikang Healthcare Co., Ltd. (Note 3)	1,760,128	-239,872
Anhui Xikang Healthcare Co., Ltd. (Note 4)	996,007	-3,993
Guangzhou Xikang Healthcare Co., Ltd. (Note 5)	920,030	-79,970
Hubei Xikang Healthcare Co., Ltd. (Note 6)	996,796	-3,204
Hangzhou Xikang Healthcare Co., Ltd. (Note 7)	996,569	-3,431
Jiangxi Xikang Healthcare Co., Ltd. (Note 8)	1,995,249	-4,751
Hainan Xikang Healthcare Co., Ltd. (Note 9)	4,987,785	-12,215
Luoyang Xikang Healthcare Co., Ltd. (Note 10)	989,137	-10,863
Jinzhou Xikang Healthcare Co., Ltd. (Note 11)	988,001	-11,999
Neusoft Medical System Peru Inc. (Note 12)	145,308	-171,597
Shenzhen Xikang Healthcare Co., Ltd. (Note 13)	492,342	-7,658
Shenyang Xikang Alps Technologies Co., Ltd. (Note 14)	5,587,980	-749,500
Beijing Neusoft Xikang Hospital Management Co., Ltd. (Note 15)	497,346	-2,654
Dalian Neusoft Xikang Healthcare Co., Ltd. (Note 16)	490,975	-9,025
Neusoft GmbH (Note 17)	1,295,974	-359,658
Shanghai Xikang Healthcare Co., Ltd. (Note 18)	499,341	-659

Note 1: This entity was invested by the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. in February 2012 with RMB 30.6 million Yuan with an equity ratio of 51% and included in the consolidated financial statements since the month of investment.

Note 2: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in April 2012 with RMB 5 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 3: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in April 2012 with RMB 2 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 4: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in April 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 5: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in May 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 6: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in May 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 7: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in May 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 8: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in May 2012 with RMB 2 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 9: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in June 2012 with RMB 5 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 10: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in June 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 11: This entity was invested by the Company's indirectly controlled subsidiary Liaoning Neusoft Xikang Healthcare Management Co., Ltd. in June 2012 with RMB 1 million Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 12: This subsidiary was jointly invested by Shenyang Neusoft Medical Systems Co., Ltd. and its subsidiary with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 13: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in August 2012 with RMB 500,000 Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 14: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology

Co., Ltd. in September 2012 with USD 550,000 with an equity ratio of 55% and included in the consolidated financial statements since the month of investment.

Note 15: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in October 2012 with RMB 500,000 Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 16: This entity was invested by the Company's indirectly controlled subsidiary Liaoning Neusoft Xikang Healthcare Management Co., Ltd. in October 2012 with RMB 500,000 Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 17: This entity was acquired by the Company's indirectly controlled subsidiary Neusoft EDC SRL in November 2012 with EUR 25,000 with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

Note 18: This entity was invested by the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. in November 2012 with RMB 500,000 Yuan with an equity ratio of 100% and included in the consolidated financial statements since the month of investment.

4.4 There is no business combination under common control in this period.

4.5 Business combination under non-common control in this period

4.5.1 Overview

On the acquisition date November 29th, 2012, the Company's indirectly controlled company Neusoft EDC SRL purchased 100% equity in Neusoft GmbH with EUR 25,000 in cash. The recognition of fair value of the acquisition consideration is based on both confirmed book value of net assets of Neusoft GmbH, for which goodwill was not formed.

Neusoft GmbH, established on October 2012 in Munich, is a company specialized in service and selling of computer software and technical products. Its controlling shareholder before the acquisition was natural person Ingolf Jensch. The acquisition date is determined upon payment of over 50% equity is made whilst the process of register of change is finished.

Identifiable assets and liabilities of the Acquiree (Neusoft GmbH)

Item	Date of acquisition	
	Book value	Fair value
Current assets	204,045	204,045
Fixed assets		
Intangible asset		
Total assets		
Total liabilities		
Net assets	204,045	204,045

4.5.2 Financial situation after consolidation:

Acquiree	Income from the acquisition date to the end of this period	Net profit from the acquisition date to the end of this period	Cash flow from the acquisition date to the end of this period
Neusoft GmbH		-359,658	-106,477

4.6 Subsidiary over which the Company lost control for equity sale

The Company's subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. ("Neusoft IT Services") transferred its education asset-related equity in its holding subsidiary (Dalian Neusoft Park Industrial Development Co., Ltd., "DNPID" for short) and the Company's investments on Chengdu Neusoft Institute of Information Technology, Nanhai Neusoft Institute of Information Technology, Dalian Neusoft Institute of Information and Dalian Neusoft Institute of Information Technology to Dalian Neusoft Holdings Co., Ltd. In accordance with the assessment report issued by China Enterprise Appraisals Co., Ltd., the total appraisal value of the said equity and contribution amounted to RMB 424,171,800 Yuan. Through negotiation, the Transferor and Transferee reached an agreement on the transfer price of RMB 442,343,800 Yuan, increasing the total appraisal value by 4.28%, among which, the concluded price of each transaction was respectively, RMB 426,015,700 Yuan, 3,140,000 Yuan, 3,140,000 Yuan, 6,280,100 and 3,768,000 Yuan. On February 15th, 2012, DNPID finished the process of register of change in equity. Neusoft IT Services confirmed to transfer all pre-tax investment income of DNPID with the amount of RMB 53,340,300 Yuan on the selling date February 15th, 2012; Its capital reserve amounting to RMB 2,029,200 Yuan confirmed based on other change in capital reserve was converted into current investment income, and the net income after deducting taxes was RMB 36,449,000 Yuan. As of the end of the reporting period, the register change in investors of the four institutes was still in process. During the reporting period, the Company and Neusoft IT Services received all the payments for equity transfer with total amount of RMB 442,343,800 Yuan according to related agreements. The selling date is determined upon completion of register change and the transferee has the ability to pay the due payments.

Company	Date of sale	P&L recognition method
Dalian Neusoft Park Industrial Development Co., Ltd. and its subsidiaries	February 15 th , 2012	The difference between which the disposal price deducts the amount of attributable net assets calculated from the purchase date on the basis of the original equity ratio was recognized as current investment income in the consolidated financial statement; Capital reserve confirmed according to other capital reserve change of the original subsidiaries in previous years was converted into current investment income.

4.7 There is no reverse acquisition in this period.

4.8 There is no merger in this period.

4.9 Exchange rate for financial statements of overseas entities

Foreign currency-dominated assets and liabilities of overseas subsidiaries included in the Company's financial statements shall be translated into RMB at the spot exchange rate on the balance sheet date; All the other items except for the "Undistributed profits" under the owners' equity shall be translated into RMB at the spot exchange rate on the date of the transactions. Foreign currency-dominated income and expenses in the income statement shall be translated into RMB at the average exchange rate during the reporting period. The resulting translation difference shall be separately indicated under the item of owners' equity in the balance sheet.

Note 5 Notes to Main Items in Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5.1 Monetary capital

Item	Year-end balance			Year-begin balance		
	Foreign currency	Translation rate	RMB	Foreign currency	Translation rate	RMB
Cash						
RMB			92,766			198,093
USD	200	6.2855	1,257	2,000	6.3009	12,602
JPY	98,809	0.073049	7,218	23,299	0.081103	1,890
EUR	1,603	8.3176	13,333	5,462	8.1625	44,584
HKD	4,877	0.8109	3,955	1,392	0.8107	1,128
AED	6,705	1.7206	11,537	1,467	1.7159	2,517
ROL	4,861	1.8692	9,086	3,203	1.8972	6,077
Subtotal			139,152			266,891
Bank deposit						
RMB			1,786,277,199			1,500,755,787
USD	13,543,487	6.2855	85,127,588	17,631,079	6.3009	111,091,666
JPY	2,431,337,836	0.073049	177,606,798	1,112,200,915	0.081103	90,202,831
EUR	2,903,839	8.3176	24,152,971	3,461,400	8.1625	28,253,678
HKD	1,527,716	0.8109	1,238,825	1,294,766	0.8107	1,049,667
SGD	547,357	5.0929	2,787,634	499,014	4.8679	2,429,150
CHF	51,860	6.8219	353,784	1,619	6.7287	10,894
ROL	414,903	1.8692	775,537	229,574	1.8972	435,548
VND	2,212,334	0.0003	664	304,611,815	0.0003	91,384

Continued table

Item	Year-end balance			Year-begin balance		
	Foreign currency	Translation rate	RMB	Foreign currency	Translation rate	RMB
AED	1,598,996	1.7206	2,751,233	986,564	1.7159	1,692,845
GBP	145,748	10.1611	1,480,960			
CAD				69,053	6.1777	426,589
Subtotal			2,082,553,193			1,736,440,039
Other currency						
RMB			12,779,935			1,809,035
Subtotal			12,779,935			1,809,035
Subtotal			2,095,472,280			1,738,515,965

Restricted monetary capital details are as follows:

Item	Year-end balance	Year-begin balance
Performance bond	2,371,935	1,809,035
Forward foreign exchange bond	4,901,000	
Total	7,272,935	1,809,035

1) The balance of overseas deposited monetary capital at the end of this period is RMB 203,112,061 Yuan after translation.

2) Among other monetary capital at the end of this period, RMB 7,272,935 Yuan is the Company's subsidiary Neusoft Group (Dalian) Co., Ltd. and indirectly controlled subsidiary Beijing Neusoft Huiju Information Technology Co., Ltd. and Shenyang Neusoft Positron Medical Systems Co. Ltd.'s margin deposit, which was not recognized as cash or cash equivalent when preparing the cash flow statement.

5.2 Trading financial assets

Item	Year-end balance	Year-begin balance
Trading financial assets		
Foreign exchange forward contracts (Note)	14,917,183	863,170
Total	14,917,183	863,170

Note: Foreign exchange forward contracts shall be calculated based on exchange rate quoted in the open market; estimated floating income shall be included in income from change in fair value and presented as trading financial assets.

5.3 Notes receivable

5.3.1 Type

Type	Year-end balance	Year-begin balance
Banker's acceptance	13,731,461	33,772,838
Commercial acceptance bill	610,602	2,442,407
Total	14,342,063	36,215,245

5.3.2 There is no pledged note receivable as of the end of this period;

5.3.3 There is no note that is converted into account receivable due to the drawer has no ability to perform the obligation and no note endorsed by the Company but undue yet as of the end of this period;

5.3.4 There is no undue but discounted banker's acceptance or commercial acceptance bill as of the end of this period;

5.3.5 Among notes receivable as of the end of this period, there is no note receivable from any shareholding company holding over 5% (including 5%) voting share of the Company.

5.4 Accounts receivable

5.4.1 Disclosure by type

Type	Year-end balance				Year-begin balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable with significant single amount and single appropriation of provision for bad debts	219,627,652	14.61	21,829,540	9.94	203,808,369	16.70	13,811,688	6.78
Accounts receivable with appropriation of provision for bad debts by portfolio	1,156,208,747	76.91	44,193,577	3.82	971,097,433	79.57	31,862,593	3.28
Accounts receivable with insignificant single amount but single appropriation of provision for bad debts	127,399,390	8.48	30,125,328	23.65	45,459,795	3.73	13,402,767	29.48
Total	1,503,235,789	100.00	96,148,445		1,220,365,597	100.00	59,077,048	

5.4.2 Accounts receivable with significant single amount and single appropriation of provision for bad debts

Account receivable from	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
China Unicom	113,793,005	14,350,004	12.61	Significant amount with receivable proportion of over 85%
China Telecom	39,375,665	1,313,956	3.34	Significant amount with receivable proportion of over 95%
Nokia Siemens Networks Neusoft Commtech Company ("NSNN")	28,264,043	2,787,316	9.86	Significant amount with receivable proportion of over 90%
Shenyang Metro Co., Ltd.	26,069,201	2,313,563	8.87	Significant amount with receivable proportion of over 90%
China Mobile	12,125,738	1,064,701	8.78	Significant amount with receivable proportion of over 90%
Total	219,627,652	21,829,540		

Accounts receivable with appropriation of provision for bad debts by aging analysis method in portfolio:

Age	Year-end balance			Year-begin balance		
	Book amount		Provision for bad debts	Book amount		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	961,107,880	83.12	9,611,079	753,616,537	77.61	7,536,165
1-2 years	90,404,269	7.82	1,808,085	131,858,322	13.58	2,637,167
2-3 years	57,314,918	4.96	2,865,746	41,610,955	4.28	2,080,548
3-5 years	19,414,459	1.68	1,941,446	27,114,340	2.79	2,711,434
Over 5 years	27,967,221	2.42	27,967,221	16,897,279	1.74	16,897,279
Total	1,156,208,747	100.00	44,193,577	971,097,433	100.00	31,862,593

Accounts receivable with insignificant single amount but single appropriation of provision for bad debts

Account receivable from	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
Contract payment for software and system integration	10,100,987	10,100,987	100.00	Account receivable with long age which is estimatedly unrecoverable
Contract payment for software and system integration	12,445,308	5,799,591	46.60	Account receivable with long age with recoverable proportion of about 50%
Contract payment for software and system integration	104,853,095	14,224,750	13.57	Account receivable with long age with recoverable proportion of about 90%
Total	127,399,390	30,125,328		

5.4.3 Account receivables received in full or part amount in this period with appropriation of provision for bad debts in full amount or at large proportion in preceding year:

Account receivable from	Recovery reason	Basis of confirming original provision for bad debts	Accumulated appropriated provision for bad debts before recovery	Recovery amount	Recovered provision for bad debts
Sale amount receivable	Great effort was made to work off the receivables during the reporting period	Aging analysis method	5,559,109	3,225,146	3,142,331

5.4.4 There is no account receivable received through reorganization or other methods in this period;

5.4.5 Actual write-off accounts receivable:

Receivable from	Category	Write-off amount	Reason	Whether caused by related transaction
Shanxi Tonghui Network Co., Ltd.	Sales payment	1,455,247	It is estimatedly unrecoverable	No
Others	Sales payment	439,342	It is estimatedly unrecoverable	No
Total		1,894,589		

5.4.6 Accounts receivable from shareholder companies with over 5% (including 5%) voting share of the Company:

Receivable from	Year-end balance		Year-begin balance	
	Book amount	Appropriated provision for bad debts	Book amount	Appropriated provision for bad debts
Toshiba Corporation	5,852,557	58,526	4,616,409	46,164
Alpine	3,998,077	39,981	3,982,428	39,824
Baosteel Group Corporation	563,008	30,130	100,000	50,000

5.4.7 Top 5 debtors of accounts receivable

Debtor	Relationship with the Company	Amount	Age	Proportion to the total (%)
China Unicom	Non-related parties	113,793,005	Within 1 year-over 5 years	7.57
Shanxi Xingji Technology and Trade Co., Ltd.	Non-related party	60,637,675	Within 2 years	4.03
Harman	Related party	48,629,991	Within 1 year	3.24
China Telecom	Non-related party	39,375,665	Within 3 years	2.62
Sony	Non-related party	37,439,767	Within 1 year	2.49
Total		299,876,103		19.95

5.4.8 Accounts receivable from related parties

The accounts receivable from related parties is RMB 91,811,058 Yuan, accounting for 6.11% of the total, please refer to Note 7.4.11 for details.

5.4.9 Account receivable with terminated recognition due to transfer of financial assets:

Item	Amount	Profit or loss related to the termination
Shenyang Branch of China CITIC Bank Corporation Limited	11,300,198	N/A

Note: The account receivable with terminated recognition due to transfer of financial assets is caused by the non-recourse factoring business between Shenyang Neusoft Medical Systems Co., Ltd. and Shenyang Branch of China CITIC Bank Corporation Limited.

5.5 Other receivables

5.5.1 Disclosure by type

Type	Year-end balance				Year-begin balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Account receivable with significant single amount and single appropriation of provision for bad debts					8,854,730	4.55	8,854,730	100.00
Account receivable with appropriation of provision for bad debts by portfolio	203,841,742	95.25	4,924,915	2.42	165,647,630	85.13	4,227,351	2.55
Account receivable with insignificant single amount and single appropriation of provision for bad debts	10,161,809	4.75	4,313,766	42.45	20,086,790	10.32	2,020,606	10.06
Total	214,003,551	100.00	9,238,681		194,589,150	100.00	15,102,687	

5.5.2 Other receivables with appropriation of provision for bad debts by aging analysis method in portfolio:

Age	Year-end balance			Year-begin balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	150,880,712	74.03	1,508,807	128,905,982	77.83	1,289,060
1-2 years	32,746,471	16.06	654,930	20,513,771	12.38	410,275
2-3 years	9,136,521	4.48	456,826	2,754,906	1.66	137,745
3-5 years	9,748,540	4.78	974,854	12,314,111	7.43	1,231,411
Over 5 years	1,329,498	0.65	1,329,498	1,158,860	0.70	1,158,860
Total	203,841,742	100	4,924,915	165,647,630	100.00	4,227,351

Appropriation of provision for bad debts in other receivables with insignificant single amount and separate impairment test:

Other receivables	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
Revolving fund	8,696,794	3,379,805	38.86	It is estimated that the recoverable proportion is about 60%.
Open credit	1,465,015	933,961	63.75	It is estimated that the recoverable proportion is about 40%.
Total	10,161,809	4,313,766		

5.5.3 Other receivables received in full or part amount in this period with appropriation of provision for bad debts in full amount or at large proportion in preceding year:

Other receivables	Recovery reason	Basis of confirming original provision for bad debts	Accumulated appropriated provision for bad debts before recovery	Recovery amount	Recovered provision for bad debts
Revolving fund	Great effort was made to work off the receivables during the reporting period	Aging analysis method	770,579	472,802	445,844

5.5.4 Other actual write-off accounts receivable:

Receivable from	Category	Write-off amount	Reason	Whether caused by related transaction
Sesca	Open credit	8,854,730	The debtor went into bankruptcy	No
Purchase center of Chaozhou Municipal Government	Bid bond	10,000	Estimatedly unrecoverable	No
Subtotal		8,864,730		

5.5.5 There is no other receivable from Shareholding Company with over 5% (including 5%) voting share of the Company;

5.5.6 Top 5 debtors of other receivables

Debtor	Relationship with the Company	Amount	Age	Proportion to the total (%)	Nature or content
Hebei Anda Investment Consulting Co., Ltd.	Non-related party	6,491,718	Within 1 year	3.03	Margin
Dalian Airport Customs House	Non-related party	5,959,200	Within 2 years	2.78	Margin
Henan Provincial Bureau of Health	Non-related party	5,799,750	1-2 year	2.71	Margin
Bureau of Housing and Urban-Rural Development of Chengmai County	Non-related party	3,000,000	Within 1 year	1.40	Margin
State Grid Materials Co., Ltd.	Non-related party	2,996,336	Within 1 year	1.40	Margin
Total		24,247,004		11.32	

5.5.7 Other receivable from related party:

There is no other receivable from related party.

5.5.8 There is no termination of recognition of other receivables.

5.6 Prepayments

5.6.1 Presentation by age

Age	Year-end balance		Year-begin balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	114,146,161	96.38	55,337,045	96.55
1-2 years	2,658,537	2.24	1,434,498	2.50
2-3 years	1,161,961	0.98	250,525	0.44
Over 3 years	474,408	0.40	290,019	0.51
Total	118,441,067	100.00	57,312,087	100.00

5.6.2 Top 5 prepayments

Prepayment to	Relationship with the Company	Amount	Term	Remark
Beijing Zhongguancun Software Park Development Co., Ltd.	Non-related party	32,233,740	Within 1 year	Project prepayment
H3C Technologies Co., Limited	Non-related party	11,013,265	Within 2 years	Contracted prepayment
Oracle (China) Software System Co., Ltd.	Non-related party	8,293,412	Within 1 year	Contracted prepayment
Shanxi Bolan Technology Co., Ltd.	Non-related party	7,593,000	Within 1 year	Contracted prepayment
Beijing Ruihaitiandi Technology Development Co., Ltd.	Non-related party	5,061,780	Within 1 year	Contracted prepayment
Total		64,195,197		

5.6.3 Among the prepayments at the end of this period, no Shareholding Company with over 5% (including 5%) voting share of the Company owes any debt for prepayment.

