



2013

ANNUAL REPORT

Neusoft[®]
Beyond Technology[™]

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Dr. Liu Jiren
Chairman
Neusoft Corporation

The world is changing faster than ever before. An increasing number of new policies, transformative technologies and new trend are constantly catalyzing innovative business models, emerging markets and new demands in recent years.

With that big picture in mind, Neusoft has always been focusing on innovation and globalization. We encourage innovation at all levels of our operations to drive transformation for better. Specifically, we have built a robust growth model driven by knowledge assets. These efforts have helped us not only overcome many challenges and ward off potential risks, but also build our new competitive advantages.

Today, new technologies such as mobile Internet, cloud computing, big data and social media are overthrowing traditional business models with new IT products/services and business patterns springing up. This stimulated new market demands and gradually broke industry barriers, and what followed by are increasingly growing cross-industry competition and cooperation. Over the past twenty-plus years, Neusoft has achieved a great-leap-forward growth through incremental innovation and transformation. In the future, we will integrate innovation into a daily routine, reengineering and strengthening our business capabilities through collaboration. Pinpointing the construction of China's economic infrastructures and the informatization in the realms important to the people's livelihood, we will continue to promote social transformation through IT business, explore business model innovation and transformation, enhance the seamless integration of industrialization and informatization, and accelerate the upgrade of the manufacturing industries. Besides, we will continue to expand our cloud and big data service offerings, by doing so, to build Neusoft into a global excellent innovative company with sustainable development and everlasting vitality.



Wang Yongfeng
President
Neusoft Corporation



We faced a complex, challenging market environment in the year 2013. To cope with the challenges and achieve a large-scale dynamic growth of our businesses, we strengthened our core business strengths, enhanced organizational systems and capabilities, accelerated the planning and development of new businesses, and promoted business growth through Internet-based diversified business models, application innovation and knowledge assets. In addition, we continued to further the operational excellence plan, strengthened the management of operational expense and enhanced operational efficiency. Thankfully, these efforts we made ensured our stable and sustainable growth.

2014 is an important year for our ongoing growth and transformation. We will stick to our innovation and globalization strategy, enhance the competitiveness of our core businesses on a professional and systematic basis, and optimize business structure and organizational capability. Focusing on key accounts, we will set up customer development team systematically, and develop business that may take leading position in the market with advantageous sales resource. What's more, we will develop businesses in the fields of cloud service, Internet of Things, IP and product lines, and speed up innovation on Internet-based business model, promote business resource integration to keep pace with the era of mobile Internet, and increase input into knowledge assets that can drive increasing business growth. Moreover, we will accelerate operational excellence plan and comprehensive quality management, improve expense and budget management to enhance overall operation efficiency, with an aim to drive sustainable, large-scale and highly efficient business development.

Important Notes

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

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

(3) 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.

(4) 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 Xinxiu Street, Hunnan New District, Shenyang 110179, PR China	Neusoft Park, No.2 Xinxiu 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 Xinxiu Street, Hunnan New District, Shenyang 110179, PR China
Post code	110179
Address of office	Neusoft Park, No.2 Xinxiu 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. 2, Xinxiu Street Hunnan New District, Shenyang 110179, 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 largest 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

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

(III) Accounting Data and Financial Indicators

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	2013	2012	Year-on-year change (%)	2011
Operating income	7,452,753,233	6,960,195,011	7.08	5,751,249,330
Net profit attributable to shareholders of listed company	410,938,749	456,313,926	-9.94	417,068,980
Net profit attributable to shareholders of listed company after deducting non-recurring Gains/losses	215,672,470	319,537,015	-32.50	286,807,569
Net cash flow from operating activities	303,851,532	317,235,522	-4.22	300,196,604
Key accounting data	Year-end 2013	Year-end 2012	Year-on-year change	Year-end 2011
Net assets attributable to shareholders of listed company	5,329,762,555	5,119,337,733	4.11	4,674,677,555
Total assets	9,376,450,793	8,501,433,333	10.29	7,925,285,114

3.1.2 Key financial data

Unit: RMB/Yuan

Key financial indicators	2013	2012	Year-on-year change (%)	2011
Basic earnings per share (RMB Yuan/share)	0.33	0.37	-9.94	0.34
Diluted earnings per share(RMB Yuan/share)	0.33	0.37	-9.94	0.34
Basic earnings per share after deducting non-recurring gains/losses (RMB Yuan/share)	0.18	0.26	-32.50	0.23
Average weighted rate of return on equity	7.88	9.32	Decline by 1.44 percent	9.34
Average weighted rate of return on equity after deducting non-recurring gains/losses	4.14	6.53	Decline by 2.39 percent	6.42

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 2013	Remark	Amount in 2012	Amount in 2011
Gain/loss on disposal of non-current assets	21,676,892	Investment income from transfer of equity in Guangdong Neufashion Digital Technology Co., Ltd.	54,744,245	18,180,599
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	140,953,065	Government grants for research projects and government subsidies recorded in current profit and loss	94,363,121	105,173,354
Payment from non-financial businesses for use of funds recorded in current profit and loss	—	—	—	9,946,738
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	—
Gains/losses from exchange of non-monetary assets	—	—	—	24,934,400
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	27,498,475	Change in fair value and gain/loss on disposal of trading financial assets mainly	14,224,580	950,557
Other non-operating income/expenses	4,684,571	—	653,891	1,313,927
Other non-recurring Gains/losses	18,364,615	Investment income recognized by re-estimating the originally held 49% equity in Neusoft-Philips Medical Systems Limited Liability Company (Neusoft-Philips) based on its fair value on the acquisition date when purchasing the additional 25% equity in Neusoft-Philips	—	1,221,899
Income tax consequences	-16,946,262	—	-30,432,456	-20,258,444
Minority shareholders' interests	-965,077	—	869,087	-11,201,619
Total	195,266,279	—	136,776,911	130,261,411

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	14,917,183	32,249,913	17,332,730	15,599,457
Trading financial liabilities	—	—	—	—
Available-for-sale financial assets	—	26,594,230	26,594,230	—
Total	—	—	—	15,599,457

(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 the face of a complex and challenging market environment in 2013, the Company continued to implement the development strategy of innovation and globalization, strengthened its core business capabilities, enhanced organizational system and capabilities supporting large-scale business development, and promoted business growth through Internet-based diversified business model, application innovation and knowledge assets. Besides, the Company continued to further the operational excellence plan, strengthened expense management and enhanced operational efficiency. These efforts ensured stable and sustainable growth of the Company's businesses. During the reporting period, the Company achieved operating income of RMB 7,452,750,000 Yuan, a 7.08% year-on-year increase, net profit (attributable to shareholders of listed companies) of RMB 410,940,000 Yuan, earnings per share of RMB 0.33 Yuan, a 9.94% year-on-year decrease, net profit deducting non-recurring gains/losses of RMB 215,670,000 Yuan, a 32.50% year-on-year decrease.

During the reporting period, the overall income of the Company maintained a growth but the profits declined, which was mainly caused by the following reasons: a) The exchange rate of RMB fluctuated heavily and the yen continued to depreciate, bringing a certain impact on corporate profits and international business expansion; b) As a knowledge-intensive enterprise, in order to attract and retain talents, the Company continued to promote compensation improvement plan, increasing the cost of human resources; c) For the purpose of ensuring sustainable development of the Company's business and speeding up the planning and development of new businesses, the Company enhanced future-oriented investment in R&D, marketing and other related expenses. By the end of the reporting period, the Company asset-liability ratio is 41.17%, maintaining a reasonable level.

In terms of solution business in China's market, the Company engaged in building comprehensive, new customer relations focusing on key value customers, further promoted its business competitiveness and market position in government, telecommunications, energy, healthcare, IT, finance and other fields. It has achieved rapid development in Smart City, Smart Health and cloud application service. In the field of Smart City, the Company has developed integrated Neusoft Smart City solutions through resource integration and innovation. The Company participated actively in the pilot application program sponsored by the Ministry of Housing and Urban-Rural Development of China and undertook the Smart City programs of many provinces. Remarkably, the Company won the Excellent Smart City Solutions Award at the Annual Meeting of Chinese Smart Cities 2013. In the field of health management service, the Company continued to increase investment on R&D and marketing, launched Xikang BUDDY bluetooth smart watch and other wearable terminals as well as a wide range of health apps such as "Xikang Walking/Running Recorder", "Xikang Diet", "Shoushou", etc. Besides, it has set up a number of new healthy management centers in Shenyang, Beijing and other places with smooth business development. In the field of telematics, the Company actively promoted its business to the top of the value chain. As an in-vehicle system supplier, the Company has developed a number of domestic customers of automobile manufacturers such as Qoros Auto Co. Ltd., GAC Group, Pan Asia Technical Automotive, Brilliance BMW, Shanghai General Motors, FAW Group Corporation and Shanghai Automotive Industry Corporation with innovative model. It also established a joint venture with Harman to specialize in the development, sales and service of in-vehicle audio and infotainment system.

With respect to international business, the Company made timely and positive response to the income decrease

caused by some external factors such as the exchange rate, ensuring steady development of its international business. The Company strengthened the development of overseas market, developed strategic customers and partners on an extensive and large-scale basis, intensifying the interrelation between the integration of key customers' businesses and large-scale growth. In the field of telematics, the Company carried out deeper cooperation with Harman, demonstrating its shift to high-end value chain and the transformation from the growth model based on personnel scale to the model driven by knowledge assets. In the field of smart terminal, the Company furthered its business expansion to diversified terminals such as smart phone, tablet and smart TV to promote the business move to the upstream of the industry chain. In addition, it enhanced cooperation with chip manufacturers, achieving sustainable development of its business.

In the space of medical systems, the business income showed a slight year-on-year decline due to the delayed launch of new products and the impact of exchange rate. During the reporting period, great achievements have been made in the R&D of new products, including NeuViz Twin dual-slice CT scanner, US-N700 and US-N900 Diagnostic Ultrasound System and NeuCareMammo DR digital breast X-ray photography system that have hit the market and received active feedback. Those products will play a positive influence on the future development of medical system business. At the same time, the Company made great effort to strengthen its service and logistics capabilities, set up many centers both at home and abroad for spare parts, which improved the efficiency of service operation. The Company completed the equity acquisition with Neusoft Philips, changing the joint venture model into cooperation. The Company will increase investment on the market with a more positive product strategy to further expand the global market.

During the reporting period, Neusoft's competitiveness and brand image has been widely recognized with a number of honors and awards. Notably, the Company gained the "Computer Information System Integration Enterprise Qualification Certificate" issued by the Ministry of Industry and Information Technology of China, which will have a positive impact on the Company's future business development. The Company has once again become the only Chinese software enterprise listed on "PWC 100 Global Software Leaders" and it was included in the list of "Top 100 Emerging Market Companies" at the same time. According to the "China-Based Offshore Software Development 2013-2017 Forecast and Analysis" report by IDC and the "Chinese Software and Service Outsourcing Market Research Report 2012-2013" by CCID, the market share of the Company ranked at the top of China's software outsourcing service suppliers again. Besides, the Company was included in the "2013 Global Outsourcing 100" by IAOP for the seventh time. It also won the "Outstanding Contribution Award" and the "Most Potential Company Award" at the "2012-2013 China software and information service Annual Selection" sponsored by the Organizing Committee of China International Software and Information Service Trade Fair. The Company was included in the "China Top 100 Green Companies" at 2013 (the sixth) China Green Companies Annual Meeting. In addition, its governance level gained further recognition by winning the Best Board of Directors Award once again at the ninth Golden Round Table Award for the Board of Directors of Chinese Listed Companies, which was granted by the *Board of Directors* magazine.

4.1.1.2 Business Operations

(1) Software and system integration

During the reporting period, the software and system integration business developed at a good pace, generating an income (after deducting inter-industry off-set) of RMB 6,480,630,000 Yuan, increasing by 8.46% over the same period of the previous year and accounting for 86.96% of the Company's total income.

In the field of e-government, the Company maintained its leadership in human resource and social security industry and undertook a number of provincial projects such as Golden Social Security Projects of Anhui, Xuzhou and Shenyang. In

the public security field, the company won the bid for “software system development project for national population basic information database” and undertook the smart court projects of Shanxi Procuratorate, Guangzhou, Shantou and other places. For land and resource and housing construction, the Company signed cooperation agreements with the Ministry of Land and Resources of China, Wuhan Municipal Bureau of Land and Resources and Dongguan Housing Fund Management Center. In the field of intellectual property right, the Company signed cooperation agreement with the State Intellectual Property Office. In environmental protection field, the Company won the bid for e-waste management and Liaoning Dahuofang reservoir emergency projects. In the field of agricultural product traceability, the Company undertook the construction of agricultural product tracking systems in Yan’an and other places. In Smart City field, the Company undertook projects in Ningbo, Yingkou, Shenyang, Chongqing, etc., further expanding its market share. Moreover, the company actively explored business model innovation and developed elastic cloud solutions for social security, which laid a good foundation for the cloud-based government solutions. During the reporting period, the Company’s innovative businesses such as self-service terminals for human resource and social security, health insurance anti-fraud and paying party management were developed rapidly.

In the field of telecom industry, the Company strengthened business coverage with the top three operators in China, continued to consolidate its leading position in BSS (business-supported system), BI (business intelligence), mobile Internet and other core business fields. The Company strengthened its cooperation with China Unicom and China Telecom by signing contracts with China Unicom and its branches in Liaoning and Tianjin and undertaking projects such as China Telecom’s National Purchase and MSS system construction projects. Besides, the Company maintained close cooperation with China Mobile through new businesses with its headquarters, South Base and North Information Port while making great breakthrough in cloud-enabled SMS gateway. It also developed customers in Yunnan, Henan and Liaoning in terms of paperless office business. At the same time, the Company won the bid for Leyu Communication project and actively expanded new business fields catering to Mobile Virtual Network Operators. In cloud computing, the “Yiceyun”, an automatic cloud test service system launched by Neusoft, has been recognized by customers. Besides, the Company undertook the construction of private cloud and public cloud for China Mobile’s South Base with smooth progress.

In the public health and medical IT industry, the Company well maintained its market leadership. In the field of health-care, the Company won all the telemedicine projects across Shanxi province as well as the projects for the Bureau of Health of many provinces including Guizhou, Hunan, and Liaoning and of cities including Zhengzhou, Xuzhou and Kunshan, etc. In medical IT field, the Company deepened the partnership with existing high-quality customers like Shengjing Hospital and China-Japan Friendship Hospital and developed new customers like the First Hospital of Qiqihar City, the Tenth People’s Hospital of Shanghai, Shanghai Oriental Hospital with increasingly growing market share and customer satisfaction. In the field of health services, the Company constantly promoted the development of smart wearable equipment and terminals and speeded up the deployment of health management centers. Besides, it continued to establish cooperation with hospitals, finance and insurance and real estate enterprises, promoting sustainable development of Xikang business.

In the energy industry, the Company continued to deepen cooperation with customers in traditional fields, signed contracts with the State Grid Corporation of China (SGCC) and China Southern Power Grid and gained some customers including SGCC Jiangxi Branch and Sichuan Branch as well as Guangzhou Branch and Guangxi Branch of China Southern Power Grid. In the field of petroleum and petrochemicals, the Company undertook the project of Emergency Management System for CNPC Sales Co., Ltd., expanded business with North China, Shandong, Dalian branches of CNPC. In the

fields of coal and power generation, the Company signed contracts with Huaneng Group Corp. and made great breakthrough in the applications for the headquarters of Shenhua Group and China National Coal Group Corp.

In the aspects of enterprise informatization and e-commerce business, the Company strengthened the coverage of high-quality customers by expanding a number of large state-owned enterprises like Aviation Industry Corporation of China, Xingxing Cathay International Group, etc. In the tobacco industry, the Company maintained its leadership with its business in tobacco logistics developed fast and won the bid for the project of core business overall management platform for the State Tobacco Monopoly Bureau. It also signed contracts with customers including China Tobacco Yunnan Industrial Co., Ltd. and Hebei Tobacco Monopoly Bureau. Besides, its integrated platform for tobacco was applied in Hunan and Nanjing. In digital media field, the Company signed contracts with CNTV, Xinhua News Agency, China Daily and Beijing Daily, etc. With respect to ERP implementation and consulting service, based on the existing customer operations, the Company won new customers such as State Nuclear Power Automation System Engineering Company, China Potevio and Kelong Group, increasing its the market share continuously.

In the financial industry, the Company enhanced its customer coverage in banking, insurance and security fields and consolidated the long-term cooperation with ICBC, Industrial Bank Co. Ltd., SPD Bank, PICC, CPIC and Foreign Exchange Trading Center. It also gained new customers such as Jinshang Bank and Bank of Ningbo. During the reporting period, the Company made great progress in core development platform for insurance, supplementary medical insurance for serious diseases, bank credit management system and core trading system and extended business to Shandong and Shenzhen, etc.

In the field of education, the Company undertook some basic education projects including the preschool education management system for the Golden Education program sponsored by the Ministry of Education, compulsory education platform for Beijing Municipal Commission of Education and basic education project for Zhangjiakou Municipal Commission of Education. Aiming at the demand for informatization of colleges and universities, the Company focused on the R&D and marketing for "E-campus Platform V6" and signed contracts with universities such as Beijing university of Chinese Medicine, China University Of Petroleum and Shanghai Maritime University, which are being implemented smoothly.

In terms of transportation, the Company signed contracts with customers including Air China, China Eastern, Shenzhen Airlines and China Southern, undertook transportation projects for Dalian Metro Co., Ltd., Suzhou Subway, Shenyang Subway and Nanjing Intercity Railway, etc. The Company actively expanded its business in Smart Transportation field and successfully implemented onboard entertainment project for Air China's satellite communication and Internet enabled flights. Besides, the Company undertook transportation projects including transportation informatization of Qinghai province, dynamic bus monitoring system of Kunming and smart transportation of Ninghai town.

In the field of software products, the Company focused on key industries and medium and high-end customers, further enhanced the investment on R&D of software products to improve its competitive power. In the field of information security, the Company launched a series of new products such as application delivery security gateway (ADSG) based on cloud computing and "Security Keeper" service strategy. It signed contracts with some key customers such as the General Administration of Quality Supervision, Inspection and Quarantine of China, Huaneng Group, Haier Group, Construction Bank of China, consolidating its domination in the marketplace. In the E-HR field, the Company deepened the identification of the demands of existing customers such as CSR Corporation Limited and Dalian Wanda Group, etc., and developed new customers including Bright Food (Group) Co., Ltd., Ningbo Port and Dongyirisheng. In the space of archive management, the Company expanded its business to Inner Mongolia, Nanjing, Harbin and Yiwu, established partnership

with All-China Federation of Trade Union, CNEC and China Resources, laying a good foundation for its large-scale development in the future.

In the BPO field, the Company has been seeing steady growth. With respect of the IT infrastructure construction and service, its IT infrastructure monitoring & management platform was put into market, achieving a rapid development. In terms of cloud service for small- and medium-sized enterprises (SME), the Company successively set up public service platforms for SMEs in Hubei, Shandong, Tianjin, etc. At the same time, the Company constantly built up IT-based e-commerce platforms by industry or professional markets. During the reporting period, "Wuaigo", the biggest online trading center of light industrial products in Northeast China, has been successfully launched.

As for international software business, the Company strengthened its partnerships with key customers such as Sony, Toshiba, Alpine and DENSO in Japan market. In European market, the Company actively innovated the cooperation model with key customers such as Harman and expanded high-end customers overseas, promoting market and brand influence. In the US market, the Company developed partners and promoted cooperation with key customers such as Amazon and Intel. During the reporting period, the Company's income from international software business was 323,210,000 US dollars, a 6.77% year-on-year decrease due to some external factors, accounting for 26.84% of the total business income.

(2) Medical systems

In 2013, the Company continued to reinforce its marketing force: for domestic market, the Company strengthened the construction of channels and marketing deployment for multiple product lineups, built highly efficient marketing team and optimized the resetting of old customers, laying a good foundation for future development; for international market, the Company implemented the strategy of tapping into key countries to achieve large-scale business development. Besides, the Company enhanced the coverage of service and marketing with logistic capability for spare parts and operational efficiency promoted. As a result, income from medical system service has seen a steady growth. During the reporting period, the income from medical systems amounted to RMB 877,660,000 Yuan, a 1.79% year-on-year decrease, accounting for 11.78% of the total business income. Income from export service reached 25,660,000 US dollars, a 0.33% year-on-year decrease.

4.1.1.3 Problems and challenges

Although seeing steady business growth, the Company encountered many problems and challenges in 2013.

The world economy was still moving on from a post-crisis bounce-back phase of recovery to slower growth this year with downside risk looming. The United States was suffering fiscal deficit and European economy has not yet warded off the impact of debt crisis; besides, the developed economies remained a downturn. Emerging markets and developing economies also faced development dilemma at different levels. Some countries' asset bubbles burst, leading to a slow-down of economic growth. In addition, a greater fluctuation of exchange rate of RMB and depreciation of Yen and US dollar posed challenges for the Company's business expansion. China's economy faced great pressures, leading to slow economic growth with continued structural inflation, increasingly growing cost of human resources, which resulted in further downturn of enterprise and society-wide information consumption and more fierce market competition.

In such a context, the Company strengthened its core business capabilities focusing on creating customer value, promoted marketing development ability at an organizational level, enhanced sales organization deployment and accelerated market expansion and customer coverage to scale up its service business and value contribution rapidly and effectively; in addition, the Company further promoted its ability of core technologies by developing new products and enhancing technological innovation and intellectual property right management, with a hope to drive dynamic business growth by busi-

ness model innovation and knowledge asset. Besides, the Company furthered the analysis and research on the fluctuation of exchange rate, took proper methods to avoid exchange risk, selected appropriate currency for quotation, and took collective responsibility with customers for risk, reducing the disadvantages to the Company to some extent. For internal aspects, the Company accelerated to carry out operational excellence plan, integrated internal organization structure and optimized personnel structure. The Company also strengthened refined expense management, furthered administrative authority decentralization, and enhanced the management of project planning, budget and accounting, improving overall 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 2013, in the fields of Internet, Internet of Things and mobile Internet, the Company leveraged the opportunity of business transformation driven by the new generation of information technology to strengthen the collaboration and innovation of its two R&D systems, with an aim to promote business growth with Internet-based diversified business model innovation and knowledge asset. Besides, the Company established business innovation strategy focusing on customer value rather than project opportunity. To this end, it initiated the R&D of main and referential technical structure of next generation, continued to increase the R&D investment on cloud application platform SaCa (Secure Social Active Connected Cloud with Awareness), set up public consumption and enterprise oriented Internet of Things and mobile Internet applications at a fast pace, and promoted the transfer and deployment of enterprise applications onto dynamic infrastructure. During the reporting period, the Company added new products to its SaCa family, such as SaCa EMM (Enterprise Mobile Management Platform) and SaCa DataViz (Advance Data Visualization Platform).

Considering the development trend of China’s urbanization process, the Company developed integrated solutions of smart city to cope with the problems occurred in aspects of urban infrastructure, public service, healthcare and education in the process of high-speed urbanization of China. The Company has set a target of sustainable development of smart city to optimize every function for people’s life and work by widespread application of smart technology (smart information technology). These solutions included comprehensive healthcare system, lifelong education service system and convenient and safe traffic system, etc. Continuous research and development on Neusoft SaCa platform aggressively promoted the launch of these new applications and diversified business model innovation.

The Company furthered the implementation of its high-efficiency strategy NeuSA™, formulated and conducted feasible improvement plan according to the results of the Company’s organization-level technological capability assessment and structure auditing, improving its competitive power and profitability. The Company also promoted the transformation from personnel scale to knowledge asset-based growth model. Moreover, the Company practiced the development model of software product line, increased the input in R&D of core fields based on UniEAP V4, promoting the ability of product design, business modeling and engineering comprehensively. Besides, it greatly enhanced customer-centered design ability and input in R&D of forward-looking key technologies and features. The Company kept on participating in both international and 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 coop-

eration. Focusing on the development model of organization-level technological ability, the Company strengthened a series of technical abilities to promote the maturity of its organizational knowledge management.