5.6.4 Prepayment to related parties

There is no prepayment to related parties.

5.7 Inventories

5.7.1 Presentation by type

Item	Year-end balance			Year-begin balance		
	Book balance	Provision for inventory write-down	Book value	Book value	Provision for inventory write-down	Book value
Raw materials	175,401,478	11,612,195	163,789,283	174,664,750	10,058,024	164,606,726
Work in process	570,219,685	20,195,171	550,024,514	354,575,117	13,071,448	341,503,669
Finished products	117,159,085		117,159,085	79,252,821	204,348	79,048,473
Total	862,780,248	31,807,366	830,972,882	608,492,688	23,333,820	585,158,868

5.7.2 Provision for inventory write-down

Type	Year-begin book balance	Appropriation amount	Write-down amount		Year-end book balance
			Reversed	Write-off	
Raw materials	10,058,024	1,554,171			11,612,195
Work in process	13,071,448	7,123,723			20,195,171
Finished products	204,348		204,348		
Total	23,333,820	8,677,894	204,348		31,807,366

5.7.3 Depreciation provision for inventory write-down

Item	Basis	Reason for reversion of the provision	Proportion of reversed amount to year-end balance of the inventory
Raw materials	Provision for inventory write-down is made or adjusted at the lower one between the cost and net realizable value		
Work in process	Provision for inventory write-down is made or adjusted at the lower one between the cost and net realizable value		
Finished products	Provision for inventory write-down is made or adjusted at the lower one between the cost and net realizable value	External sales	0.17%

5.8 Other current assets

Item	Year-end balance	Year-begin balance
Deferred business tax	5,510,731	7,293,081
Leasing expenses	694,777	337,391
Deferred property tax	276,220	289,335
Other (Note)	7,808,787	6,343,029
Total	14,290,515	14,262,836

Note: Other mainly refers to amortized heating expense.

5.9 Held-to-maturity investment

Item	Year-end balance	Year-begin balance
Bank finance products (Note)	403,159,918	401,931,507
Total	403,159,918	401,931,507

Note: The Company and its subsidiary Shenyang Neusoft Medical Systems Co., Ltd. purchased the finance products (that buyers should repay the loan and the accrued interest outright) from bank based on their financial situations. The investment with an amount of RMB 400 million Yuan and accrued income have been recovered at the end of March 2013.

5.10 Long-term receivables

Item	Year-end balance				Year-begin balance			
	Amount	Ratio (%)	Provision for bad debts	Net value	Amount	Ratio (%)	Provision for bad debts	Net value
Rental deposit (Note 1)	4,435,822	16.86		4,435,822	5,075,500	3.30		5,075,500
Instalment (Note 2)	21,877,518	83.14	359,165	21,518,353	42,830,601	27.88	826,061	42,004,540
Receivable from transfer of assets (Note 3)					105,745,047	68.82	2,114,900	103,630,147
Total	26,313,340	100.00	359,165	25,954,175	153,651,148	100.00	2,940,961	150,710,187

Note 1: This refers to the deposit paid by Neusoft (Japan) Co., Ltd. for rental which will be recovered upon the lease contract is terminated; Based on the operations of the subsidiary, the period when the contract will be terminated cannot be estimated precisely;

Note 2: This refers to receivable of Shenyang Neusoft Medical Systems Co., Ltd. from sales of products by instalment; and provision for bad debt based on the age of the receivable is appropriated.

Note 3: The receivable balance from transfer of assets is RMB 105,745,047 Yuan at the year begin. Provision for bad debts is RMB 2,114,900 Yuan. This refers to the due payment for transfer of assets by DNPID's subsidiary Chengdu Neusoft Information Technology Development Co., Ltd. to Chengdu Neusoft Institute of Information Technology. During the reporting period, Neusoft IT Services transferred DNPID's equity, and the long-term receivable was reduced accordingly.

5.11 Investment in joint ventures and associates

Investee	Equity ratio (%)	Voting share (%)	Year-end total assets	Year-end total liabilities	Year-end net assets	Total business income in this period	Net profit in this period
Nokia Siemens Networks Neusoft Commtech Company	46.00	46.00	353,984,560	234,322,689	119,661,871	269,983,065	8,987,768
Shenyang CataData Technology Co., Ltd.	16.67	16.67	14,443,965	13,665	14,430,300	112,298	-5,313,664
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	40.00	40.00	16,538,399	651,223	15,887,176	5,840,337	-4,499,694
Philips and Neusoft Medical Systems Co., Ltd.	49.00	49.00	549,117,278	154,479,055	394,638,223	946,008,303	79,642,288
Liaoning Shengjing Xikang Healthcare Co., Ltd.	49.00	49.00	1,876		1,876	25,529	-234,671
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	20.00	20.00	1,028,297	2,654,347	-1,626,050	995,834	-2,971,423
NEC Neusoft Information Technology Co., Ltd.	30.00	30.00	12,872,852	614,306	12,258,546	909,015	-8,535,090
Aerotel Medical Systems (1998) Ltd.	31.38	31.38	15,639,612	9,934,543	5,705,069	6,323,563	-5,809,600
Shenyang Neusoft System Integration Engineering Co., Ltd. (Note 1)	26.65	26.65	147,142,959	60,830,836	86,312,123	288,682,806	8,636,898
Beijing Venusource Information Technology Co., Ltd. (Note 2)	34.43	34.43	23,648,606	940,844	22,707,762	10,889,517	1,011,562
Beijing Huiyuan Xikang Technology Co., Ltd. (Note 3)	50.00	50.00	9,599,460	68,016	9,531,444		-468,556

Note 1: In March 2012, the Company's subsidiaries Shenyang Neusoft System Integration Co., Ltd. and Xi'an Neusoft System Integration Co., Ltd respectively invested RMB 10 million Yuan in this Company with the same equity ratio of 13.325%, totaling 26.65%.

Note 2: In November 2011, the Company's subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. invested RMB 10.5 million Yuan in this Company with an equity ratio of 34.43%.

Note 3: In July 2012, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. invested RMB 5 million Yuan in this company with an equity ratio of 50%.

5.12 Long-term equity investments

5.12.1 Overview

Investee	Calculation method	Initial investment cost	Year-begin balance	Change in owners' equity	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Accumulated provision for impairment	Appropriated provision for impairment in this period	Cash dividend in this period
Nokia Siemens Networks Neusoft Comtech Company	Equity method	26,713,621	50,910,087	4,134,373	55,044,460	46.00	46.00				
Shenyang CataData Technology Co., Ltd.	Equity method	15,000,000	13,835,661	-885,611	12,950,050	16.67	16.67				
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Equity method	9,051,000	8,154,748	-1,799,877	6,354,871	40.00	40.00				
Philips and Neusoft Medical Systems Co., Ltd.	Equity method	120,050,000	182,664,926	5,507,683	188,172,609	49.00	49.00				33,614,000
Liaoning Shengjing Xikang Healthcare Co., Ltd.	Equity method	490,000	115,908	-114,989	919	49.00	49.00				
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Equity method	400,000	212,290	-212,290		20.00	20.00				
NEC Neusoft Information Technology Co., Ltd. (Note 1)	Equity method	7,500,000	3,238,091	439,473	3,677,564	30.00	30.00				
Aerotel Medical Systems (1998) Ltd.	Equity method	10,675,548	11,073,220	-1,645,887	9,427,333	31.38	31.38				
Shenyang Neusoft System Integration Engineering Co., Ltd. (Note 2)	Equity method	20,000,000		22,840,656	22,840,656	26.65	26.65				2,161,354
Beijing Venusource Information Technology Co., Ltd. (Note 3)	Equity method	10,500,000		11,135,341	11,135,341	34.43	34.43				
Beijing Huiyuan Xikang Technology Co., Ltd. (Note 4)	Equity method	5,000,000		4,765,722	4,765,722	50.00	50.00				
Subtotal		225,380,169	270,204,931	44,164,594	314,369,525						35,775,354
Dalian Yunchou Technology Co., Ltd.	Cost method	45,352	45,352		45,352	5.00	5.00				

Continued table

Investee	Calculation method	Initial investment cost	Year-begin balance	Change in owners' equity	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Accumulated provision for impairment	Appropriated provision for impairment in this period	Cash dividend in this period
Dalian Neusoft Institute of Information (Note 5)	Cost method	336,022,775	336,022,775	-330,022,775	6,000,000	1.74	1.74				
Dalian Neusoft Institute of Information Technology	Cost method	3,600,000	3,600,000		3,600,000	60.00	60.00				
Chengdu Neusoft Institute of Information (Note 5)	Cost method	15,118,334	15,118,334	-12,118,334	3,000,000	17.47	17.47		1,200,000		
Neusoft Institute of Information Technology, Nanhai (Note 5)	Cost method	21,227,945	21,227,945	-18,227,945	3,000,000	12.82	12.82				
Dalian Neusoft Information Services Co., Ltd.	Cost method	1,877,722	1,877,722		1,877,722	10.00	10.00				
Dalian Neusoft Education Service Co., Ltd. (Note 5)	Cost method	1,000,000	1,000,000	-1,000,000							
Tianjin Dongtai Development Co., Ltd.	Cost method	256,000	256,000	-256,000							
Beijing Huada Infosec Technology Co., Ltd.	Cost method	150,000	150,000		150,000	0.90	0.90				
Beijing Co-create Open Source Software Co., Ltd.	Cost method	770,000	770,000		770,000	6.29	6.29		770,000		
Beijing Shoufa Infosec Data System Technology Co., Ltd.	Cost method	3,350,000	3,350,000		3,350,000	8.86	8.86				
Dongzhong Commtech Co., Ltd.	Cost method	3,000,000	3,000,000		3,000,000	10.00	10.00		3,000,000		
Shenyang Torch Company Limited	Cost method	100,000	100,000		100,000				100,000		
Lotus Business Consulting Co., Ltd.	Cost method	347,358	347,358		347,358	6.30	6.30				11,835
Tianjin Shenzhen General Data Technology Co., Ltd.	Cost method	3,000,000	3,000,000		3,000,000	5.00	5.00				
Nanchang Biotech A&C Biotechnical Industry Incorporated Company	Cost method	27,600,000	27,600,000		27,600,000	9.01	9.01				

Continued table

Investee	Calculation method	Initial investment cost	Year-begin balance	Change in owners' equity	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Accumulated provision for impairment	Appropriated provision for impairment in this period	Cash dividend in this period
Beijing YIT Software Technology Co., Ltd. (Note 7)	Cost method	2,989,600	2,989,600	-2,989,600							
Appconomy, Inc.	Cost method	24,934,400	24,934,400		24,934,400	15.92	15.92				
Subtotal		445,389,486	445,389,486	-364,614,654	80,774,832				5,070,000		11,835
Total		670,769,655	715,594,417	-320,450,060	395,144,357				5,070,000		35,787,189

Note 1: During the reporting period, the Company's subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. invested RMB 3 million Yuan in its associate NEC Neusoft Information Technology Co., Ltd., increasing initial investment cost of the long-term equity investment to 7.5 million with no change in equity ratio.

Note 2: During the reporting period, the Company's subsidiaries Shenyang Neusoft System Integration Technology Co., Ltd. and Xi'an Neusoft System Integration Co., Ltd. invested, respectively, RMB 10 million Yuan in this subsidiary; each holds 13.325% of the target company's equity shares, totaling 26.65%.

Note 3: During the reporting period, the Company's subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. invested RMB 10.5 million Yuan in this company with an equity ratio of 34.43%.

Note 4: During the reporting period, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. invested RMB 5 million Yuan in this company with an equity ratio of 50%.

Note 5: During the reporting period, Shenyang Neusoft Information Technology Services Co., Ltd. sold all of its equity in DNPID to Dalian Neusoft Holdings Co., Ltd. DNPID's original sponsor investment (i.e. long-term equity investment) in Dalian Neusoft Institute of Information, Chengdu Neusoft Institute of Information and Nanhai Neusoft Institute of Information Technology and long-term equity investment in Dalian Neusoft Education Service Co., Ltd. were re-duced accordingly. The book balance is the amount of investment in the institutes by the Company.

Note 6: During the reporting period, the Company's subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. sold its equity at a ratio of 8% in Tianjin Dongtai Development Co., Ltd.

Note 7: The Company's indirectly controlled subsidiary Beijing YIT Software Technology Co., Ltd. was not included in the consolidation since July 2012 due to liquidation. This subsidiary has cancelled its registration within the reporting period.

5.12.2 Limitation on capital transfer from investee to investor: N/A.

5.13 Investment property

Item	Year-begin balance	Increase in this period	Decrease in this period	Year-end balance
Original book value	539,898,425	23,974,704	171,164,143	392,708,986
Houses and buildings	467,169,591	23,974,704	161,987,075	329,157,220
Land use right	72,728,834		9,177,068	63,551,766
2. Accumulated depreciation and amortization	101,763,488	12,005,428	38,111,919	75,656,997
Houses and buildings	90,628,573	10,416,827	36,734,881	64,310,519
Land use right	11,134,915	1,588,601	1,377,038	11,346,478
Net value of investment property	438,134,937		121,082,948	317,051,989
Houses and buildings	376,541,018		111,694,317	264,846,701
Land use right	61,593,919		9,388,631	52,205,288
Accumulated amount of provision for impairment on investment property				
Houses and buildings				
Land use right				
Book value of investment property	438,134,937		121,082,948	317,051,989
Houses and buildings	376,541,018		111,694,317	264,846,701
Land use right	61,593,919		9,388,631	52,205,288

The increase of accumulated depreciation and amortization is RMB 12,005,428 Yuan, of which, 8,278,695 Yuan is appropriated and 3,726,733 Yuan is transferred into depreciation due to re-classification.

The original amount transferred into increased investment property due to re-classification is RMB 23,633,652 Yuan.

The original amount of decreased investment property due to change in consolidation in this period is RMB 171,164,142 Yuan, and accumulated depreciation reduces to RMB 38,111,919 Yuan.

5.14 Original price and accumulated depreciation of fixed assets

5.14.1 Fix assets

Item	Year-begin balance	Increase in this period		Decrease in this period	Year-end balance
Original book value	1,921,922,722	557,934,242		109,796,459	2,370,060,505
Including: Houses and buildings	1,349,622,708	426,291,413		42,697,097	1,733,217,024
Electronic equipment	348,437,480	88,806,052		56,991,469	380,252,063
Transportation equipment	16,354,498	1,600,868		1,443,125	16,512,241
Other equipment	207,508,036	41,235,909		8,664,768	240,079,177
		Increase in this period	Including: appropriation in this period		
Accumulated depreciation	524,770,866	109,762,734	109,762,734	66,629,665	567,903,935
Including: Houses and buildings	162,017,766	35,504,386	35,504,386	11,549,302	185,972,850
Electronic equipment	248,618,698	52,313,992	52,313,992	49,530,307	251,402,383
Transportation equipment	9,913,461	2,003,344	2,003,344	1,136,186	10,780,619
Other equipment	104,220,941	19,941,012	19,941,012	4,413,870	119,748,083
Net book value of fixed assets	1,397,151,856	405,714,129		709,415	1,802,156,570
Including: Houses and buildings	1,187,604,942	359,639,232			1,547,244,174
Electronic equipment	99,818,782	29,030,898			128,849,680
Transportation equipment	6,441,037			709,415	5,731,622
Other equipment	103,287,095	17,043,999			120,331,094
Impairment provision	1,750,914			862,826	888,088
Including: Houses and buildings					
Electronic equipment	1,748,456			862,826	885,630
Transportation equipment					
Other equipment	2,458				2,458
Book value of fixed assets	1,395,400,942	406,576,955		709,415	1,801,268,482
Including: Houses and buildings	1,187,604,942	359,639,232			1,547,244,174
Electronic equipment	98,070,326	29,893,724			127,964,050
Transportation equipment	6,441,037			709,415	5,731,622
Other equipment	103,284,637	17,043,999			120,328,636

RMB 109,762,734 Yuan is appropriated for depreciation of fixed assets in this period.

The original amount for conversion of construction in progress into fixed assets is RMB 325,152,822 Yuan.

The original amount of decreased investment property due to change in consolidation in this period is RMB 43,888,605 Yuan, accumulated depreciation reduces to RMB 29,915,610 Yuan.

For underlying security of fixed assets as of December 31st, 2012, please refer to Note 5.31 for details.

5.14.2 There is no idle fixed asset as of the end of this period;

5.14.3 There is no leased fixed asset based on financing lease;

5.14.4 There is no leased fixed asset based on operating lease;

5.14.5 There is no hold-to-sale fixed asset as of the end of this period;

5.14.6 Fixed assets without property right certificates:

Item	Book value	Reason	Remark
Houses and buildings	549,375,755	The application and approval procedures are in progress.	The certificates will be obtained after the procedures are finished.

5.15 Construction in progress

5.15.1 Overview

Item	Year-end balance			Year-begin balance		
	Book amount	Impairment provision	Book value	Book amount	Impairment provision	Book value
Beijing Software Park	130,316,802		130,316,802	128,934,960		128,934,960
Renovation of canteen of Shenyang Software Park	32,521,121		32,521,121	21,337,672		21,337,672
Hainan Software Park (Phase I)	30,333,467		30,333,467	1,423,939		1,423,939
Dalian Hekou Park (Phase II)	1,270,181		1,270,181			
Medical information construction system	558,907		558,907	2,659,595		2,659,595
Xikang renovation project	403,451		403,451			
Cloud base healthcare center (Phase I)	152,028		152,028			
Shanghai Software Park				106,928,658		106,928,658
Guangzhou Software Park (Phase I)				46,514,334		46,514,334
Total	195,555,957		195,555,957	307,799,158		307,799,158

5.15.2 Changes in construction in progress

Project	Budget	Year-begin balance	Increase in this period	Conversion into fixed assets	Other decrease	Proportion of project input to budget (%)	Schedule (%)	Accumulated capitalized interests	Including: amount of capitalized interests in this period	Capitalization rate	Capital source	Year-end balance
Beijing Software Park	550,000,000	128,934,960	1,381,842			24	32				Own capital	130,316,802
Renovation of canteen of Shenyang Software Park	43,000,000	21,337,672	23,266,994		12,083,545	76	80				Own capital	32,521,121
Hainan Software Park (Phase I)	209,110,000	1,423,939	28,909,528			15	40				Own capital	30,333,467
Dalian Hekou Park (Phase II)	347,890,000		1,270,181			0.37	0.40				Own capital	1,270,181
Medical information construction system	10,830,000	2,659,595	2,431,861	4,532,549		47	47				Own capital	558,907
Xikang renovation project	3,000,000		2,724,689		2,321,238	91	91				Own capital	403,451
Cloud base healthcare center (Phase I)	140,030,000		152,028			0.11	0.50				Own capital	152,028
Shanghai Software Park	272,950,000	106,928,658	99,433,632	205,344,051	1,018,239	76	95				Own capital	
Guangzhou Software Park (Phase I)	143,810,000	46,514,334	68,761,888	115,276,222		80	95				Own capital	
Total	1,720,620,000	307,799,158	228,332,643	325,152,822	15,423,022							195,555,957

5.15.3 Schedule of significant construction in progress

Item	Schedule
Beijing Software Park	This project is being constructed with rate of progress of 32%
Hainan Software Park (Phase I)	This project is being constructed with rate of progress of 40%
Dalian Hekou Park (Phase II)	This project is being constructed with rate of progress of 0.4%
Cloud base healthcare center (Phase I)	This project is being constructed with rate of progress of 0.5%

5.16. Intangible asset

Item	Year-begin book balance	Increase in this period	Decrease in this period	Year-end book balance
1. Original book value	683,335,374	13,425,998	191,725,731	505,035,641
(1) Land use right	450,228,932	2,739,879	56,897,910	396,070,901
(2) Land use right	5,000,000		5,000,000	
(3) Purchased proprietary technology	201,285,561	9,413,054	124,169,956	86,528,659
(4) Others	26,820,881	1,273,065	5,657,865	22,436,081
2. Accumulated depreciation and amortization	254,878,493	23,360,280	162,619,510	115,619,263
(1) Land use right	84,183,315	8,429,699	31,617,205	60,995,809
(2) Land use right	2,250,000	333,333	2,583,333	
(3) Purchased proprietary technology	153,547,967	10,846,340	126,821,564	37,572,743
(4) Others	14,897,211	3,750,908	1,597,408	17,050,711
3. Net book value of intangible assets	428,456,881	1,218,322	40,258,825	389,416,378
(1) Land use right	366,045,617		30,970,525	335,075,092
(2) Land use right	2,750,000		2,750,000	
(3) Purchased proprietary technology	47,737,594	1,218,322		48,955,916
(4) Others	11,923,670		6,538,300	5,385,370
4. Impairment provision	140,240			140,240
(1) Land use right				
(2) Land use right				
(3) Purchased proprietary technology				
(4) Others	140,240			140,240
5. Book value of intangible assets	428,316,641	1,218,322	40,258,825	389,276,138
(1) Land use right	366,045,617		30,970,525	335,075,092
(2) Land use right	2,750,000		2,750,000	
(3) Purchased proprietary technology	47,737,594	1,218,322		48,955,916
(4) Others	11,783,430		6,538,300	5,245,130

1) The decreases of intangible assets in this period are all caused by change in consolidation.

2) The amortization amount of intangible asset in this period is RMB 23,360,280 Yuan.

5.17 Goodwill

Investee or item forming goodwill	Year-begin balance	Increase	Decrease	Change caused by exchange rate	Year-end balance	Provision for impairment at the end of the period
Neusoft (Japan) Co., Ltd. (Note 1)	3,928,116				3,928,116	
Dalian Neusoft Finance Information Technology Co., Ltd. (Note 2)	1,420,366		1,420,366			
Liaoning Neusoft Venture Capital Investment Co., Ltd. (Note 3)	77,123				77,123	
Beijing Lanruisoft Co., Ltd. (Note 4)	315,360				315,360	
NMSG business and assets (Note 5)	78,921,639			1,499,632	80,421,271	70,440,146
Neusoft Technology Solutions GmbH (Note 6)	32,650			620	33,270	33,270
VND business and assets (Note 7)	47,237,449			897,584	48,135,033	4,365,191
Taproot business and assets (Note 8)	18,535,797			-45,304	18,490,493	18,490,493
Beijing LBS Social Insurance Information Technology Co., Ltd. (Note 9)	1,809,071				1,809,071	
Beijing Neusoft Viewhigh Technology Co., Ltd. (Note 10)	99,953,597				99,953,597	19,446,797
Total	252,231,168		1,420,366	2,352,532	253,163,334	112,775,897

The Company conducted impairment test on goodwill at the end of this period; the present value of estimated future cash flow is adopted as the recoverable amount of related asset group and asset group portfolio. According to the Five-year Budget-based Cash Flow Forecast approved by the Company's managements, if the book value of goodwill is higher than the recoverable amount of related asset group, the difference shall appropriated as provision for impairment of goodwill. RMB 86,432,773 Yuan is appropriated as impairment loss of goodwill with operations and assets of NMSG and Taproot. Other provision for impairment is subject to change in exchange rate.

Note 1: This Company invested into the subsidiary in June 2001 with an equity ratio of 60%. In December 2003, the Company acquired the remaining 40%. The difference by which the acquisition price exceeds the attributable net assets was recognized as equity investment difference and amortized by 10 years starting January 2004; On January 1st, 2007, according to the *Accounting Standards for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business Enterprises*, the Company presented the amortization of debit balance of the equity investment balance as of the end of 2006 as goodwill when preparing the consolidated financial statement;

Note 2: This Company's subsidiary Neusoft (Japan) Co., Ltd. acquired 31% equity in Dalian Neusoft Finance Information Technology Co., Ltd. The difference by which the acquisition price exceeds the attributable net assets was recognized as equity investment difference and amortized by 10 years starting May 2004. On January 1st, 2007, according to the *Accounting Standards for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business Enterprises*, the Company presented

the amortization of debit balance of the equity investment balance as of the end of 2006 as goodwill when preparing the consolidated financial statement; During the reporting period, business registration of Dalian Neusoft Finance Information Technology Co., Ltd. was cancelled and goodwill was 0 accordingly.

Note 3: On December 27th, 2004, the Company invested additional RMB 500 Yuan to acquire 4.76% equity in Liaoning Neusoft Venture Capital Investment Co., Ltd. The difference by which the purchase price exceeds the fair value of identifiable net assets attributable to the Company was presented as goodwill; On January 1st, 2007, according to the Accounting Standards for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business Enterprise, the amortization of debit balance of the equity investment balance as of the end of 2006 was presented as goodwill when preparing the consolidated financial statements.

Note 4: The Company acquired 14% equity in Beijing Lanruisoft Co., Ltd. in April 2007; the difference by which the purchase price exceeds the fair value of identifiable net assets attributable to the Company was presented as goodwill when preparing the consolidated financial statements;

Note 5: In October 2009, Neusoft (Europe) Co., Ltd. (Neusoft Europe) acquired 100% equity in Sesca Mobile Software Oy (later changed for "Neusoft Mobile Solutions Oy"), Almitas Oy (nullified in 2010 with all operations and employees merged into Neusoft Mobile Solutions Oy) and Sesca Technologies SRL (later changed for "Neusoft Mobile Solutions SRL"), the consideration of the transactions aggregated 9 million EUR, the difference by which the acquisition price exceeds the fair value of identifiable net assets was presented as goodwill when preparing the consolidated financial statements. Because the key accounts, operations, management team of Neusoft Mobile Solutions Oy (including Almitas Oy) and Neusoft Mobile Solutions SRL are basically same, they are recognized as an asset group for goodwill impairment test; Among the change amount of provision for goodwill impairment comparing with the beginning of the year, RMB 54,903,198 Yuan was added for the provision after the impairment test; other was subject to change in exchange rate.

Note 6: In April 2010, Neusoft Europe acquired 100% equity in Johanna GmbH (later changed for "Neusoft Technology Solutions GmbH"); the consideration for this transaction aggregated 29,000 EUR; the difference by which the acquisition price exceeds the fair value of identifiable net assets attributable to Neusoft Europe was recognized as goodwill when preparing the consolidated financial statements.

Note 7: In June 2010, Neusoft Europe's subsidiary in Germany, Neusoft Technology Solutions GmbH (NTS), acquired the business of Car Navigation System-related computer hardware, mechanical hardware and applications as well as all supporting tangible fixed assets, inventories, rights, contracts, labor contracts from its subsidiary Harman (collectively referred to as "VND Operations and Assets") with transaction consideration of EUR 6 million; The difference by which the acquisition price exceeds the fair value of its attributable net assets was recognized as goodwill when preparing the consolidated financial statements; Based on the result of impairment test, no provision for goodwill impairment was appropriated in this reporting period. The change amount was subject to exchange rate.

Note 8: In February 2010, the Company's wholly owned subsidiary Neusoft Science & Technology Co., Ltd. acquired the development service business for high-end smart phone embedded software from the US-based Taproot System Inc. with transaction consideration of USD 3.1 million; the difference by which the acquisition price exceeds the fair value of its attributable net assets was recognized as goodwill when preparing the consolidated financial statements; Among the change amount of provision for goodwill impairment comparing with the beginning of the year, RMB 12,082,778 Yuan was added for the provision after the impairment test, other was subject to change in exchange rate.

Note 9: In August 2011, the Company acquired 28.33% equity in Beijing LBS with RMB 5.39 million Yuan, totally holding

61.67% after that. The difference by which the combination cost exceeds the fair value of identifiable net assets, RMB 1,809,071 Yuan, was presented as goodwill when preparing the consolidated financial statements.

Note 10: In August 2011, the Company's wholly owned subsidiary Neusoft Group (Beijing) Co., Ltd. acquired 73.14% equity in Beijing Viewhigh Technology Co., Ltd. (changed for "Beijing Neusoft Viewhigh Technology Co., Ltd." after the acquisition) with RMB 114,101,440 Yuan; the difference by which the combination cost exceeds the fair value of identifiable net assets attributable, RMB 99,953,597 Yuan, was presented as goodwill when preparing the consolidated financial statements. Appropriated provision for goodwill impairment based on the result of impairment test in during this period is RMB 19,446,797 Yuan.

5.18 Long-term deferred expenses

Item	Year-begin balance	Increase in this period	Amortization amount	Other decrease	Year-end balance
Decoration expense	38,453,494	13,927,805	9,114,229	702,448	42,564,622
Landscaping expense	5,122,427	1,321,864	3,306,816		3,137,475
Reconstruction of leased fixed assets for operation	2,815,337	442,600	1,074,479		2,183,458
Others	7,302,888	22,061,622	5,086,892	100,000	24,177,618
Total	53,694,146	37,753,891	18,582,416	802,448	72,063,173

Note: Other decrease is mainly caused by change in consolidation.

5.19 Deferred income tax assets/liabilities

Deferred income tax assets and liabilities are not presented as net value after offsetting.

5.19.1 Recognized deferred income tax assets/liabilities

Item	Year-end balance	Year-begin balance
Deferred tax assets		
Appropriated bonus	21,479,730	13,432,311
Government subsidy	16,703,086	15,889,963
Appropriated provision for bad debts above the standard in the Tax Law of P.R. China	11,232,120	7,134,586
Provision for inventory write-down	3,128,960	2,312,947
Estimated liabilities	2,056,962	1,758,432
Impairment of long-lived assets	526,206	1,122,869
Undue loss not offsetted	365,328	1,588,528
Change in fair value of assets		17,057
Depreciation of fixed assets and other asset amortization	8,206	10,144
Others	10,852,905	2,324,685
Subtotal	66,353,503	45,591,522
Deferred tax liabilities:		
Change in fair value of assets	1,491,718	86,317
Others	2,246,775	2,323,464
Subtotal	3,738,493	2,409,781

5.19.2 Taxable differences and deductible differences

Item	Amount
Deductible differences	
Appropriated bonus	169,725,385
Government subsidy	154,262,021
Appropriated provision for bad debts above the standard in the Tax Law of P.R. China	101,462,551
Provision for inventory write-down	31,289,601
Estimated liabilities	18,628,581
Impairment of long-lived assets	5,159,563
Undue loss not offsetted	1,461,311
Change in fair value of assets	
Depreciation of fixed assets and other asset amortization	62,819
Others	78,405,218
Subtotal	560,457,050
Taxable differences	
Change in fair value of assets	14,917,183
Others	14,978,495
Subtotal	29,895,678

5.20 Provision for asset impairment

Item	Year-begin balance	Increase in this period	Decrease in this period		Other (Note)	Year-end balance
			Reversed	Write-off		
Provision for bad debts	77,120,696	41,725,790		10,759,319	-2,340,876	105,746,291
Provision for inventory write-down	23,333,820	8,677,894	204,348			31,807,366
Provision for impairment of goodwill	24,854,666	86,432,773			1,488,458	112,775,897
Provision for impairment of long-term equity investment	12,368,028				-7,298,028	5,070,000
Provision for impairment of fixed assets	1,750,914			862,826		888,088
Provision for impairment of intangible asset	140,240					140,240
Total	139,568,364	136,836,457	204,348	11,622,145	-8,150,446	256,427,882

Note: Other is mainly caused by change in consolidation and exchange rate.

5.21 Short-term borrowings

5.21.1 Type

Item	Year-end balance	Year-begin balance
Guaranteed borrowing	11,312,055	
Debt of honor	500,000,000	470,000,000
Total	511,312,055	470,000,000

5.21.2 There is no unpaid due short-term borrowing in this period.

5.22 Trading financial liabilities

Item	Year-end balance	Year-begin balance
Trading financial liabilities		
Foreign exchange forward contract (Note)		170,567
Total		170,567

Note: Foreign exchange forward contract was calculated based on exchange rate quoted in the open market; estimated floating income was included in income from change in fair value and presented as trading financial assets.

5.23 Note payable

5.23.1 Overview

Type	Year-end balance	Year-begin balance
Banker's acceptance	107,630,675	83,204,957

5.23.2 The amount due in following accounting period is RMB 107,630,675 Yuan.

5.23.3 There is no note payable to related party.

5.24 Accounts payable

5.24.1 Overview

Item	Year-end balance	Year-begin balance
Purchase payment	620,096,812	543,996,141

5.24.2 Accounts payable to shareholder companies with over 5% (including 5%) voting share of the Company:

Company	Year-end balance	Year-begin balance
Alpine	518,177	

5.24.3 Account payable to related parties at the end of this period is RMB 114,631,402 Yuan. Please refer to Note 7.4.11 for details.

5.24.4 Large-amount accounts payable with age of over 1 year

Debtor	Relationship with the Company	Amount	Remark
Radio Frequency Systems (Shanghai) Co., Ltd.	Non-related party	4,105,717	Unsettled purchase payment
Sihua Tech (Shanghai) Co., Ltd.	Non-related party	3,973,478	Unsettled purchase payment
Beijing Sugon Dawning Information Technology Co., Ltd.	Non-related party	2,815,869	Unsettled purchase payment
Beijing Jingwei Information Technology Co., Ltd.	Non-related party	2,701,462	Unsettled purchase payment
Beijing Jiaxun Feihong Electrical Co., Ltd.	Non-related party	2,196,760	Unsettled purchase payment
Total		15,793,286	

5.25 Advance receipt

5.25.1 Overview

Item	Year-end balance	Year-begin balance
Contract payment received in advance	497,627,237	452,920,955

5.25.2 Advance receipt from Shareholding Company with over 5% (including 5%) voting share of the Company:

Advance receipt from	Year-end balance	Year-begin balance
Toshiba Corporation	919,588	16,382

5.25.3 Advance receipt from related parties

Advance receipt from related parties at the end of this period is RMB 932,129 Yuan; please refer to Note 7.4.11 for details.

5.25.4 Large-amount advance receipt with age of over 1 year:

Debtor	Relationship with the Company	Amount	Remark
Tianjin occupational skill training and qualification base for machining/manufacturing industry	Non-related party	6,783,000	Unsettled project payment for contract being performed
PT. Sani Tiara Prima	Non-related party	3,174,046	Unsettled project payment for contract being performed
Information communication center of Jiangxi Electric Power Company	Non-related party	3,011,500	Unsettled project payment for contract being performed

Continued table

Debtor	Relationship with the Company	Amount	Remark
Qinxinanzhou People Hospital	Non-related party	2,160,000	Unsettled project payment for contract being performed
Shanxi Yanchang Petroleum (Group) Co., Ltd.	Non-related party	1,950,000	Unsettled project payment for contract being performed
Total		17,078,546	

5.26 Employee pays payable

Item	Year-begin balance	Increase in this period	Decrease in this period	Year-end balance
(1) wage, bonus, allowance and subsidy	248,340,451	2,340,643,388	2,306,269,364	282,714,475
(2) Reward and welfare fund	18,314,894	4,074,415	4,074,415	18,314,894
(3) Welfare expense	211,958	19,858,746	20,070,704	
(4) Social insurance premium	2,275,203	412,856,687	412,206,578	2,925,312
Covering: medical insurance	699,851	103,606,501	103,812,114	494,238
Basic pension insurance	282,918	262,935,989	262,243,094	975,813
Annuity	825,257	13,808,346	13,541,108	1,092,495
Unemployment insurance	293,438	21,027,406	21,119,771	201,073
Employment injury insurance	5,452	9,977,521	9,845,825	137,148
Maternity insurance	168,287	1,500,924	1,644,666	24,545
(5) Housing reserve	154,224	126,103,856	125,946,192	311,888
(6) Labor union fund and employee education fund	18,544,622	14,941,108	13,009,081	20,476,649
(7) Compensation for terminating labor relation		925,907	925,907	
(8) Retirement allowance	4,201,199	978,440	301,062	4,878,577
Total	292,042,551	2,920,382,547	2,882,803,303	329,621,795

- 1) There is no delinquent pay in this period;
- 2) The retirement allowance refers to the payment paid by Neusoft (Japan) Co., Ltd. for its employee retirement according to local applicable laws and regulations; and
- 3) Wage, bonus, allowance and subsidy payable have been given before March 2013.

5.27 Taxes payable

Item	Year-end balance	Year-begin balance
Corporate income tax	844,682	12,479,460
VAT	29,001,889	23,402,130
Business tax	16,590,081	15,111,631
Urban maintenance and construction tax	3,897,508	2,957,016
Others	15,607,831	13,616,855
Total	65,941,991	67,567,092

5.28 Other accounts payable

5.28.1 Overview

Item	Year-end balance	Year-begin balance
Temporary receipt payable to other company	75,477,457	78,710,156
Temporary estimated construction payment	61,082,022	
Withholding account payable	15,276,951	19,263,076
Deposit for property	9,261,646	14,905,894
Margin for construction or project	7,731,761	9,550,877
Temporary receipt payable to individual	5,955,549	2,263,291
Others	37,234,832	25,188,721
Total	212,020,218	149,882,015

5.28.2 Other account payable to Shareholding Company with over 5% (including 5%) voting share of the Company:

Payable to	Year-end balance	Year-begin balance
Northeastern University of China	4,783,862	19,659,255

5.28.3 Other accounts payable to related parties

Other account payable to related parties at the end of this period is RMB 21,324,830 Yuan; please refer to Note 7.4.11 for details.

5.28.4 Other large-amount account payable with age of over 1 year:

Payable to	Amount	Reason
Northeastern University of China	4,783,862	Based on related agreement

5.28.5 Other accounts payable with large amount

Payable to	Amount	Nature or content	Remarks
Dalian Neusoft Holdings Co., Ltd.	16,328,100	Temporary account	Note 1
Northeastern University of China	4,783,862		
Including: Deferred payment for transfer of property	4,494,276	Instalment payment for transfer of property	Note 2

Note 1: This refers to the temporary payment for transfer of sponsor investment in the four institutes to Dalian Neusoft Holdings Co., Ltd.; please refer to 4.6 for details.

Note 2: This refers to the instalment payment for buying property from Northeastern University of China in 2006 as contracted.

5.29 Estimated liabilities

Item	Year-begin balance	Increase	Decrease	Year-end balance
Product liabilities	15,686,425	2,942,156		18,628,581

5.30 Long-term borrowings

5.30.1 Overview

Type	Year-end balance	Year-begin balance
Mortgage loan (Note)	84,000,000	104,000,000

Note: The loan at the end of this period was gained from a mortgage on property with a book value of RMB 128,739,776 Yuan by the Company's subsidiary Neusoft Group (Tianjin) Co., Ltd., which was a full discount loan. The loan at the beginning of this period referred to the mortgage of DNPID. Long-term borrowings were reduced due to change in consolidation.