The Company also took an active part in protecting technological innovations with intellectual rights. At the end of 2013, it has applied for 428 patents, has been granted 171 patents and registered 552 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	2013	2012	Rate of change (%)
Operating income	7,452,753,233	6,960,195,011	7.08
Operating costs	5,308,680,595	4,729,720,928	12.24
Sales expenses	657,573,048	635,074,786	3.54
Administrative expenses	1,173,997,714	985,944,947	19.07
Financial expenses	39,185,293	78,565,067	-50.12
Net cash flow from operating activities	303,851,532	317,235,522	-4.22
Net cash flow from investment activities	-184,039,969	47,483,221	-487.59
Net cash flow from financing activities	-57,542,905	14,908,706	-485.97
Costs on research and development	604,046,763	468,503,476	28.93

4.1.2.2 Income

(1) Factors causing changes in business income

Unit: RMB/Yuan

Industry	2013	2012	Change	Rate of change (%)	Rate of change (%)
Software and system integration	6,480,628,986	5,975,047,991	505,580,995	8.46	102.64
Medical systems	877,664,386	893,617,148	-15,952,762	-1.79	-3.24
Property management service and other businesses	94,459,861	91,529,872	2,929,989	3.20	0.60
Total	7,452,753,233	6,960,195,011	492,558,222	7.08	100.00

During the reporting period, the Company's business income increased by RMB 492,560,000 Yuan, a growth of 7.08% on account of the increase of the income from software and system integration.

(2) Sales income from key customers

During the reporting period, the total sales income from the top 5 customers is RMB 1,234,623,488 Yuan, accounting for 16.57% 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	4,782,344,528	90.09	4,172,158,625	88.21	14.63
Medical systems	Raw materials, manpower cost and production expenses	496,725,778	9.36	530,343,758	11.21	-6.34

(2) Purchase amount from main suppliers

Within the reporting period, the total purchase amount from the top five suppliers is RMB 766,899,785 Yuan, accounting for 27.10% of the total in this year.

4.1.2.4 Expenses

Unit: RMB/Yuan

Item	2013	2012	Change	Rate of change (%)	Reason for change
Sales expenses	657,573,048	635,074,786	22,498,262	3.54	—
Administrative expenses	1,173,997,714	985,944,947	188,052,767	19.07	(1)
Financial expenses	39,185,293	78,565,067	-39,379,774	-50.12	(2)
Income tax expenses	60,598,760	106,899,561	-46,300,801	-43.31	(3)

Notes to the Changes:

(1) The administrative expenses increased by RMB 188.05 million Yuan, a year-on-year increase of 19.07%, which was mainly caused by the rise of labor service costs and R&D expenses.

(2) The financial expenses decreased by RMB 39.38 million Yuan, a year-on-year decline of 50.12%, which was mainly caused by the change in loan structure and exchange income.

(3) The income tax expenses decreased by RMB 46.3 million Yuan, a year-on-year decline of 43.31%, which was mainly caused by the equity transfer of Dalian Neusoft Park Industrial Development Co., Ltd. ("DNPID") from Shenyang Neusoft Information Technology Services Co., Ltd. ("Neusoft IT Services") last year with a tax payable of RMB 18.92 million Yuan and year-on-year decrease 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	604,046,763
Capitalized R&D expenses in this reporting period	—
Total	604,046,763
Year-on-year change (%)	28.93
Percentage of total R&D expenses in net asset (%)	11.33
Percentage of total R&D expenses in operating income (%)	8.11

(2) Notes to the changes

During the reporting period, the total expenses on research and development increased by RMB 604.05 million Yuan, a 28.93% year-on-year growth, accounting for 9.15% of the owner's equity of its parent company, and 8.11% of the total business income. This is mainly resulted from continued input in the research and development of cloud computing, Internet of Things, telematics, medical equipment, e-government, healthcare service, network security products and intelligent logistics.

4.1.2.6 Cash flow

Unit: RMB/Yuan

Item	2013	2012	Change	Rate of change (%)	Type of Change
Net cash flow from operating activities	303,851,532	317,235,522	-13,383,990	-4.22	(1)
Net cash flow from investment activities	-184,039,969	47,483,221	-231,523,190	-487.59	(2)
Net cash flow from financing activities	-57,542,905	14,908,706	-72,451,611	-485.97	(3)

Note to the changes:

(1) This item reduces by RMB 13.38 million Yuan, a decrease of 4.22% over the same period of the previous year, which is mainly caused by the increase of labor service expenses and purchase costs which cannot be covered by the received payments.

(2) This item reduces by RMB 231.52 million Yuan, a decrease of 487.59% over the same period of the previous year, which is mainly caused by the transfer of equity in DNPID by Neusoft IT Services with a transaction price of RMB 442 million Yuan. In addition, RMB 176 million Yuan of inward cash flow is generated due to the net cash flow of the recovered and newly purchased wealth management products from the bank, and the net cash flow of the same period of the previous year is 0.

(3) This item reduces by RMB 72.45 million Yuan, a decrease of 485.97% over the same period of the previous year, which is mainly caused by the dividend distribution for the year of 2012 by cash with an amount of RMB 184 million Yuan as well as the newly added borrowing from the bank with an amount of RMB 200 million Yuan. Besides, the inward cash from absorbed investment by minority shareholders of the subsidiaries decreases by RMB 56.29 million Yuan.

4.1.2.7 Profit structure and changes in profit sources

Unit: RMB/Yuan

Item	2013		2012	
	Amount	Percent in total profit (%)	Amount	Percent in total profit (%)
Operating income	7,452,753,233	1,674.29	6,960,195,011	1,282.59
Operating cost	5,308,680,595	1,192.61	4,729,720,928	871.57
Period cost	1,870,756,055	420.27	1,699,584,800	313.19
Operating profit	241,367,528	54.22	409,497,434	75.46
Investment income	85,929,224	19.30	112,124,066	20.66
Net non-operating income	203,762,646	45.78	133,171,079	24.54
Total	445,130,174	100.00	542,668,513	100.00

Notes to the Changes:

Comparing with 2012, the proportion of operating income/cost and period cost to the total profit increased in 2013; the proportion of operating profit to the total decreased slightly as a result of the increase of human resource cost, sales expense and R&D investment to gear the Company's increasingly developed business; the proportion of the investment income to the total profit declined as a result of equity transfer and that of net non-operating income increased on account of the rise of government subsidies and VAT refund of software products included in current gains/losses.

4.1.2.8 Progress of Development Strategy and Business Plan

The Company disclosed its Development Strategy and Business Plan 2013 in its Annual Report 2012. During the reporting period, the Company achieved RMB 7,452,750,000 Yuan of operating income with the cost of RMB 5,308,680,000 Yuan and period cost of 1,870,760,000 Yuan, hitting the targets of 86.56%, 88.92% and 90.37% of the amount for related items in the plan while maintaining steady business growth.

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	6,480,628,986	4,782,344,528	26.21	8.46	14.63	-3.96	(1)
Medical systems	877,664,386	496,725,778	43.40	-1.79	-6.34	2.75	(2)

Notes to the Changes:

(1) Within the reporting period, the gross profit margin of software and system integration decreased by 3.96% over the same period of the previous year, which resulted from the decline of income from international business due to the

decrease of yen exchange rate.

(2) Within the reporting period, the gross profit margin of medical systems increased by 2.75% 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

Region	Operating income	Year-on-year change
China	5,673,075,149	11.89
Overseas regions	1,779,678,084	-5.85

Notes to the Changes:

Within the reporting period, the income from domestic regions increased by 11.89% over the same period of the previous year as a result of the business expansion across China; and the income from overseas regions decreased by 5.85% compared with the same period of the previous year, which was mainly caused by the decline of yen exchange rate.

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	32,249,913	0.34	14,917,183	0.18	116.19	(1)
Accounts receivable	1,890,363,626	20.16	1,407,087,344	16.55	34.35	(2)
Prepayments	227,915,556	2.43	118,441,067	1.39	92.43	(3)
Other current assets	236,069,531	2.52	14,290,515	0.17	1,551.93	(4)
Available-for-sale financial assets	26,594,230	0.28	—	—	—	(5)
Held-to-maturity investment	—	—	403,159,918	4.74	-100.00	(6)
Long-term equity investment	177,229,331	1.89	390,074,357	4.59	-54.57	(7)
Construction in progress	276,749,271	2.95	195,555,957	2.30	41.52	(8)
Intangible asset	631,665,525	6.74	389,276,138	4.58	62.27	(9)
Long-term deferred expenses	103,494,600	1.10	72,063,173	0.85	43.62	(10)
Short-term borrowings	209,139,575	2.23	511,312,055	6.01	-59.10	(11)
Notes receivable	191,495,518	2.04	107,630,675	1.27	77.92	(12)
Non-current liabilities due within one year	469,158,667	5.00	—	—	—	(13)
Other current liabilities	3,664,444	0.04	120,743	—	2,934.91	(14)
Long-term borrowings	554,000,000	5.91	84,000,000	0.99	559.52	(15)
Bonds payable	—	—	403,658,667	4.75	-100.00	(16)

Continued table

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
Deferred tax liabilities	7,214,022	0.08	3,738,493	0.04	92.97	(17)
Converted difference in foreign currency statements	-73,859,185	-0.79	-54,261,434	-0.64	-36.12	(18)
Minority interest	186,301,325	1.99	125,641,275	1.48	48.28	(19)

Notes to the Changes:

(1) This item increases by RMB 17.33 million Yuan, an increase of 116.19% over the year beginning, which is mainly caused by the Company's foreign exchange forward contracts. At the end of this reporting period, foreign exchange forward contracts were calculated based on exchange rate quoted in the open market by different currencies; estimated floating income increase was included in P&L from change in fair value for increasing trading financial assets.

(2) This item increases by RMB 483.28 million Yuan, an increase of 34.35% over the year beginning, which is mainly caused by the increase of accounts receivable from software and system integration business.

(3) This item increases by RMB 109.47 million Yuan, an increase of 92.43% over the year beginning, which is mainly caused by the increase of contracted prepayment for main suppliers.

(4) This item increases by RMB 221.78 million Yuan, an increase of 1,551.93% over the year beginning, which is mainly caused by the reclassification of bank finance products purchased by the Company and its subsidiaries to other current assets.

(5) This item increases by RMB 26.59 million Yuan over the year beginning, which is mainly caused by the accounting of stocks of other listed companies purchased by Liaoning Neusoft Venture Capital Investment Co., Ltd. as available-for-sale financial assets.

(6) This item reduces by RMB 403.16 million Yuan, a decrease of 100.00% over the year beginning, which is mainly caused by the recovery of the bank finance products purchased by the Company and its subsidiaries.

(7) This item reduces by RMB 212.85 million Yuan, a decrease of 54.57% over the year beginning, which is mainly caused by the acquisition of 25% equity in Neusoft-Philips by Neusoft Medical, which holds 74% equity in total after the acquisition. Neusoft-Philips was included in the consolidated financial statements since the end of 2013. The change of the consolidation results in the decrease of long-term equity investment by equity method by RMB 188.17 million Yuan.

(8) This item increases by RMB 81.19 million Yuan, an increase of 41.52% over the year beginning, which is mainly caused by the increase of investment in the factory and office buildings in the cloud base and additional input in Beijing Software Park project.

(9) This item increases by RMB 242.39 million Yuan, an increase of 62.27% over the year beginning, which is mainly caused by the new right to use the land for Beijing Software Park.

(10) This item increases by RMB 31.43 million Yuan, an increase of 43.62%, which is mainly caused by increase of decoration expense.

(11) This item reduces by RMB 302.17 million Yuan, a decrease of 59.10% over the year beginning, which is mainly caused by the payment for short-term borrowings due in this period.

(12) This item increases by RMB 83.86 million Yuan, an increase of 77.92%, which is mainly caused by contracted set-

tlement with suppliers by notes payable.

(13) This item increases by RMB 469.16 million Yuan over the year beginning, which is mainly caused by the reclassification of the Company's medium-term note with RMB 400 million Yuan due within one year, which was included in the bonds payable item formerly.

(14) This item increases by RMB 3.54 million Yuan, an increase of 2,934.91%, which is mainly caused by the consolidation of Neusoft-Philips since the end of 2013.

(15) This item increases by RMB 470 million Yuan, an increase of 559.52%, which is mainly caused by the new long-term borrowing with 500 million Yuan in this period.

(16) This item reduces by RMB 403.66 million Yuan, a decrease of 100.00% over the year beginning, which is mainly caused by the reclassification of the Company's medium-term note due within one year.

(17) This item increases by RMB 3.48 million Yuan, an increase of 92.97%, which is mainly caused by the increase of taxable temporary difference arising from change in fair value.

(18) This item reduces by RMB 19.6 million Yuan, a decrease of 36.12% over the year beginning, which is mainly caused by the fluctuation of exchange rate.

(19) This item increases by RMB 60.66 million Yuan, an increase of 48.28% over the year beginning, which is mainly caused by the consolidation of Neusoft-Philips since the end of 2013.

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/ '0,000 Yuan

Item	Year-begin amount	Increase in this period	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	1,492		1,733			3,225
Including: a) Derivative financial assets						
b) Available-for-sale financial assets		1,923		736		2,659

Continued table

Item	Year-begin amount	Increase in this period	Gains/losses from changes in current fair value	Changes in fair value listed in equity	Current provision for depreciation	Year-end amount
Sub-total	1,492	1,923	1,733	736	—	5,884
Financial liabilities						
Investment property						
Productive biological assets						
Others						

4.1.5 Core competitive powers

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 186 fields and 755 solutions and products, as well as Neusoft branded medical systems involving CT, MRI, X-ray, Nuclear Magnetic Resonance, ultrasound, radiation therapy, nuclear medicine imaging equipment and PET equipment. The Company has ten thousands 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 60 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. The Company has been approved by ISO9001:1994 quality management system certification, becoming the first ISO-certified software enterprise in China. Besides, the Company is China’s first CMM5 and CMMI5 certified software enterprise for its excellent performance in quality management and process improvement, demonstrating its well matured business competence and industry-leading project management.

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	418,236
Change in the amount of investment	180,950
Amount of investment in the previous year	237,286
Rate of change in the amount of investment (%)	76.26

(1) Shareholding in other listed company

Unit: Yuan

Stock code	Stock name	Initial investment cost	Equity ratio in this company (%)	Year-end book value	Gain/loss in this period	Change in equity in this period	Recorded accounting item	Source
HK01297	Sinosoft Technology	19,235,058	1.60	26,594,230	—	7,359,172	Available-for-sale financial assets	From public offerings

During the reporting period, the Company's controlled subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. (LNVCI) subscribed for 16,500,000 public shares of Sinosoft Technology Group Limited through QDII wealth management product managed by CICC, which was accounted as available-for-sale financial assets; RMB 5,520,000 Yuan of capital reserve was formed due to the change in fair value of available-for-sale financial assets (net value after deducting the amount effected by deferred income tax. RMB 3310,000 Yuan of capital reserve was added based on the Company's equity in LNVCI when preparing the consolidated financial statements.

(2) Purchase/selling of shares of other listed company

Stock name	Number of shares at year-begin	Purchased shares during the reporting period	Capital for this purchase (Yuan)	Number of sold shares during the reporting period	Number of shares at year-end	Investment income (Yuan)
Sinosoft Technology	0	16,500,000	19,235,058	0	16,500,000	—

According to the *Proposal of Capital Operation Business by Liaoning Neusoft Venture Capital Investment Co., Ltd.* approved at the 18th session of the 6th Meeting of the Board of Directors on June 21st, 2013, the Board of Directors approved of LNVCI engaging in capital operation business such as security investment with its idle fund with maximal amount of RMB 50 million Yuan (the accumulated amount of capital operation business at any point of time shall be less than RMB 50 million Yuan). This amount of capital may be used on a three-year rolling basis. For more details please refer to the related notices published in the China Securities Journal and Shanghai Securities News on June 25th, 2013.

4.1.6.2 Overview of invested companies

Unit: RMB/ '0,000 Yuan

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(1)	Beijing Neusoft Xikang Hospital Management Co., Ltd.	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	100.00%	Capital increase
(2)	Dalian Neusoft Business Process Consulting Co., Ltd.	Computer software/hardware	2,000	100.00%	Capital increase
(3)	Shanghai Shimao Xikang Healthcare Management Co., Ltd.	Health management consulting, corporate management service, data processing; sales of electronic products, computer software, mechanical equipment, communication device; lease of owned equipment; investment management consulting; business consulting; meeting service; property management	500	50.00%	Newly established joint venture
(4)	Chongqing Neusoft Xikang Health Management Co., Ltd.	Healthcare service/consulting, medical institution consulting, healthcare archive management, lease of medical equipment; Computer software/hardware development, sales and technical consulting; technical service	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
(5)	Shenyang Neusoft Transportation Information Technology Co., Ltd.	Computer service	231	100.00%	Purchasing minority interest
(6)	Neusoft Group Chongqing Co., Ltd.	Development and sales of computer software/hardware and integrated product; development of medical equipment; computer system integration	2,000	100.00%	Newly-established wholly owned subsidiary
(7)	Neusoft Group (Ningbo) Co., Ltd.	Development, sales, installation and consulting of computer software; transportation engineering, electronic engineering, property management	2,000	100.00%	Newly-established wholly owned subsidiary
(8)	Neusoft Group (Xuzhou) Co., Ltd.	Development, sales, installation, lease and consulting of computer software; data processing; technical training for software and service outsourcing; management training; labor dispatch	1,000	100.00%	Newly-established wholly owned subsidiary
(9)	Hunan Xikang Health Management Co., Ltd.	Health management/consulting, management consulting for medical institutions; health record management; sales and lease of health equipment	810	100.00%	Capital increase
(10)	NEC Neusoft Information Technology Co., Ltd.	Development and sales of computer software	750	30.00%	Continued funding for joint venture
(11)	Neusoft Group (Karamay) Co., Ltd.	Design, production and sales of computer software/hardware, and mechatronics products; information technology, data processing and technical consulting service; sales and lease of computer software and accessory equipment; labor dispatch	2,000	100.00%	Newly-established wholly owned subsidiary
(12)	Neusoft Medical Systems (Middle East) Limited liability company	Medical systems and relevant technical consulting and services	300,000USD	100.00%	Continued funding
(13)	Neusoft Medical (Peru) Inc.	Medical systems and relevant technical consulting and services	50,000 USD	100.00%	Continued funding
(14)	Neusoft Medical System U.S.A. Inc.	Product R&D/ manufacturing and related technical consulting/services	1.3 million Yuan	100.00%	Capital increase
(15)	Neusoft Group (Changchun) Co., Ltd.	Development, sales, installation, technical consulting of computer software/hardware and electronic products	3,000	100.00%	Newly-established wholly owned subsidiary
(16)	Neusoft Technology Co., Ltd.	Technical consulting and service for computer software/hardware and electronic products	5 million USD	100.00%	Capital increase

Continued table

No.	Invested companies	Main business	Amount of investment	Percentage of equity held by the Company	Remarks
(17)	Dalian Yida Xikang Healthcare Management Co., Ltd.	Health consulting; lease of electronic products, computer and communication equipment, engineering and mechanical equipment; development, consulting and related service of computer software; general trading	600	60.00%	Newly established holding company
(18)	Neusoft Capital International Co., Ltd.	Project investment, asset management and investment consulting	100,000USD	100.00%	Newly-established wholly owned subsidiary
(19)	Tianjin Xikang Hospital Management Co., Ltd.	Hospital management, sales of electronic products, software, mechanical equipment, communication equipment; lease of computer, communication equipment, medical equipment; technical development, transfer, consulting and service	50	100.00%	Newly-established wholly owned subsidiary
(20)	Neusoft-Philips Medical Systems Limited liability company	Development/production/research/sales of CT scanners, MRI, X-ray, US and related parts; technical consulting and support	9,289	74.00%	Acquired and controlled
(21)	Appconomy, Inc.	Mobile Internet application	443.693USD	15.20%	Vesting of warrants

(1) In January 2013, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, infused an additional RMB 5 million Yuan into the registered capital of this subsidiary, increasing the registered capital to 5.5 million Yuan.

(2) In January 2013, Shenyang Neusoft Information Technology Services Co., Ltd., a subsidiary wholly owned by the Company, infused an additional RMB 20 million Yuan into the registered capital of this subsidiary, increasing the registered capital to 25 million Yuan.

(3) In February 2013, 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 consolidated financial statements from the said month as a joint venture based on equity method.

(4) In March 2013, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, set up this company and held 100% of its shares by investing RMB 500,000 Yuan, which was recorded in the consolidated financial statements from the said month.

(5) In March and May 2013, the Company invested RMB 210,000 and RMB 2.1 million Yuan respectively to acquire 49.5% equity in this company and held 100% equity after the acquisition.

(6) In April 2013, the Company set up this subsidiary and held 100% of its shares by investing RMB 20 million Yuan, which was recorded in the consolidated financial statements from the said month.

(7) In May 2013, the Company set up this subsidiary and held 100% of its shares by investing RMB 20 million Yuan, which was recorded in the consolidated financial statements from the said month.

(8) In May 2013, the Company set up this subsidiary and held 100% of its shares by investing RMB 10 million Yuan, which was recorded in the consolidated financial statements from the said month.

(9) In May 2013, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, infused an additional RMB 8.1 million Yuan into the registered capital of this subsidiary, increasing the registered capital to 10.1 million Yuan.

(10) In May 2013, Shenyang Neusoft Information Technology Services Co., Ltd., a subsidiary wholly owned by the Company, infused an additional RMB 7.5 million Yuan into the registered capital of this joint venture. The accumulated capital fully infused by the subsidiary is RMB 15 million Yuan and the registered capital of this joint venture is RMB 50 million Yuan.

(11) In June 2013, the Company set up this subsidiary and held 100% of its shares by investing RMB 20 million Yuan, which was recorded in the consolidated financial statements from the said month.

(12) In June 2013, Shenyang Neusoft Medical Systems Co., Ltd., a subsidiary wholly owned by the Company, infused an additional 300,000 US dollars into the registered capital of this subsidiary. The accumulated capital infused by Shenyang Neusoft Medical Systems Co., Ltd. is 2.6 million US dollars and the registered capital of Neusoft Medical Systems (Middle East) Limited Liability Company was 3.5 million US dollars.

(13) In June 2013, Shenyang Neusoft Medical Systems Co., Ltd. infused an additional 500,000 US dollars into this subsidiary. Accumulated amount of 100,000 US dollars was invested. The registered capital of this subsidiary is 1.8 million Yuan.

(14) In July 2013, Shenyang Neusoft Medical Systems Co., Ltd. decided to infuse an additional 6 million US dollars into this subsidiary, increasing the registered capital to 12 million US dollars. 1.3 million was infused during the reporting period and the accumulated investment was 6 million US dollars.

(15) In August 2013, the Company set up this subsidiary and held 100% of its shares by investing RMB 30 million Yuan, which was recorded in the consolidated financial statements from the said month.

(16) In September 2013, the Company infused an additional capital of 5 million US dollars into this wholly owned subsidiary, increasing the total investment to 14.2 million US dollars.

(17) In November 2013, Neusoft Xikang Healthcare Technology Co., Ltd., a subsidiary indirectly controlled by the Company, established this company and held 60% of its shares by investing RMB 6 million Yuan, which was recorded in the consolidated financial statements from the said month.

(18) In November 2013, the Company's controlled subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. set up this company with an equity ratio of 100% and registered capital of 1 million US dollars. As at December 31st, 2013, 100,000 US dollars has been invested and this company was recorded in the consolidated financial statements from the said month.

(19) In December 2013, 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 500,000 Yuan, which was recorded in the consolidated financial statements from the said month.

(20) In December 2013, Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in this company and held 74% equity after the acquisition. This company was recorded in the consolidated financial statements from the said month.

(21) In December 2013, the Company vested 443,693 shares of the warrants in Appconomy, Inc. with a price of 0.001 US dollars per share. The Company held 15.20% outstanding stock of Appconomy, Inc.