5.30.2 Top five long-term borrowings

Borrowing from	Term	Currency	Interest rate (%)	Year-end balance		Year-begin balance	
				Foreign currency	Local currency	Foreign currency	Local currency
Tianjin Puji Branch of SPD Bank	May 9th, 2012- May 8th, 2017	RMB	8.28		84,000,000		

5.31 Bonds payable

Bond	Par value	Date of issue	Term	Amount	Interest payable at the beginning of the year	Accrued interest in this period	Interest paid in this period	Interest payable at the end of the year	Year-end balance
Neusoft Corporation's first tranche of medium-term notes in 2011 (Note)	400,000,000	2011.11.14	3 years	400,000,000	3,658,667	27,440,000	27,440,000	3,658,667	403,658,667

Note: Total amount of this issuance is RMB 0.4 billion Yuan with a term of 3 years; the par value is RMB 100 Yuan per note. It is a fixed interest bearing instrument with an interest rate of 6.86%. The accrued interest unpaid as at the end of this period is RMB 3,658,667 Yuan.

5.32 Long-term accounts payable

Item	Term	Year-begin balance	Interest rate (%)	Accrued interest	Year-end balance	Condition
Operating fund for housing		14,609,431			14,609,431	
Construction fund for Shenyang Neusoft IT Talent Training Base	2008.10.01-2018.10.01	120,000,000			120,000,000	Note 1
Payment for property					44,850,000	Note 2
Total		134,609,431			179,459,431	

Note 1: This fund was borrowed from Administrative Committee of Hunnan New District, Shenyang in preceding year with use term of 10 years since October 1st, 2008 without paying any interest or any other fee. The Company shall refund RMB 24 million Yuan as at every October 31st within 5 years since 2013.

Note 2: This is the final payment instalment made by Neusoft Group (Tianjin) Co., Ltd. to Tianjin Port Free Trade Zone Investment Co., Ltd. for purchase the use right of the land located within Tianjin Free Trade Zone as well as the ownership of a newly-built R&D office building on the land lot. ((See "Asset Transactions" in the Company's announcement with number of "Temporary 2011-22" and Semi-Annual Report 2012 for other related transaction). During the reporting period, Neusoft Group (Tianjin) Co., Ltd. made part of the payment and the remaining will be paid in the coming five years.

5.33 Other current liabilities

Item	Year-end balance	Year-begin balance
Deferred income (Note)	222,597,627	186,425,966
Others		3,309,908
Total	222,597,627	189,735,874

Note: Deferred income refers to income-related subsidy received from the government for compensating for relevant expenses in following years.

5.34 Share capital

Item	Year-begin balance	Changes (+/-)					Year-end balance
		Newly issued share	Share dividend	Share transferred from surplus reserve	Others	Subtotal	
1. Shares with restrictive selling conditions							
(1) Share held by the state							
(2) Share held by state-owned companies							
(3) Shares held by other domestic companies							
Including:							
Shares held by domestically non-state owned companies							
Shares held by domestic natural persons							
(4) Shares held by foreign companies							
Including:							
Share held by foreign companies							
Share held by foreign natural persons							
Subtotal							
2. Shares outstanding without restrictive selling conditions							
(1) RMB-denominated ordinary shares	1,227,594,245						1,227,594,245
(2) Foreign share listed in China							
(3) Foreign share listed overseas							
(4) Others							
Subtotal	1,227,594,245						1,227,594,245
Total	1,227,594,245						1,227,594,245

5.35 Capital reserves

Item	Year-begin balance	Increase	Decrease	Year-end balance
1. Capital share premium (share premium)	340,128,038			340,128,038
2. Other capital reserves (Note)	22,119,163	240,000	6,198,093	16,161,070
Total	362,247,201	240,000	6,198,093	356,289,108

Note: Dalian Neusoft Holdings Co., Ltd. made a capital increase into the registered capital of Liaoning Neusoft Venture Capital Investment Co., Ltd. Actual paid amount is more than the subscribed register capital, which formed the capital reserve with an amount of RMB 400,000 Yuan. Capital reserve with the amount of RMB 240,000 Yuan was increased based on the Company's equity ratio in Liaoning Neusoft Venture Capital Investment Co., Ltd. when consolidating the financial statements.

Neusoft IT Services sold all of its equity in DNPID and business registration of Dalian Neusoft Finance Information Technology Co., Ltd. was cancelled during the reporting period. As a result, the capital reserve with an amount of RMB 6,198,093 Yuan recognized according to change in other capital reserves of invested companies in preceding years was converted into current investment income.

5.36 Surplus reserves

Item	Year-begin balance	Increase	Decrease	Year-end balance
Statutory surplus reserve	384,377,466	47,048,091		431,425,557
Arbitrary surplus reserve	212,326,248	23,524,045		235,850,293
Total	596,703,714	70,572,136		667,275,850

Note: The Company and domestic subsidiaries' policies for surplus reserves are as follows:

1) Statutory surplus reserve

According to the Company Law of the People's Republic of China and the Company's by-laws, the Company and its subsidiaries shall appropriate their respective surplus reserves based on 10% of the after-tax profit of statutory accounts (after the losses in preceding year are offsetted) prepared according to the Accounting Standards for Business Enterprises; and the appropriation of the reserve may be terminated if its balance aggregates 50% of the registered capital.

Statutory surplus reserve can be used to offset loss or increase capital upon approval. However, the balance after offsetting or transfer shall not lower than 25% of the registered capital.

2) Arbitrary surplus reserve

After the statutory surplus reserves are appropriated, arbitrary surplus reserve shall be then appropriated based

on the by-laws after the appropriation proposal filed by the Board of Directors is approved by the Meeting of Shareholders. An amount of RMB 23,524,045 Yuan was appropriated as arbitrary surplus reserves of the Company and its subsidiaries at 5% the after-tax profit of statutory accounts (after the losses in preceding year are offsetted) prepared according to the Accounting Standards of Business Enterprises.

5.37 Undistributed profits

Item	Amount	Appropriation/distribution rate
Undistributed profits at the beginning of the year	2,536,698,174	
Add: Net profit attributable to the shareholders of the parent company	456,313,926	
Less: Appropriated statutory surplus reserves	47,048,091	Please refer to Note 5.36
Appropriated arbitrary surplus reserves	23,524,045	Please refer to Note 5.36
Common stock dividends payable		
Common stock dividends transferred into capital share		
Others		
Undistributed profit at the end of this period	2,922,439,964	

5.38 Operating income and cost

5.38.1 Operating income

Item	Amount in this period	Amount in previous period
Primary business income	6,883,891,905	5,681,821,459
Other business income	76,303,106	69,427,871
Subtotal	6,960,195,011	5,751,249,330

5.38.2 Operating cost

Item	Amount in this period	Amount in previous period
Primary business cost	4,686,216,468	3,968,485,614
Other business cost	43,504,460	36,512,791
Subtotal	4,729,720,928	4,004,998,405

5.38.3 Operating income & cost (by industry):

Item	Amount in this period		Amount in previous period	
	Operating income	Operating cost	Operating income	Operating cost
System integration, sales of software products, software customization and other labor services	5,975,047,991	4,172,158,625	4,830,519,072	3,476,555,703
Medical systems	893,617,148	530,343,758	803,436,708	486,024,807
Property management service and rental	82,863,596	21,687,130	108,831,844	36,999,793
Advertising	8,666,276	5,531,415	8,461,706	5,418,102
Total	6,960,195,011	4,729,720,928	5,751,249,330	4,004,998,405

5.38.4 Operating income & cost (by industry):

Item	Amount in this period		Amount in previous period	
	Income	Cost	Income	Cost
System integration, sales of software products, software customization and other labor services	5,973,700,882	4,170,932,577	4,830,111,571	3,476,259,142
Medical systems	824,097,540	489,722,271	739,011,299	450,972,804
Property management service and rental	77,427,207	20,030,205	104,236,883	35,835,566
Advertising	8,666,276	5,531,415	8,461,706	5,418,102
Total	6,883,891,905	4,686,216,468	5,681,821,459	3,968,485,614

5.38.5 Operating income from top 5 customers:

Customer	Operating income	Proportion to the total (%)
Sony	410,661,756	5.90
China Unicom	243,734,126	3.50
Harman	224,939,395	3.23
Alpine	184,816,514	2.66
Toshiba Corporation	184,356,833	2.65
Total	1,248,508,624	17.94

5.39 Business tax and surtaxes

Item	Amount in this period	Amount in previous period	Tax rate (%)
Business tax	82,810,083	73,204,360	5
Urban maintenance and construction tax	16,167,805	11,666,600	1-7
Educational surtax	11,752,517	9,816,712	2、3
Others	377,981	1,418,015	
Total	111,108,386	96,105,687	

5.40 Sales expense

Item	Amount in this period	Amount in previous period
Employee compensation	358,289,610	276,489,098
Transportation and business travel expenses	70,479,301	62,678,714
Entertainment expense	62,261,694	19,365,360
Advertising	41,475,992	48,043,707
Office materials	41,326,558	36,499,489
Rental and property management fee	8,628,113	6,670,868
Depreciation and amortization	6,983,748	5,848,673
Premium	6,663,142	7,786,325
Others	38,966,628	34,537,927
Total	635,074,786	497,920,161

5.41 Administrative expenses

Item	Amount in this period	Amount in previous period
Employee compensation	627,701,024	455,916,412
Depreciation and amortization	76,393,409	65,556,233
Office materials	65,319,567	49,469,821
Transportation and business travel expenses	48,555,310	40,242,682
Rental and property management fee	41,953,657	32,015,989
Local taxes	35,639,885	25,575,799
Entertainment expense	34,220,589	60,590,196
Training/auditing/consulting expenses	22,630,727	23,654,173
Premium	4,211,355	5,522,799
Advertising	4,065,719	4,170,350
Others	25,253,705	57,243,371
Total	985,944,947	819,957,825

5.42 Financial expenses

Type	Amount in this period	Amount in previous period
Interest expenses	59,183,749	34,540,370
Less: Interest income	14,042,444	20,429,876
Profit or loss on exchange	26,304,296	6,278,727
Handling fee and other	6,162,740	3,259,975
Cash discount	956,726	
Total	78,565,067	23,649,196

5.43 Income from changes in fair value

Cause	Amount in this period	Amount in previous period
Trading financial assets - Foreign exchange forward contract	14,054,013	-106,180
Including: Income from changes in fair value caused by derivative financial instrument		
Trading financial liabilities - Foreign exchange forward contract	170,567	1,056,737
Investment property measured by fair value		
Total	14,224,580	950,557

5.44 Investment income

5.44.1 Overview

Item	Amount in this period	Amount in previous period
Income from long-term equity investment calculated by cost method	11,835	
Income from long-term equity investment calculated by equity method	39,038,402	39,714,198
Investment income from disposal of long-term equity investment (Note)	52,095,578	-731,026
Investment income obtained during the holding period of held-to-maturity investment	14,780,158	1,931,507
Investment income from disposal of trading financial assets		
Investment income obtained during the holding period of available-for-sale financial assets		
Other (Note)	6,198,093	1,221,899
Total	112,124,066	42,136,578

Note: This investment income is mainly brought by Neusoft IT Services' selling of equity in DNPID and cancellation of business registration of Dalian Neusoft Finance Information Technology Co., Ltd. Capital reserve with an amount of RMB 6,198,093 Yuan confirmed according to other capital reserve change of DNPID and Dalian Neusoft Finance Information Technology Co., Ltd. in previous years was converted into current investment income.

5.44.2 Long-term equity investment income calculated by cost method:

Investee	Amount in this period	Amount in previous period	Cause of change
Lotus Business Consulting Co., Ltd.	11,835		Cash dividend received by Neusoft (Japan) Co., Ltd.

5.44.3 Long-term equity investment income calculated by equity method:

Investee	Amount in this period	Amount in previous period	Cause of change
Nokia Siemens Networks Neusoft Commtech Company	4,134,373	8,231,268	Change in net profit of investee
Shenyang CataData Technology Co., Ltd.	-885,611	-839,530	Change in net profit of investee
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	-1,799,877	-896,252	Change in net profit of investee
Neusoft-Philips Medical Systems Co., Ltd.	39,090,289	34,780,482	Change in net profit of investee
Liaoning Shengjing Xikang Healthcare Co., Ltd.	-114,989	-162,886	Change in net profit of investee
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	-212,290	-119,702	Change in net profit of investee
NEC Neusoft Information Technology Co., Ltd.	-2,560,527	-1,261,909	Change in net profit of investee
Aerotel Medical Systems (1998) Ltd.	-1,823,120	439,595	被投资单位净利润变动影响
Shandong Neusoft System Integration Engineering Co., Ltd.	2,809,091		Change in net profit of investee
Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	-234,278		Change in net profit of investee
Beijing Venusource Information Technology Co., Ltd.	635,341		Change in net profit of investee
Beijing LBS Social Insurance Information Technology Co., Ltd.		-456,868	Calculation based on cost method after capital increase
Total	39,038,402	39,714,198	

5.44.4 Note: There is no significant limitation to the remittance of investment income.

5.45 Impairment loss on assets

Item	Amount in this period	Amount in previous period
Bad debts	41,725,790	25,898,767
Inventory write-down	8,473,546	5,077,146
Impairment of long-term equity investment		1,448,028
Impairment of investment property		
Impairment of fixed assets		
Impairment of construction supplies		
Impairment of construction in progress		
Impairment of intangible asset		
Impairment of goodwill	86,432,773	8,981,071
Total	136,632,109	41,405,012

5.46 Non-operating income

5.46.1 Overview

Item	Amount in this period	Amount in previous period	Amount included in non-recurring profit & loss of this period
Profits from disposal of non-current assets	1,623,722	21,660,226	1,623,722
Including: Profit from disposal of fixed assets	443,722	2,380,226	443,722
Profit from disposal of intangible asset	1,180,000	19,280,000	1,180,000
Government Subsidies	94,363,121	105,173,354	94,363,121
VAT refund	39,349,050	32,253,175	
Others	4,216,234	28,999,199	4,216,234
Total	139,552,127	188,085,954	100,203,077

5.46.2 Government subsidies

Item	Amount in this period	Amount in previous period	Amount included in non-recurring profit & loss of this period
(1) Fund appropriation for scientific research (included in current profit and loss)	22,987,495	58,128,282	22,987,495
(2) Development fund for service outsourcing business	36,053,600	28,066,200	36,053,600
(3) Industry supporting fund	5,971,024	3,598,709	5,971,024
(4) Fiscally subsidized interest	2,543,800	2,416,600	2,543,800
(5) Other government subsidies	26,807,202	12,963,563	26,807,202
Total	94,363,121	105,173,354	94,363,121

5.47 Non-operating expense

Item	Amount in this period	Amount in previous period	Amount included in non-recurring profit & loss of this period
Loss on disposal of non-current assets	5,173,148	2,748,601	5,173,148
Including: Loss on disposal of fixed assets	1,825,227	2,717,587	1,825,227
Loss on disposal of intangible asset	3,347,921	31,014	3,347,921
Donation	689,000	1,136,014	689,000
Others	518,900	1,614,858	518,900
Total	6,381,048	5,499,473	6,381,048

5.48 Income tax

Item	Amount in this period	Amount in previous period
Income tax calculated by the Tax Laws and related regulations	126,918,048	80,385,084
Adjustment of deferred income tax	-20,018,487	-11,043,976
Total	106,899,561	69,341,108

5.49 Calculation of Basic EPS and Diluted EPS

Formula:

5.49.1 Basic EPS

$$\text{Basic EPS} = P_0 \div S$$

$$S = S_0 + S_1 + S_2 \times M_i \div M_0 - S_3 \times M_j \div M_0 - S_k$$

P_0 means net profit attributable to the Company's common shareholders or net profit attributable to them after deducting non-recurring profit and loss; S means weighted average number of ordinary shares outstanding; S_0 means total shares at the beginning of this period; S_1 means increased shares transferred from capital reserve or stock dividends in this reporting period; S_2 means increased shares from issuance of new shares or debt-to-equity swap in this reporting period; S_3 means decreased shares caused by buy-back in this reporting period; S_k means shares of reserve stock split; M_0 means the number of months in the reporting period; M_i means accumulated number of months from the following month of the share increase to the end of the reporting period; M_j means accumulated number of months from the following month of the share decrease to the end of the reporting period.

5.49.2 Diluted EPS

Diluted EPS = $P_1 / (S_0 + S_1 + S_2 \times M_i \div M_0 - S_3 \times M_j \div M_0 - S_k + \text{weighted average number of increased ordinary shares from Warrants, Stock Option and convertible bonds})$

P_1 means net profit attributable to the Company's common shareholders or net profit attributable to them after deducting non-recurring profit and loss, which will be adjusted according to the Accounting Standards for Business Enterprises after considering the dilutive potential ordinary shares' influence on it. When calculating the diluted EPS, the Company shall consider the dilutive potential ordinary shares' influence on the net profit attributable to the Company's common shareholders or net profit attributable to them after deducting non-recurring profit and loss and weighted average number of shares, and include it in diluted EPS in the order of high to low dilution degree, up to the minimum value of diluted EPS.

5.49.3 Basic EPS and Diluted EPS

Item	EPS (Yuan)	
	Basic EPS	Diluted EPS
Net profit attributable to the Company's common shareholders	0.37	0.37
Net profit attributable to Company's common shareholders after deducting non-recurring profit and loss	0.26	0.26

5.49.4 Calculation process of basic EPS:

Item	Formula	Amount
Net profit attributable to the Company's common shareholders	P_0	456,313,926
Non-recurring profit and loss	F	136,776,911
Net profits attributable to Company's common shareholders after deducting non-recurring profit and loss	$P_1 = P_0 - F$	319,537,015
Total shares at the beginning of this period	S_0	1,227,594,245
Increased shares transferred from capital reserve or stock dividends	S_1	
Increased shares from issuance of new shares or debt-to-equity swap	S_i	
Accumulated number of months from the following month of the share increase to the end of the reporting period	M_i	
Decreased shares caused by buy-back	S_j	
Accumulated number of months from the following month of the share decrease to the end of the reporting period	M_j	
Shares of reserve stock split	S_k	
The number of months in the reporting period	M_0	12
Weighted average number of common shares outstanding	$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$	1,227,594,245
Basic EPS	$EPS = P_0 / S$	0.37
Basic EPS after deducting non-recurring profit and loss	$EPS_1 = P_1 / S$	0.26

5.49.5 The Company does not have dilutive potential common share outstanding, so the diluted EPS is equal to the basic EPS.