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	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
Bank of Communications	10,000	2013-12-6	2014-1-13	Repay capital with interest upon expiration	53	—	—	Yes	—	No	No	No	NA
Bank of Communications	100	2013-12-13	2014-1-20	Repay capital with interest upon expiration	1	—	—	Yes	—	No	No	No	NA
China Construction Bank	5,000	2013-12-24	2014-1-29	Repay capital with interest upon expiration	32	—	—	Yes	—	No	No	No	NA
China Construction Bank	2,000	2013-12-24	2014-1-29	Repay capital with interest upon expiration	13	—	—	Yes	—	No	No	No	NA
SPD Bank	5,000	2013-12-30	2014-2-12	Repay capital with interest upon expiration	36	—	—	Yes	—	No	No	No	NA
ICBC	350	2013-12-31	2014-2-10	Repay capital with interest upon expiration	2	—	—	Yes	—	No	No	No	NA
Industrial Bank	25,000	2012-11-1	2013-2-18	Repay capital with interest upon expiration	508	25,000	508	Yes	—	No	No	No	NA
Industrial Bank	3,000	2012-12-13	2013-2-18	Repay capital with interest upon expiration	27	3,000	27	Yes	—	No	No	No	NA

Continued table

Agency	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	5,000	2012-12-13	2013-1-17	Repay capital with interest upon expiration	23	5,000	23	Yes	—	No	No	No	NA
Industrial Bank	7,000	2012-12-20	2013-3-20	Repay capital with interest upon expiration	88	7,000	88	Yes	—	No	No	No	NA
Industrial Bank	17,000	2013-4-3	2013-4-10	Repay capital with interest upon expiration	11	17,000	11	Yes	—	No	No	No	NA
HSBC	5,400	2013-4-24	2013-5-2	Repay capital with interest upon expiration	5	5,400	5	Yes	—	No	No	No	NA
Industrial Bank	20,000	2013-5-16	2013-8-14	Repay capital with interest upon expiration	249	20,000	249	Yes	—	No	No	No	NA
HSBC	5,000	2013-5-30	2013-6-6	Repay capital with interest upon expiration	4	5,000	4	Yes	—	No	No	No	NA
HSBC	15,000	2013-6-6	2013-6-13	Repay capital with interest upon expiration	13	15,000	13	Yes	—	No	No	No	NA
HSBC	10,000	2013-6-13	2013-6-20	Repay capital with interest upon expiration	10	10,000	10	Yes	—	No	No	No	NA
HSBC	5,000	2013-6-19	2013-6-26	Repay capital with interest upon expiration	6	5,000	6	Yes	—	No	No	No	NA

Continued table

Agency	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
HSBC	10,000	2013-6-20	2013-7-3	Repay capital with interest upon expiration	22	10,000	22	Yes	—	No	No	No	NA
HSBC	5,000	2013-6-26	2013-7-3	Repay capital with interest upon expiration	6	5,000	6	Yes	—	No	No	No	NA
Bank of Communications	5,000	2013-6-28	2013-8-2	Repay capital with interest upon expiration	30	5,000	30	Yes	—	No	No	No	NA
HSBC	15,000	2013-7-3	2013-7-10	Repay capital with interest upon expiration	12	15,000	12	Yes	—	No	No	No	NA
HSBC	15,000	2013-7-10	2013-7-17	Repay capital with interest upon expiration	9	15,000	9	Yes	—	No	No	No	NA
HSBC	15,000	2013-7-17	2013-7-24	Repay capital with interest upon expiration	10	15,000	10	Yes	—	No	No	No	NA
HSBC	15,000	2013-7-24	2013-7-31	Repay capital with interest upon expiration	13	15,000	13	Yes	—	No	No	No	NA
HSBC	15,000	2013-7-31	2013-8-7	Repay capital with interest upon expiration	14	15,000	14	Yes	—	No	No	No	NA
HSBC	15,000	2013-8-7	2013-8-14	Repay capital with interest upon expiration	12	15,000	12	Yes	—	No	No	No	NA

Continued table

Agency	Amount	Date of commen cement	Date of termination	Compensati- on mode	Estimated income	Amount of actually retracted principal	Actually gained income	Subject to legal proceed- ings or not	Amount of depreciati- on provision	Related transaction or not	Whether involved in prosecuti- on	Source from financing capital or not	Association relation ship or not
HSBC	15,000	2013-8-14	2013-8-28	Repay capital with interest upon expiration	23	15,000	23	Yes	—	No	No	No	NA
HSBC	8,000	2013-8-23	2013-8-30	Repay capital with interest upon expiration	7	8,000	7	Yes	—	No	No	No	NA
HSBC	23,000	2013-8-30	2013-9-6	Repay capital with interest upon expiration	18	23,000	18	Yes	—	No	No	No	NA
SPD Bank	23,000	2013-9-12	2013-10-17	Repay capital with interest upon expiration	100	23,000	100	Yes	—	No	No	No	NA
Bank of Communica- tions	5,000	2013-9-30	2013-11-13	Repay capital with interest upon expiration	29	5,000	29	Yes	—	No	No	No	NA
HSBC	3,800	2013-9-30	2013-10-8	Repay capital with interest upon expiration	4	3,800	4	Yes	—	No	No	No	NA
HSBC	12,800	2013-10-21	2013-10-28	Repay capital with interest upon expiration	11	12,800	11	Yes	—	No	No	No	NA
HSBC	12,800	2013-10-28	2013-11-12	Repay capital with interest upon expiration	27	12,800	27	Yes	—	No	No	No	NA
HSBC	6,000	2013-11-15	2013-11-29	Repay capital with interest upon expiration	11	6,000	11	Yes	—	No	No	No	NA

Continued table

Agency	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
HSBC	5,000	2013-11-21	2013-12-5	Repay capital with interest upon expiration	9	5,000	9	Yes	—	No	No	No	NA
CEB	5,000	2013-11-27	2013-12-25	Repay capital with interest upon expiration	21	5,000	21	Yes	—	No	No	No	NA
CEB	5,000	2013-11-28	2013-12-12	Repay capital with interest upon expiration	10	5,000	10	Yes	—	No	No	No	NA
HSBC	6,700	2013-11-29	2013-12-6	Repay capital with interest upon expiration	6	6,700	6	Yes	—	No	No	No	NA
CMB	550	2013-5-24	2013-6-24	Repay capital with interest upon expiration	1	550	1	Yes	—	No	No	No	NA
Industrial Bank	1,500	2013-6-6	2013-8-5	Repay capital with interest upon expiration	12	1,500	12	Yes	—	No	No	No	NA
CMB	550	2013-7-2	2013-8-30	Repay capital with interest upon expiration	5	550	5	Yes	—	No	No	No	NA
CMB	650	2013-7-4	2013-8-5	Repay capital with interest upon expiration	3	650	3	Yes	—	No	No	No	NA
Industrial Bank	1,500	2013-8-8	2013-9-12	Repay capital with interest upon expiration	7	1,500	7	Yes	—	No	No	No	NA

Continued table

Agency	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
CMB	650	2013-8-8	2013-9-11	Repay capital with interest upon expiration	2	650	2	Yes	—	No	No	No	NA
CMB	650	2013-9-24	2013-10-8	Repay capital with interest upon expiration	1	650	1	Yes	—	No	No	No	NA
Industrial Bank	2,000	2013-10-10	2013-11-14	Repay capital with interest upon expiration	11	2,000	11	Yes	—	No	No	No	NA
Industrial Bank	500	2013-11-1	2013-12-6	Repay capital with interest upon expiration	2	500	2	Yes	—	No	No	No	NA
Industrial Bank	1,000	2013-11-21	2013-12-26	Repay capital with interest upon expiration	4	1,000	4	Yes	—	No	No	No	NA
Total	390,500	—	—	—	1,533	368,050	1,396	—	—	—	—	—	—
Accumulative amount of overdue principal and income outstanding (RMB Yuan)													0

Note: According to the *Proposal on the Purchase of Wealth Management Products* which was approved at the 26th session of the 5th Meeting of Board of Directors on April 25th, 2011, 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 condition at any time following the bond issuance and use such an amount within two years from the date of the Board of Directors' resolution. Considering that the term is due on April 24th, 2013, the Board of Directors approved the Proposal on Increasing the Limited Amount of Purchased Wealth Management Products at the 16th session of the 6th Meeting held on March 27th, 2013, under which, the total amount of idle fund or owned fund available for purchasing wealth management products was increased to RMB 600 million Yuan on a two-year rolling basis from April 25th, 2013 to April 24th, 2015, for the purpose of improving the utilization of the fund and increasing capital cost based on the Company's business development requirements.

As at the end of this reporting period, the first to the sixth products were not expired so the principal and interest with a total amount of RMB 225 million

Yuan was not recovered yet. The Company recognized RMB 450,000 Yuan of investment income due at the end of the reporting period based on the estimated rate of return on the balance sheet date.

(2) Entrusted Loan: NA

(3) Other wealth management and derivative investment: NA

4.1.6.4 Use 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 system	Medical system	378,000,000	100%	1,834,904,111	1,286,196,092	902,150,988	112,178,256
Neusoft Group (Dalian) Co., Ltd.	Software and system integration	Computer software/hardware	600,000,000	100%	927,621,364	821,153,968	992,176,941	126,667,475
Shenyang Neusoft Information Technology Services Co., Ltd.	Software and system integration	Computer software/hardware	50,000,000	100%	94,732,485	89,025,599	158,872,315	3,351,698
Neusoft (Japan) Co., Ltd.	Software and system integration	Computer software/hardware	187,750,000 JPY	100%	213,528,976	88,632,326	767,406,991	23,472,867
Neusoft (Europe) Co., Ltd.	Software and system integration	Computer software/hardware, technical consulting	37,900,000 CHF	100%	240,721,673	212,725,318	246,309,212	3,943,551
Neusoft Technology Co., Ltd.	Software and system integration	Computer software/hardware, technical consulting	1,000 USD	100%	18,314,395	16,571,926	16,058,221	-16,353,954
Neusoft (Hong Kong) Co., Ltd.	Software and system integration	Development, sales and consulting of computer software	850,000 USD	100%	319,164,482	-8,780,141	143,236,448	-67,235,806

4.1.6.6 Utilization of non-raised capital

During the reporting period, the Company and its subsidiaries made a total investment of RMB 368.74 million Yuan for the construction of projects including Beijing Software Park, Hainan Software Park (phase I), cloud base factory and office building, as shown in the following table.

Unit: RMB/Yuan

Item	Amount	Progress	Amount invested this year	Actually accumulative invested amount
Beijing Software Park	576,000,000	41%	96,527,681	226,844,483
Renovation of canteen of Shenyang Neusoft Park	43,000,000	100%	9,873,715	42,394,836
Hainan Software Park (Phase I)	210,840,000	90%	91,848,447	122,181,914
Neusoft Dalian Hekou Park (Phase II)	72,370,000	35%	11,263,041	12,533,222
Medical information platform	2,720,000	69%	2,001,807	2,560,714
cloud base factory and office building	475,520,000	17%	76,633,268	76,633,268
Xikang renovation project (Phase II)	57,230,000	83%	42,202,901	42,606,352
Cloud Base Healthcare Center (Phase I)	136,070,000	40%	32,178,891	32,330,919
Shenzhen office	2,330,000	100%	2,512,477	2,512,477
Supporting facility reconstruction at No. 3 Street, Shenyang	6,700,000	90%	3,697,774	3,697,774
Total	1,582,780,000	—	368,740,002	564,295,959

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. In the coming years, IT innovation will be further accelerated, which will spur the emergence of new products, services and types of business and trigger new market demands, and driving the informationalization of all fields to a higher level. This will further promote the development of emerging fields such as smart city, cloud computing, Internet of Things, mobile Internet, big data at a fast speed. All these brought new market opportunities and vitality for dynamic development of China's IT enterprises.

So far, the Company has maintained a leading position in the business fields of government, enterprise informatization, 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 strong presence around the globe with sustainable, large-scale and robust development.

(2) Medical system

Medical system industry is a multisubject-involved, knowledge-intensive and capital-intensive high-tech industry which was included into China's strategic emerging industry. With further promotion of China's reform on medical treatment system, the increase of input in basic-level hospitals by China, demands for local high-end medical equipment and the increasing deployment and upgrade of basic medical facilities, China's medical equipment market has large development potential. 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 covering the fields of CT scanner, digital X-ray apparatus, ultrasound and clinical examination, receiving active market response while enlarging its market share and influence. In the future, the Company will spare no efforts to enhance core technology strength and competitive power of its products and promote marketing forces, in a hope to promote large-scale, fast development of business in the field of medical system.

4.2.2 Development strategy

The Company has mapped out the following development strategy and plan in 2014, an important year for the business development and transformation of the Company:

1) The Company will further conduct the innovation and globalization development strategy, enhance the competitiveness of core business on a professional and systematic basis and optimize business structure and organizational capability, with an aim to drive fulfill sustainable, large-scale and high-quality business development;

2) Focus on key accounts, set up customer development team systematically, formulate multilateral BBC business model based on cloud in collaboration with key accounts, establish new relationships with customers, develop business that may take leading position in the market with advantageous sales resource and promote the development of cloud service for vertical applications;

3) Develop business model based on cloud service, Internet of Things, IP and product lines as well as innovation on business model based on Internet, promote business resource integration in the era of mobile Internet, increase input into knowledge assets that can drive increasing business growth, and promote the value of reusable assets; and

4) Accelerate operational excellence plan and comprehensive quality management, promote virtual company-based operation and management of business units, improve expense and budget management to enhance overall operation efficiency.

4.2.3 Operating plan

It is estimated that in 2014, the Company's operating income will hit RMB 8.88 billion Yuan, operating cost will amount to RMB 6.32 billion Yuan and period cost will reach RMB 2.31 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 2.8 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-economic climate

Alongside complex macro-economic climate, the global economy is still moving on a rough road with some unstable factors and uncertainties, for example, the adjustment made by some countries on their macroeconomic control policies. Emerging economies are facing a new round of challenges and difficulties. Besides, the in-depth adjustment of the economic structure of global economy will lead to more fierce international competition. China's economy also faces great pressures with increasingly growing cost of human resources. These will exert a negative impact on IT requirements and consumption of the society and businesses, thereby aggravating market competition. To this end, the Company carried out forward-looking business deployment and development planning based on cloud computing and mobile Internet, reinforced competitiveness of core business and market position. In addition, the Company further optimized its business structure and organizational capability and enhanced the overall operational efficiency to fight against the challenges brought by complex external environment.

(2) Fluctuation of exchange rate

So far, international software is one of the most important businesses of the Company, which may be subject to the fluctuation of exchange rate, leading to the rise or fall of gain level. The Company further promoted the analysis and research on the fluctuation, adopted proper method to ward off foreign exchange risk and quotation based on proper currency, and other measures such as joint liability for the risk with customers to minimize the impact of exchange rate fluctuation.

(3) Market

New types of businesses represented by cloud computing, Internet of Things, mobile Internet and big data are changing the structure and business model of IT industry profoundly. Increasingly intensified market competition posed higher level of requirements for business capability and development model of the Company. The Company integrated the resources of businesses, customers, IP and product lines to strengthen its competitive powers on a professional and systematic basis to promote the development of core businesses, executed forward-looking business deployment and development planning in the era of mobile Internet, built up knowledge asset-based operation and cloud service to promote large-scale and highly effective business development.

(4) Human resources

For a high-tech enterprises centering on software, high-quality teams for core technology, sales, service and management play a significant role in 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 and high-performance organization, strengthened the salary incentive plan and talent hunting capability, increased the input into employee training, reinforced team leaderships and organizational capability.

ties, and consolidated the preparation of human resources through pinpointing key groups and specialized training. These efforts lay a good 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 25th Session of the 6th Meeting of Board of Directors held on March 26th, 2014, indicating the distribution priority of dividends in cash and shares.

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. The priority of dividends in cash is higher than that in shares. Dividends in cash shall be adopted if the relevant conditions are met and the adoption of dividends in shares shall be based on some true and reasonable factors, such as the growth of the Company and dilution of net asset value per share. 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 particular 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.

According to the Profit Distribution Proposal 2012 approved at the Shareholders' Meeting held on April 19th, 2013, the Company, based on total share capital of 1,227,594,245 shares as at December 31st, 2012, distributed cash dividends on 1.5 Yuan-for-10 basis (including tax) to all shareholders with an amount of RMB 184,139,137 Yuan (including tax), the remaining undistributed profit will be given in the coming fiscal years. Relevant announcement has been released on the China Securities Journal and Shanghai Securities News on April 20th, 2013. The Company has finished the foregoing distribution on June 7th, 2013.

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 Compa-

ny's finance situation in 2013, the parent company made a net profit of RMB 348,501,524 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 34,850,153 Yuan, accounting for 10% of the total, other surplus reserve of RMB 17,425,076 Yuan and accounting for 5%. The amount of profit distributable for shareholders is RMB 296,226,295 Yuan, the distributed profit to common shareholders in this fiscal year is RMB 184,139,137 Yuan. Plus the undistributed profits of previous reporting period with the amount of RMB 2,002,512,752 Yuan, the undistributed profits by the end of this reporting period is RMB 2,114,599,910 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, 2013, cash dividends will be distributed to all shareholders on a 1.1-for-10 basis. Total cash dividends with an amount of RMB 135,035,367 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
2013	0	1.1	0	135,035,367	410,938,749	32.86
2012	0	1.5	0	184,139,137	456,313,926	40.35
2011	0	0	0	0	417,068,980	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 2013 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 Asset acquisition

At the 19th session of the 6th Meeting of Board of Directors held on July 4th, 2013, the Proposal on Signing Acquisition Agreement with Philips was approved. For more details, please refer to the relevant announcement published on the China Securities Journal and Shanghai Securities News on July 5th, 2013.

According to the agreement, Philips Electronics China B.V. transferred 15% equity in Neusoft-Philips Medical Systems Limited Liability Company ("Neusoft-Philips") to Shenyang Neusoft Medical Systems Co., Ltd. ("SNMS") with a transaction price at RMB 55,736,300 Yuan; Philips (China) Investment Co., Ltd. transferred its 10% equity in Neusoft-Philips to SNMS with a transaction price at RMB at 37,157,500 Yuan, total price of the transactions is RMB 92,893,800 Yuan. Besides, the associate of Philips (China) Investment Co., Ltd. took over 150 R&D and production staff with respect to the operation of CT scanner and CT high pressure generator assets. According the related agreement, Philips Medical Systems (Suzhou) Co., Ltd. purchased equipment, apparatus and prototype relating to R&D and pilot production of CT scanners and CT high pressure generators. As mutually agreed, the final transaction price (excluding tax) was RMB 11,026,700 Yuan.

On December 25th, 2013, the registration of business change for the above transfer has been finished and thereafter Neusoft-Philips became an indirectly controlled subsidiary of the Company.

5.4.2 Sales of assets

Unit: RMB/ '0,000 Yuan

Counterparty	Sold asset	Date of sales	Sales price	Net profit contributed to the listed company from the beginning to the end of 2013	Gain/loss before the sales (pre-tax)	Related transaction or not	Pricing basis	Are the property rights of assets involved fully transferred ?	Are the claims and liabilities involved fully transferred ?	Percentage of net profit contributed to the list company of the sales (%)
Qinhuangdao Xingpai Investment Co., Ltd.	The asset refers two houses located at No.2 Lianfeng North Road, Beidaihe District, Qinhuangdao City with land area of 7,684.46 sqms and total building area of 3,974.03 sqms	May 16 th , 2013	2,325	NA	688	No	Asset evaluation	Yes	Yes	1.39

Continued table

Counterparty	Sold asset	Date of sales	Sales price	Net profit contributed to the listed company from the beginning to the end of 2013	Gain/loss before the sales (pre-tax)	Related transaction or not	Pricing basis	Are the property rights of assets involved fully transferred ?	Are the claims and liabilities involved fully transferred ?	Percentage of net profit contributed to the list company of the sales (%)
Natural person Le Liuping and Yin Sheng	Their 60% equity in Guangdong Neufashion Digital Technology Co., Ltd.	March 21 st , 2013	2,250	-125	1,158	No	Mutually negotiated	Yes	Yes	2.60

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 2013 during the reporting period

Unit: RMB/Yuan

Related transaction	Actual amount incurred in 2013	Estimated total amount in 2013	Percent in estimated amount of 2013
Raw material/finished product purchase	328,500,601	419,850,000	78.24%
Product/commodity selling	1,007,673,596	1,002,140,000	100.55%
Labor service receiving	23,898,773	19,120,000	124.99%
Labor service rendering	210,930,571	315,440,000	66.87%

5.6.1.2 Related transactions in connection with normal business

Unit: RMB/Yuan

Counterparty	Relevance	Type	Content	Pricing basis	Amount	Percentage to the amount of similar transaction (%)	Settling method of related transaction	Market price	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	Product/ commodity selling	System integration/ software selling	Market price	200,243,700	3.09%	Cash	200,243,700	NA
Harman International Industries, Incorporated and its subsidiaries (collectively referred to as "Harman")	The Company's Chairman serves as director in Harman	Product/ commodity selling	System integration/ software selling	Market price	244,558,733	3.77%	Cash	244,558,733	NA
Toshiba Corporation and its subsidiaries (collectively referred to as "Toshiba")	Hold more than 5% of the Company's equity	Product/ commodity selling	System integration/ software selling	Market price	228,126,084	3.52%	Cash	228,126,084	NA
Nokia Neusoft Commtech Company (Note)	The Company's Chairman serves as its Vice Chairman	Product/ commodity selling	System integration/ software selling	Market price	80,830,446	1.25%	Cash	80,830,446	NA
Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. and its subsidiaries (collectively referred to as "Tianjin Ruidao")	The Company's Chairman serves as its Chairman	Service receiving	Software development and service	Market price	118,252,824	13.57%	Cash	118,252,824	NA
Dalian Neusoft Thinking Technology Development Co., Ltd. and its subsidiaries (collectively referred to as "Dalian Thinking")	The Company's Chairman serves as its Chairman	Service receiving	Software development and staff outsourcing	Market price	79,051,728	9.07%	Cash	79,051,728	NA
Shenyang Neusoft System Integration Engineering Co., Ltd. ("SY NSIE")	Its controlling shareholder serves as chairman of the Company	Product/ commodity selling	System integration/ software selling	Market price	222,594,085	3.43%	Cash	222,594,085	NA

Continued table

Counterparty	Relevance	Type	Content	Pricing basis	Amount	Percentage to the amount of similar transaction (%)	Settling method of related transaction	Market price	Cause for material difference between transaction price and market reference price
Shenyang Neusoft System Integration Engineering Co., Ltd. ("SY NSIE")	Its controlling shareholder serves as chairman of the Company	Raw material purchase	Raw material purchase	Market price	10,659,427	0.47%	Cash	10,659,427	NA
Neusoft-Philips Medical Systems Limited Liability Company ("Neusoft-Philips")	The Company's Chairman serves as its Chairman	Raw material purchase	Raw material, finished product/service purchase	Market price	304,010,440	54.91%	Cash	304,010,440	NA
Total	—	—	—	—	1,488,327,467	—	—	—	—

Note: It is formerly known as "Nokia Siemens Networks Neusoft Commtch Company". The registration of name change has been finished on December 18th, 2013.

The amount of transactions with Alpine, Harman, Toshiba and Nokia Neusoft was equivalent to the accumulative amount of related transactions in its kind in 2013. 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-vehicle audio, navigation and industry solutions, thus generating stable and continuous income and promoting the development of its international software business.

The amount of transactions with Tianjin Ruidao was equivalent to the accumulative amount of related transactions in its kind in 2013. Tianjin Ruidao leveraged its advantages in human resource supply, training and cost efficiency to assist the Company for R&D projects and provide the Company with software development and service.

The amount of transactions with Dalian Thinking was equivalent to the accumulative amount of related transactions in its kind from June 20th, 2013 to December 31st, 2013. Dalian Thinking provided the Company with cost effective software development and HR outsourcing service relying on its HR advantage and rich experience in related technology and project.

The amount of transactions with SY NSIE was equivalent to the accumulative amount of related transactions in its kind from May 16th, 2013 to December 31st, 2013. The Company sold computer products to SY NSIE with its price advantage and professional purchase management process. The Company also purchased computer products from SY NSIE to achieve complementary advantages and mutual benefits.

The amount of transactions with Neusoft-Philips was equivalent to the accumulative amount of related transactions in its kind in 2013. The Company purchased CT scanners, MRI, X-ray apparatus and ultrasonic diagnosis equipment from Neusoft-Philips.

5.6.2 Related transactions caused by assets acquisition and selling

Unit: RMB/ '0,000 Yuan

Related party	Relevance	Type	Content	Pricing basis	Book value of transferred asset	Estimated value of transferred asset	Market fair value	Transfer price	Settlement method	Gain from the transfer	Influence on business result and financial condition of the Company	Cause for material difference between transfer price and book value or estimated value
Shenyang Ruidao House Purchasing Co., Ltd.	Its controlling shareholder serves as chairman of the Company	Sales of asset	The assets, including two employee dormitory buildings and 1 office building and their auxiliary facilities, locates at No.2 Xinxiu Street, Hunnan New District, Shenyang with an area of 35,713 sqms and total building areas of 16,749.4 sqms	Asset evaluation	3,388	3,990	3,990	3,990	Cash	202		NA

Note: For more details, please refer to the *Announcement on Related Transaction of Asset Transfer Agreement with Dalian Kangruidao Investment Co., Ltd.* published on China Securities Journal and Shanghai Securities News on March 30th, 2013. As at December 31st, 2013, the procedures of transfer of property rights have been closed.

5.6.3 Related transactions for co-investment on other companies

On December 20th, 2013, the Company and its associated legal entity Harman International (China) Holdings Co., Ltd. ("Harman China") set up Neusoft Harman Telematics (Dalian) Co., Ltd. ("Neusoft Harman") in Dalian with registered capital of 7 million US dollars, among which, 4.2 million was invested by Harman China, accounting for 60% of the total; and 2.8 million was invested by the Company, accounting for 40% of the total. Neusoft Harman will specialize in development and wholesales of speaker, power amplifier, infotainment system host with or without navigation and in-vehicle information service as well as related technical support and service.

Harman China is a wholly owned subsidiary of Harman. The Company's Chairman serves as Director at Harman. Harman China is the Company's associated legal entity according to applicable regulations.

5.6.4 Related Debts and Liabilities

Unit: RMB/Yuan

Related party	Relevance	Fund provided		
		Year-begin balance	Amount occurred	Year-end balance
Aerotel Medical Systems (1998) Ltd.	Company's directors serve as directors in this company as well	0	1,415,839	1,415,839

Note: At the 22th section of the 6th Meeting of Board of Directors on October 10th, 2013, the Board of Directors agreed Neusoft (Europe) Co., Ltd. ("Neusoft Europe") to provide financial assistance to Aerotel Medical Systems (1998) Ltd. ("Aerotel Medical") with USD 1 million with a term of 2 years (from October 10th, 2013 to October 9th, 2015) based on local loan interest rate. The fund will be provided based on the financial situation of Neusoft Europe and actual need of Aerotel Medical. For more details, please refer to the relevant announcement published on China Securities Journal and Shanghai Securities News on October 11th, 2013.

5.7 Major contracts and their performance

5.7.1 Custody, contracting and leasing services

1) Custody

The Company did not provide any custodian in this fiscal year.

2) Contracting

The Company was not engaged in any contracting service in this fiscal year.

3) Leasing

The Company was not engaged in significant leasing service in this fiscal year.

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
Neusoft (Europe) Co., Ltd.	Wholly owned subsidiary	Aerotel Medical Systems (1998)Ltd.	210,000 USD	2013.04.24	2013.04.24	2014.04.22	Joint and several liability security	No	No	0	No	Yes	Its directors serve as directors as well in the Company
Neusoft (Europe) Co., Ltd.	Wholly owned subsidiary	Aerotel Medical Systems (1998)Ltd.	127000 USD	2013.06.06	2013.06.06	2014.06.05	Joint and several liability security	No	No	0	No	Yes	Its directors serve as directors as well in the Company
Total amount of security occurred in the reporting period (excluding that for the Company's subsidiaries)												208	
Total balance of security occurred during the reporting period (excluding that for the Company's subsidiaries) (A)												208	

Continued table

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	HQ	Neusoft (Hong Kong) Co., Ltd.	1.5 million USD	2013.3.20	2013.3.20	2014.3.20	Joint and several liability security	No	No	0	No	Wholly owned subsidiary
Total amount of security for the Company's subsidiaries during the reporting period										-203		
Total balance of security for the Company's subsidiaries during the reporting period (B)										928		
Total security provided by the Company (Excluding that for its controlled subsidiaries)												
Total security (A+B)										1,136		
Percentage of total security to the Company's net assets (%)										0.21		
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)										1,136		
Amount of security amount exceeding 50% of net assets (E)										0		
Total amount of security mentioned above (C+D+E)										1,136		
Unexpired guarantee might assume joint liability.										0		

Remarks:

The security for Aerotel Medical Systems (1998) Ltd. was according to the *Proposal on Providing Security for the Amount of Bank Loan for Aerotel Medical Systems (1998) Ltd.* approved at the 2nd session of Interim Shareholders' Meeting held on September 18th, 2012, under which the security by the Company's wholly owned subsidiary Neusoft (Europe) Co., Ltd. for Aerotel Medical Systems, with a total warranted amount of 1 million US dollars with a term of two years (from September 18th, 2012 to September 17th, 2014) was approved.

The security for Neusoft (Hong Kong) Co., Ltd. was according to the *Proposal on Providing Limited Amount of Security for Bank Loans of Neusoft (Europe) Co., Ltd., Neusoft (Japan) Co., Ltd. and Neusoft (Hong Kong) Co., Ltd.* approved at the 2nd session of Interim Shareholders' Meeting held on September 12th, 2013, under which, 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 September 12th, 2013 to September 11th, 2015).

5.7.3 Other important contracts or transactions

1) At the 8th session of the 6th Meeting of Board of Directors held on March 12th, 2012, the proposal on signing Letter of Intent and other related document with QOROS (formerly known as "CQAC") and the proposal on signing Letter of

Intent and other related document with Alpine Electronics (China) Co., Ltd. ("Alpine China") were approved. At the first Interim Shareholders' Meeting on March 30th, 2012, the proposal on signing Letter of Intent with Alpine China was approved. For more details please refer to related announcements published on China Securities Journal and Shanghai Securities News respectively on March 15th, 2012 and March 31st, 2012.

During the reporting period, the Company run its automobile-related business according to the requirements of QOROS and recognized RMB 21.91 million Yuan of income from this business. At the same time, the Company made purchase from Alpine China and recognized RMB 20.47 million Yuan of operating cost.

2) At the 16th session of the 6th Meeting of Board of Directors on March 27th, 2013 and the 2012 Shareholders' Meeting on April 19th, 2013, the proposal on signing Navigation Map Product Agreement with Harman Becker Automotive Systems GmbH was approved. For more details please refer to related announcements published on China Securities Journal and Shanghai Securities News respectively on March 30th, 2013 and April 20th, 2013.

During the reporting period, the Company's indirectly controlled subsidiary Neusoft Technology Solutions GmbH purchased original map data for the production, development, test and integration of its navigation map product and sold this product by set to Harman Becker Automotive Systems GmbH. RMB 91.15 million Yuan of income from this business was recognized.

5.8 Fulfillment of undertakings

There is no committed undertaking during the reporting period.

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	6 years

At the 2012 Annual Shareholders' Meeting held on April 19th, 2013, the *Proposal on Employment of Financial Auditing Agency for 2013* was approved and the resolution related to the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP to perform financial auditing for 2013 was made. The service term was fixed from the date of approval at the 2012 Annual Shareholders' Meeting till the date of holding the 2013 Annual Shareholders' Meeting.

In 2013, BDO China Shu Lun Pan Certified Public Accountants LLP audited the Annual Report 2013 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 six years. Li Chen and Wu Jie, 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 16th Session of the 6th Meeting of the Board of Directors held on March 27th, 2013, the *Proposal on Employment of Internal-Controlled Financial Auditing Agency for 2013* 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 2013 was made to audit the effectiveness of the internal control and prepare the Annual Report 2013 of the Company.

In 2013, BDO China Shu Lun Pan Certified Public Accountants LLP audited the effectiveness of internal control mechanism for Annual Report 2013 of the Company, for which the Company paid an amount of RMB 400,000 Yuan (exclusive of tax).

5.10 Punishments and rectifications received by the listed company, its directors, supervisors, senior management, shareholders holding over 5% voting share of the Company, actual controllers and acquirers

In this fiscal year, 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 this fiscal year.

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 97.67 million Yuan.

5.14 Other issues

On June 25th, 2013, the Company's indirectly controlled subsidiary Beijing Neusoft Huiju Information Technology Co., Ltd. ("Neusoft Huiju") obtained the *Approval of Public Transfer of Beijing Neusoft Huiju Information Technology Co., Ltd.'s shares in National Equities Exchange and Quotations* from China Securities Regulatory Commission (License No. [2013]812), under which Neusoft Huiju was supervised as a non-listed public company.

The shares of Neusoft Huiju were listed for public transfer in the system on July 3rd, 2013 with an abbreviated name of "Neusoft Huiju" and stock code of 430227. The designated information disclosure platform is (www.neeq.com.cn) or (www.neeq.cc).

5.15 Description of other important issues

No material changes and error correction occurred in the accounting policies, estimates and methods during the reporting period.

(VI) Changes in Equity and Shareholders

6.1 Changes in equity

6.1.1 Statement of changes in equity

6.1.1.1 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	Percent (%)	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Quantity	Percent (%)
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 2013	62,680	Total number of shareholders by March 24 th , 2013	76,774
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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
NEU Science & Technology Industry Group Co., Ltd.	State-owned company	17.6248	216,361,562	0	0	67,370,000
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
Bank of China - Harvest Research Selected Equity Securities Investment Fund	Unknown	1.9911	24,443,018	24,443,018	0	0
ICBC - Invesco Great Wall Selected Blue Chip Equity Securities Investment Fund	Unknown	1.8938	23,248,436	23,248,436	0	0

Continued table

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
China Construction Bank - Hua An Hongli Equity Securities Investment Fund	Unknown	1.8003	22,099,990	22,099,990	0	0
Alpine Electronics Inc.	Foreign company	1.6339	20,057,144	0	0	0

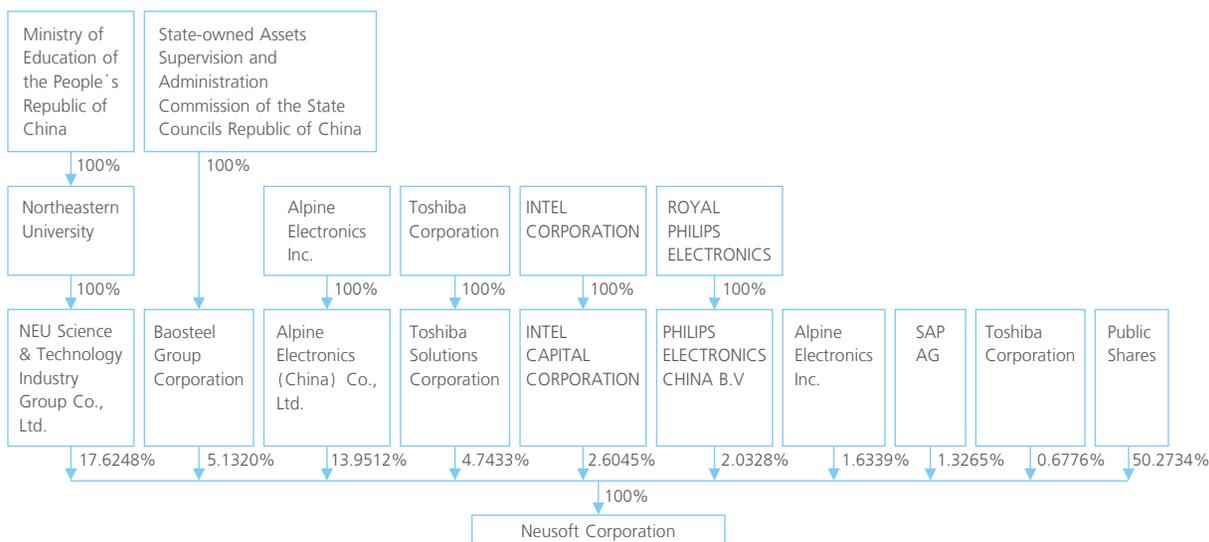
Shareholdings of top ten shareholders with shares without trading conditions

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
Bank of China - Harvest Research Selected Equity Securities Investment Fund	24,443,018	RMB-denominated ordinary shares	24,443,018
ICBC - Invesco Great Wall Selected Blue Chip Equity Securities Investment Fund	23,248,436	RMB-denominated ordinary shares	23,248,436
China Construction Bank - Hua An Hongli Equity Securities Investment Fund	22,099,990	RMB-denominated ordinary shares	22,099,990
Alpine Electronics Inc.	20,057,144	RMB-denominated ordinary shares	20,057,144
Notes on the relationship or concerted action of the said shareholders	Alpine Electronics (China) Co., Ltd. operates as an investment company solely owned by Alpine Electronics Inc. in China. The Company has no knowledge of the relationship of other shareholders such as concerted actor.		

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 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 transportation 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: 103,700,000 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

Authorized capital stock: 13,613,850 Euros

Registered office: No.5 High Tech Campus, Eindhoven, 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 253,500 customers from 180-plus countries, the company has 66,500 employees in Europe, 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 begging of 2013	Number of shares at the end of 2013	Changes within 2013	Reason for changes	Compensation received from the Company during the reporting period (Unit: RMB10,000 Yuan/before tax)
Liu Jiren	Chairman & CEO	Male	59	2011-5-25	2014-5-24	7,160,832	5,484,795	-1,676,037	Note	380.00
Wang Yongfeng	Vice Chairman & President	Male	44	2011-5-25	2014-5-24	3,178,391	2,888,391	-290,000	Note	249.00
Seizo Ishiguro	Director	Male	71	2011-5-25	2014-5-24	0	0	0		0.00
Klaus Michael Zimmer	Director & Senior Vice President	Male	58	2011-5-25	2014-5-24	0	0	0		301.94
Akira Kasano	Director	Male	58	2011-5-25	2014-5-24	0	0	0		0.00
Chen Ximin	Director, Senior Vice President & COO	Male	45	2011-5-25	2014-5-24	449,272	339,272	-110,000	Note	109.00
Fang Hongxing	Independent Director	Male	42	2011-5-25	2014-5-24	0	0	0		8.00
Xue Lan	Independent Director	Male	55	2011-5-25	2014-5-24	0	0	0		8.00
Gao Wen	Independent Director	Male	58	2011-5-25	2014-5-24	0	0	0		8.00
Tu Ganfeng	Chairman of Board of Supervisors	Male	50	2011-5-25	2014-5-24	0	0	0		0.00
Hu Aimin	Supervisor	Male	41	2011-5-25	2014-5-24	0	0	0		0.00
Shingo Kurata	Supervisor	Male	43	2011-5-25	2014-5-24	0	0	0		0.00
Ge Shengliu	Supervisor	Male	39	2011-5-25	2014-5-24	315,267	315,267	0		74.78
Ma Chao	Supervisor	Male	37	2011-5-25	2014-5-24	0	0	0		108.32
Lu Zhaoxia	Senior Vice President	Female	57	2011-5-25	2014-5-24	1,993,005	1,543,005	-450,000	Note	132.00

Continued table

Name	Title	Gender	Age	Commencement of service	Expiry of service	Number of shares at the beginning of 2013	Number of shares at the end of 2013	Changes within 2013	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	49	2011-5-25	2014-5-24	1,103,048	1,103,048	0		113.00
Wang Jingxi	Senior Vice President	Male	45	2011-5-25	2014-5-24	792,609	600,000	-192,609	Note	106.00
Zhang Xiao'ou	Senior Vice President & CFO	Male	42	2011-5-25	2014-5-24	370,000	280,000	-90,000	Note	106.00
Li Jun	Senior Vice President & CMO	Male	41	2011-5-25	2014-5-24	660,508	550,508	-110,000	Note	106.00
Wang Nan	Senior Vice President & Secretary of the Board of Directors	Female	38	2011-5-25	2014-5-24	344,278	344,278	0		88.00
Total	—	—	—	—	—	16,367,210	13,448,564	-2,918,646	—	1,898.04

Note: On September 27th 2013, shares held by Liu Jiren decreased by 1,676,037, shares held by Lu Zhaoxia decreased by 450,000. On October 30th 2013, shares held by Chen Ximin decreased by 110,000, shares held by Zhang Xiao'ou decreased by 90,000. On November 21st 2013, shares held by Wang Yongfeng decreased by 290,000. On December 30th 2013, shares held by Li Jun decreased by 110,000. From December 30th to 31st 2013, shares held by Wang Jingxi totally decreased by 192,609.

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

(1) Liu Jiren

Dr. Liu is one of the founding members of Neusoft, which was established in 1991, and has served as Chairman & CEO at the Company since August 1999. 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 has received a number of awards, such as the "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" and "Chairman of the Board with the Most Strategic Vision Award" in 2013.

(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 served as Consultant of Alpine Electronics Inc. since June 2013. 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, 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. He also studied in Harvard Business School and European Institute of Business Administration.

(5) Akira Kasano

Mr. Akira Kasano 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. Prior to this, he held the position of Manager of Business Division of the company. He joined Toshiba in 1982. 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. Since joining the Company in January 1999, he has served successively as Manager of the Intelligent Device Development Department, Deputy General Manager of Neusoft Middleware Technologies, Manager of Embedded Software Division 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, consulting expert for the Accounting Standards Committee of the Ministry of Finance & China Internal Control Standards Committee, Director of Accounting Society of China, 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. Dr. Fang received his doctorate degree in accounting from Northeastern 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, Deputy President of Chinese Institute of Engineering Development Strategies and Director of China Institute for Science and Technology Policy. He is also a member of the Emergency Rescue Plan Group under the Office of the State Council, Vice President of the China Administration Society, Vice President of Society of Organization Establishment and Management of China, 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, member of Academic Advisory Committee of Blanvanik School of Government (BSG), 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 serves as Dean of the National Engineering Laboratory for Video Technology, President of Audio Video Coding Standard Group of China and Executive Director of China Computer Association. 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. Dr. Tu received his doctorate degree in nonferrous metal metallurgy from Northeastern University, China.

(11) Hu Aimin

Mr. Hu currently serves as Vice General Manager of Capital Operations Department in both Baosteel Group Co. Ltd. and Huabao Investment Management 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 and Senior Sales 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 serves as Senior Vice President of Neusoft. Since joining the Company in 1995, she has served successively as Deputy General Manager of Marketing and COO. Prior to that, she was Director of Management Control Center of Northeastern University, China. In 2013, she received the award "Person of the Year in China's IT Industry" and was included in the "Top 10 Influential People in China's Healthcare Service Industry". 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. Dr. Wang received his doctorate degree in Philosophy of Science and Technology from Northeastern University, China.

(18) Zhang Xiao'ou

Mr. Zhang currently serves as Senior Vice President and CFO of Neusoft. 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. She received the "Most Innovative Board Secretary Award" in 2013. 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.	Consultant
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
	Huabao Investment Co. Ltd.	Vice General Manager of Capital Operation Division
Shingo Kurata	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	Nokia Neusoft Commtech Company	Vice Chairman
	Chongqing Guo'ao 100 Years Xikang Health Management 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.	Vice Chairman
	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
	Dalian Neusoft Thinking Technology Development Co., Ltd.	Chairman
	Neusoft Holdings International Inc.	Director
	Smartwave Holdings Inc.	Director
	Harman International Industries, Incorporated	Director
	Wang Yongfeng	Nokia Neusoft Commtech Company
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
	Chinese Institute of Engineering Development Strategies, Tsinghua University	Vice 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

Continued table

Name	Company	Title
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
	Neusoft Harman Telematics (Dalian) Co., Ltd.	Board of Supervisors
Li Jun	Nokia Neusoft Commtech Company	Director
	Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Director
	NEC Neusoft Information Technology Co., Ltd.	Vice Chairman
Wang Nan	Neusoft Harman Telematics (Dalian) 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 performance 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 18.9804 million Yuan.

7.4 Changes in directors, supervisors and senior management

There were no changes in directors, supervisors and senior management during the reporting period.

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, su-

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 2013, 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		7,475
Number of employees in main subsidiaries	Neusoft Group (Dalian) Co., Ltd.	5,014
	Shenyang Neusoft Medical Systems Co., Ltd.	1,529
	Shenyang Neusoft Information Technology Co., Ltd.	1,076
	Neusoft Xikang Healthcare Technology Co., Ltd.	658
	Neusoft Group (Beijing) Co., Ltd.	472
	Neusoft Group (Shanghai) Co., Ltd.	679
	Neusoft Group (Guangzhou) Co., Ltd.	424
Total		20,397
Number of retirees whose allowance should be paid by the parent company and its main subsidiaries		0
Employee functions		
Category		Number
Technology development		16,153
Marketing		1,689
Administration		2,103
Logistics		452
Total		20,397

Continued table

Geographical Distribution	
Country/city	Number
Shenyang	8,218
Dalian	5,625
Other cities in China	5,864
Japan	258
Europe/America	432
Total	20,397
Education	
Education	Number
Master and above	2,674
Bachelor	15,108
Graduate from 3-year college	2,278
Others	337
Total	20,397

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.

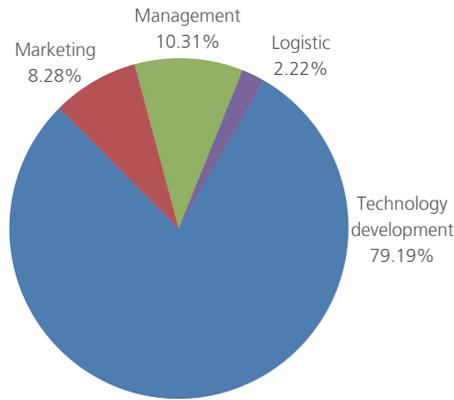
7.6.3 Training Program

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 op-

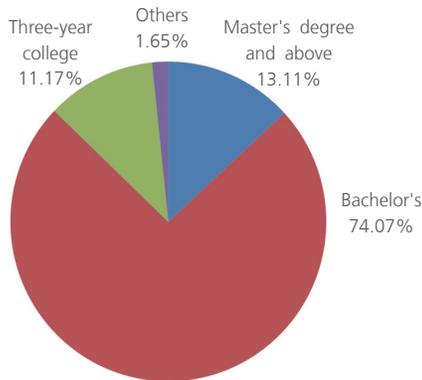
portunities according to their strengths and interests.

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, leader-oriented leadership training programs as well as specific training plans for all groups of employees 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



Education Level Chart



7.6.5 Labor Outsourcing

Total work hours	2,000,000 Hrs
Total pay	RMB 59,644,284 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.

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, in 2010, it 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. Besides, the Company also received the Best Board of Directors Award, Chairman of the Board with the Most Strategic Vision Award and the Most Innovative Board Secretary Award granted by the *Board of Directors Magazine* in 2013.

In 2013, the Company continued its actions related to corporate governance for further optimized and improved governance. 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 managements, 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 made great efforts to provide them with easy access to company information, such as Investors' Column on Company homepage, consulting hotline for investors, email for investors and field reception in the Company, etc., making them more confident in their shareholdings. In compliance with the Information Disclosure Management System and the Investor Relations Management System, the Company further strengthened the detailed rules for implementation and process management on investor relations management. Detailed reception processes for investors' field and teleconference investigation were built in order to quickly arrange reception affairs according to investors' visit purposes and demands. 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 the 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 invited investors to participate in Neusoft Solution Forum 2013 to enable investors to gain insight into the Company's innovative and market strategies. In addition, the Company has arranged visit and physical examination activities in Xikang Healthcare Management Center to have a deep communication with investors on specific business of the Company. The Company received a total number of 143 investors throughout 2013.

(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 corporate governance and promoting normal operation and sustainable development.

(4) Optimize internal control systems

The Company attached great importance to internal control management and continuously to perfect corporate governance system and various internal management systems during the reporting period. It carried out internal control evaluation in a deep-going way throughout the Company by speeding up process summarization, defect identification and evaluating system design and validity of implementation, improving internal control system comprehensively. Those efforts ensured each work have regulations to abide by and well managed, further standardizing operation and promoting corporate governance.

(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) Continue to promote standardized operations

The Company organized directors, supervisors and senior management to participate in learning the laws, regulations

and rules formulated by competent authorities to further strengthen their knowledge and understanding of standardized operations and integrity awareness and improve corporate governance. In order to further enhance internal management, the Company classified the responsibilities and rules of the domestic subsidiaries according to the actual situation. Trainings for corresponding management staff were also organized to enhance their knowledge and understanding of standardized operations and integrity awareness, enforce self-discipline as well as improve corporate governance.

During the reporting period, the Company's indirectly controlled subsidiary- Beijing Neusoft Huiju Information Technology Co., Ltd. (hereafter referred as "Neusoft Huiju") listed for public transfer on the National Equities Exchange and Quotations on July 3rd, 2013 approved by China Securities Regulatory Commission (CSRC), its abbreviated name for security is "Neusoft Huiju" and security code is "430227" . This action was conducive for "Neusoft Huiju" to improve corporate governance and raise developing funds through capital platform, which was helpful to establish incentive mechanism, stabilize and attract talents to realize sustainable development of its businesses.

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 standardized operations and corporate governance.

8.2 Shareholders' Meeting

8.2.1 The 2012 Shareholders' Meeting

At the 2012 Shareholders' Meeting hold on April 19th, 2013, the following proposals were approved:

- 1) Annual Report of the Board of Directors 2012;
- 2) Annual Report 2012;
- 3) Annual Report of the Board of Supervisors 2012;
- 4) Annual Report on Work of Independent Directors 2012;
- 5) Annual Financial Report 2012;
- 6) Proposal on Profit Distribution 2012;
- 7) Proposal on Employment of Financial Auditing Agency 2013;
- 8) Proposal on Estimated Related Transactions 2013;
- 9) Proposal on continuous provision of financial aid to Neusoft Xikang Holdings Inc. and its subsidiaries; and
- 10) Proposal on signing Navigation Map Product Agreement with Harman Becker Automotive Systems GmbH

Please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) for more information about relevant notice which was disclosed on April 20th, 2013.

8.2.2 The 1st Session of Interim Shareholders' Meeting in 2013

At the 1st Session of Interim Shareholders' Meeting holds on July 25th, 2013, the following proposals were approved:

- 1) Proposal on signing Related Transactions Agreement with Shenyang Neusoft System Integration Engineering Co.,

Ltd. and Dalian Neusoft Thinking Technology Co., Ltd.;

2) Proposal on Increasing Estimated Amount of Route Related Transactions 2013

Please visit the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) for more information about relevant notice which was disclosed on July 26th, 2013.