5.50 Other composite income

Item	Amount in this period	Amount in previous period
1. Profit (loss) occurred by available-for-sale financial assets		
Less: Related income tax		
Net value previously included in other composite income and transferred into current profit and loss		
Subtotal		
2. Attributable amount in other composite income of the investee calculated by equity method		
Less: Related income tax		
Net value previously included in other composite income and transferred into current profit and loss	6,198,093	755,902
Subtotal	-6,198,093	-755,902
3. Profit (loss) occurred by cash flow hedging instrument		
Less: Related income tax		
Net value previously included in other composite income and transferred into current profit and loss		
Adjustment of initially recognized amount of converted arbitrated items		
Subtotal		
4. Translation difference in foreign currency-denominated statements	-5,695,655	-21,844,159
Less: Net value transferred into current profit and loss when disposing overseas operations		
Subtotal	-5,695,655	-21,844,159
5. Other composite income attributable to minority shareholders (translation difference in foreign currency-denominated statements)	40,007	186,776
Subtotal	40,007	186,776
6. Others		
Less: Related income tax		
Other Net value previously included in other composite income and transferred into current profit and loss		
Subtotal		
Total	-11,853,741	-22,413,285

5.51 Note to the cash flow statement

5.51.1 Other cash receipts relating to operating activities

Item	Amount
Interest income	14,042,444
Scientific research appropriation	108,010,114
Other transactions	244,851,639
Total	366,904,197

5.51.2 Other cash disbursement relating to operating activities

Item	Amount
Transportation and business travel expenses	122,476,662
Office materials	109,376,967
Entertainment expense	96,482,283
Rental and property management expense	56,480,516
Business promotion expense	44,156,113
Training, consulting, seminar expenses	25,286,892
Transportation and property insurance expenses	10,054,597
Other transactions	39,862,925
Total	504,176,955

5.51.3 Other cash receipt relating to investment activities

Item	Amount
Project deposit	270,000
Total	270,000

5.51.4 Other cash disbursement relating to investment activities

Item	Amount
Dividend income tax of subsidiaries withheld at the source	143,985
Total	143,985

5.51.5 Other cash disbursement relating to financing activities

Item	Amount
Membership expense paid to China's National Association of Financial Market Institutional Investors	100,000
Total	100,000

5.52 Supplementary Information to cash flow statements

5.52.1 Overview

Item	Amount in this period	Amount in previous period
1. The net profit is converted into cash flow from operating activities		
Net profit	435,768,952	423,545,552
Add: Provision for asset impairment	136,632,109	41,405,012
Depreciation of fixed assets, oil & gas assets and productive biological assets	118,041,429	128,325,801
Amortization of intangible asset	23,360,280	25,163,072
Amortization of long-term deferred expenses	18,582,416	14,795,474
Loss on disposal of fixed assets, intangible asset and other long-lived assets ("-" for profit)	3,549,426	-18,911,625
Abandonment loss of fixed assets ("-" for profit)		
Loss on change of fair value ("-" for profit)	-14,224,580	-950,557
Financial expenses ("-" for profit)	85,488,045	41,705,531
Investment loss ("-" for profit)	-112,124,066	-42,136,578
Decrease of deferred income tax assets ("-" for increase)	-20,761,981	-10,824,364
Increase of deferred income tax liabilities ("-" for decrease)	1,328,712	-219,612
Decrease of inventories ("-" for increase)	-245,814,014	-98,335,163
Decrease of operating accounts receivable ("-" for increase)	-310,333,000	-241,512,356
Increase of operating accounts payable ("-" for decrease)	197,741,794	38,146,417
Others		
Net value of cash flow from operating activities	317,235,522	300,196,604
2. Significant investment and financing activities not relating to cash receipt and disbursement		
Debt conversion to equity		
Convertible bonds due within one year		
Leased fixed assets from financing		
3. Change in cash and cash equivalent		
Year-end cash balance	2,088,199,345	1,736,706,930
Less: Year-begin cash balance	1,736,706,930	1,687,979,107
Add: Year-end cash equivalent balance		
Less: Year-begin cash equivalent balance		
Net increase in cash and cash equivalents	351,492,415	48,727,823

5.52.2 Information relating to obtaining or disposing subsidiaries and other operating units

Item	Amount in this period	Amount in previous period
1. Information relating to obtaining subsidiaries and other operating units:		
1) Acquisition price	38,704,045	197,778,092
2) Cash and cash equivalent paid for the acquisition	38,704,045	172,843,692
Less: Cash and cash equivalent held by subsidiaries and other operating units	204,045	21,038,926
3) Net cash received from subsidiaries and other operating units	38,500,000	151,804,766
4) Net assets obtained from the subsidiaries	204,045	35,434,382
Current assets	204,045	50,631,696
Non-current assets		3,084,138
Current liabilities		18,281,452
Non-current liabilities		
2. Information relating to disposing subsidiaries and other operating units:		
1) Disposal price	444,276,705	
2) Cash and cash equivalent received from the disposal	430,115,253	
Less: Cash and cash equivalent held by subsidiaries and other operating units	14,341,392	
3) Net cash received from disposal of subsidiaries and other operating units	415,773,861	
4) Net assets from disposal of subsidiaries	623,373,173	
Current assets	153,816,891	
Non-current assets	625,245,672	
Current liabilities	51,689,390	
Non-current liabilities	104,000,000	

5.52.3 Composition of cash and cash equivalent:

Item	Amount in this period	Amount in previous period
1. Cash	2,088,199,345	1,736,706,930
Including: Cash on hand	139,152	266,891
Bank deposit which can be used for payment at anytime	2,082,553,193	1,736,440,039
Other money capital which can be used for payment at anytime	5,507,000	
2. Cash equivalent		
Including: Bond investment due within three months		
3. Ending balance in cash and cash equivalents	2,088,199,345	1,736,706,930

Note: Cash and cash equivalent with use limitation are not covered.

Note 6 There is no accounting treatment for asset backed securitization.

Note 7 Related Party and Related Transactions

7.1 Subsidiaries

(Unit: RMB Yuan)

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Shenzhen Neusoft Co., Ltd.	Wholly owned	Limited liability company	Shenzhen	Zhao Gang	Computer software/hardware	5,000,000	100.00	100.00	19236465-x
Neusoft Group (Beijing) Co., Ltd.	Wholly owned	Limited liability company	Beijing	Li Jun	Computer software/hardware/services	340,000,000	100.00	100.00	77545727-6
Shandong Neusoft System Integration Co., Ltd.	Wholly owned	Limited liability company	Qingdao	Li Jun	Computer software/hardware	50,000,000	100.00	100.00	70620482-2
Hunan Neusoft Co., Ltd.	Wholly owned	Limited liability company	Changsha	Guo Haijun	Computer software/hardware	12,000,000	100.00	100.00	18378979-5
Nanjing Neusoft System Integration Co., Ltd.	Wholly owned	Limited liability company	Nanjing	Xing Bo	Computer software/hardware	12,000,000	100.00	100.00	72173264-x
Chengdu Neusoft System Integration Co., Ltd.	Wholly owned	Limited liability company	Chengdu	Li Jun	Computer software/hardware	20,000,000	100.00	100.00	72539482-8
Xi'an Neusoft System Integration Co., Ltd.	Wholly owned	Limited liability company	Xi'an	Li Jun	Computer software/hardware	35,000,000	100.00	100.00	72628571-1
Wuhan Neusoft Information Technology Co., Ltd.	Wholly owned	Limited liability company	Wuhan	Li Jun	Computer software/hardware	25,000,000	100.00	100.00	74143252-1
Shenyang Neusoft Medical Systems Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Liu Jiren	Medical systems	378,000,000	100.00	100.00	70208754-2

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Shenyang Zhuri Digital Advertising Communications Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Wang Jingxi	Ad production/release	1,000,000	100.00	100.00	24376645-7
Shenyang Neusoft Boan Software Co., Ltd.	Controlled	Limited liability company	Shenyang	Wang Yongfeng	Computer software/hardware	2,500,000 USD	60.00	60.00	71114763-1
Neusoft (Hong Kong) Co., Ltd.	Wholly owned	Limited liability company	Hong Kong	Liu Jiren	Development, sales and consulting of computer software	850,000 USD	100.00	100.00	
Qinhuangdao Neusoft Co., Ltd.	Controlled	Limited liability company	Qinhuangdao	Xu Hongli	Computer software development/network integration	10,000,000	85.00	85.00	60128505-6
Shanghai Neufashion Digital Technology Co., Ltd.	Wholly owned	Limited liability company	Shanghai	Li Jun	Computer software/hardware	20,000,000	100.00	100.00	70333930-x
Neusoft (Japan) Co., Ltd.	Wholly owned	Limited liability company	Japan	Zhang Xiubang	Computer software/hardware	187,750,000 JPY	100.00	100.00	0106-01-027903
Beijing Lanruisoft Co., Ltd.	Wholly owned	Limited liability company	Beijing	Lu Zhaoxia	Development, production, design and sales of computer software	10,000,000	100.00	100.00	78398520-4
Shenyang Neusoft System Integration Technology Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Li Jun	Computer software, technical consulting and services	20,000,000	100.00	100.00	67533650-6
Neusoft Group (Guangzhou) Co., Ltd.	Wholly owned	Limited liability company	Guangzhou	Li Jun	Computer software, technical consulting and services	130,000,000	100.00	100.00	67972637-6
Neusoft Group (Shanghai) Co., Ltd.	Wholly owned	Limited liability company	Shanghai	Li Jun	Computer software, technical consulting and services	200,000,000	100.00	100.00	68095364-8
Neusoft Group (Chengdu) Co., Ltd.	Wholly owned	Limited liability company	Chengdu	Wang Jingxi	Computer software/hardware	1,000,000	100.00	100.00	78812157-9

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Neusoft Group (Dalian) Co., Ltd.	Wholly owned	Limited liability company	Dalian	Wang Yongfeng	Computer software/hardware	600,000,000	100.00	100.00	79202132-7
Shenyang Neusoft Information Technology Services Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Wang Yongfeng	Computer software/hardware	50,000,000	100.00	100.00	78872654-3
Liaoning Neusoft Venture Capital Investment Co., Ltd.	Controlled	Limited liability company	Dalian	Liu Jiren	Small and medium-sized enterprise investment and management	125,000,000	60.00	60.00	71578937-5
Shenyang Neusoft Property Management Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Wang Jingxi	Property management and service	1,000,000	100.00	100.00	72091468-7
Neusoft Technology Co., Ltd.	Wholly owned	Limited liability company	USA	Liu Jiren	Computer software/hardware, technical consulting and services	1,000 USD	100.00	100.00	
Hangzhou Neusoft Co., Ltd.	Wholly owned	Limited liability company	Hangzhou	Xing Bo	Computer software, technical consulting and services	500,000	100.00	100.00	68908449-3
Neusoft Group (Tianjin) Co., Ltd.	Wholly owned	Limited liability company	Tianjin	Wang Limin	Computer software/hardware	20,000,000	100.00	100.00	69740643-x
Neusoft Group (Tangshan) Co., Ltd.	Wholly owned	Limited liability company	Tangshan	Lu Zhaoxia	Computer software/hardware, technical consulting and services	30,000,000	100.00	100.00	55330512-x
Neusoft Group (Hainan) Co., Ltd.	Wholly owned	Limited liability company	Hainan	Wang Yongfeng	Computer software/hardware, technical consulting and services	100,000,000	100.00	100.00	55737352-5
Neusoft Group (Wuxi) Co., Ltd.	Wholly owned	Limited liability company	Wuxi	Xing Bo	Computer software/hardware, technical consulting and services	20,000,000	100.00	100.00	56176638-0
Neusoft Group (Wuhu) Co., Ltd.	Wholly owned	Limited liability company	Wuhu	Xing Bo	Sales and development of computer software/hardware	10,000,000	100.00	100.00	57175470-3

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Guangdong Neufashion Digital Technology Co., Ltd.	Controlled	Limited liability company	Guangzhou	Lu Zhaoxia	Sales and development of computer software/hardware	37,500,000	60.00	60.00	6057403343-4
Neusoft Group (Nanjing) Co., Ltd.	Wholly owned	Limited liability company	Nanjing	Xing Bo	Computer software/hardware and its development, sales and technical consulting	12,000,000	100.00	100.00	57593939-3
Shenyang Neusoft Transportation Information Technology Co., Ltd.	Controlled	Limited liability company	Shenyang	Wang Yongfeng	Computer service/consulting	7,000,000	50.50	50.50	573458836
Beijing LBS Social Insurance Information Technology Co., Ltd.	Controlled	Limited liability company	Beijing	Hu Weiwei	Technology development/consulting services, product selling	15,000,000	61.67	61.67	80204827-6
Neusoft Group (Zhengzhou) Co., Ltd.	Wholly owned	Limited liability company	Zhengzhou	Wang Limin	Sales and development of computer software/hardware	10,000,000	100.00	100.00	58288499-2
Neusoft Group (Nanchang) Co., Ltd.	Wholly owned	Limited liability company	Nanchang	Guo Haijun	Computer hardware development/production, technical consulting, services	20,000,000	100.00	100.00	58657721-X
Neusoft (Europe) Co., Ltd.	Wholly owned	Limited liability company	Switzerland	Liu Jiren	Computer software, technical consulting and services	37,900,000 CHF	100.00	100.00	
Beijing Neusoft Viewhigh Technology Co., Ltd.	Controlled	Limited liability company	Beijing	Lu Zhaoxia	Development and sales/wholesale of computer hardware and software; technology support, import/export agent	27,790,000	73.14	73.14	75010398-1
Tianjin Neusoft Technology Co., Ltd.	Wholly owned	Limited liability company	Tianjin	Wang Yongfeng	Computer software/hardware, system integration, technology consulting	5,000,000	100.00	100.00	78639469-6
Hefei Neusoft Information Technology Co., Ltd.	Wholly owned	Limited liability company	Hefei	Xing Bo	Computer software/hardware, system integration, technology consulting	500,000	100.00	100.00	77735490-8
Dalian Neusoft Business Process Consulting Co., Ltd.	Wholly owned	Limited liability company	Dalian	Wang Yongfeng	Computer software/hardware	5,000,000	100.00	100.00	69600028-6

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Beijing Neusoft Huiju Information Technology Co., Ltd.	Controlled	Joint stock company	Beijing	Rong Xinjie	Computer software/hardware, technical service	30,000,000	80.28	80.28	66217772-9
Shenzhen Neusoft Mobile Terminal Design Co., Ltd.	Controlled	Limited liability company	Shenzhen	Chen Ximin	Technology development, sales, consulting of electronic products	5,000,000	70.00	70.00	68537951-8
Beijing Neusoft Yuetong Software Technology Co., Ltd.	Controlled	Limited liability company	Beijing	Wang Limin	Computer software/hardware/services	15,000,000	70.00	70.00	69230700-2
Beijing InBridge Consulting Co., Ltd	Wholly owned	Limited liability company	Beijing	Song Li	Recruitment process outsourcing & talent hunting service	100,000	100.00	100.00	69231782-5
Neusoft Yuetong Software Technology (Dalian) Co., Ltd.	Wholly owned	Limited liability company	Dalian	Ma Ximing	Computer software/hardware	5,000,000	100.00	100.00	55981522-7
Kunming Neusoft Jinsha Information Technology Co., Ltd.	Controlled	Limited liability company	Kunming	Shan Zhenglong	Design, development, manufacturing, service and sales of computer equipment and software products	30,000,000	51.00	51.00	21663341-3
Neusoft Xikang Holdings Co., Ltd.	Controlled	Limited liability company	Cayman Islands	Liu Jiren	IT and related consulting services	51,000 USD	70.00	70.00	
Neusoft Xikang International Co., Ltd.	Wholly owned	Limited liability company	Hong Kong	Zhao Hong	IT and related consulting services	1,000,000 USD	100.00	100.00	
Neusoft A&T Medical Technology Co., Ltd.	Controlled	Limited liability company	Shenyang	Jiang Genmiao	Medical equipment, device manufacturing/sales for lab automation system; development/sales of computer software/hardware and app system	60,000,000	51.00	51.00	58388488-X
Shenyang Neusoft Medical Systems Import & Export Co., Ltd	Wholly owned	Limited liability company	Shenyang	Jiang Genmiao	Import & export of goods and technologies	5,000,000	100.00	100.00	76439265-7

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Shenyang Neusoft Spectrum MRI Technologies Co., Ltd.	Controlled	Limited liability company	Shenyang	Jiang Genmiao	R&D and manufacturing of Low-field permanent magnet products, MRI technology development and consulting	10,000,000	80.00	80.00	73464528-9
Neusoft Positron Medical Systems Co., Ltd.	Controlled	Limited liability company	Shenyang	Jiang Genmiao	Development and manufacturing of PET systems, technology consulting/service	3,500,000 USD	99.00	99.00	78005017-1
Neusoft Medical System U.S.A. Inc.	Wholly owned	Limited liability company	USA	Christopher A. McHan	Product R&D/ manufacturing and related technical consulting/services	6,000,000 USD	100.00	100.00	
Neusoft Medical Systems (Middle East) Co., Ltd.	Wholly owned	Limited liability company	United Arab Emirates	Mohamed Abdelha-mid Hassan Elgabry	Medical systems and relevant technical consulting and services	3,500,000 USD	100.00	100.00	
Neusoft Medical (Peru) Inc.	Wholly owned	Limited liability company	Peru	Romulo Javier Omonite Dextre	Medical systems and relevant technical consulting and services	1,800,000 USD	100.00	100.00	
Shenzhen Neufashion Digital Technology Co., Ltd.	Wholly owned	Limited liability company	Shenzhen	Lu Zhaoxia	Sales and development of computer software/hardware	1,000,000	100.00	100.00	58790030-6
Neusoft Technology Solutions GmbH	Wholly owned	Limited liability company	Germany	Klaus Michael Zimmer	Computer software/hardware, technical consulting and services	1,025,000 EUR	100.00	100.00	
Neusoft Mobile Solutions Oy	Wholly owned	Limited liability company	Finland	Klaus Michael Zimmer	Computer software/hardware, technical consulting and services	8,578 EUR	100.00	100.00	
Neusoft EDC SRL	Wholly owned	Limited liability company	Romania	Klaus Michael Zimmer	Computer software/hardware, technical consulting and services	94,000 ROL	100.00	100.00	
Neusoft GmbH	Wholly owned	Limited liability company	Germany	Rares Cosmin Grecu	Computer software/hardware, technical consulting and services	25,000 EUR	100.00	100.00	
Neusoft Xikang Healthcare Technology Co., Ltd.	Wholly owned	Limited liability company	Beijing	Lu Zhaoxia	Computer software/hardware, electronics product development, corporate investment management & consulting	8,000,000 USD	100.00	100.00	57515244-3

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Tianjin Xikang Healthcare Technology Co., Ltd.	Controlled	Limited liability company	Tianjin	Lu Zhaoxia	Computer software/hardware, electronics product development, corporate investment management & consulting	30,000,000	75.00	75.00	58975520-2
Liaoning Neusoft Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Lu Zhaoxia	Health information management/consulting, management services, management system development	50,000,000	100.00	100.00	58385530-9
Shenyang Neusoft Xikang Medical Systems Co., Ltd.	Wholly owned	Limited liability company	Shenyang	Lu Zhaoxia	Computer software/hardware development for medical systems, healthcare consulting services	10,000,000	100.00	100.00	58387954-6
Jiangsu Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Nanjing	Lu Zhaoxia	Development of electronic products; development, transfer, consulting, sales and lease of computer software/hardware	5,000,000	100.00	100.00	59352322-8
Hainan Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Chengmai	Lu Zhaoxia	Healthcare service and archive management; medical institution consulting, medical equipment sales/lease	5,000,000	100.00	100.00	59494122-9
Guangzhou Xikang Healthcare Technology Co., Ltd.	Wholly owned	Limited liability company	Guangzhou	Lu Zhaoxia	Healthcare consulting, health information consulting, corporate management, equipment sales/lease	1,000,000	100.00	100.00	05454758-9
Anhui Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Hefei	Lu Zhaoxia	Healthcare service/consulting, medical institution consulting, healthcare archive management, equipment sales/lease	1,000,000	100.00	100.00	59573254-1
Hubei Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Wuhan	Lu Zhaoxia	Except for what are not allowed by law with approval of related departments. For those without regulation, free choice can be made.	1,000,000	100.00	100.00	59454731-X