8.2.3 The 2nd Session of Interim Shareholders' Meeting in 2013

At the 2nd interim Shareholders' Meeting 2013 held on September 12th, 2013, the *Proposal on Providing Limited Amount of Security for Bank Loans of Neusoft (Europe) Co., Ltd., Neusoft (Japan) Co., Ltd. and Neusoft (Hong Kong) 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 September 13th, 2013.

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 2 in-person meetings and 6 tele/video conferences; 3 sessions of shareholders' meeting. 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 2013	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	8	6	0	0	No	1
Klaus Michael Zimmer	No	8	8	6	0	0	No	0
Akira Kasano	No	8	8	6	0	0	No	0
Chen Ximin	No	8	8	6	0	0	No	1
Fang Hongxing	Yes	8	8	6	0	0	No	3
Xue Lan	Yes	8	8	6	0	0	No	1
Gao Wen	Yes	8	8	6	0	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. The Strategy/Decision Making Committee is consisted of 7 members, including 2 independent directors; the Nomination Committee is consisted of 3 members, including 2 independent directors, one of whom serves as Chairman; the Auditing Committee is made up of 3 independent directors, among them, Fang Hongxing is an expert in accounting who also serves as Chairman of the Committee; the Compensation and Evaluation Committee is made up of 3 members, of which, 2 are independent directors with 1 serving as Chairman of the Committee. During the reporting period, all special committees fulfilled its duties and responsibilities in a diligent and faithful manner.

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 Responsibility Statement and System Formulation

The Board of Directors has the responsibility to establish and perfect internal control, ensure effective implementation, evaluate its effectiveness and disclose internal control evaluation report in accordance with the Company's standardized internal control system. According to the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines for Internal Control of Listed Companies and Basic Standards of Enterprise Internal Control*, based on the present situation and combined with actual and management demands, the Company established strict and effective internal control system as well as comprehensive risk management system in accordance with the supervision requirements for domestic and overseas capital market. Continuously focusing on "improving internal control system to ensure effective operations" while targeting "effective design and efficient implementation", the Company has comprehensively strengthened the implementation of the internal control standards and further enhanced a risk-control oriented, system-based internal control system with streamlined processes.

Upon the release of this Report, the Company disclosed the Internal Control Evaluation Report 2013, which evaluated the effectiveness of internal control on December 31st, 2013 (base date of Internal Control Evaluation Report). On the base date of Internal Control Evaluation Report, no material defects in financial report internal control were found according to the identification standard of material defects in financial report internal control of the Company. The Board of Directors believed that the Company has maintained effective internal control over the financial report in all major respects in accordance with the requirements of the internal control system and applicable regulations. On the base date of Internal Control Evaluation Report, no material defects in non-financial report internal control were found according to the identification standard of material defects in non-financial report internal control of the Company. No factors that influence the conclusion of effective evaluation occurred from the base date to the disclosure date of the Internal Control Evaluation Report. For more details 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 has issued a standard auditor's report for the effectiveness of the internal control for Annual Financial Report 2013 with unqualified opinion.

Upon release of this Report, the Company shall disclose the Internal Control Auditing Report 2013 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 reliable 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

Report No.: BDO [2014]111213

To Shareholders of Neusoft Corporation:

We have audited the accompanying financial statements of Neusoft Corporation ("the Company"), which comprise the balance sheet/consolidated balance sheet as at December 31, 2013, 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 include: 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, 2013 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/Wujie, Chinese Certified Accountants,
BDO CHINA SHU LUN PAN Certified Public Accountants LLP
Shanghai China
Date: March 26th, 2014

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		1,199,125,558	1,047,858,225
Trading financial assets		13,348,345	8,337,715
Notes receivable		10,510,000	5,767,102
Accounts receivable	13.1	914,241,268	574,584,723
Prepayments		160,314,950	79,912,795
Interests receivable			
Dividends receivable			
Other receivables	13.2	198,961,308	141,169,261
Inventories		487,085,278	399,208,162
Non-current liabilities due within one year			
Other current liabilities	13.3	473,911,181	88,821,463
Subtotal		3,457,497,888	2,345,659,446
Non-current liabilities:			
Long-term borrowings			
Bonds payable			322,958,466
Long-term accounts payable			
Special accounts payable	13.4	2,910,660,936	2,732,245,904
Estimated liabilities		323,911,555	317,051,989
Deferred tax liabilities		616,826,298	646,782,233
Other non-current liabilities		36,028,693	32,673,149
Subtotal			
Total			
Owners' (shareholders') equity:			
Paid-in capital (share capital)			
Capital reserves		119,950,441	136,005,401
Less: treasury stocks			
Special reserves			
Surplus reserves		15,099,731	12,963,672
General risk provisions		54,950,355	43,327,690
Undistributed profits			
Subtotal		4,077,428,009	4,244,008,504
Total		7,534,925,897	6,589,667,950

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		200,000,000	500,000,000
Trading financial liabilities			
Notes payable		190,032,934	106,763,675
Accounts payable		519,903,513	332,931,203
Advance receipts		418,257,711	321,840,397
Employee pays payable		147,055,051	145,123,164
Taxes payable		17,648,905	28,556,889
Interests payable			
Dividends payable			
Other payables		390,491,973	218,140,587
Non-current liabilities due within one year		451,658,667	
Other current liabilities			
Subtotal		2,335,048,754	1,653,355,915
Non-current liabilities:			
Long-term borrowings		500,000,000	
Bonds payable			403,658,667
Long-term accounts payable		86,501,075	134,501,075
Special accounts payable			
Estimated liabilities		18,208,572	14,746,497
Deferred tax liabilities		1,334,835	833,772
Other non-current liabilities		187,315,794	140,417,544
Subtotal		793,360,276	694,157,555
Total		3,128,409,030	2,347,513,470
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		711,260,827	658,985,598
General risk provisions			
Undistributed profits		2,114,599,910	2,002,512,752
Subtotal		4,406,516,867	4,242,154,480
Total		7,534,925,897	6,589,667,950

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	2,213,448,225	2,095,472,280
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Trading financial assets	5.2	32,249,913	14,917,183
Notes receivable	5.3	14,174,346	14,342,063
Accounts receivable	5.4	1,890,363,626	1,407,087,344
Prepayments	5.6	227,915,556	118,441,067
Premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Interests receivable			
Dividends receivable			
Other receivables	5.5	196,717,958	204,764,870
Securities purchased under resale agreements			
Inventories	5.7	996,583,099	830,972,882
Non-current assets due within one year			
Other current assets	5.8	236,069,531	14,290,515
Subtotal		5,807,522,254	4,700,288,204
Non-current assets:			
Disbursement of entrusted loans and advances			
Available-for-sale financial assets	5.9	26,594,230	
Held-to-maturity investment	5.10		403,159,918
Long-term accounts receivable	5.11	19,506,040	25,954,175
Long-term equity investment	5.12	177,229,331	390,074,357
Investment properties	5.13	323,911,555	317,051,989
Fixed assets	5.14	1,768,896,223	1,801,268,482
Construction in progress	5.15	276,749,271	195,555,957
Construction supplies			
Disposal of fixed assets			
Capitalized biological assets			
Oil & gas assets			
Intangible asset	5.16	631,665,525	389,276,138
Development expenditures			
Goodwill	5.17	156,110,131	140,387,437
Long-term deferred expenses	5.18	103,494,600	72,063,173
Deferred tax assets	5.19	84,771,633	66,353,503
Other non-current assets			
Subtotal		3,568,928,539	3,801,145,129
Total		9,376,450,793	8,501,433,333

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	209,139,575	511,312,055
Borrowings from central bank			
Customer and interbank deposits			
Borrowings from bank and other financial institutions			
Trading financial liabilities			
Notes payable	5.22	191,495,518	107,630,675
Accounts payable	5.23	805,545,291	620,096,812
Advance receipts	5.24	593,558,197	497,627,237
Securities sold under repurchase agreements			
Fees and commissions payable			
Employee pays payable	5.25	354,922,512	329,621,795
Taxes payable	5.26	67,598,043	65,941,991
Interests payable			
Dividend payable			
Other payables	5.27	183,768,414	212,020,218
Cession insurance premiums payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Non-current liabilities due within one year	5.28	469,158,667	
Other current liabilities	5.29	3,664,444	120,743
Subtotal		2,878,850,661	2,344,371,526
Non-current liabilities:			
Long-term borrowings	5.31	554,000,000	84,000,000
Bonds payable			403,658,667
Long-term accounts payable	5.32	128,046,431	179,459,431
Special accounts payable			
Estimated liabilities	5.30	22,085,086	18,628,581
Deferred tax liabilities	5.19	7,214,022	3,738,493
Other non-current liabilities	5.33	270,190,713	222,597,627
Subtotal		981,536,252	912,082,799
Total		3,860,386,913	3,256,454,325
Owners' (shareholders') equity			
Paid-in capital (share capital)	5.34	1,227,594,245	1,227,594,245
Capital reserves	5.35	359,512,069	356,289,108
Less: treasury stocks			
Special reserves			
Surplus reserves	5.36	719,551,079	667,275,850
General risk provisions			
Undistributed profits	5.37	3,096,964,347	2,922,439,964
Converted difference in foreign currency statements		-73,859,185	-54,261,434
Total owners' equity attributable to parent company		5,329,762,555	5,119,337,733
Minority interest		186,301,325	125,641,275
Subtotal		5,516,063,880	5,244,979,008
Total		9,376,450,793	8,501,433,333

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 2013

(Expressed in Renminbi unless otherwise indicated)

Item	Note 13	Amount in this period	Amount in previous period
1. Revenue from operations	13.5	4,327,149,932	3,705,696,757
Less: Operating costs	13.5	3,447,244,092	2,694,231,947
Business taxes and surtaxes		46,052,351	73,695,704
Sales expenses		203,371,088	192,933,758
Administrative expenses		477,747,859	376,159,961
Financial expenses		40,502,316	40,914,330
Impairment loss on assets		63,254,583	33,446,174
Add: Income from change in fair value ("-" for loss)		5,010,630	7,645,112
Investment income ("-" for loss)	13.6	193,882,176	116,274,913
Including: Income from investment on associates and joint ventures		3,603,937	1,448,885
2. Operating profit ("-" for loss)		247,870,449	418,234,908
Add: Non-operating incomes		103,875,852	93,473,496
Less: Non-operating expenses		1,887,871	1,633,648
Including: Loss on disposal of non-current assets		1,183,727	1,027,214
3. Total profit ("-" for loss)		349,858,430	510,074,756
Less: Income tax		1,356,906	39,593,849
4. Net profit ("-" for loss)		348,501,524	470,480,907
5. Earning per share (EPS):			
(1) Basic EPS			
(2) Diluted EPS			
6. Other composite income			
7. Total composite income		348,501,524	470,480,907

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 2013
(Expressed in Renminbi unless otherwise indicated)

Item	Note 5	Amount in this period	Amount in previous period
1. Revenue from operations		7,452,753,233	6,960,195,011
Including: Operating income	5.38	7,452,753,233	6,960,195,011
Interest income			
Earned premium			
Fee and commission income			
2. Total cost of operations		7,314,647,659	6,677,046,223
Including: Operating costs	5.38	5,308,680,595	4,729,720,928
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	67,218,955	111,108,386
Sales expenses	5.40	657,573,048	635,074,786
Administrative expenses	5.41	1,173,997,714	985,944,947
Financial expenses	5.42	39,185,293	78,565,067
Impairment loss on assets	5.45	67,992,054	136,632,109
Add: Income from change in fair value ("-" for loss)	5.43	17,332,730	14,224,580
Investment income ("-" for loss)	5.44	85,929,224	112,124,066
Including: Income from investment on associates and joint ventures		33,813,510	39,038,402
Exchange income ("-" for loss)			
3. Operating profit ("-" for loss)		241,367,528	409,497,434
Add: Non-operating incomes	5.46	207,129,411	139,552,127
Less: Non-operating expenses	5.47	3,366,765	6,381,048
Including: Loss on disposal of non-current assets		1,823,907	5,173,148
4. Total profit ("-" for loss)		445,130,174	542,668,513
Less: Income tax	5.48	60,598,760	106,899,561
5. Net profit ("-" for loss)		384,531,414	435,768,952
Including: Net profit of the merged party which has been realized prior to the combination			

Continued table

Item	Note 5	Amount in this period	Amount in previous period
Net profit attributable to the shareholders of the parent company		410,938,749	456,313,926
Minority interest		-26,407,335	-20,544,974
6. EPS:			
(1) Basic EPS	5.49	0.33	0.37
(2) Diluted EPS	5.49	0.33	0.37
7. Other composite income	5.50	-13,800,587	-11,853,741
8. Total composite income		370,730,827	423,915,211
Total composite income attributable to the shareholders of the parent company		394,652,625	444,420,178
Total composite income attributable to minority shareholders		-23,921,798	-20,504,967

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 2013

(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	4,374,163,177	3,888,212,496
Tax refund	73,670,937	32,015,708
Other cash receipts relating to operating activities	1,412,752,745	1,498,246,370
Subtotal	5,860,586,859	5,418,474,574
Cash paid for goods and labor services	3,578,828,605	3,227,360,254
Cash paid to and for employees	972,441,832	924,942,579
Payments for taxes	210,852,538	216,183,677
Other cash payment relating to operating activities	781,961,819	699,540,199
Subtotal	5,544,084,794	5,068,026,709
Net cash flow from operating activities	316,502,065	350,447,865
2. Cash flow from investment activities		
Cash received from disinvestment	3,505,000,000	1,360,000,000
Cash received from investment income	194,121,051	109,127,566
Net cash received from disposal of fixed assets, intangible asset and other long-lived assets	38,181,204	26,855,346
Net cash received from disposal of subsidiaries and other operating units	22,859,800	54,523,596
Other cash received relating to investment activities	88,608,075	299,939,131
Subtotal	3,848,770,130	1,850,445,639
Cash paid for purchase/construction of fixed assets, intangible asset and other long-lived assets	88,482,722	79,611,913
Cash paid for investment	3,385,000,000	1,020,000,000
Net cash received from subsidiaries and other operating units	247,265,096	875,000,000
Other cash payments relating to investment activities	270,124,827	210,143,985
Subtotal	3,990,872,645	2,184,755,898
Net cash flow from investment activities	-142,102,515	-334,310,259
3. Cash flow from financing activities		
Cash received from investors		
Cash received from borrowings	700,000,000	500,000,000
Cash received from issuing bonds		
Other cash received relating to financing activities		
Subtotal	700,000,000	500,000,000
Cash paid for borrowings	500,000,000	250,000,000
Cash paid for dividends, profit distribution or interest expenses	238,040,307	47,114,736

Continued table

Item	Amount in this period	Amount in previous period
Other cash paid relating to financing activities	1,351,372	100,000
Subtotal	739,391,679	297,214,736
Net cash flow from financing activities	-39,391,679	202,785,264
4. Effect of change in exchange rate on cash and cash equivalents	16,259,462	-2,458,314
5. Net increase of cash and cash equivalents	151,267,333	216,464,556
Add: Year-begin cash and cash equivalent balance	1,047,858,225	831,393,669
6. Year-end cash and cash equivalent balance	1,199,125,558	1,047,858,225

The accompanying Notes are integral part of these financial statements.

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

Neusoft Corporation
Consolidated Cash Flow Statement 2013
(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		7,735,400,303	7,275,198,214
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		123,223,573	56,067,242
Other cash receipts relating to operating activities	5.51	324,570,537	366,904,197
Subtotal		8,183,194,413	7,698,169,653
Cash paid for goods and labor services		3,892,658,197	3,462,929,495
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		2,956,845,862	2,892,181,223
Payments for taxes		484,457,633	521,646,458
Other cash payments relating to operating activities	5.51	545,381,189	504,176,955
Subtotal		7,879,342,881	7,380,934,131
Net cash flow from operating activities		303,851,532	317,235,522
2. Cash flow from investment activities			
Cash received from disinvestment		3,680,500,000	1,116,000,000
Cash received from investment income		74,995,334	49,327,100
Net cash received from disposal of fixed assets, intangible asset and other long-lived assets		38,315,863	27,099,505
Net cash received from disposal of subsidiaries and other operating units		27,807,037	415,773,861
Other cash received relating to investment activities	5.51	30,343,128	270,000

Continued table

Item	Note 5	Amount in this period	Amount in previous period
Subtotal		3,851,961,362	1,608,470,466
Cash paid for purchase/construction of fixed assets, intangible asset and other long-lived assets		489,300,713	406,343,260
Cash paid for investment		3,524,235,058	1,116,000,000
Net increase of pledged loan			
Net cash received from subsidiaries and other operating units		14,812,656	38,500,000
Other cash payments relating to investment activities	5.51	7,652,904	143,985
Subtotal		4,036,001,331	1,560,987,245
Net cash flow from investment activities		-184,039,969	47,483,221
3. Cash flow from financing activities			
Cash received from investors		4,000,000	60,288,436
Including: Cash received from investment absorption of minority shareholders by subsidiaries		4,000,000	60,288,436
Cash received from borrowings		738,648,281	642,975,880
Cash received from issuing bonds			
Other cash received relating to financing activities			
Subtotal		742,648,281	703,264,316
Cash paid for borrowings		553,003,399	625,800,807
Cash paid for dividends, profit distribution or interest expenses		245,836,415	62,454,803
Including: Dividends & profits paid to minority shareholders by subsidiaries		1,003,047	3,610,159
Other cash paid relating to financing activities	5.51	1,351,372	100,000
Subtotal		800,191,186	688,355,610
Net cash flow from financing activities		-57,542,905	14,908,706
4. Effect of change in exchange rate on cash and cash equivalents		4,659,448	-28,135,034
5. Net increase of cash and cash equivalents		66,928,106	351,492,415
Add: Year-begin cash and cash equivalent balance		2,088,199,345	1,736,706,930
6. Year-end cash and cash equivalent balance		2,155,127,451	2,088,199,345

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 2013

(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 previous period	1,227,594,245	353,061,885			658,985,598		2,002,512,752	4,242,154,480
Add: Change in accounting policies								
Prior-period error correction								
Other								
2. Year-begin balance	1,227,594,245	353,061,885			658,985,598		2,002,512,752	4,242,154,480
3. Changes through this period ("-" for decrease)					52,275,229		112,087,158	164,362,387
(1) Net profit							348,501,524	348,501,524
(2) Other composite income								
Subtotal of (1) & (2)							348,501,524	348,501,524
(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								
1) Appropriation of surplus reserves					52,275,229		-236,414,366	-184,139,137
2) Appropriation of general risk provisions					52,275,229		-52,275,229	
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			711,260,827		2,114,599,910	4,406,516,867

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 2013 (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 previous period	1,227,594,245	353,061,885			588,413,462		1,602,603,981	3,771,673,573
Add: Changes 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 this period (" - " 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								
1) Appropriation of surplus reserves					70,572,136		-70,572,136	
2) Appropriation of general risk provisions					70,572,136		-70,572,136	
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 Xiaouu Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Statement of Changes in Equity 2013
 (Expressed in Renminbi unless otherwise indicated)

Item	Amount in this period										Total
	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		
1. Balance at the end of previous period	1,227,594,245	356,289,108			667,275,850		2,922,439,964	-54,261,434	125,641,275		5,244,979,008
Add: Changes in accounting policies											
Prior-period error correction											
Other											
2. Year-begin 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
3. Changes through this period ("-" for decrease)		3,222,961			52,275,229		174,524,383	-19,597,751	60,660,050		271,084,872
(1) Net profit							410,938,749		-26,407,335		384,531,414
(2) Other composite income		3,311,627						-19,597,751	2,485,537		-13,800,587
Subtotal of (1) & (2)		3,311,627					410,938,749	-19,597,751	-23,921,798		370,730,827
(3) Capital paid in and reduced by owners		-88,666							85,584,895		85,496,229
1) Capital paid in by owners		-94,863							95,315,336		95,220,473
2) Amounts of share-based payments recognized in owners' equity											
3) Other		6,197							-9,730,441		-9,724,244
(4) Dividends					52,275,229				-1,003,047		-185,142,184
1) Appropriation of surplus reserves					52,275,229						
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	359,512,069			719,551,079		3,096,964,347	-73,859,185	186,301,325		5,516,063,880

The accompanying Notes are integral part of these financial statements.
 Neusoft's legal representative: Liu Jiren Neusoft's accounting principal: Zhang Xiaouo Accounting body's principal: Shi Peijun

Neusoft Corporation
Consolidated Statement of Changes in Equity 2013 (Continued)
(Expressed in Renminbi unless otherwise indicated)

Item	Amount in previous 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 previous period	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 this period ("+" for increase)		-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						-5,695,655	40,007	-11,853,741
Subtotal of (1) & (2)		-6,198,093					456,313,926	-5,695,655	-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

Notes to the Financial Statements 2013

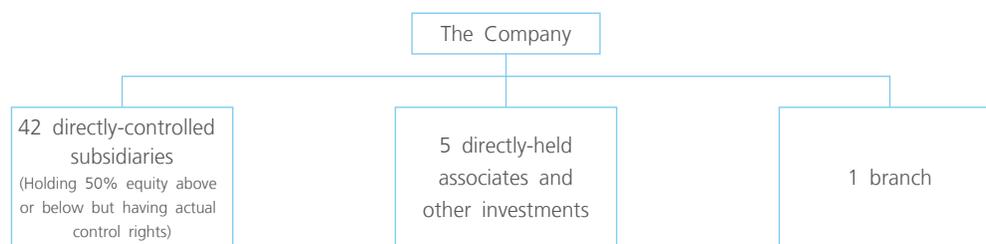
Note 1 Company Profile

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. 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, 2013, the Company and its subsidiaries ("the Group") have evolved into a high-tech complex specialized in industry solutions relating to software development and service and system integration, 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 Xinxu Street, Hunnan New District, Shenyang, China; and the headquarter is located at Neusoft Software Park, No. 2 Xinxu Street, Hunnan New District, Shenyang, China.

As at December 31st, 2013, the Company's corporate structure is as follows:



Note 2 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 Enterprises

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 during the accounting period.

2.3 Accounting Period

The accounting period is from January 1 to December 31, 2013.

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, assessment 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 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.

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.

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

2.6.1 Scope

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.

2.6.2 Consolidation procedure

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, the 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.

(1) Addition of subsidiaries

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. Relevant items in the comparative statements shall be adjusted and the reporting entity after the combination shall be deemed existing in the previous period.

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.

(2) Disposal of subsidiaries

① General Method

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.

② Disposal by steps

If the Company loses control over a subsidiary it originally owns due to disposal of its equity investment by steps, multiple transactions for the disposal shall be deemed package deal for accounting in any of the following situations:

- a) These transactions are made simultaneously or in consideration of mutual influence;
- b) Only these transactions in whole can achieve a complete business result;
- c) A single transaction will lead to one or more other transactions; and
- d) A single transaction may be non-economical when it is considered independently, but it is economical when it is considered together with other transactions.

If the multiple transactions attribute to a package deal, the Company will consider the transactions as one deal of disposing a subsidiary for accounting. However, before losing the control right over the subsidiary, the difference between the disposal price and the amount of attributable net assets shall be included in the "Other composite income" when consolidating the financial statements and shall be carried forward to current R&L when losing the control right.

If the multiple transactions does not belong to a package deal, their accounting shall be according to "Note 2.6.2 (4)" hereunder before losing the control right and "Note 2.6.2 (2) ①" upon losing the control right.

(3) Purchase of minority interest in subsidiary

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 since the purchase date (or acquisition date) 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.

(4) Disposal of equity investment in part without losing control over the subsidiary

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; mean-

while, 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.

As for any available-for-sale debt instrument that has been recognized as impairment loss, if its fair value increases in the following accounting period and it is objectively related to the item occurred after the recognition, the originally recognized impairment loss shall be recovered and recorded as current P&L.

The impairment loss of available-for-sale equity instrument shall not be recovered through P&L.

(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:

Definition 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. 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.

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.

(3) Disposal of long-term equity investment

On the disposal of long-term equity investment, the difference between its book value and actual acquisition price shall be recognized as current P&L. When the long-term equity investment is calculated by equity method, if it is recorded in owner's equity due to other change in owner's equity other than the net P&L of the investee, the recorded amount shall be transferred into current P&L based on certain ratio when disposing it.

If the Company loses control over a subsidiary it originally owns due to disposal of part of equity investment, the remaining equity shall be recognized as long-term equity investment or other relevant financial assets according to its book value. If the disposed remaining equity can make the Company have joint control or significant influence over the investee, the recognition of long-term equity investment cost that should be terminated shall be carried forward according to the ratio of disposal or recovery of the investment. On this basis, if the difference between the remaining long-term equity investment cost and the fair value of the investee's identifiable net assets attributable to the Company belongs to the goodwill indicated in the investment evaluation, the book value of long-term equity investment shall not be adjusted; if the investment cost is less than the fair value of the investee's identifiable net assets attributable to the Company, the long-term equity investment and the retained earnings shall be adjusted. Based on the net P&L attributable to the Company from the date of acquiring the original investment to the date when equity method is adopted for the accounting due to disposal of the investment, the book value of the long-term equity investment shall be adjusted; based on the net P&L attributable to the Company from the date of acquiring the original investment to the year-begin of the disposal period (deducting cash dividends or interests that have been recognized and distributed), the retained earnings shall be adjusted. Based on the net P&L attributable to the Company from the year-begin of the disposal period to the disposal date, current P&L shall be adjusted; the amount attributable to the Company for the equity change in the investee caused by other reasons shall be included in capital reserves (other capital reserves) while the book value of the long-term equity investment shall be adjusted.

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 fi-

nancial 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 Classification

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 re-starts. 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

(1) 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.

(2) 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 an 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 equity 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.

Asset-related subsidies refer to subsidies for long-term assets acquired, constructed or formed by other means, including financial allocation for purchasing fixed assets or intangible asset, financial discount for special borrowing for fixed assets, etc. Income-related subsidies refer to subsidies with respect to income.

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.

2.23.3 Recognition

Government subsidies measured at accounts receivable shall be recognized if there is obvious proof indicating the consistency to relevant conditions in the government policies and it is estimated the fund can be provided. Other government subsidies shall be recognized upon receiving the fund.

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

3.1 Tax types and rates

Type	Basis	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) released by the Ministry of Finance of the People's Republic of China and State Taxation Administration on November 16th, 2011, the pilot collection was carried out since January 1st, 2012. On July 31st, 2012, the Ministry of Finance of the People's Republic of China and State Taxation Administration released 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), where the pilot locations was expanded to Beijing, Tianjin, Jiangsu Province, Zhejiang Province (including Ningbo), Anhui Province, Fujian Province (including Xiamen), Hubei Province, Guangdong Province (including Shenzhen) and the pilot collection has been executed respectively since September 1st, 2012, October 1st, 2012, November 1st, 2012 and December 1st, 2012. On August 1st, 2013, the pilot collection has been expanded nationwide. The Company and its subsidiaries engaging in modern service are subject to the collection change from business tax into VAT at a rate of 6%. According to relevant notice (CSZ [2013] No. 106), income from technology transfer, development, consulting and technology service shall be exempted from business tax.

According to the Notice about Tentative Exemption from VAT & Business Tax on Some Small Sized Enterprises (CSZ [2013] No. 52) announced by the Ministry of Finance of the People's Republic of China and State Taxation Administration, VAT/business tax payers that are small sized enterprises and organizations with monthly sales less than RMB 20,000 Yuan are exempt from VAT/business tax on a provisional basis. The Company's subsidiary Hangzhou Neusoft Co., Ltd. was entitled to this policy.

Note 2: Business tax for income from lease and property management revenues not subject to the foregoing pilot change shall be paid at a rate of 5%.

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 *Preferential Policy on Corporate income tax to Further Support the Development of Software and Integrated Circuit Industry* (CSZ [2012] NO. 98), the rate of corporate income tax shall be cut off to 10% for key software companies under cer-

tain national program if the exemption policies are not enjoyed. In 2013, the Company and Neusoft Group (Dalian) Co., Ltd. were recognized as the key companies by China's National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce of the People's Republic of China and State Taxation Administration jointly and entitled to the foregoing Preferential Policy.

In 2013, the Company and Neusoft Group (Beijing) Co., Ltd., Shenyang Neusoft Medical Systems Co., Ltd., Chengdu Neusoft System Integration Co., Ltd., Neusoft System Integration Co., Ltd., Hebei Neusoft Co., Ltd., Shenyang Neusoft Information Technology Services Co., Ltd., Shandong Neusoft System Integration Co., Ltd., and Beijing Neusoft Viewhigh Technology Co., Ltd., as high-tech companies, paid the corporate income tax at a rate of 15% according to the *Corporate Income Tax Law of the People's Republic of China* (ZXL [2007] No.63).

According to the *Notice about Corporate Income Tax Preferential Policy* (CS [2008] NO.1) given by the State Council, corporate income tax shall be exempt in the first two years since the profit-making year and paid by half from the third to fifth year. Confirmed by the applicable tax administration, the Company's subsidiaries including Shenyang Neusoft System Integration Technology Co., Ltd., Neusoft Group (Guangzhou) Co., Ltd. and Neusoft Group (Shanghai) Co., Ltd. were in the preferential period (pay the tax by half) in 2013 and the corporate income tax was paid at a rate of 12.5%. Neusoft Nanjing Co., Ltd. and Neusoft Group (Wuxi) Co., Ltd. were in the exemption period without paying the corporate income tax.

According to the *Notice about Corporate Income Tax Preferential Policy for Small-sized Companies with Meager Profits* (CS [2011] NO.117), taxable income shall be cut off to 50% and the corporate income tax shall be collected at a rate of 20%. The taxable income of the Company's subsidiary Hangzhou Neusoft Co., Ltd. was cut off to 50% and the corporate income tax was paid at a rate of 20%.

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*.

3.2 Tax types and rates for overseas subsidiaries

3.2.1 Hong Kong

Type	Basis	Rate
Corporate income tax	Based on taxable income amount	16.5%

3.2.2 Japan

Type	Basis	Rate
Corporate income tax	Based on annual taxable income amount	25.50%
Special Reconstruction Income Tax	Based on annual taxable income amount	10.00%
Business tax (ratio of income)	Based on annual taxable income amount	7.50%
Business tax (ratio of added value)	Based on annual expenditure of peopleware and rental	0.50%
Business tax (ratio of capital)	Based on registered capital	0.21%
Local tax	Based on actually paid income tax	21.30%
Consumption tax	Output tax amount shall be calculated based on income from selling goods and taxable service according to applicable tax law, the difference from which the output tax amount deducts the deductible input tax amount in current period shall be the due consumption tax.	5.00%

3.2.3 Tax types and rates for Neusoft Europe AG, Neusoft Mobile Solutions Oy, Neusoft EDC SRL, Neusoft Technology Solutions GmbH and Neusoft GmbH

Type	Basis	Rate
VAT	Output tax amount shall be calculated based on income from selling goods and taxable service according to applicable tax law, the difference from which the output tax amount deducts the deductible input tax amount in current period shall be the due consumption tax	8%-24%
Corporate Income Tax	Based on taxable income amount	16.5%-32.975%
Capital/Dividend Tax	Based on dividend/capital income	0.05%-32%

3.2.4 The United States

Type	Basis	Rate
Corporate Income Tax	Based on taxable income amount	15%-35%
Sales and Use tax	Based on annual taxable income from technology service	6.75%-9%

Note: The tax rates may differ by states or cities within a state in the United States.

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 (%)	Votings hare (%)	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 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	32,502,468		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			
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			

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 (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			
Hebei Neusoft Co., Ltd. (Note 1)	Controlled	Qinhuangdao	Limited liability company	10,000,000	Computer software development & network integration	8,500,000		85	85	Yes	2,428,848		
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-System Integration Technology Co., Ltd.	Wholly owned	Shenyang	Limited liability company	20,000,000	Computer software/hardware, 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/hardware, 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/hardware, technical consulting and services	200,000,000		100	100	Yes			
Hangzhou Neusoft Co., Ltd.	Wholly owned	Hangzhou	Limited liability company	500,000	Computer software/hardware, technical consulting and services	500,000		100	100	Yes			
Neusoft Group (Tianjin) Co., Ltd.	Wholly owned	Tianjin	Limited liability company	20,000,000	Computer software/hardware	20,000,000		100	100	Yes			
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	Computer software/hardware development and services	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 (%)	Votings hare (%)	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 (Nanjing) Co., Ltd.	Wholly owned	Nanjing	Limited liability company	12,000,000	Computer software/hardware development, sales and technical consulting	12,000,000		100	100	Yes			
Shenyang Neusoft Transportation Information Technology Co., Ltd. (Note 2)	Wholly owned	Shenyang	Limited liability company	7,000,000	Computer services	5,844,950		100	100	Yes			
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			
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 瑞士法郎	Computer software/hardware, technical consulting and services	259,661,004		100	100	Yes			
Neusoft Group (Chongqing) Co., Ltd.	Wholly owned	Chongqing	Limited liability company	20,000,000	Development and sales of computer software/hardware	20,000,000		100	100	Yes			
Neusoft Group (Ningbo) Co., Ltd.	Wholly owned	Ningbo	Limited liability company	20,000,000	Development and sales of computer software/hardware	20,000,000		100	100	Yes			
Neusoft Group (Xuzhou) Co., Ltd.	Wholly owned	Xuzhou	Limited liability company	10,000,000	Development and sales of computer software/hardware	10,000,000		100	100	Yes			
Neusoft Group (Karamay) Co., Ltd.	Wholly owned	Karamay	Limited liability company	20,000,000	Design, production and sales of computer software/hardware	20,000,000		100	100	Yes			
Neusoft Group (Changchun) Co., Ltd.	Wholly owned	Changchun	Limited liability company	30,000,000	Development/sales/installation/technical consulting of computer software/hardware and electronic products	30,000,000		100	100	Yes			
Hefei Neusoft Technology Co., Ltd. (Note 3)	Wholly owned	Hefei	Limited liability company	500,000	Computer software/hardware, system integration, technology consulting	451,952			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 (%)	Votings 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
Dalian Neusoft Business Process Consulting Services Co., Ltd. (Note 4)	Wholly owned	Dalian	Limited liability company	25,000,000	Computer software/hardware	25,000,000			100	Yes			
Beijing Neusoft Huiju Information Technology Co., Ltd. (Note 5)	Controlled	Beijing	company limited by shares	30,000,000	Computer software, technical consulting and services	27,265,000			80.28	Yes	8,585,858		
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	4,724,959		
Beijing Inbridge Consulting Co., Ltd. (Note 7)	Wholly owned	Beijing	Limited liability company	100,000	Economic information consulting and corporate management service	100,000			100	Yes			
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 Capital International Co., Ltd. (Note 9)	Wholly owned	British Virgin Islands	Limited liability company	1,000,000 USD	Project investment, asset management and investment consulting	100,000 USD			100	Yes			
Neusoft Xikang Holdings Co., Ltd. (Note 10)	Controlled	Cayman Islands	Limited liability company	51,000 USD	IT and related consulting services	2,800,000 USD			70	Yes	-37,430,516		
Neusoft Xikang International Co., Ltd. (Note 11)	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 12)	Controlled	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	18,821,232		
Shenyang Neusoft Medical Systems Import & Export Co., Ltd. (Note 13)	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 14)	Controlled	Shenyang	Limited liability company	10,000,000	R&D and manufacturing of Low-filled permanent magnet products, MRI technology development and consulting	8,000,000			80	Yes	4,550,466		

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 Positron Medical Systems Co., Ltd. (Note 15)	Controlled	Shenyang	Limited liability company	3,500,000 USD	Development and manufacturing of PET systems, technology consulting/service	3,465,000 USD			99	Yes	-102,373		
Neusoft Medical System U.S.A. Inc. (Note 16)	Wholly owned	UK	Limited liability company	12,000,000 USD	R&D/manufacturing of medical systems, technology consulting & service	6,000,000 USD			100	Yes			
Neusoft Medical Systems (Middle East) Co., Ltd. (Note 17)	Wholly owned	United Arab Emirates	Limited liability company	3,500,000 USD	Medical systems and relevant technical consulting and services	2,600,000 USD			100	Yes			
Neusoft Medical System Peru Inc. (Note 18)	Wholly owned	Peru	Limited liability company	1,800,000 USD	Medical systems and relevant technical consulting and services	100,385 USD			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	1,065,364		
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			
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	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 (%)	Votings hare (%)	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
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	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	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	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	Yes			
Luoyang Xikang Healthcare Management Co., Ltd. (Note 28)	Wholly owned	Luoyang	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000			100	Yes			
Hunan Xikang Healthcare Management Co., Ltd. (Note 29)	Wholly owned	Changsha	Limited liability company	10,100,000	Health management, health consulting, medical institution management consulting, healthcare archive management, sales and lease of healthcare equipment	10,100,000			100	Yes			
Jiangxi Xikang Healthcare Management Co., Ltd. (Note 30)	Wholly owned	Nanchang	Limited liability company	2,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	2,000,000			100	Yes			
Jinzhou Xikang Healthcare Management Co., Ltd. (Note 31)	Wholly owned	Jinzhou	Limited liability company	1,000,000	Healthcare consulting, corporate management, sales and lease of healthcare equipment	1,000,000			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 (%)	Votings hare (%)	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 Xikang Healthcare Management Co., Ltd. (Note 32)	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	Yes			
Shenyang Xikang Alps Technologies Co., Ltd. (Note 33)	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	1,595,148		
Beijing Neusoft Xikang Hospital Management Co., Ltd. (Note 34)	Wholly owned	Beijing	Limited liability company	5,500,000	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	5,500,000			100	Yes			
Dalian Neusoft Xikang Healthcare Management Co., Ltd. (Note 35)	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 (%)	Votings hare (%)	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 36)	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			
Chongqing Xikang Healthcare Management Co., Ltd. (Note 37)	Wholly owned	Chongqing	Limited liability company	500,000	Healthcare management, information consulting, management consulting of medical institutions, healthcare record management; sales and lease of electronic products, computer hardware/software; development, transfer and consulting of computer hardware/software technology	500,000				Yes			
Tianjin Xikang Hospital Management Co., Ltd. (Note 38)	Wholly owned	Tianjin	Limited liability company	500,000	Hospital management, sales of electronic products, software, mechanical equipment, communication equipment; lease of computer, communication equipment, medical equipment; technical development, transfer, consulting and service	500,000		100	100	Yes			
Dalian Yida Xikang Healthcare Management Co., Ltd. (Note 39)	Controlled	Dalian	Limited liability company	10,000,000	Computer software/hardware, technical consulting and service; general trading	6,000,000			60	Yes	3,995,729		

Note 1: This subsidiary is formerly known as Qinhuangdao Neusoft Co., Ltd.;

Note 2: The Company purchased 49.5% shares of this subsidiary during this reporting period and held 100% shares after the purchase;

Note 3: This subsidiary was invested by another subsidiary Shanghai Neufashion Digital Technology Co., Ltd. with an equity ratio of 100%;

Note 4: This subsidiary was invested by another subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. with an equity ratio of 100%;

Note 5: This subsidiary was invested by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 80.28%;

4.1.2 Subsidiaries acquired from 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 (%)	Votings 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	Duijiangyan	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 Technology Co., Ltd.	Wholly owned	USA	Limited liability company	1,000 USD	Computer software/hardware, technical consulting and service	94,180,610		100	100	Yes			

4.1.3 Subsidiaries acquired from 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 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	11,826,900		100	100	Yes			
Beijing Lanruisoft Co., Ltd.	Wholly owned	Beijing	Limited liability company	10,000,000	Computer software development/design/production/sales	9,454,820		100	100	Yes			
Liaoning Neusoft Venture Capital Investment Co., Ltd.	Controlled	Dalian	Limited liability company	125,000,000	SME investment and management	80,552,833		60	60	Yes	55,849,855		
Beijing LBS Social Insurance Information Technology Co., Ltd.	Controlled	Beijing	Limited liability company	15,000,000	Technical development/consulting and product selling	10,390,275		61.67	61.67	Yes	2,996,242		
Beijing Neusoft Viewhigh Technology Co., Ltd. (Note 1)	Controlled	Beijing	Limited liability company	27,790,000	Development and production of computer software; sales of independently-produced products; technical support service	114,101,440		73.14	73.14	Yes	12,162,465		
Kunming Neusoft Jinsha Information Technology Co., Ltd. (Note 2)	Controlled	Kunming	Limited liability company	30,000,000	Computer equipment and software design/development/production/service/sales	15,119,513			51	Yes	15,742,712		
Neusoft Technology Solutions GmbH (Note 3)	Wholly owned	Germany	Limited liability company	1,025,000 EUR	Computer software/hardware, technical consulting and services	6,029,000 EUR		100	100	Yes			
Neusoft Mobile Solutions Oy (Note 4)	Wholly owned	Finland	Limited liability company	8,578 EUR	Computer software/hardware, technical consulting and services	7,972,800 EUR		100	100	Yes			
Neusoft EDC SRL (Note 5)	Wholly owned	Romania	Limited liability company	94,000 ROL	Computer software/hardware, technical consulting and services	1,200,000 EUR		100	100	Yes			
Neusoft GmbH(Note 6)	Wholly owned	Germany	Limited liability company	25,000 EUR	Computer software/hardware, technical consulting and services	200,000 EUR		100	100	Yes			
Neusoft+Philips Medical Systems Limited liability company (Note 7)	Controlled	Shenyang	Limited liability company	29,600,000 USD	Development/production/research/sales of CT scanners, MRI, X-ray, US and related parts; technical consulting and support	212,943,769			74	Yes	91,315,336		

Note 1: The Company's subsidiary Neusoft Group (Beijing) Co., Ltd. acquired 73.14% equity in this subsidiary in 2011; In 2013, the Company acquired the 73.14% equity in this subsidiary held by Neusoft Group (Beijing) Co., Ltd.;

Note 2: This subsidiary was acquired by another subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. with an equity ratio of 51%;

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

Note 4: This subsidiary 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 (Europe) Co., Ltd. with an equity ratio of 100%;

Note 6: This subsidiary was invested by Neusoft EDC SRL, a subsidiary indirectly controlled by the Company, with an equity ratio of 100%;

Note 7: During this reporting period, the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in this company and held 74% equity in this subsidiary in total after the acquisition.

4.2 Notes to the changes in consolidation

4.2.1 There are 10 newly consolidated companies in this year including Neusoft Group (Chongqing) Co., Ltd., Neusoft Group (Ningbo) Co., Ltd., Neusoft Group (Xuzhou) Co., Ltd., Neusoft Group (Karamay) Co., Ltd., Neusoft Group (Changchun) Co., Ltd., Chongqing Neusoft Xikang Healthcare Management Co., Ltd., Tianjin Xikang Hospital Management Co., Ltd., Dalian Yida Xikang Healthcare Management Co., Ltd., Neusoft Capital International Co., Ltd. and Neusoft-Philips Medical Systems Limited liability company.

4.2.2 Six companies were deconsolidated this year: All the equities in Guangdong Neufashion Digital Technology Co., Ltd. ("GD Neufashion") and Shenzhen Neufashion Digital Technology Co., Ltd. were sold during this reporting period, and these two companies were not included in the consolidation since March 2013; During this reporting period, the Company's indirectly controlled subsidiary Tianjin Neusoft Technology Co., Ltd., Shenzhen Neusoft Mobile Terminal Design Co., Ltd., the Company's subsidiary Shenyang Neusoft Boan Software Co., Ltd. have cancelled their business registrations and not included in the consolidation since March 2013 and December 2013; The Company's indirectly controlled subsidiary Hangzhou Xikang Healthcare Management Co., Ltd. was not included in the consolidation since March 2013 as a result of divestment.

4.3 Entities newly included in/excluded from the consolidated financial statements

4.3.1 Newly included subsidiaries

Entity	Year-end net assets	Net profit of this period
Chongqing Neusoft Xikang Healthcare Management Co., Ltd. (Note 1)	489,480	-10,520
Neusoft Group (Chongqing) Co., Ltd. (Note 2)	17,210,933	-2,789,067
Neusoft Group (Ningbo) Co., Ltd. (Note 3)	19,993,218	-6,782
Neusoft Group (Xuzhou) Co., Ltd. (Note 4)	9,997,228	-2,772
Neusoft Group (Karamay) Co., Ltd. (Note 5)	19,746,791	-253,209
Neusoft Group (Changchun) Co., Ltd. (Note 6)	29,388,413	-611,587
Dalian Yida Xikang Healthcare Management Co., Ltd. (Note 7)	9,989,321	-10,679
Neusoft Capital International Co., Ltd. (Note 8)	592,696	-17,107
Tianjin Xikang Healthcare Management Co., Ltd. (Note 9)	496,633	-3,367
Neusoft-Philips Medical Systems Limited Liability Company (Note 10)	351,212,832	

Note 1: In March 2013, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. invested RMB 500,000 Yuan to set up this company with an equity ratio of 100%. This company was recorded in the consolidated financial statements since March 2013.

Note 2: In April 2013, the Company invested RMB 20 million Yuan to set up this company with an equity ratio of 100%, and it was recorded in the consolidated financial statements since April 2013.

Note 3: In May 2013, the Company invested RMB 20 million Yuan to set up this company with an equity ratio of 100%, and it was recorded in the consolidated financial statements since May 2013.

Note 4: In May 2013, the Company invested RMB 10 million Yuan to set up this company with an equity ratio of 100%, and it was recorded in the consolidated financial statements since May 2013.

Note 5: In June 2013, the Company invested RMB 20 million Yuan to set up this company with an equity ratio of 100%, and it was recorded in the consolidated financial statements since June 2013.

Note 6: In August 2013, the Company invested RMB 30 million Yuan to set up this company with an equity ratio of 100%, and it was recorded in the consolidated financial statements since August 2013.

Note 7: In November 2013, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. invested RMB 6 million Yuan to set up this company with an equity ratio of 60%. This company was recorded in the consolidated financial statements since November 2013.

Note 8: In November 2013, the Company's subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. set up this company with the registered capital of USD 1 million dollars and equity ratio of 100%. As at December 31st, 2013, USD 100,000 dollars has been invested and this company was recorded in the consolidated financial statements since November 2013.

Note 9: In December 2013, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. invested RMB 500,000 Yuan to set up this company with an equity ratio of 100%. This company was recorded in the consolidated financial statements since December 2013.

Note 10: In December 2013, the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in this company and held 74% equity in this subsidiary in total after the acquisition. This company was recorded in the consolidated financial statements at the end of 2013.

4.3.2 Excluded subsidiaries

Entity	Net assets upon disposal	Net profit from year-begin to the disposal date
Guangdong Neufashion Digital Technology Co., Ltd. and its subsidiaries	18,200,520	-2,078,075
Hangzhou Xikang Healthcare Management Co., Ltd.	994,514	-2,055
Tianjin Neusoft Co., Ltd.	3,252,750	24,478
Shenzhen Neusoft Mobile Terminal Design Co., Ltd.	-	130,625
Shenyang Neusoft Boan Software Co., Ltd.	598,192	-7,788

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 December 25th, 2013, the Company's indirectly controlled company Shenyang Neusoft Medical Systems Co., Ltd. ("Neusoft Medical") purchased 25% equity in Neusoft-Philips Medical Systems Limited Liability Company (Neusoft-Philips) According to the asset assessment report (2013 No. 3556) issued by China Enterprise Appraisals Co., Ltd., the acquisition consideration was RMB 92,893,769 Yuan as mutually agreed (Please refer to Neusoft Corporation's announcements numbered "L2013-021" and "L2014-002"). The Company held 49% equity in Neusoft-Philips before the acquisition. According to equity method, the book value of the long-term equity investment was RMB 163,707,172 Yuan; the fair value of the 49% equity on the acquisition date was RMB 182,071,787 Yuan; and the investment income in the consolidated statements which was re-measured and recognized based on fair value was RMB 18,364,615 Yuan. As at December 31st, 2013, RMB 40,015,586 Yuan has been paid; according to applicable regulations of the State Administration of Foreign Exchange of China, the remaining due payment with an amount of RMB 52,878,183 Yuan has been transferred to the designated bank-supervised account of Neusoft-Philips and finally paid on January 2014.

Neusoft-Philips was established on May 24th, 2004. Headquartered in Shenyang, this company was specialized in research and development, production and sales of CT scanners, MRI, X-ray apparatus, ultrasonic diagnosis apparatus, image management systems and related parts and accessories (excluding that for electrocardiogram monitor and printer), SKD and CKD, as well as related technical consulting and service. Other shareholders before the acquisition included Philips Electronics China B.V. (41% equity) and Philip (China) Investment Co., Ltd. (10% equity), the ultimate controller was Royal Philips Electronics. The acquisition date was determined upon finishing the business registration change.

Acquiree	Goodwill amount	Calculation method of goodwill
Neusoft-Philips Medical Systems Limited Liability Company	15,068,061	Shenyang Neusoft Medical Systems Co., Ltd. purchased 25% equity in Neusoft-Philips and held 74% equity in total after this acquisition. The acquisition cost is RMB 274,965,556 Yuan. On the acquisition date, the fair value of Neusoft-Philips's identifiable assets was RMB 351,212,832 Yuan, the amount of its 74% was RMB 259,897,495 Yuan. The difference between the acquisition cost and the fair value of identifiable assets attributable to Neusoft Medical was recognized as goodwill when consolidating the financial statements.