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Hangzhou Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Hangzhou	Lu Zhaoxia	Healthcare consulting, health information consulting, corporate management, equipment sales/lease	1,000,000	100.00	100.00	
Luoyang Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Luoyang	Lu Zhaoxia	Healthcare consulting, health information consulting, healthcare archive management, corporate management, equipment sales/lease	1,000,000	100.00	100.00	05089368-7
Hunan Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Changsha	Lu Zhaoxia	Healthcare service/consulting, medical institution consulting, healthcare archive management, equipment sales/lease	2,000,000	100.00	100.00	59545669-8
Jiangxi Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Nanchang	Lu Zhaoxia	Healthcare consulting, health information consulting, corporate management, equipment sales/lease	2,000,000	100.00	100.00	59654875-4
Jinzhou Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Jinzhou	Lu Zhaoxia	Healthcare consulting, health information consulting, healthcare archive management, corporate management, equipment sales/lease	1,000,000	100.00	100.00	59807150-7
Shenzhen Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Shenzhen	Lu Zhaoxia	Healthcare service/consulting, medical project investment, technology development/sales of healthcare products; development/sales/lease/technical service of communication equipment; corporate image planning, meeting planning, investment consulting, import/export of goods and technologies	500,000	100.00	100.00	05275130-8
Shenyang Xikang APS Technology Co., Ltd.	Controlled	Limited liability company	Shenyang	Lu Zhaoxia	Design/research and development of sensors and related electronic products; components, software and hardware; related technical consulting and service	1,000,000 USD	55.00	55.00	05075277-X

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Beijing Neusoft Xikang Hospital Management Co., Ltd.	Wholly owned	Limited liability company	Beijing	Pan Ningchuan	Hospital management, sales of electronic products, computer software, mechanical equipment, communication device; lease of computer, communication device and medical equipment; Technological development, transfer, consulting and service	500,000	100.00	100.00	05739944-6
Dalian Neusoft Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Dalian	Lu Zhaoxia	Health consulting; lease of electronic products, computer and communication equipment, engineering and mechanical equipment; development, consulting and related service of computer software; general trading	500,000	100.00	100.00	05114778-2
Shanghai Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Shanghai	Lu Zhaoxia	Health consulting, business information consulting, sales and lease of electronic products, computer software, mechanical equipment, communication device	500,000	100.00	100.00	

7.2 Joint ventures and associates

Investee	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Relevance	Organization code
Nokia Siemens Networks Neusoft Comtech Company ("NSNN")	Limited liability company	Dalian	Ma Boce	Mobile application products and solutions	7,000,000 USD	46.00	46.00	Associate	71699395-x
Shenyang CataData Technology Co., Ltd.	Limited liability company	Shenyang	Dong Yanchun	Sales and development of computer software/hardware	12,000,000	16.67	16.67	Associate	55079395-7
Neusoft-Philips Medical Systems Co., Ltd.	Limited liability company	Shenyang	Liu Jiren	R&D, manufacturing and sales of CT equipment	29,600,000 USD	49.00	49.00	Associate	76007551-5
Liaoning Shengjing Xikang Healthcare Co., Ltd.	Limited liability company	Shenyang	Xian Jiantao	Development of health science and technology projects; health management service	1,000,000	49.00	49.00	Associate	69651276-7
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Limited liability company	Chongqing	Zhang Jingdong	Development of health science and technology projects; health management service	2,000,000	20.00	20.00	Associate	57342964-8
NEC Neusoft Information Technologies Company Limited	Limited liability company	Dalian	Tohru Miwa	Sales and development of computer software/hardware	50,000,000	30.00	30.00	Associate	57088436-2
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Limited liability company	Shenyang	Masahiko yauuchi	Sales and development of computer software/hardware	3,500,000 USD	40.00	40.00	Associate	57349218-8
Aerotel Medical Systems (1998) Ltd.	Limited liability company	Israel	David Rubin	Tele-diagnosis/healthcare/wellness solutions	8,587 ILS	31.38	31.38	Associate	
Shenyang Neusoft System Integration Engineering Co., Ltd.	Limited liability company	Shenyang	Han Wei	Development, sales and consulting of computer software	75,000,000	26.65	26.65	Associate	243776663
Beijing Venusource Information Technology Co., Ltd.	Limited liability company	Beijing	Chen Jian	Computer software/hardware, technical service	30,500,000	34.43	34.43	Associate	58443161-2
Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Limited liability company	Beijing	Zhu Xinli	Technological development, consulting, transfer, service; corporate management, consulting; sales of electronic products, computer and software; lease of commodities and mechanical equipment	10,000,000	50.00	50.00	Associate	05144350-6

7.3 Other related parties

Other related party	Relation	Organization code
NEU Science & Technology Industry Group Co., Ltd. ("NEU")	Shareholder with over 5% equity in the Company	11772782-8
Alpine Electronics, Inc., Alpine Electronics (China) Co., Ltd. ("Alpine")	Shareholder with over 5% equity in the Company, where the Company's directors take important position	
Toshiba Solutions Corporation ("Toshiba Corporation")	Shareholder with over 5% equity in the Company	
Baosteel Group Corporation	Shareholder with over 5% equity in the Company	13220082-1
Nanhai Neusoft Institute of Information Technology	The Company's Chairman and CEO serves as President of this institute	74919300-0
Chengdu Neusoft Institute of Information	The Company's Chairman and CEO serves as President of this institute	74963918-0
Dalian Neusoft Institute of Information	The Company's Chairman and CEO serves as President of this institute	76544538-6
Dalian Neusoft Institute of Information Technology	Education organization established by the Company	42244491-2
Dalian Neusoft Education Services Co., Ltd. ("DL Neusoft Education")	Holding subsidiary owned by the education organization established by the Company	75155503-1
Harman International Industries, Incorporated and its subsidiaries (collectively referred to as "Harman")	The Company's chairman and CEO serves as director at Harman	
Dalian Neusoft Holding Co., Ltd.	The Company's Chairman and CEO serves as Chairman of the Board	58203862-2
Chengdu Neusoft Co., Ltd. ("CD Neusoft")	Wholly owned subsidiary owned by Chengdu Neusoft Institute of Information	55643276-5
Dalian Neusoft Park Industrial Development Co., Ltd. ("DNPID")	The Company's Chairman and CEO serves as Chairman at DNPID	740920764-4
Tianjin Neusoft Ruidao Education Information Technology Co., Ltd.	Controlled subsidiary of Dalian Neusoft Holdings Co., Ltd.	59290802X

7.4 Related-party transactions

7.4.1 Transactions among the subsidiaries that are controlled by the Company and included in the consolidated financial statements and between such subsidiaries and the Company have been offsetted.

7.4.2 Related transactions from purchase of products and labor service

Related party	Type	Content	Pricing	Amount in this period		Amount in previous period	
				Amount	Proportion to similar transaction (%)	Amount	Proportion to similar transaction (%)
Neusoft-Philips	Purchase of products	Raw material or finished products	Negotiation based on market price	393,312,137	69.87	363,490,009	67.39
Shenyang Neusoft System Integration Engineering Co., Ltd.	Purchase of products	Raw material or finished products	Negotiation based on market price	32,483,496	1.83		
Alpine	Purchase of products	Raw material or finished products	Negotiation based on market price	17,479,699	0.99		
NSNN	Purchase of products	Raw material or finished products	Negotiation based on market price	7,609,402	0.43	7,906,916	0.69
DNPID	Labor service receiving	Payment for rental and property management	Negotiation based on market price	423,371	0.49		
Tianjin Neusoft Ruidao	Labor service receiving	Payment for labor service	Negotiation based on market price	32,500,000	7.04		
Shenyang Neusoft System Integration Engineering Co., Ltd.	Labor service receiving	Payment for labor service	Negotiation based on market price	11,520,000	2.49		
CD Neusoft	Labor service receiving	Payment for labor service	Negotiation based on market price	6,617,662	1.43	5,090,855	0.69
NEU	Labor service receiving	Payment for labor service	Negotiation based on market price	819,000	0.18	108,000	0.01
Dalian Neusoft Institute of Information Technology	Labor service receiving	Payment for training fee	Negotiation based on market price			12,000	0.002
NEU	Purchase of products	Training and technical service fee	Negotiation based on market price			54,000	0.03
Subtotal				502,764,767		376,661,780	

7.4.3 Related transactions from product sales and provision of labor service

Related party	Type	Content	Pricing	Amount in this period		Amount in previous period	
				Amount	Proportion to similar transaction (%)	Amount	Proportion to similar transaction (%)
Harman	Product sales	System integration or software	Negotiation based on market price	224,939,395	3.76	206,724,653	4.28
Alpine	Product sales	System integration or software	Negotiation based on market price	184,816,274	3.09	109,640,721	2.27
Toshiba Corporation	Product sales	System integration or software	Negotiation based on market price	184,356,833	3.09	164,878,360	3.41
Shenyang Neusoft System Integration Engineering Co., Ltd.	Product sales	System integration or software	Negotiation based on market price	126,199,507	2.11		
NSNN	Product sales	System integration or software	Negotiation based on market price	112,600,705	1.88	132,531,471	2.74
Neusoft-Philips	Product sales	System integration or software	Negotiation based on market price	3,464,046	0.06		
Dalian Neusoft Institute of Information Technology	Product sales	System integration or software	Negotiation based on market price	1,333,333	0.02	5,000,000	0.10
Baosteel	Product sales	System integration or software	Negotiation based on market price	1,324,282	0.02	291,000	0.04
Nanhai Neusoft Institute of Information Technology	Product sales	System integration or software	Negotiation based on market price	1,000,000	0.02	1,500,000	0.03
Chengdu Neusoft Institute of Information	Product sales	System integration or software	Negotiation based on market price	1,000,000	0.02	3,933,333	0.08
CD Neusoft	Product sales	System integration or software	Negotiation based on market price	990,000	0.02		
Tianjin Neusoft Ruidao	Product sales	System integration or software	Negotiation based on market price	828,499	0.01		
NEU	Product sales	System integration or software	Negotiation based on market price	339,000	0.01		
Huiyuan Xikang	Product sales	System integration or software	Negotiation based on market price	295,727	0.005		
Neusoft Information Institute	Product sales	System integration or software	Negotiation based on market price	112,950	0.002	10,967,200	0.23
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Product sales	System integration or software	Negotiation based on market price	56,906	0.001	3,522,802	0.07
Toshiba Neusoft	Product sales	System integration or software	Negotiation based on market price			265,364	0.01
Neusoft-Philips	Product sales	Materials and accessories	Negotiation based on market price	13,389,230	1.50	27,736,915	3.38
Neusoft-Philips	Labor service rendering	Rental and property management income	Negotiation based on market price	12,330,576	14.88	10,935,815	10.05
Tianjin Neusoft Ruidao	Labor service rendering	Rental and property management income	Negotiation based on market price	1,697,417	2.05		

Continued table

Related party	Type	Content	Pricing	Amount in this period		Amount in previous period	
				Amount	Proportion to similar transaction (%)	Amount	Proportion to similar transaction (%)
NEC Neusoft	Labor service rendering	Rental and property management income	Negotiation based on market price	616,956	0.74		
Alpine	Labor service rendering	Rental and property management income	Negotiation based on market price	240	0.0003	8,691,478	7.99
NEC Neusoft	Labor service rendering	Management service income	Negotiation based on market price	990,217	0.02		
Neusoft-Philips	Labor service rendering	Management service income	Negotiation based on market price	538,496	0.01	4,012,657	0.08
Neusoft Information Institute	Labor service rendering	Service income	Negotiation based on market price			600,000	0.01
Neusoft Information Institute	Labor service rendering	Training service income	Negotiation based on market price			13,697,000	0.28
Dalian Neusoft Institute of Information Technology	Labor service rendering	Training service income	Negotiation based on market price			7,200,000	0.15
Subtotal				873,220,589		712,128,769	

7.4.4 There is no related-party trusteeship in this period.

7.4.5 There is no related-party contract in this period.

7.4.6 Related leasing

Leasor	Lessee	Leased asset	Asset amount	Start date	Finish date	Income	Recognition basis	Treatment
Neusoft Corporation	Neusoft-Philips	Property	32,881,446	2005-7-1	2013-8-31	7,562,184	Lease agreement	100% of the rental is recognized as lease income
Neusoft Corporation	Neusoft-Philips	Property	5,652,804	2011-9-1	2013-8-31	1,029,231	Lease agreement	100% of the rental is recognized as lease income
Neusoft Corporation	Tianjin Neusoft Ruidao	Property	5,981,154	2012-1-1	2012-12-31	1,155,456	Lease agreement	100% of the rental is recognized as lease income
Neusoft Corporation	NEC Neusoft	Property	3,456,149	2011-5-1	2014-4-30	260,078	Lease agreement	100% of the rental is recognized as lease income
Shenyang Neusoft Medical Systems Co., Ltd.	Neusoft-Philips	Property	15,540,743	2012-1-1	2012-12-31	1,992,589	Lease agreement	100% of the rental is recognized as lease income
Neusoft Group (Dalian) Co., Ltd.	Tianjin Neusoft Ruidao	Property	2,458,312	2012-1-1	2012-12-31	362,080	Lease agreement	100% of the rental is recognized as lease income

7.4.7 There is no related-party guarantee in this period.

7.4.8 There is no borrowing to related party in this period.

7.4.9 There is no asset transfer and debt restructuring of related party in this period.

7.4.10 Other related-party transactions

(1) According to related agreement, Neusoft IT Services transferred its equity in DNPID (amounting to 60% of the total) and the Company's original sponsor investment in Dalian Neusoft Institute of Information, Chengdu Neusoft Institute of Information and Nanhai Neusoft Institute of Information Technology to Dalian Neusoft Holdings Co., Ltd. The Company and Neusoft IT Services have received the payment for transfer with an amount of RMB 442,343,800 Yuan. On February 15th, 2012, DNPID finished registration procedure of equity change. Confirming February 15th, 2012 as the selling date, Neusoft IT Services recognized investment income from the equity transfer with an amount of RMB 53,340,300 Yuan. The capital reserve with an amount of RMB 2,029,200 Yuan confirmed according to other capital reserve change in preceding years was converted into current investment income. As at the end of the reporting period, the registration of change in sponsor investment of the four institutes was still in progress.

(2) During the reporting period, the Company's subsidiaries Shenyang Neusoft Medical Systems Co., Ltd. and Neusoft Group (Beijing) Co., Ltd. repaid the remaining entrusted loan from DNPID with an amount of RMB 1,380,000 Yuan with interest of RMB 3,348,900 Yuan.

(3) Compensation for Directors, Supervisors and Senior Management

Unit: RMB 10,000 Yuan

Item	Amount in this period	Amount in previous period
Compensation for Directors, Supervisors and Senior Management	1,733.58	1,551.34

7.4.11 Related-party accounts receivable and payable

Item	Related party	Year-end balance		Year-begin balance	
		Amount	Including: appropriation for impairment	Amount	Including: appropriation for impairment
Accounts receivable					
	Harman	48,629,991	486,300	34,075,916	340,759
	NSNN	28,264,043	2,787,316	33,113,689	2,040,901
	Toshiba Corporation	5,852,557	58,526	4,616,409	46,164
	Alpine	3,998,077	39,981	3,982,428	39,824
	Neusoft-Philips	2,987,562	29,876	1,215	12
	Shenyang Neusoft System Integration Engineering Co., Ltd.	1,026,000	20,520		
	Baosteel	563,008	30,130	100,000	50,000
	Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	320,400	6,408	320,400	3,204

Continued table

Item	Related party	Year-end balance		Year-begin balance	
		Amount	Including: appropriation for impairment	Amount	Including: appropriation for impairment
	CD Neusoft	159,995	1,600		
	Neusoft Information Institute	9,425	94		
	Toshiba Neusoft			261,233	2,612
	Total	91,811,058	3,460,751	76,471,290	2,523,476
Advance receipts					
	Toshiba Corporation	919,588		16,382	
	Neusoft-Philips	12,541			
	Nanhai Neusoft Institute of Information Technology			1,000,000	
	Chengdu Neusoft Institute of Information			1,000,000	
	Dalian Neusoft Institute of Information Technology			1,333,333	
	Harman			290,995	
	Total	932,129		3,640,710	
Other receivable					
	Nanhai Neusoft Institute of Information Technology			50,000	500
Long-term receivable					
	Chengdu Neusoft Institute of Information			105,745,047	2,114,900
Accounts payable					
	Neusoft-Philips	114,082,010		88,260,754	
	Alpine	518,177			
	Shenyang Neusoft System Integration Engineering Co., Ltd.	31,215			
	Total	114,631,402		88,260,754	
Prepayment					
	NSNN			2,571,900	
Other accounts payable					
	Dalian Neusoft Holdings Co., Ltd.	16,328,100			
	NEU	4,783,862		19,659,255	
	NEC Neusoft	212,868			
	Alpine			772,303	
	Total	21,324,830		20,431,558	

7.4.12 Related-party commitment

Contracted but not necessarily presented commitments with respect to related parties as at the balance sheet date:

Type	Content	Related party	Amount at the end of reporting period
Selling of products to related party	System integration or software	Alpine	19,391,361
	System integration or software	NSNN	16,286,160
	System integration or software	Toshiba Corporation	9,244,604
	System integration or software	Harman	2,428,978
		Subtotal	47,351,103
Provision of labor service for related party	Rental and property management income	Neusoft-Philips	7,422,150
	Rental and property management income	NEC Neusoft	343,058
	Rental and property management income	Shenyang Neusoft System Integration Engineering Co., Ltd.	42,152
		Subtotal	7,807,360
		Total	55,158,463

Note 8 Share-based Payment

There is no share-based payment in this reporting period.

Note 9 Contingent Items

9.1 There is no contingent liability and related financial impact caused by pending action or arbitration in this reporting period.

9.2 There is no contingent liability caused by debt guarantee for other company in this period.

Note 10 Commitments

Significant commitments

10.1 Investment contract signed but not performed or fully performed yet and relevant expenditure

1. At the 23rd section of the 5th Meeting of Board of Directors on January 7th 2011, the Board of Directors agreed to acquire the equity of Beijing Neusoft Viewhigh Technology Co., Ltd. (Neusoft Viewhigh) and sign MoU,

Equity Transfer Agreement and Letter of Agreement respectively with Viewhigh Technology Co., Ltd (authorized representative Guo Xuewen), Intel China (authorized representative Duan Chenghui) and Beijing Taihedingcheng Investment Consulting Co., Ltd. (authorized representative Zhang Wei) (hereafter collectively referred to as "Counterparties"). According to the agreements, the acquisition consideration is within RMB 114,101,440 Yuan, and the Company will accept the transfer of 73.14 equity in Neusoft Viewhigh after the equity adjustment and completion of Registration of Change; In addition, following provisions for equity reward for managements and further acquisition are covered: (1) Provided that Neusoft View high's net profit reach contracted amount in 2011 and 2012 and relevant conditions are met, the Company will provide 3,800,000 shares as rewards for its managements and other qualified employees; (2) the Company will acquire the remaining equity of Neusoft Viewhigh by cash or share of Neusoft Corporation in 2014 and 2015 and hold 100% equity.(For other related transactions please refer to Neusoft Corporation's announcement numbered "Temporary 2011—01) Neusoft Viewhigh's net profit didn't reach the contracted amount in 2011-2012, and the managements and other qualified employees didn't get the equity rewards.

2. At the 2nd section of the 6th Meeting of Board of Directors on January 7th, 2011, the Board of Directors agreed to set up Neusoft Xikang Holding Co., Ltd. (Neusoft Xikang) and its subsidiary in Cayman Islands and provide RMB 200 million Yuan for financial support. As at the approved reporting date of this financial report, Neusoft Hong Kong provided financial assistance to Neusoft Xikang and Neusoft Xikang International Co., Ltd. (Subsidiary of Neusoft Xikang) respectively with HKD 1.5 million and USD 8 million; the Company provided Neusoft Xikang Healthcare Technology Co., Ltd. with entrusted loan with the balance of RMB 90 million Yuan.