4.5.2 Identifiable assets and liabilities of the Acquiree

Item	Date of acquisition	
	Book value	Fair value of identifiable assets
Current assets	377,954,817	377,954,817
Fixed assets	28,544,990	28,544,990
Intangible asset	56,499,840	73,616,401
Total assets	470,716,331	487,832,892
Total liabilities	136,620,060	136,620,060
Net assets	334,096,271	351,212,832

4.6 Subsidiary over which the Company lost control for equity sale

4.6.1 Subsidiary not disposed by steps

Overview:

On November 21st, 2012, the Company, as the transferor, signed an agreement on equity transfer of Guangdong Neufashion Digital Technology Co., Ltd. ("GD Neufashion") with Le Liuping and Yin Sheng. The Company, Le Liuping and Yin Sheng respectively held 60%, 34.9% and 5.1% equity in GD Neufashion before the transfer. According to the agreement with fair principles, the transfer consideration of Le Liuping and Yin Sheng was RMB 19.63 million Yuan and 2.87 million Yuan (22.5 million Yuan in total). On March 21st, 2013, the process of business registration change was finished and GD Neufashion was excluded from the consolidated financial statements since March 2013. During the reporting period, the Company has received all the payment for this transfer with an amount of RMB 22.5 million Yuan. The selling date was determined upon finishing the business registration change while the payment for this transfer was made.

Entity	Selling date	P&L recognition method
Guangdong Neufashion Digital Technology Co., Ltd.	March 21 st 2013	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 income from investment when consolidating the financial statements.

4.6.2 There is no disposal of subsidiary by steps in this reporting period

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	Amount in RMB	Foreign currency	Translation rate	Amount in RMB
Cash						
RMB			157,652			92,766
USD	200	6.0969	1,219	200	6.2855	1,257
JPY	24,817	0.057771	1,434	98,809	0.073049	7,218
EUR	1,249	8.4189	10,515	1,603	8.3176	13,333
HKD	425	0.7862	334	4,877	0.8109	3,955
ROL	12,250	1.8799	23,029	4,861	1.8692	9,086
AED	1,924	1.6690	3,211	6,705	1.7206	11,537
Subtotal			197,394			139,152
Bank deposit						
RMB			1,934,177,456			1,786,277,199
USD	14,242,716	6.0969	86,836,415	13,543,487	6.2855	85,127,588
JPY	1,364,981,569	0.057771	78,856,350	2,431,337,836	0.073049	177,606,798
EUR	5,140,654	8.4189	43,278,652	2,903,839	8.3176	24,152,971
HKD	1,011,977	0.7862	795,616	1,527,716	0.8109	1,238,825
SGD	1,195,965	4.7845	5,722,095	547,357	5.0929	2,787,634
CHF	7,950	6.8336	54,327	51,860	6.8219	353,784
ROL	315,291	1.8799	592,716	414,903	1.8692	775,537
VND	20,957,174	0.0003	6,287	2,212,334	0.0003	664
AED	1,401,220	1.6690	2,338,636	1,598,996	1.7206	2,751,233
GBP	139,731	10.0556	1,405,079	145,748	10.1611	1,480,960
CAD	4,808	5.7259	27,530			
PEN	33,756	2.1405	72,255			
Subtotal			2,154,163,414			2,082,553,193
Others						
RMB			59,087,417			12,779,935
Subtotal			59,087,417			12,779,935
Total			2,213,448,225			2,095,472,280

Restricted monetary capital details are as follows:

Item	Year-end balance	Year-begin balance
Equity investment fund	52,878,183	
Performance bond	5,442,591	7,272,935
Total	58,320,774	7,272,935

1) The balance of overseas deposited monetary capital at the end of this period is RMB 141,391,222 Yuan after translation;

2) Among other monetary capital at the end of this period, RMB 52,878,183 Yuan is the equity investment fund deposited in the designated bank-supervised account of Neusoft-Philips for the acquisition by Shenyang Neusoft Medical Systems Co., Ltd., please refer to Note 4.5 for details; RMB 5,442,591 Yuan is the Company's subsidiary Neusoft Group (Dalian) Co., Ltd., Neusoft Group (Beijing) Co., Ltd., Liaoning Neusoft Venture Capital Investment Co., Ltd. and the Company's indirectly controlled subsidiary Shenyang Neusoft Medical Systems Import & Export Co., Ltd.'s margin deposit, which was not recognized as cash or cash equivalent when preparing the cash flow statement; RMB 766,643 Yuan is Liaoning Neusoft Venture Capital Investment Co., Ltd.'s refundable deposits which can be refunded or used for investment and recognized as cash or cash equivalent when preparing the cash flow statement.

5.2 Trading financial assets

Item	Fair value at year-end	Fair value at year-begin
Trading financial assets	32,249,913	14,917,183
Total	32,249,913	14,917,183

5.3 Notes receivable

5.3.1 Type

Type	Year-end balance	Year-begin balance
Banker's acceptance	8,084,346	13,731,461
Commercial acceptance bill	6,090,000	610,602
Total	14,174,346	14,342,063

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

5.3.3 Notes endorsed by the Company but undue yet as of the end of this period:

Top 5 notes:

Drawer	Date of invoice	Due date	Amount	Remark
CSSC	July 30 th , 2013	January 14 th , 2014	1,000,000	Paid before the disclosing date
Fujian Hongxing Pottery Development Co., Ltd.	July 12 th , 2013	January 10 th , 2014	600,000	Paid before the disclosing date
Luzhou Naxi District Kaili Trading Co., Ltd.	July 23 rd , 2013	January 23 rd , 2014	500,000	Paid before the disclosing date
Taizhou Jiangxing Shipping Machine Building Co., Ltd.	August 8 th , 2013	February 8 th , 2014	500,000	Paid before the disclosing date
CSR Qingdao Sifang Co., Ltd.	August 27 th , 2013	February 27 th , 2014	420,000	Paid before the disclosing date
Total			3,020,000	

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 Aging analysis

Age	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 (%)
Within one year (including one year)	1,637,253,956	81.39	17,652,391	1.08	1,129,882,712	75.16	12,474,788	1.10
1-2 years (including 2 years)	200,018,829	9.94	28,760,140	14.38	211,795,050	14.09	27,786,702	13.12
2-3 years (including 3 years)	75,751,365	3.77	11,124,934	14.69	99,439,056	6.62	11,830,364	11.90
3-5 years	65,865,717	3.27	30,988,776	47.05	33,176,124	2.21	15,113,744	45.56
Over 5 years	32,614,673	1.63	32,614,673	100.00	28,942,847	1.92	28,942,847	100.00
Total	2,011,504,540	100.00	121,140,914		1,503,235,789	100.00	96,148,445	

5.4.2 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	331,410,923	16.48	47,753,285	14.41	219,627,652	14.61	21,829,540	9.94
Accounts receivable with appropriation of provision for bad debts by portfolio	1,555,362,634	77.32	50,251,121	3.23	1,156,208,747	76.91	44,193,577	3.82
Accounts receivable with insignificant single amount but single appropriation of provision for bad debts	124,730,983	6.20	23,136,508	18.55	127,399,390	8.48	30,125,328	23.65
Total	2,011,504,540	100.00	121,140,914		1,503,235,789	100.00	96,148,445	

5.4.3 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	105,208,452	27,398,564	26.04	Significant amount with receivable proportion of over 70%
China Telecom	67,536,927	4,520,059	6.69	Significant amount with receivable proportion of over 90%
Beijing China Power Information Technology Co., Ltd.	46,347,756	3,737,039	8.06	Significant amount with receivable proportion of over 90%
Nokia Neusoft Commtech Company (Nokia Neusoft)	33,513,720	5,847,628	17.45	Significant amount with receivable proportion of over 80%

Continued table

Account receivable from	Book amount	Provision for bad debts	Appropriation ratio (%)	Reason
State Grid Electric Power of Xinjiang State Grid East Inner Mongolia Electric Power Company Limited	20,849,208	417,122	2.00	Significant amount with receivable proportion of over 95%
China Mobile	18,775,526	1,426,643	7.60	Significant amount with receivable proportion of over 90%
Yulin Health Bureau	15,000,000	2,096,360	13.98	Significant amount with receivable proportion of over 85%
Shenyang Metro Co., Ltd.	13,816,085	2,147,771	15.55	Significant amount with receivable proportion of over 80%
State Grid East Inner Mongolia Electric Power Company Limited	10,363,249	162,099	1.56	Significant amount with receivable proportion of over 95%
Total	331,410,923	47,753,285		

Accounts receivable 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	1,382,890,750	88.91	13,828,908	961,107,880	83.12	9,611,079
1-2 years	71,234,539	4.58	1,424,690	90,404,269	7.82	1,808,085
2-3 years	33,105,454	2.13	1,655,273	57,314,918	4.96	2,865,746
3-5 years	38,655,157	2.48	3,865,516	19,414,459	1.68	1,941,446
Over 5 years	29,476,734	1.90	29,476,734	27,967,221	2.42	27,967,221
Total	1,555,362,634	100.00	50,251,121	1,156,208,747	100.00	44,193,577

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

Account receivable from	Book balance	Provision for bad debts	Appropriation ratio (%)	Reason
Contract payment for software and system integration	6,243,505	6,243,505	100.00	Account receivable with long age which is estimatedly unrecoverable
Contract payment for software and system integration	7,759,581	3,518,890	45.35	Account receivable with long age with recoverable proportion of about 50%
Contract payment for software and system integration	110,727,897	13,374,113	12.08	Account receivable with long age with recoverable proportion of about 90%
Total	124,730,983	23,136,508		

5.4.4 Account receivable recovered or received in this period:

Account receivable	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	9,224,367	6,291,721	6,257,071

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

5.4.6 Actual write-off accounts receivable:

Receivable from	Category	Write-off amount	Reason	Whether caused by related transaction
Development Planning Department, the First Research Institute, China Aerospace Science and Technology Corporation	Sales payment	1,646,000	It is estimatedly unrecoverable	No
Dezhou Power Plant of Shandong Huaneng Power Generation Corporation	Sales payment	1,030,059	It is estimatedly unrecoverable	No
Hefei Zhihe Technology Co., Ltd.	Sales payment	770,000	It is estimatedly unrecoverable	No
Personnel Training Bureau of the Ministry of Public Security of the PRC	Sales payment	678,000	It is estimatedly unrecoverable	No
Yangzhou Municipal Public Security Bureau	Sales payment	594,000	It is estimatedly unrecoverable	No
Hohehot Municipal Human Resources and Social Security Bureau	Sales payment	480,000	It is estimatedly unrecoverable	No
Shanghai GFC Toshiba Elevator Co., Ltd.	Sales payment	325,980	It is estimatedly unrecoverable	No
State Grid Shanxi Electric Power Company	Sales payment	313,000	It is estimatedly unrecoverable	No
Chengdu Jinyuan Technology Development Co., Ltd.	Sales payment	308,800	It is estimatedly unrecoverable	No
Guizhou Shuicheng Iron & Steel (Group) Co., Ltd.	Sales payment	300,000	It is estimatedly unrecoverable	No
Others	Sales payment	1,263,166	It is estimatedly unrecoverable	No
Total		7,709,005		

5.4.7 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	Appropriated provision for bad debts	Book balance	Appropriated provision for bad debts
Toshiba Corporation	38,657,104	386,571	5,852,557	58,526
Alpine	18,874,252	188,743	3,998,077	39,981
Baosteel Group Corporation	7,734,608	231,346	563,008	30,130

5.4.8 Top 5 debtors of accounts receivable

Debtor	Relationship with the Company	Book balance	Age	Proportion to the total (%)
China Unicom	Non-related party	105,208,452	Within 1 year-over 5 years	5.23
China Telecom	Non-related party	67,536,927	Within 5 years	3.36
Shanxi Xingji Technology and Trade Co., Ltd.	Non-related party	57,874,323	Within 1 year	2.88
Shandong Neusoft System Integration Engineering Co., Ltd.	Non-related party	56,762,767	Within 1 year	2.82
Beijing Kedong Electric Power Control System Co., Ltd.	Non-related party	53,945,704	Within 2 years	2.68
Total		341,328,173		16.97

5.4.9 Accounts receivable from related parties

The accounts receivable from related parties is RMB 206,126,457 Yuan, accounting for 10.25% of the year-end balance, please refer to Note 7.4.11 for details.

5.4.10 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	9,704,193	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.

5.4.11 There is no fully terminated recognition of transferred accounts receivable in this period.

5.4.12 There is no securitization of accounts receivable as the subject.

5.5 Other receivables

5.5.1 Aging analysis

Age	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 (%)
Within one year (including one year)	123,636,274	59.65	1,236,363	1.00	155,365,832	72.60	1,553,658	1.00
1-2 years (including 2 years)	53,055,967	25.60	4,024,766	7.59	35,501,556	16.59	3,410,015	9.61
2-3 years (including 3 years)	18,240,502	8.80	1,332,452	7.30	11,259,545	5.26	1,820,796	16.17
3-5 years	9,533,062	4.60	1,154,266	12.11	10,547,120	4.93	1,124,714	10.66
Over 5 years	2,819,025	1.35	2,819,025	100.00	1,329,498	0.62	1,329,498	100.00
Total	207,284,830	100.00	10,566,872		214,003,551	100.00	9,238,681	

5.5.2 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								
Account receivable with appropriation of provision for bad debts by portfolio	200,137,582	96.55	6,842,326	3.42	203,841,742	95.25	4,924,915	2.42
Account receivable with insignificant single amount and single appropriation of provision for bad debts	7,147,248	3.45	3,724,546	52.11	10,161,809	4.75	4,313,766	42.45
Total	207,284,830	100.00	10,566,872		214,003,551	100.00	9,238,681	

5.5.3 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	120,178,999	60.05	1,201,790	150,880,712	74.03	1,508,807
1-2 years	50,031,837	25.00	1,000,637	32,746,471	16.06	654,930
2-3 years	17,797,947	8.89	889,897	9,136,521	4.48	456,826
3-5 years	9,309,774	4.65	930,977	9,748,540	4.78	974,854
Over 5 years	2,819,025	1.41	2,819,025	1,329,498	0.65	1,329,498
Total	200,137,582	100.00	6,842,326	203,841,742	100.00	4,924,915

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

Other receivables	Book balance	Provision for bad debts	Appropriation ratio (%)	Reason
Suspense credit	3,895,273	2,311,897	59.35	It is estimated that the recoverable proportion is about 40%.
Open credit	3,251,975	1,412,649	43.44	It is estimated that the recoverable proportion is about 60%.
Total	7,147,248	3,724,546		

5.5.4 Other receivable recovered or received in this period:

Other receivable	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
Suspense credit	Great effort was made to work off the receivables during the reporting period	Aging analysis method	2,616,808	2,586,028	2,582,008

5.5.5 Other actual write-off receivable in this period:

The amount of other actual write-off receivable, which is mainly the estimatedly unrecoverable advance, is RMB 246,851 Yuan in this period.

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

5.5.7 Top 5 debtors of other receivable:

Debtor	Relationship with the Company	Book balance	Age	Proportion to the total (%)	Debtor
Dalian Airport Customs	Non-related party	8,603,103	Within 3 years	4.15	Deposit
Hebei Anda Investment Consulting Co., Ltd.	Non-related party	5,767,018	1-2 years	2.78	Deposit
Ningbo Traffic Management Bureau	Non-related party	5,104,753	Within 2 years	2.46	Deposit
Shenzhen Funding Technology Co., Ltd.	Non-related party	4,255,702	Within 1 year	2.05	Deposit
Dalian Metro Co., Ltd.	Non-related party	3,979,248	Within 1 year	1.92	Deposit
Total		27,709,824		13.36	

5.5.8 Account receivable from related parties

The accounts receivable from related parties is RMB 1,415,839 Yuan, accounting for 0.68% of the year-end balance, please refer to Note 7.4.11 for details.

5.5.9 There is no termination of recognition of other receivables

5.5.10 There is no fully terminated recognition of transferred other receivables in this period

5.5.11 There is no securitization of other receivables as the subject

5.6 Prepayments

5.6.1 Presentation by age

Age	Year-end balance		Year-begin balance	
	Book balance	Ratio (%)	Book balance	Ratio (%)
Within 1 year	226,242,321	99.27	114,146,161	96.38
1-2 years	304,439	0.13	2,658,537	2.24
2-3 years	741,171	0.33	1,161,961	0.98
Over 3 years	627,625	0.27	474,408	0.40
Total	227,915,556	100.00	118,441,067	100.00

5.6.2 Top 5 prepayments

Prepayment to	Relationship with the Company	Amount	Term	Remark
China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd.	Non-related party	28,375,531	Within 1 year	合同约定的预付款
Lenovo (Beijing) Co., Ltd.	Non-related party	19,547,685	Within 1 year	Contracted prepayment
Hebei Far East Communication System Engineering Co., Ltd.	Non-related party	19,477,327	Within 1 year	Contracted prepayment
Shenyang Zhongxing Electric Power Communication Co., Ltd.	Non-related party	17,100,000	Within 1 year	Contracted prepayment
SAP (Beijing) Software System Co., Ltd.	Non-related party	16,316,870	Within 2 years	Contracted prepayment
Total		100,817,413		

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

The amount is RMB 218,398 Yuan, accounting for 0.1% of the year-end balance, please refer to Note 7.4.11 for details.

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 balance	Provision for inventory write-down	Book value
Raw materials	305,151,375	28,067,279	277,084,096	175,401,478	11,612,195	163,789,283
Work in process	637,468,017	29,818,004	607,650,013	570,219,685	20,195,171	550,024,514
Finished products	111,848,990		111,848,990	117,159,085		117,159,085
Total	1,054,468,382	57,885,283	996,583,099	862,780,248	31,807,366	830,972,882

5.7.2 Provision for inventory write-down

Type	Year-begin balance	Appropriation amount	Write-down amount		Other (note)	Year-end balance
			Reversed	Write-off		
Raw materials	11,612,195		1,087,896		17,542,980	28,067,279
Work in process	20,195,171	9,939,786		316,953		29,818,004
Finished products						
Total	31,807,366	9,939,786	1,087,896	316,953	17,542,980	57,885,283

Note: This is mainly caused by change in the consolidation of the financial statements.

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	External sales	0.36%
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		

5.8 Other current assets

Item	Year-end balance	Year-begin balance
Bank finance product (Note 1)	224,949,474	
Deferred business tax	1,409,565	5,510,731
Leasing expenses	1,072,083	694,777
Deferred property tax	454,712	276,220
Other (Note 2)	8,183,697	7,808,787
Total	236,069,531	14,290,515

Note 1: The Company and its subsidiary Shenyang Neusoft Medical Systems Co., Ltd., Shenyang Zhuri Digital Advertising Communications Co., Ltd. and Shenyang Xikang APS Technology 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 fund and accrued income have been recovered at the end of March 2014.

Note 2: This mainly refers to amortized heating expense.

5.9 Available-for-sale financial assets

5.9.1 Overview

Item	Fair value at year-end	Fair value at year-begin
(1) Available-for-sale Security		
(2) Available-for-sale equity instrument (note)	26,594,230	
(3) Other		
Total	26,594,230	

Note: During the reporting period, the Company's controlled subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. subscribed for 16,500,000 public shares of Sinosoft Technology Group Limited through QDII wealth management product managed by CICC.

5.9.2 There is no available-for-sale financial asset with restricted trade period as at the end of this reporting period.

5.9.3 Cost, fair value, amount of changes in fair value included in other composite income and appropriated impairment amount of available-for-sale financial assets as at December 31st, 2013

Item	Available-for-sale equity instrument	Available-for-sale Security	Total
Cost of equity instrument/amortized cost of security	19,235,058		19,235,058
amount of changes in fair value included in other composite income	7,359,172		7,359,172
Fair value	26,594,230		26,594,230
Appropriated impairment amount			

5.10 Held-to-maturity investment

5.10.1 Overview

Item	Year-end balance	Year-begin balance
Bank finance products (Note)		403,159,918
Total		403,159,918

Note: The principal with an amount of RMB 400 million Yuan and the accrued income have been recovered in this period.

5.10.2 There is no sale of held-to-maturity investment in this period

5.11 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)	3,038,023	15.38		3,038,023	4,435,822	16.86		4,435,822
Instalment (Note 2)	16,716,680	84.62	248,663	16,468,017	21,877,518	83.14	359,165	21,518,353
Total	19,754,703	100.00	248,663	19,506,040	26,313,340	100.00	359,165	25,954,175

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; and

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.

5.12 Long-term equity investment

5.12.1 Overview

Item	Year-end balance	Year-begin balance
Joint ventures	7,459,244	4,765,722
Associates	131,599,655	309,603,803
Others	65,077,538	80,774,832
Subtotal	204,136,437	395,144,357
Less: impairment provision	26,907,106	5,070,000
Total	177,229,331	390,074,357

5.12.2 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
1. Joint ventures							
Beijing Huiyuan Xikang Healthcare Technology Co., Ltd. (Huiyan Xikang)	50.00	50.00	5,691,030	271,040	5,419,990	1,284,996	-4,111,454
Shanghai Shimao Xikang Healthcare Management Co., Ltd. (Note 1)	50.00	50.00	9,019,090	-479,408	9,498,498		-501,502
2. Associates							
Nokia Neusoft Commtech Company (Note 2)	46.00	46.00	457,140,552	322,806,524	134,334,028	265,956,220	14,672,157
Shenyang CataData Technology Co., Ltd.	16.67	16.67	7,501,005	1,821	7,499,184	113,551	-6,931,116
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	40.00	40.00	22,401,299	11,489,295	10,912,004	33,898,072	-4,975,172
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	20.00	20.00	964,863	3,098,198	-2,133,335	1,000	-507,285
NEC Neusoft Information Technologies Company Limited	30.00	30.00	35,727,058	699,198	35,027,860	4,928,113	-2,230,686
Aerotel Medical Systems (1998) Ltd.	31.38	31.38	17,292,496	14,790,536	2,501,960	7,169,034	-3,364,565
Shenyang Neusoft System Integration Engineering Co., Ltd.	26.65	26.65	320,151,862	229,098,862	91,053,000	487,853,195	13,420,834
Beijing Venusource Information Technology Co., Ltd.	34.43	34.43	32,925,937	1,258,440	31,667,497	20,543,195	109,735

Note 1: In February 2013, 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 2: This company was formerly known as Nokia Siemens Networks Neusoft Commtech Company.

5.12.3 Details of long-term equity investments

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	Investee
Nokia Neusoft Commtech Company	Equity method	26,713,621	55,044,460	6,749,192		61,793,652	46.00	46.00				
Shenyang CataData Technology Co., Ltd.	Equity method	15,000,000	12,950,050	-1,155,186		11,794,864	16.67	16.67				
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Equity method	9,051,000	6,354,871	-1,990,069		4,364,802	40.00	40.00				
Neusoft-Philips Medical Systems Limited liability company (Note 1)	Equity method	120,050,000	188,172,609	-188,172,609								58,555,000
Liaoning Shengjing Xikang Healthcare Co., Ltd. (Note 2)	Equity method	490,000	919	-919								
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.	Equity method	400,000					20.00	20.00				
NEC Neusoft Information Technologies Company Limited (Note 3)	Equity method	15,000,000	3,677,564	6,830,794		10,508,358	30.00	30.00				
Aerotel Medical Systems (1998) Ltd.	Equity method	10,675,548	9,427,333	-912,054		8,515,279	31.38	31.38				2,313,209
Shenyang Neusoft System Integration Engineering Co., Ltd.	Equity method	20,000,000	22,840,656	598,598		23,439,254	26.65	26.65				
Beijing Venusource Information Technology Co., Ltd.	Equity method	10,500,000	11,135,341	48,105		11,183,446	34.43	34.43				
Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Equity method	5,000,000	4,765,722	-2,055,727		2,709,995	50.00	50.00				
Shanghai Shimao Xikang Healthcare Management Co., Ltd. (Note 4)	Equity method	5,000,000		4,749,249		4,749,249	50.00	50.00				
Subtotal		237,880,169	314,369,525	-175,310,626		139,058,899						60,868,209
Dalian Weavesoft Co., Ltd.	Cost method	45,352	45,352			45,352	5.00	5.00				
Dalian Neusoft Institute of Information (Note 5)	Cost method	6,000,000	6,000,000	-6,000,000								
Dalian Neusoft Institute of Information Technology (Note 5)	Cost method	3,600,000	3,600,000	-3,600,000								
Chengdu Neusoft Institute of Information	Cost method	3,000,000	3,000,000			3,000,000	17.47	17.47		1,200,000		
Nanhai Neusoft Institute of Information Technology (Note 5)	Cost method	3,000,000	3,000,000	-3,000,000								
Dalian Neusoft Information Services Co., Ltd.	Cost method	1,877,722	1,877,722			1,877,722	10.00	10.00				
Beijing Huada Infosec Technology Co., Ltd.	Cost method	150,000	150,000			150,000	0.90	0.90				
Beijing Co-Create Open Source Software Company	Cost method	770,000	770,000			770,000	6.29	6.29		770,000		

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	Investee
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. (Note 6)	Cost method	3,000,000	3,000,000	-3,000,000								
Shenyang Torch Incorporated Company (Note 6)	Cost method	100,000	100,000	-100,000								
Lotus Business Consulting Co., Ltd.	Cost method	347,358	347,358			347,358	6.30	6.30				16,324
Tianjin Shenzhou Universal Data Technology Co., Ltd.	Cost method	3,000,000	3,000,000			3,000,000	5.00	5.00				199,300
Nanchang Biotech A&C Biotechnical Industry Incorporated Company	Cost method	27,600,000	27,600,000			27,600,000	9.01	9.01				
Appconomy, Inc. (Note 7)	Cost method	24,937,106	24,934,400	2,706		24,937,106	15.20	15.20		24,937,106	24,937,106	
Subtotal		80,777,538	80,774,832	-15,697,294		65,077,538				26,907,106	24,937,106	215,624
Total		318,657,707	395,144,357	-191,007,920		204,136,437				26,907,106	24,937,106	61,083,833

Note 1: During this reporting period, the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in this company and held 74% equity in this subsidiary in total after the acquisition. This company was included in the consolidated statements since the end of 2013 and no accounting by equity method will be made for it as an associate.