10.2 Merger Agreement signed and being performed or to be performed

In December 2009, the Company acquired all the assets of software business for electric power information collection systems owned by Zhejiang Hiker Electric Power Software Technology Co., Ltd. (Zhejiang Hiker) with total consideration of RMB 23,268,000 Yuan. As at the approved reporting date of this financial report, the Company has paid RMB 20,600,000 Yuan, the remaining due payment will be paid after Zhejiang Hiker finishes the performance of contracted transactions.

10.3 There is no signed and being performed or to be performed restructuring plan in this reporting period.

10.4 There is no performance of significant financial commitment in this reporting period.

10.5 Other significant financial commitments

10.5.1 As at December 31st, 2012, the balance of Bank Guarantee of the Company and its subsidiaries which is within the period of validity is as follows: Balance of Bank Guarantee: RMB 235,129,500 Yuan; USD 20,000,000.

10.5.2 For underlying security of assets please refer to 5.30.

Note 11 Items after the Balance Sheet Date

11.1 Profit distribution

At the 16th section of the 6th Meeting of Board of Directors on March 27th, 2013, 10% statutory surplus reserve and 5% arbitrary surplus reserve was proposed to appropriated based on the parent company's net profit in 2012. According to the Company's future development plan, the Board of Directors plans to give returns to shareholders. Based on total share capital of 1,227,594,245 shares on December 31st, 2012, a cash dividend of RMB 1.5 Yuan per 10 shares will be distributed to all shareholders. Total cash dividends amount to RMB 184,139,137 Yuan (tax included). The remaining undistributed profits will be carried over to the following year. The sections mentioned above shall be approved at the Shareholders' Meeting.

11.2 Other items

11.2.1 On March 18th, 2011, the Company and two natural persons Le Liuping and Yin Sheng signed an agreement on investment on new joint venture Guangdong Neufashion Digital Technology Co., Ltd. (GD Neufashion). GD Neufashion signed acquisition contract with Shenzhen Lezhiyi Technology Co., Ltd. (Lezhiyi) and Shenzhen Lezhiyuan Communications Co., Ltd. (Lezhiyuan) respectively. Le Liuping and Yin Sheng are the shareholders and actual controllers (hereafter refer to as "Counterparties"). In addition, the contract parties make following provisions about equity adjustment: (1) Within 36 months after the establishment of GD Neufashion, if its net profit of every 12 months exceeds the estimated net profit, the joint venture shall pay certain amount of reward in cash for the excess to the Counterparties (Le Liuping and Yin Sheng); otherwise, equity depreciation ratio shall be calculated based on the difference; and the Counterparties shall convert the depreciated equity without any condition or payment or transfer it to the Company. During the reporting period, the term of the first 12 months was adjusted as from January 1st, 2012 to December 31st, 2012. On November 21st, 2012, the Company signed Equity Transfer Agreement with Le Liuping and Yin Sheng and above mentioned equity adjustment provision was terminated automatically. Before the transfer, the Company's equity in Guangdong Neufashion was 60%, Le Liuping and Yin Sheng's equity in the company was 34.9% and 5.1% respectively. According to related agreement, the Company should transfer its equity in Guangdong Neufashion to Le Liuping and Yin Sheng. The payments for the transfer from Le Liuping and Yin Sheng were RMB 19,631,300 Yuan and RMB 2,868,700 Yuan respectively. On March 21st, 2013, the registration of change in equity has been finished. The Company received an accumulated payment of RMB 3,858,400 Yuan and the remaining payment will be made according to the transfer agreement.

11.2.2 On February 4th, 2013, Shenyang Neusoft Medical Systems Co., Ltd. (Neusoft Medical) signed a MoU with Philips Electronics China B.V., Philips (China) Investment Co., Ltd. (collectively referred to as "Philips") and Phil-

ips and Neusoft Medical Systems Co., Ltd. ("Neusoft Philips"). According to the MoU, Philips plans to transfer its 51% equity in Neusoft Philips to Neusoft Medical and an overseas company, among which 26% will be transferred to Neusoft Medical. Neusoft Medical will hold 75% equity in Neusoft Philips after the transfer. In addition, Philips will purchase CT product related assets and receive some R&D and production personnel. After completion of the transaction, Neusoft Medical and the former Neusoft Philips will continue to engage in R&D, manufacturing and sales of medical imaging equipment covering CT, MRI, x-ray and ultrasound. Philips and Neusoft Medical will maintain a strategic partnership on medical equipment manufacturing and component supply. At present, all the parties are negotiating on transaction arrangement and business cooperation according to the MoU. Based on current schedule, all the parties plan to sign the final agreement before May 31st, 2013 (or other designated date). For details please refer to the *Announcement on Signing of MoU between Neusoft and Philips* published in the China Securities Journal and Shanghai Securities News on February 5th, 2013.

11.2.3 Settlement of large-amount account receivables, advance receipts and other receivable with age of over 1 year:

Item	Company	Year-end balance	Settled amount
Accounts payable			
	Radio Frequency Systems (Shanghai) Co., Ltd.	4,105,717	
	Sihua Tech (Shanghai) Co., Ltd.	3,973,478	
	Beijing Sugon Dawning Information Technology Co., Ltd.	2,815,869	
	Beijing Jingwei Information Technology Co., Ltd.	2,701,462	
	Beijing Jiaxun Feihong Electrical Co., Ltd.	2,196,760	
Other accounts payable			
	NEU	4,783,862	
Advance receipt			
	Tianjin occupational skill training and qualification base for machining/manufacturing industry	6,783,000	
	PT. Sani Tiara Prima	3,174,046	57,071
	Information communication center of Jiangxi Electric Power Company	3,011,500	1,070,400
	Qinxinanzhou People Hospital	2,160,000	
	Shanxi Yanchang Petroleum (Group) Co., Ltd.	1,950,000	

11.2.4 There is no event the Company shall announce occurring after the balance sheet date.

Note 12 Other Significant Items

12.1 There is no outstanding, convertible-for-share financial instrument in this period.

12.2 Assets and liabilities measured by fair value

Unit: RMB Yuan

Item	Year-begin balance	Profit/loss from change in fair value	Accumulated fair value change included in profit/loss	Appropriation for impairment	Year-end balance
Financial assets					
(1) Financial assets measured at fair value through profit or loss (excluding derivative financial asset)	863,170	14,054,013			14,917,183
(2) Derivative financial asset					
(3) Available-for-sale financial assets					
Subtotal	863,170	14,054,013			14,917,183
Investment property					
Productive biological assets					
Others					
Subtotal	863,170	14,054,013			14,917,183
Financial liabilities	170,567	170,567			

12.3 Foreign currency dominated financial assets and liabilities

Please refer to Note 12.2.

12.4 Pension plan and significant change

The Company initiated the Corporate Pension Plan in January 2008. The Company's contractual employees who have worked for more than a year and are legally involved in the basic pension insurance scheme are qualified to participate in the plan voluntarily. The Company and participating employees are jointly responsible for the payment of the pensions on a quarterly basis. The pensions assumed by the Company are appropriated on a monthly basis and included in related costs. The Company uses fund and entrust based measures and exclusive accounts to manage the pension plan; and the fund is strictly separated with fixed assets or other assets and not included in the financial statements.

12.5 There is no other significant item to be disclosed.

Note 13 Notes to Main Items of the Parent Company's Financial Statements

13.1 Accounts receivable

13.1.1 Overview

Type	Year-end balance				Year-begin balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable with significant single amount and single appropriation of provision for bad debts	197,551,106	31.31	21,506,203	10.89	185,834,934	34.10	13,626,325	7.33
Accounts receivable with portfolio appropriation of provision for bad debts	307,212,154	48.69	5,946,397	1.94	317,436,339	58.25	6,059,356	1.91
Accounts receivable with non-significant single amount and single appropriation of provision for bad debts	126,211,553	20.00	28,937,490	22.93	41,665,897	7.65	12,705,717	30.49
Total	630,974,813	100.00	56,390,090		544,937,170	100.00	32,391,398	

13.1.2 Accounts receivable with significant single amount and single appropriation of provision for bad debts

Receivable from	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
China Unicom	95,558,055	14,080,614	14.74	Significant amount with receivable proportion of over 85%
China Telecom	37,959,322	1,293,581	3.41	Significant amount with receivable proportion of over 95%
NSNN	27,590,543	2,780,581	10.08	Significant amount with receivable proportion of over 85%
Shenyang Metro Co., Ltd.	26,069,201	2,313,563	8.87	Significant amount with receivable proportion of over 90%
China Mobile	10,373,985	1,037,864	10.00	Significant amount with receivable proportion of over 90%
Total	197,551,106	21,506,203		

In account receivable portfolio, accounts receivable with appropriation of provision for bad debts by aging analysis method:

Age	Year-end balance			Year-begin balance		
	Book amount		Provision for bad debts	Book amount		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	304,308,845	99.05	3,043,088	314,522,206	99.08	3,145,223
1-2 years						
2-3 years						
3-5 years						
Over 5 years	2,903,309	0.95	2,903,309	2,914,133	0.92	2,914,133
Total	307,212,154	100.00	5,946,397	317,436,339	100.00	6,059,356

Account receivable with insignificant single amount but single appropriation of provision for bad debts

Account receivable for	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
Contract payment for software and system integration	8,913,149	8,913,149	100.00	Account receivable with long age which is estimatedly unrecoverable
Contract payment for software and system integration	63,726,305	16,055,790	25.19	Account receivable with long age with recoverable proportion of about 75%
Contract payment for software and system integration	53,572,099	3,968,551	7.41	Account receivable with long age with recoverable proportion of about 90%
Total	126,211,553	28,937,490		

13.1.3 Accounts receivable received in full or part amount in this period with appropriation of provision for bad debts in full amount or at large proportion in previous year:

Account receivable for	Recovery reason	Basis for confirmation of original provision for bad debts	Accumulated appropriated provision for bad debts before the recovery	Recovery amount	Recovered provision for bad debts
Sales payment receivable	Payment settlement was promoted during the reporting period	Appropriation based on age	2,483,350	2,394,567	2,319,852

13.1.4 There is no write-off account receivable in this period.

13.1.5 Accounts receivable from shareholder Companies with over 5% (including 5%) voting share of the Company:

Receivable from	Year-end balance		Year-begin balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Alpine	3,895,227	38,952	2,676,358	26,764
Baosteel	563,008	30,130	100,000	50,000
Toshiba Corporation	377,255	3,773		

13.1.6 Top 5 debtors of accounts receivable

Debtor	Relationship with the Company	Amount	Age	Proportion to the total accounts receivable (%)
China Unicom	Non-related party	95,558,055	Within 1 year-Over 5 years	15.14
China Telecom	Non-related party	37,959,322	Within 3 years	6.02
NSNN	Related party	27,590,543	Within 5 years	4.37
Shenyang Metro Co., Ltd.	Non-related party	26,069,201	Within 3 years	4.13
Beijing Zhongdianpuhua Information Technology Co., Ltd.	Non-related party	18,848,079	Within 1 year	2.99
Total		206,025,200		32.65

13.1.7 Accounts receivable from related parties

Receivable from	Relationship with the Company	Amount	Proportion to the total accounts receivable (%)
NSNN	Associate	27,590,543	4.37
Alpine	Shareholder	3,895,227	0.62
Baosteel	Shareholder	563,008	0.09
Harman	The Company's chairman & CEO serves as director in Harman	440,253	0.07
Toshiba Corporation	Shareholder	377,255	0.06
Neusoft Information Institute	The Company's chairman and CEO serves as President at this institute	9,425	0.001
Total		32,875,711	5.21

13.1.8 There is no account receivable which is consistent with conditions for termination of recognition.

13.2 Other receivables

13.2.1 Overview

Type	Year-end balance				Year-begin balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable with significant single amount and single appropriation of provision for bad debts								
Accounts receivable with portfolio appropriation of provision for bad debts	138,858,944	93.55	3,006,672	2.17	229,216,237	96.41	3,195,621	1.39
Accounts receivable with non-significant single amount and single appropriation of provision for bad debts	9,571,749	6.45	4,254,760	44.45	8,537,693	3.59	2,778,458	32.54
Total	148,430,693	100.00	7,261,432		237,753,930	100.00	5,974,079	

13.2.2 Other receivables with appropriation of provision for bad debts by aging analysis method in portfolio:

Age	Year-end balance			Year-begin balance		
	Book amount		Provision for bad debts	Book amount		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 years	105,162,528	75.73	1,051,625	209,047,100	91.20	2,090,471
1-2 years	22,148,358	15.95	442,968	15,157,705	6.61	303,154
2-3 years	6,545,055	4.71	327,253	2,449,847	1.07	122,491
3-5 years	4,242,419	3.06	424,242	2,091,200	0.91	209,120
Over 5 years	760,584	0.55	760,584	470,385	0.21	470,385
Total	138,858,944	100.00	3,006,672	229,216,237	100.00	3,195,621

Other receivables with insignificant single amount but single appropriation of provision for bad debts

Other receivables	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
Revolving fund lending	8,696,794	3,379,805	38.86	Recoverable proportion is about 60%
Open credit	874,955	874,955	100.00	It is estimated that this item is not recoverable.
Total	9,571,749	4,254,760		

13.2.3 Other receivables received in full or part amount in this period with appropriation of provision for bad debts in full amount or at large proportion in previous year:

Other receivables	Recovery reason	Basis for confirmation of original provision for bad debts	Accumulated appropriated provision for bad debts before the recovery	Recovery amount	Recovered provision for bad debts
Revolving fund lending	Payment settlement was promoted during the reporting period	Appropriation based on age	770,579	472,802	445,844

13.2.4 There is no other actual write-off receivable in this period.

13.2.5 There is no other receivable from Shareholding Company with over 5% (including 5%) voting share of the Company;

13.2.6 Top 5 debtors of other receivables

Debtor	Relationship with the Company	Nature or content	Amount	Age	Proportion to the total (%)
Hebei Anda Investment Consulting Co., Ltd.	Non-related party	Margin	6,491,718	Within 1 year	4.37
Henan Provincial Bureau of Health	Non-related party	Margin	5,799,750	1-2 years	3.91
State Grid Materials Company	Non-related party	Margin	2,996,336	Within 1 year	2.02
Ningbo Bureau of Public Security	Non-related party	Margin	2,222,767	Within 1 year	1.50
Gansu Branch of China Tobacco	Non-related party	Margin	2,167,024	Within 5 years	1.46
Total			19,677,595		13.26

13.2.7 Other receivable from related party

There is no other receivable from related party.

13.2.8 There is no transfer of other receivable inconsistent with recognition termination conditions.

13.3 Held-to-maturity investment

Item	Year-end balance	Year-begin balance
Bank finance product (Note)	322,958,466	401,931,507

Note: The Company purchased finance products (one-off repayment of capital with interest) from banks based on its financial status. The capital of RMB 320 million Yuan and appropriated income has been recovered before March 2013.

13.4 Long-term equity investment

Unit: RMB Yuan

Investee	Calculation method	Investment	Year-begin balance	Increase/decrease	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Impairment provision	Appropriated provision for impairment in this period	Cash dividend in this period
Nokia Siemens Networks Neusoft Comitech Company	Equity method	26,713,621	50,910,087	4,134,373	55,044,460	46.00	46.00				
Shenyang CataData Technology Co., Ltd.	Equity method	15,000,000	13,835,661	-885,611	12,950,050	16.67	16.67				
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Equity method	9,051,000	8,154,748	-1,799,877	6,354,871	40.00	40.00				
Subtotal		50,764,621	72,900,496	1,448,885	74,349,381						
Shenzhen Neusoft Co., Ltd.	Cost method	5,000,000	5,000,000		5,000,000	100.00	100.00				
Neusoft Group (Beijing) Co., Ltd.	Cost method	339,396,361	249,396,361	90,000,000	339,396,361	100.00	100.00				
Shandong Neusoft System Integration Co., Ltd.	Cost method	50,000,000	15,000,000	35,000,000	50,000,000	100.00	100.00				
Hunan Neusoft Co., Ltd.	Cost method	12,000,000	12,000,000		12,000,000	100.00	100.00				
Nanjing Neusoft System Integration Co., Ltd.	Cost method	12,000,000	12,000,000		12,000,000	100.00	100.00				
Chengdu Neusoft System Integration Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Xi'an Neusoft System Integration Co., Ltd.	Cost method	32,502,469	22,502,469	10,000,000	32,502,469	100.00	100.00				
Wuhan Neusoft Information Technology Co., Ltd.	Cost method	25,000,000	15,000,000	10,000,000	25,000,000	100.00	100.00				
Shenyang Neusoft Medical Systems Co., Ltd.	Cost method	387,082,539	87,082,539	300,000,000	387,082,539	100.00	100.00				
Shenyang Zhuri Digital Advertising Communications Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	100.00	100.00				7,053,235
Shenyang Neusoft Boan Software Co., Ltd.	Cost method	12,416,895	12,416,895		12,416,895	60.00	60.00				
Neusoft (Hong Kong) Co., Ltd.	Cost method	7,037,915	7,037,915		7,037,915	100.00	100.00				
Qinhuangdao Neusoft Co., Ltd.	Cost method	8,500,000	8,500,000		8,500,000	85.00	85.00				1,874,427

Continued table

Investee	Calculation method	Investment	Year-begin balance	Increase/decrease	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Impairment provision	Appropriated provision for impairment in this period	Cash dividend in this period
Shanghai Neufashion Digital Technology Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Guangdong Neusoft Co., Ltd.	Cost method	20,000,000	20,000,000	-20,000,000							
Neusoft (Japan) Co., Ltd.	Cost method	11,826,901	11,826,901		11,826,901	100.00	100.00				1,439,855
Beijing Lanruisoft Co., Ltd. (Note 4)	Cost method	9,454,820	9,454,820		9,454,820	100.00	100.00				
Shenyang Neusoft System Integration Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Guangzhou) Co., Ltd.	Cost method	130,000,000	100,000,000	30,000,000	130,000,000	100.00	100.00				
Neusoft Group (Shanghai) Co., Ltd.	Cost method	200,000,000	100,000,000	100,000,000	200,000,000	100.00	100.00				
Neusoft Group (Chengdu) Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	100.00	100.00				
Neusoft Group (Dalian) Co., Ltd.	Cost method	600,000,000	300,000,000	300,000,000	600,000,000	100.00	100.00				
Shenyang Neusoft Information Technology Services Co., Ltd.	Cost method	50,000,000	310,000,000	-260,000,000	50,000,000	100.00	100.00				79,400,000
Liaoning Neusoft Venture Capital Investment Co., Ltd.	Cost method	80,552,833	80,552,833		80,552,833	60.00	60.00				5,785,714
Shenyang Neusoft Property Management Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	100.00	100.00				
Neusoft Technology Co., Ltd.	Cost method	63,329,610	63,329,610		63,329,610	100.00	100.00				
Hangzhou Neusoft Co., Ltd.	Cost method	500,000	500,000		500,000	100.00	100.00				
Neusoft Group (Tianjin) Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Tangshan) Co., Ltd.	Cost method	30,000,000	30,000,000		30,000,000	100.00	100.00				
Neusoft Group (Hainan) Co., Ltd.	Cost method	100,000,000	100,000,000		100,000,000	100.00	100.00				
Neusoft Group (Wuxi) Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Wuhu) Co., Ltd.	Cost method	10,000,000	10,000,000		10,000,000	100.00	100.00				

Continued table

Investee	Calculation method	Investment	Year-begin balance	Increase/decrease	Year-end balance	Equity ratio (%)	Voting share (%)	Difference between equity ratio and voting share	Impairment provision	Appropriated provision for impairment in this period	Cash dividend in this period
Guangdong Neufashion Digital Technology Co., Ltd.	Cost method	22,500,000	22,500,000		22,500,000	60.00	60.00				
Neusoft Group (Nanjing) Co., Ltd.	Cost method	12,000,000	12,000,000		12,000,000	100.00	100.00				
Shenyang Neusoft Transportation Information Technology Co., Ltd.	Cost method	3,535,000	3,535,000		3,535,000	50.50	50.50				
Beijing LBS Social Insurance Information Technology Co., Ltd.	Cost method	10,390,275	11,265,778		11,265,778	61.67	61.67				
Neusoft Group (Zhengzhou) Co., Ltd.	Cost method	10,000,000	10,000,000		10,000,000	100.00	100.00				
Neusoft Group (Nanchang) Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100.00	100.00				
Neusoft (Europe) Co., Ltd.	Cost method	259,661,002	259,661,002		259,661,002	100.00	100.00				
Dalian Neusoft Finance Information Technology Co., Ltd.	Cost method	13,491,850	13,491,850	-13,491,850							
Dongzhong Commtech Co., Ltd.	Cost method	3,000,000	3,000,000		3,000,000	10.00	10.00		3,000,000		
Shenyang Torch Company Limited	Cost method	100,000	100,000		100,000				100,000		
Dalian Neusoft Institute of Information	Cost method	6,000,000	6,000,000		6,000,000	1.74	1.74				
Dalian Neusoft Institute of Information Technology	Cost method	3,600,000	3,600,000		3,600,000	60.00	60.00				
Chengdu Neusoft Institute of Information	Cost method	3,000,000	3,000,000		3,000,000	17.47	17.47		1,200,000		
Neusoft Institute of Information Technology, Nanhai	Cost method	3,000,000	3,000,000		3,000,000	12.82	12.82				
Appconomy, Inc.	Cost method	24,934,400	24,934,400		24,934,400	15.92	15.92				
Subtotal		2,694,812,870	2,080,688,373	581,508,150	2,662,196,523				4,300,000		95,553,231
Total		2,745,577,491	2,153,588,869	582,957,035	2,736,545,904				4,300,000		95,553,231

13.5 Bonds payable

Bond	Par value	Date of issue	Term	Amount	Interest payable at the beginning of the year	Accrued interest in this period	Interest paid	Interest payable at the end of the year	Year-end balance
Neusoft Corporation's first tranche of medium-term notes in 2011 (Note)	400,000,000	2011.11.14	3 years	400,000,000	3,658,667	27,440,000	27,440,000	3,658,667	403,658,667

Note: Total amount of the issued bonds is RMB 400 million Yuan with each note of value RMB 100 Yuan and coupon rate of 6.86%. Interest of the first year has been paid in November 2012. As at the end of the reporting period, accrued interest unpaid is RMB 3,658,667 Yuan.

13.6 Operating income and cost

13.6.1 Operating income

Item	Amount in this period	Amount in this period
Primary business income	3,705,696,757	3,027,330,275
Other business income		
Total	3,705,696,757	3,027,330,275

13.6.2 Operating cost

Item	Amount in this period	Amount in this period
Primary business cost	2,694,231,947	2,193,319,213
Other business cost		
Total	2,694,231,947	2,193,319,213

13.6.3 Operating income & cost (by industry)

Item	Amount in this period		Amount in previous period	
	Operating income	Operating cost	Operating income	Operating cost
System integration, sales of software products, software customization and other labor services	3,630,054,355	2,671,162,273	2,956,396,915	2,172,504,576
Property management service and rental	75,642,402	23,069,674	70,933,360	20,814,637
Total	3,705,696,757	2,694,231,947	3,027,330,275	2,193,319,213

13.6.4 Primary business income and cost (by industry)

Item	Amount in this period		Amount in this period	
	Income	Cost	Income	Cost
System integration, sales of software products, software customization and other labor services	3,630,054,355	2,671,162,273	2,956,396,915	2,172,504,576
Property management service and rental	75,642,402	23,069,674	70,933,360	20,814,637
Total	3,705,696,757	2,694,231,947	3,027,330,275	2,193,319,213

13.6.5 Operating income from top 5 customers:

Customer	Operating income	Proportion to the total (%)
Alpine	182,287,847	4.92
China Unicom	177,029,752	4.78
Shenyang Neusoft System Integration Engineering Co., Ltd.	142,458,448	3.84
Toshiba Corporation	132,075,476	3.56
China Mobile	63,380,655	1.71
Total	697,232,178	18.81

13.7 Investment income

13.7.1 Overview

Item	Amount in this period	Amount in this period
Income from long-term equity investment calculated by cost method	95,553,231	6,047,960
Income from long-term equity investment calculated by equity method	1,448,885	6,038,618
Investment income from disposal of long-term equity investment	4,703,646	
Investment income obtained during the holding period of held-to-maturity investment	14,569,151	1,931,507
Investment income obtained during the holding period of available-for-sale financial assets		
Investment income from disposal of trading financial assets		
Investment income from disposal of available-for-sale financial assets		
Others		
Total	116,274,913	14,018,085

13.7.2 Long-term equity investment income calculated by cost method

Investee	Amount in this period	Amount in previous period	Cause of change
Shenyang Neusoft Information Technology Services Co., Ltd.	79,400,000		Attributable cash dividend received by the Company
Shenyang Zhuri Digital Advertising Communications Co., Ltd.	7,053,235		Attributable cash dividend received by the Company
Liaoning Neusoft Venture Capital Investment Co., Ltd.	5,785,714	3,571,429	Attributable cash dividend received by the Company
Qinhuangdao Neusoft Co., Ltd.	1,874,427	983,224	Attributable cash dividend received by the Company
Neusoft (Japan) Co., Ltd.	1,439,855	1,493,307	Attributable cash dividend received by the Company
Total	95,553,231	6,047,960	

13.7.3 Long-term equity investment income calculated by equity method

Investee	Amount in this period	Amount in previous period	Cause of change
NSNN	4,134,373	8,231,268	Change in net profit of investee
Shenyang CataData Technology Co., Ltd.	-885,611	-839,530	Change in net profit of investee
Toshiba Neusoft	-1,799,877	-896,252	Change in net profit of investee
Beijing LBS Social Insurance Information Technology Co., Ltd.		-456,868	Calculation based on cost method after capital increase
Total	1,448,885	6,038,618	

13.8 Supplementary to cash flow statement

Item	Amount in this period	Amount in previous period
1. The net profit is converted into cash flow from operating activities		
Net profit	470,480,907	347,932,350
Add: Provision for asset impairment	33,446,174	12,104,692
Depreciation of fixed assets, oil & gas assets and productive biological assets	53,126,234	52,414,605
Amortization of intangible asset	7,544,879	6,689,718
Amortization of long-term deferred expenses	3,955,617	3,618,351
Loss on disposal of fixed assets, intangible asset and other long-lived assets ("-" for profit)	-183,945	253,794
Abandonment loss of fixed assets ("-" for profit)		

Continued table

Item	Amount in this period	Amount in previous period
Loss on change of fair value ("-“ for profit)	-7,645,112	-950,557
Financial expenses ("-“ for profit)	53,938,420	21,735,445
Investment loss ("-“ for profit)	-116,274,913	-14,018,085
Decrease of deferred income tax assets ("-“ for increase)	-12,165,049	-7,872,536
Increase of deferred income tax liabilities ("-“ for decrease)	747,455	-10,618
Decrease of inventories ("-“ for increase)	-164,534,714	-59,795,034
Decrease of operating accounts receivable ("-“ for increase)	68,368,670	67,317,394
Increase of operating accounts payable ("-“ for decrease)	-40,356,758	-12,943,913
Others		
Net value of cash flow from operating activities	350,447,865	416,475,606
2. Significant investment and financing activities not relating to cash receipt and disbursement		
Debt conversion to equity		
Convertible bonds due within one year		
Leased fixed assets from financing		
3. Change in cash and cash equivalent		
Year-end cash balance	1,047,858,225	831,393,669
Less: Year-begin cash balance	831,393,669	932,706,502
Add: Year-end cash equivalent balance		
Less: Year-begin cash equivalent balance		
Net increase in cash and cash equivalents	216,464,556	-101,312,833

Note 14 Supplementary Information

14.1 Non-recurring profit and loss

Item	Amount in this period	Remarks
Profit/loss on disposal of non-current assets	54,744,245	Note 1
Tax refund & exemption through examination and approval in excess of authority or without official approval document		
Government subsidy included in current profits and losses (excluding the government subsidy highly associated with corporate business and issued by certain amount based on national standards)	94,363,121	Note 2
Payment from non-financial businesses for use of funds recorded in current profit and loss		
Revenue from the difference by which the investment cost for acquiring subsidiaries, associates and joint ventures is less than fair value of attributable net assets	2,354,443	Note 3

Continued table

Item	Amount in this period	Remarks
Gains/losses from exchange of non-monetary assets		
Profit or loss from entrusted investment or assets management		
Appropriation of provision for asset impairment caused by force majeure such as natural disaster		
Profit and loss on debt restructuring		
Expenses for business restructuring, such as staffing and integration expenses		
Profit and loss on transactions with obvious unfair transaction price		
Subsidiaries' year-to-date net profit/loss arising from business combination under common control		
Profit and loss arising from contingent items which are not related to the Company's normal operations		
Except for effective hedging business related to normal operations, profit and loss on change in fair value arising from holding trading financial assets/liabilities, and investment income from disposal of trading financial assets/liabilities and available-for-sale financial assets	14,224,580	Note 4
Impairment provision for account receivable with separate impairment test which is reversed back		
Profit and loss on entrusted loans		
Profit and loss on change in fair value of investment properties with subsequent measurement by fair value		
Effect by one-off adjustment on current profits and losses according to relevant tax and accounting laws and regulations		
Trusteeship revenue from trust operation		
Other non-operating income and expenditure	653,891	
Other profit and loss items consistent with the definition of non-recurring profit and loss		
Amount effected by minority interest	869,087	
Amount effected by income tax	-30,432,456	
Total	136,776,911	

Note 1: This is mainly brought by transfer of equity in DNPID by Neusoft IT Services.

Note 2: This mainly refers to government subsidy for science research projects and investment subsidy.

Note 3: This mainly involves with investment in Shenyang Neusoft System Integration Engineering Co., Ltd. by Shenyang Neusoft System Integration Technology Co., Ltd. and Xi'an Neusoft System Integration Co., Ltd. with a total equity ratio of 26.65%.

Note 4: This mainly refers to profit and loss on change in fair values of trading financial assets/liabilities.

14.2 Net asset's rate of return and EPS:

Profits in this reporting period	Weighted average of return of net assets (%)	EPS (Yuan)	
		Basic EPS	Diluted EPS
Net profit attributable to the shareholders of the parent company	9.32	0.37	0.37
Net profit attributable to the shareholders of the parent company after deducting non-recurring profit and loss	6.53	0.26	0.26

14.3 Main financial items with abnormal change and reasons

Financial items with abnormal amount or abnormal change during comparison period

Item	Year-end balance (or amount in this period)	Year-begin balance (or amount of previous year)	Change ratio (%)	Reason
Trading financial assets	14,917,183	863,170	1,628.19	(1)
Notes receivable	14,342,063	36,215,245	-60.40	(2)
Inventories	830,972,882	585,158,868	42.01	(3)
Prepayments	118,441,067	57,312,087	106.66	(4)
Long-term receivables	25,954,175	150,710,187	-82.78	(5)
Long-term equity investments	390,074,357	703,226,389	-44.53	(6)
Construction in progress	195,555,957	307,799,158	-36.47	(7)
Goodwill	140,387,437	227,376,502	-38.26	(8)
Long-term deferred expenses	72,063,173	53,694,146	34.21	(9)
Deferred tax assets	66,353,503	45,591,522	45.54	(10)
Trading financial liabilities		170,567	-100.00	(11)
Interest payable		205,724	-100.00	(12)
Other receivables	212,020,218	149,882,015	41.46	(13)
Other current liabilities	120,743	71,666	68.48	(14)
Long-term accounts payable	179,459,431	134,609,431	33.32	(15)
Deferred tax liabilities	3,738,493	2,409,781	55.14	(16)
Minority interest	125,641,275	340,445,713	-63.10	(17)
Operating income	6,960,195,011	5,751,249,330	21.02	(18)
Operating cost	4,729,720,928	4,004,998,405	18.10	(19)
Sales expense	635,074,786	497,920,161	27.55	(20)
Administrative expenses	985,944,947	819,957,825	20.24	(21)

Continued table

Item	Year-end balance (or amount in this period)	Year-begin balance (or amount of previous year)	Change ratio (%)	Reason
Financial expenses	78,565,067	23,649,196	232.21	(22)
Impairment loss on assets	136,632,109	41,405,012	229.99	(23)
Profit/loss from changes in fair value	14,224,580	950,557	1,396.45	(24)
Investment income	112,124,066	42,136,578	166.10	(25)
Income tax	106,899,561	69,341,108	54.16	(26)
Minority interest income	-20,544,974	6,476,572	-417.22	(27)
Other composite income	-11,853,741	-22,413,285	47.11	(28)

Details of changes:

(1) This item increases by RMB 14,050,000 Yuan, an increase of 1,628.19% over the year beginning, which is mainly caused by the Company's foreign exchange forward contracts. During the reporting period, foreign exchange forward contracts were calculated based on exchange rate quoted in the open market; estimated floating income increase with an amount of RMB 14,050,000 Yuan was included in P&L from change in fair value for increasing trading financial assets; estimated floating loss with an amount of RMB 170,000 Yuan was included in P&L from change in fair value for lowering trading financial liabilities.

(2) This item reduces by RMB 21,870,000 Yuan, a decrease of 60.40% over the year beginning, which is mainly caused by payment for software and system integration contracts in the reporting period.

(3) This item increases by RMB 245,810,000 Yuan, an increase of 42.01% over the year beginning, which is mainly caused by increase of software and system integration contracts that are being executed as at the end of the reporting period.

(4) This item increases by RMB 61,130,000 Yuan, an increase of 106.66% over the year beginning, which is mainly caused by increase of prepayment for contracted purchase projects.

(5) This item reduces by RMB 124,760,000 Yuan, a decrease of 82.78% over the year beginning, which is mainly caused by equity transfer by Neusoft IT Services, with a reduced amount of RMB 103,630,000 Yuan.

(6) This item reduces by RMB 313,150,000 Yuan, a decrease of 44.53% over the year beginning, which is mainly caused by equity transfer by Neusoft IT Services, with a reduced amount of RMB 355,520,000 Yuan. The Company's subsidiary invested Shenyang Neusoft System Integration Engineering Co., Ltd. and Beijing Venusource Information Technology Co., Ltd., resulting in the increase of long-term equity investment of RMB 38,500,000 Yuan.

(7) This item reduces by RMB 112,240,000 Yuan, a decrease of 36.47% over the year beginning, which is

mainly caused by Guangzhou Software Park and Shanghai Software Park's conversion into fixed assets.

(8) This item reduces by RMB 86,990,000 Yuan, a decrease of 38.26% over the year beginning, which is mainly caused by appropriated impairment loss on goodwill with an amount of RMB 86,430,000 Yuan.

(9) This item increases by RMB 18,370,000 Yuan, an increase of 34.21%, which is mainly caused by increase of decoration expense.

(10) This item increases by RMB 20,760,000 Yuan, an increase of 45.54%, which is mainly caused by increase of deductible temporary difference arising from appropriated employee bonus and appropriated impairment provision for assets.

(11) This item reduces by RMB 170,000 Yuan, a decrease of 100%. Please refer to (1) hereunder for details.

(12) This item reduces by RMB 210,000 Yuan, a decrease of 100%, which is mainly caused by payment during the reporting period for appropriated interest payable at the end of previous year.

(13) This item increases by RMB 62,140,000 Yuan, an increase of 41.46%, which is mainly caused by estimated construction payment for Shanghai Software Park and Guangzhou Software Park which have been converted into fixed assets.

(14) This item increases by RMB 50,000 Yuan, an increase of 68.48%, which is mainly caused by increase of accrued expenses.

(15) This item increases RMB 44,850,000 Yuan, an increase of 33.32%, which is mainly caused by the payment for purchase of use right of land located in Tianjin Free Trade Zone from Tianjin Port Free Trade Zone Investment Co., Ltd. as well as the ownership of a newly-built R&D office building on the land lot.

(16) This item increases by RMB 1,330,000 Yuan, an increase of 55.14%, which is mainly caused by increase of taxable temporary difference arising from change in fair value.

(17) This item decreases by RMB 214,800,000 Yuan, a decrease of 63.10%, which is mainly caused by equity transfer by Neusoft IT Services. 40% of net assets of DNPID (minority interest) decreases by RMB 248,450,000 Yuan due to change in consolidation. In addition, Shenyang Neusoft Medical Systems Co., Ltd. set up a new controlled company Neusoft A&T Medical Technology Co., Ltd. and absorbed investment from minority shareholders with an amount of RMB 29,590,000 Yuan.

(18) This item increases by RMB 1,208,950,000 Yuan, a growth of 21.02% as a result of rise in income from domestic solutions service and international services during the reporting period.

(19) This item increases by RMB 724,720,000 Yuan, a growth of 18.10% as a result of rise in both operating income and labor cost during the reporting period.

(20) This item increases by RMB 137,150,000 Yuan, a growth of 27.55% as a result of increase in sales and

rise in market input costs.

(21) This item increases by RMB 165,990,000 Yuan, a growth of 20.24% as a result of rise in labor cost and R&D expenses.

(22) This item increases by RMB 54,920,000 Yuan, a growth of 232.21% as a result of increase of interest for notes and exchange loss.

(23) This item increases by RMB 95,230,000 Yuan, a growth of 229.99% as a result of appropriation of impairment of goodwill with an amount of RMB 86,430,000 Yuan.

(24) This item increases by RMB 13,270,000 Yuan, a growth of 1,396.45% as a result of changes in fair value of forward foreign exchange contracts.

(25) This item increases by RMB 69,990,000 Yuan, a growth of 166.10% as a result of investment income with an amount of RMB 55,370,000 Yuan (before tax) from equity transfer by Neusoft IT Services and increase of income from purchase of wealth management product.

(26) This item increases by RMB 37,560,000 Yuan, a growth of 54.16%, which is mainly caused by payment for business income tax with an amount of RMB 18,920,000 Yuan arising from selling of equity in DNPID by Neusoft IT Services, as well as the increase of taxable amounts in the Company and its subsidiaries that made profits in this reporting period.

(27) This item reduces by RMB 27,020,000 Yuan, a decrease of 417.22%, which is mainly caused by decrease of net profits achieved by subsidiaries that are not wholly owned by the Company.

(28) This item increases by RMB 10,560,000 Yuan, an increase of 47.11%, which is mainly caused by increase of translation difference in foreign currency-dominated statements.

Note 15 Authorization of Publication of Financial Statements

The Board of Directors has authorized to publicize the financial statements on March 27th, 2013.

Neusoft Corporation

Date: March 27th, 2013

XI Documents Available For Inspection

- (1) Financial Report with signatures of Chairman Liu Jiren, Senior VP & CFO Zhang Xiao'ou and Director of Accounting Department Shi Peijun and seal of the Company; and
- (2) The original Auditing Report with the seal of the CPA firm and the signature and seal of the certified accountants;
- (3) All the original documents and announcements disclosed in newspapers or magazines designated by CSRC.

Neusoft Corporation

President: Liu Jiren

March 27th, 2013