Note 2: In December 2013, the business registration of this company was cancelled.

Note 3: During this reporting period, the Company's subsidiary Shenyang Neusoft Information Technology Services Co., Ltd. invested RMB 7.5 million Yuan of subscribed capital contributions to this company, increasing the initial investment cost to RMB 15 million Yuan without change in equity ratio.

Note 4: During this 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 this reporting period, the Company finished the procedures of investment change in Nanhai Neusoft Institute of Information Technology, Dalian Neusoft Institute of Information and Dalian Neusoft Institute of Information Technology and recognized the income from equity transfer of these three institutes, please refer to "Note 7.4.10. (1)" section for details.

Note 6: During this reporting period, the Company wrote off the appropriated impairment provision of long-term equity investment in full amount for Dongzhong Commtech Co., Ltd. and Shenyang Torch Incorporated Company in previous years.

Note 7: During this reporting period, the Company has exercised the warrants of 443,693 shares in Appconomy, Inc. with the price at USD 0.001 dollar per share, increasing the initial investment cost to RMB 24,937,106 Yuan. The Company held 15.20% issued shares in Appconomy, Inc. after the exercise. Besides, according to recoverable situation of long-term equity investment, the Company appropriated the impairment provision of long-term equity investment in full amount.

5.12.4 Limitation on capital transfer from investee to investor: N/A

5.12.5 Sale of long-term equity investment with the price obviously higher than its book value: N/A

5.13 Investment property

Item	Year-begin balance	Increase in this period	Decrease in this period	Year-end balance
1. Original book value	392,708,986	18,135,165	1,248,137	409,596,014
(1) Houses and buildings	329,157,220	18,135,165	1,248,137	346,044,248
(2) Land use right	63,551,766			63,551,766
2. Accumulated depreciation and amortization	75,656,997	10,321,432	293,970	85,684,459
(1) Houses and buildings	64,310,519	8,732,833	293,970	72,749,382
(2) Land use right	11,346,478	1,588,599		12,935,077
3. Net value of investment property	317,051,989	8,448,165	1,588,599	323,911,555
(1) Houses and buildings	264,846,701	8,448,165		273,294,866
(2) Land use right	52,205,288		1,588,599	50,616,689
4. Accumulated amount of provision for impairment on investment property				
(1) Houses and buildings				
(2) Land use right				
5. Book value of investment property	317,051,989	8,448,165	1,588,599	323,911,555
(1) Houses and buildings	264,846,701	8,448,165		273,294,866
(2) Land use right	52,205,288		1,588,599	50,616,689

The increase of accumulated depreciation and amortization is RMB 10,321,432 Yuan, of which, 8,622,688 Yuan is appropriated and 1,698,744 Yuan is transferred into depreciation due to re-classification.

The original amount transferred into increased investment property due to re-classification is RMB 17,326,892 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
1. Original book value	2,370,060,505	220,584,553		115,697,776	2,474,947,282
Including: Houses and buildings	1,733,217,024	47,945,922		63,652,470	1,717,510,476
Electronic equipment	380,252,063	74,573,138		43,157,387	411,667,814
Transportation equipment	16,512,241	4,305,527		2,068,166	18,749,602
Other equipment	240,079,177	93,759,966		6,819,753	327,019,390
		Increase in this period	Including: appropriation in this period		
2. Accumulated depreciation	567,903,935	192,802,003	133,377,872	55,294,926	705,411,012
Including: Houses and buildings	185,972,850	47,633,599	47,633,599	13,242,823	220,363,626
Electronic equipment	251,402,383	65,778,349	59,835,331	36,398,194	280,782,538
Transportation equipment	10,780,619	2,779,119	2,170,571	1,496,962	12,062,776
Other equipment	119,748,083	76,610,936	23,738,371	4,156,947	192,202,072
3. Net book value of fixed assets	1,802,156,570	17,477,024		50,097,324	1,769,536,270

Continued table

Item	Year-begin balance	Increase in this period	Decrease in this period	Year-end balance
Including: Houses and buildings	1,547,244,174		50,097,324	1,497,146,850
Electronic equipment	128,849,680	2,035,596		130,885,276
Transportation equipment	5,731,622	955,204		6,686,826
Other equipment	120,331,094	14,486,224		134,817,318
4. Impairment provision	888,088		248,041	640,047
Including: Houses and buildings				
Electronic equipment	885,630		248,041	637,589
Transportation equipment				
Other equipment	2,458			2,458
5. Book value of fixed assets	1,801,268,482	17,725,065	50,097,324	1,768,896,223
Including: Houses and buildings	1,547,244,174		50,097,324	1,497,146,850
Electronic equipment	127,964,050	2,283,637		130,247,687
Transportation equipment	5,731,622	955,204		6,686,826
Other equipment	120,328,636	14,486,224		134,814,860

RMB 133,377,872 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 43,218,719 Yuan.

The original amount of increased fix assets due to change in consolidation in this period is RMB 87,289,685 Yuan, accumulated depreciation increases to RMB 59,424,131 Yuan.

For underlying security of fixed assets as of December 31st, 2013, 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	416,469,861	The application and approval procedures are in progress.	The certificates will be obtained after the procedures are finished.

5.14.7 Sale of fixed assets with the price obviously higher than its book value:

Item	Book value	Sales price	Basis
Houses and buildings	11,068,362	23,255,539	Evaluation report
Houses, buildings and land	33,877,381	39,900,000	Evaluation report, please refer to note 7.4.9 (1) for details.

5.15 Construction in progress

5.15.1 Overview

Item	Year-end balance			Year-begin balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Beijing Software Park	19,291,278		19,291,278	130,316,802		130,316,802
Renovation of canteen of Shenyang Software Park				32,521,121		32,521,121
Hainan Software Park (Phase I)	122,181,914		122,181,914	30,333,467		30,333,467
Dalian Hekou Park (Phase II)	12,533,222		12,533,222	1,270,181		1,270,181
Medical Information platform	1,736,831		1,736,831	558,907		558,907
Cloud base factory and office building	76,633,268		76,633,268			
Xikang renovation project (phase II)	8,344,065		8,344,065	403,451		403,451
Cloud base healthcare center (Phase I)	32,330,919		32,330,919	152,028		152,028
Renovation of supporting project of Shenyang No. 3 Street	3,697,774		3,697,774			
Total	276,749,271		276,749,271	195,555,957		195,555,957

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	576,000,000	130,316,802	96,527,681		207,553,205	39	41				Own capital	19,291,278
Renovation of canteen of Shenyang Software Park	43,000,000	32,521,121	9,873,715	42,394,836		99	100				Own capital	
Hainan Software Park (Phase I)	210,840,000	30,333,467	91,848,447			58	90				Own capital	122,181,914
Dalian Hekou Park (Phase II)	72,370,000	1,270,181	11,263,041			17	35				Own capital	12,533,222
Medical Information platform	2,720,000	558,907	2,001,807	823,883		94	69				Own capital	1,736,831
Cloud base factory and office building	475,520,000		76,633,268			16	17				Own capital	76,633,268

Continued table

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
Xikang renovation project (phase II)	57,230,000	403,451	42,202,901		34,262,287	74	83				Own capital	8,344,065
Cloud base healthcare center (Phase I)	136,070,000	152,028	32,178,891			24	40				Own capital	32,330,919
Office in Shenzhen	2,330,000		2,512,477		2,512,477	108	100				Own capital	
Renovation of supporting project of Shenyang No. 3 Street	6,700,000		3,697,774			55	90				Own capital	3,697,774
Total	1,582,780,000	195,555,957	368,740,002	43,218,719	244,327,969							276,749,271

5.15.3 Schedule of significant construction in progress

Item	Schedule
Beijing Software Park	This project is being constructed with rate of progress of 41%
Hainan Software Park (Phase I)	This project is being constructed with rate of progress of 90%
Dalian Hekou Park (Phase II)	This project is being constructed with rate of progress of 35%
Cloud base healthcare center (Phase I)	This project is being constructed with rate of progress of 40%
Cloud base factory and office building	This project is being constructed with rate of progress of 17%

5.16 Intangible asset

5.16.1 Overview

Item	Year-begin book balance	Increase in this period	Decrease in this period	Year-end book balance
1. Original book value	505,035,641	295,469,116	15,098,928	785,405,829
(1) Land use right	396,070,901	207,553,205	13,855,493	589,768,613
(2) Property use right				
(3) Purchased proprietary technology	86,528,659	60,953,630	1,243,435	146,238,854
(4) Others	22,436,081	26,962,281		49,398,362
2. Accumulated amortization	115,619,263	47,037,454	9,056,653	153,600,064
(1) Land use right	60,995,809	9,264,906	3,309,701	66,951,014
(2) Property use right				
(3) Purchased proprietary technology	37,572,743	20,785,516	5,746,952	52,611,307

Continued table

Item	Year-begin book balance	Increase in this period	Decrease in this period	Year-end book balance
(4) Others	17,050,711	16,987,032		34,037,743
3. Purchased proprietary technology	389,416,378	242,389,387		631,805,765
(1) Land use right	335,075,092	187,742,507		522,817,599
(2) Property use right				
(3) Purchased proprietary technology	48,955,916	44,671,631		93,627,547
(4) Others	5,385,370	9,975,249		15,360,619
4. Impairment provision	140,240			140,240
(1) Land use right				
(2) Property use right				
(3) Purchased proprietary technology				
(4) Others	140,240			140,240
5. Book value of intangible assets	389,276,138	242,389,387		631,665,525
(1) Land use right	335,075,092	187,742,507		522,817,599
(2) Property use right				
(3) Purchased proprietary technology	48,955,916	44,671,631		93,627,547
(4) Others	5,245,130	9,975,249		15,220,379

(1) The decrease of land use right is caused by the right transfer by the Company to Shenyang Ruidao House Purchasing Co., Ltd., please refer to Note 7.4.9 (1) for details; other decreases are mainly caused by change in the consolidation.

(2) The amortization amount of intangible asset in this period increases by RMB 47,037,454 Yuan, of which the current amortization amount is RMB 21,803,077 Yuan and the remaining is caused by change in the consolidation.

(3) There is no intangible asset for mortgage or warranty as at the end of this period, please refer to note 5.14.7.

5.16.2 Please refer to Note 5.14.7 for sale of intangible assets with the price obviously higher than its book value

5.16.3 Other remarks:

In December 2013, the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. ("Neusoft Medical") purchased 25% equity in Neusoft-Philips and held 74% equity in total after this acquisition. Neusoft-Philips was recorded in the consolidated financial statements at the end of 2013. According to the evaluation results, the fair value of purchased intangible asset from Neusoft-Philips is RMB 17,116,561 Yuan higher than its book value. Therefore, Neusoft Medical consolidated the intangible asset of Neusoft-Philips based on the fair value upon the acquisition date.

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	
Liaoning Neusoft Venture Capital Investment Co., Ltd. (Note 2)	77,123				77,123	
Beijing Lanruisoft Co., Ltd. (Note 3)	315,360				315,360	
NMSG business and assets (Note 4)	80,421,271			979,450	81,400,721	71,298,041
Neusoft Technology Solutions GmbH (Note 5)	33,270			406	33,676	33,676
VND business and assets (Note 6)	48,135,033			586,236	48,721,269	4,418,349
Taproot business and assets (Note 7)	18,490,493			-554,818	17,935,675	17,935,675
Beijing LBS Social Insurance Information Technology Co., Ltd. (Note 8)	1,809,071				1,809,071	
Beijing Neusoft Viewhigh Technology Co., Ltd. (Note 9)	99,953,597				99,953,597	19,446,797
Neusoft-Philips Medical Systems Limited liability company (Neusoft-Philips) (Note 10)		15,068,061			15,068,061	
Total	253,163,334	15,068,061		1,011,274	269,242,669	113,132,538

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 be appropriated as provision for impairment of goodwill. There is no impairment on goodwill in this period after the test. The change in provision for goodwill impairment is subject to the fluctuation of 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: 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 3: 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 4: 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; The change in provision for goodwill impairment is subject to the fluctuation of exchange rate.

Note 5: 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. The change in provision for goodwill impairment is subject to the fluctuation of exchange rate.

Note 6: 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; The change in provision for goodwill impairment is subject to the fluctuation of exchange rate.

Note 7: 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; The change in provision for goodwill impairment is subject to the fluctuation of exchange rate.

Note 8: 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 acquisition price exceeds the fair value of its attributable net assets was recognized as goodwill when preparing the consolidated financial statements.

Note 9: 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 acquisition price exceeds the fair value of its attributable net assets was recognized as goodwill when preparing the consolidated financial statements. In December 2013, the Company purchased 73.14% equity in Beijing Neusoft Viewhigh Technology from Neusoft Group (Beijing) Co., Ltd. with the original price. According to the applicable regulations for business combination under common control in the *Accounting Standards for Business Enterprises*, there is no change in the originally recognized goodwill.

Note 10: In December 2013, the Company's wholly owned subsidiary Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in Neusoft-Philips with RMB 92.89 million Yuan and held 74% equity in this subsidiary in total after the acquisition. 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.

5.18 Long-term deferred expenses

Item	Year-begin balance	Increase in this period	Amortization amount	Other decrease (note)	Year-end balance
Decoration expense	42,564,622	49,078,679	13,471,417	246,327	77,925,557
Landscaping expense	3,137,475	120,000	2,225,389		1,032,086
Reconstruction of leased fixed assets for operation	2,183,458	912,897	1,321,263		1,775,092
Others	24,177,618	6,194,297	6,747,663	862,387	22,761,865
Total	72,063,173	56,305,873	23,765,732	1,108,714	103,494,600

Note: This is mainly caused by change in the 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:		
Government subsidy	22,547,435	16,703,086
Appropriated bonus	19,869,527	21,479,730
Appropriated provision for bad debts above the standard in the Tax Law of P.R. China	14,104,736	11,232,120
Impairment of long-lived assets	7,732,754	526,206
Provision for inventory write-down	6,665,677	3,128,960
Estimated liabilities	2,402,334	2,056,962
Depreciation of fixed assets and other asset amortization	1,119,994	8,206
Undue loss not offsetted		365,328
Others	10,329,176	10,852,905
Subtotal	84,771,633	66,353,503
Deferred tax liabilities:		
Change in fair value of assets	5,064,783	1,491,718
Others	2,149,239	2,246,775
Subtotal	7,214,022	3,738,493

5.19.2 Taxable differences and deductible differences

Item	Amount
Deductible differences	
Government subsidy	208,687,101
Appropriated bonus	177,219,272
Appropriated provision for bad debts above the standard in the Tax Law of P.R. China	131,724,519
Impairment of long-lived assets	61,480,257
Provision for inventory write-down	57,885,283
Estimated liabilities	22,085,086
Depreciation of fixed assets and other asset amortization	3,767,109
Undue loss not offsetted	
Others	77,645,233
Subtotal	740,493,860
Taxable differences	
Change in fair value of assets	39,609,074
Others	14,328,252
Subtotal	53,937,326

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	105,746,291	34,203,058		7,955,856	-37,044	131,956,449
Provision for inventory write-down	31,807,366	9,939,786	1,087,896	316,953	17,542,980	57,885,283
Provision for impairment of goodwill	112,775,897				356,641	113,132,538
Provision for impairment of long-term equity investment	5,070,000	24,937,106		3,100,000		26,907,106
Provision for impairment of fixed assets	888,088			248,041		640,047
Provision for impairment of intangible asset	140,240					140,240
Total	256,427,882	69,079,950	1,087,896	11,620,850	17,862,577	330,661,663

Note: This 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	9,139,575	11,312,055
Debt of honor	200,000,000	500,000,000
Total	209,139,575	511,312,055

5.21.2 There is no unpaid due short-term borrowing in this period.

5.22 Note payable

5.22.1 Overview

Type	Year-end balance	Year-begin balance
Banker's acceptance	191,495,518	107,630,675

5.22.2 The amount due in following accounting period is RMB 191,495,518 Yuan.

5.22.3 Note payable to related party: the amount is RMB 244,000 Yuan, please refer to Note 7.4.11 for details.

5.23 Accounts payable

5.23.1 Overview

Item	Year-end balance	Year-begin balance
Purchase payment	805,545,291	620,096,812

5.23.2 Accounts payable to shareholder companies with over 5% (including 5%) voting share of the Company:

Company	Year-end balance	Year-begin balance
Alpine	6,285,699	518,177

5.23.3 Account payable to related parties at the end of this period is RMB 7,574,234 Yuan. Please refer to Note 7.4.11 for details.

5.23.4 Large-amount accounts payable with age of over 1 year

Debtor	Amount	Remark
Shenzhen Eternal Asia Supply Chain Incorporated Company	12,928,534	Unsettled purchase payment
Beijing Ericsson Communication Systems Co., Ltd.	4,694,195	Unsettled purchase payment
SHTECH (Shanghai) Co., Ltd.	3,973,478	Unsettled purchase payment
Hytera Communications Co., Ltd.	2,652,886	Unsettled purchase payment
Guangzhou Victel Technology Co., Ltd.	2,069,918	Unsettled purchase payment
Total	26,319,011	

5.24 Advance receipt

5.24.1 Overview

Item	Year-end balance	Year-begin balance
Contract payment received in advance	593,558,197	497,627,237

5.24.2 Advance receipt from Shareholding Company with over 5% (including 5%) voting share of the Company:

Advance receipt from	Year-end balance	Year-begin balance
Northeastern University of China (NEU)	602,720	
Toshiba Corporation		919,588
Total	602,720	919,588

5.24.3 Advance receipt from related parties

Advance receipt from related parties at the end of this period is RMB 1,202,720 Yuan; please refer to Note 7.4.11 for details.

5.24.4 Large-amount advance receipt with age of over 1 year:

Debtor	Amount	Remark
Qinhuangdao Branch of Agricultural Bank of China	5,807,935	Unsettled payment for contract being performed
Dalian Commodity Exchange	4,628,324	Unsettled payment for contract being performed
Bureau of Human Resources and Social Security of Lanzhou	3,550,538	Unsettled payment for contract being performed
Subei People's Hospital of Jiangsu Province	2,978,000	Unsettled payment for contract being performed
Gansu Branch of China National Tobacco Corporation	2,347,394	Unsettled payment for contract being performed
Total	19,312,191	

5.25 Employee pays payable

Item	Year-begin balance	Increase in this period	Decrease in this period	Year-end balance
(1) wage, bonus, allowance and subsidy	282,714,475	2,374,068,694	2,353,476,978	303,306,191
(2) Reward and welfare fund	18,314,894			18,314,894
(3) Welfare expense		23,389,470	23,114,929	274,541
(4) Social insurance premium	2,925,312	432,175,468	430,793,252	4,307,528
Covering: medical insurance	494,238	139,781,976	139,255,115	1,021,099
Basic pension insurance	975,813	243,014,927	242,380,496	1,610,244
Annuity	1,092,495	17,223,783	17,233,452	1,082,826
Unemployment insurance	201,073	20,774,098	20,902,570	72,601
Employment injury insurance	137,148	9,721,770	9,360,328	498,590
Maternity insurance	24,545	1,658,914	1,661,291	22,168
(5) Housing reserve	311,888	132,726,895	133,004,769	34,014
(6) Labor union fund and employee education fund	20,476,649	18,432,116	15,269,342	23,639,423
(7) Compensation for terminating labor relation		978,344	978,344	
(8) Retirement allowance	4,878,577	395,326	227,982	5,045,921
Total	329,621,795	2,982,166,313	2,956,865,596	354,922,512

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 February 2014.

5.26 Taxes payable

Item	Year-end balance	Year-begin balance
Corporate income tax	-9,017,837	844,682
VAT	50,448,633	29,001,889
Business tax	745,882	16,590,081
Urban maintenance and construction tax	6,079,198	3,897,508
Individual income tax	12,200,043	10,767,870
Others	7,142,124	4,839,961
Total	67,598,043	65,941,991

5.27 Other accounts payable

5.27.1 Overview

Item	Year-end balance	Year-begin balance
Temporary receipt payable to other company	97,725,206	75,477,457
Withholding account payable	13,715,115	15,276,951
Margin for construction or project	13,494,428	7,731,761
Deposit for property	9,461,862	9,261,646
Temporary estimated construction payment	4,337,407	61,082,022
Temporary receipt payable to individuals	3,280,607	5,955,549
Others	41,753,789	37,234,832
Total	183,768,414	212,020,218

5.27.2 Other account payable to Shareholding Company with over 5% (including 5%) voting share of the Company:

Payable to	Year-end balance	Year-begin balance
NEU	8,531,789	4,783,862

5.27.3 Other accounts payable to related parties: Other account payable to related parties at the end of this period is RMB 13,798,025 Yuan; please refer to Note 7.4.11 for details.

5.27.4 Other large-amount account payable with age of over 1 year:

Payable to	Amount	Reason
Dalian Neusoft Holding Co., Ltd.	3,140,000	Based on related agreement
NEU	2,304,672	Based on related agreement

5.27.5 Other accounts payable with large amount

Payable to	Amount	Nature or content	Remarks
Philips Electronic China Group	52,878,183	Payment for equity transfer	(Note 1)
Dalian Neusoft Holding Co., Ltd.	3,140,000	Temporary receipt	(Note 2)
NEU	8,531,789	Instalment payment for transfer of property	(Note 3)

Note1: The Company's subsidiary Neusoft Medical purchased 25% equity in Neusoft Philips. According to applicable regulations of the State Administration of Foreign Exchange of China, the remaining due payment has been transferred to the designated bank-supervised account of Neusoft-Philips and finally paid on January 2014. Please refer to Note 4.5 for details.

Note 2: This refers to the payment for transfer of the equities in four institutes from the Company to Dalian Neusoft Holding Co., Ltd. in 2012. Please refer to Note 7.4.10 (1) for details.

Note 3: This refers to the due instalment payment for buying property from Northeastern University of China in 2006 as contracted and other temporary receipts.

5.28 Non-current liabilities due within one year

5.28.1 Overview

Item	Year-end balance	Year-begin balance
Bonds payable due within one year	403,658,667	
Long-term accounts payable due within one year	48,000,000	
Long-term borrowings due within one year	17,500,000	
Total	469,158,667	

5.28.2 Bonds payable due within one year

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. The Company will pay the principal and the remaining interest in November 2014 so that it was reclassified into "non-current liabilities due within one year" item.

5.28.3 Long-term accounts payable due within one year

Item	Term	Year-begin balance	Interest rate (%)	Accrued interest	Year-end balance
Construction fund for Shenyang Neusoft IT Talent Training Base (Note)	2008.10.01-2014.10.31				48,000,000

Note: This fund was borrowed from Administrative Committee of Hunnan New District, Shenyang in preceding year with an amount of RMB 120,000,000 Yuan without paying any interest or any other fee. Please refer to Note 5.32 (Note 1) for details.

5.28.4 Long-term borrowings due within one year

Item	Year-end balance	Year-begin balance
Mortgage loan (Note)	17,500,000	
Debt of honor		
Total	17,500,000	

Note: There is no overdue loan under this item as at the end of this period. Please refer to Note 5.31 for details.

5.29 Other current liabilities

Item	Year-end balance	Year-begin balance
Accrued expenses	3,664,444	120,743

Note: the increase of the year-end balance is mainly caused by change in the consolidation.

5.30 Estimated liabilities

Item	Year-begin balance	Increase	Decrease	Year-end balance
Product quality warranty	18,628,581	3,456,505		22,085,086

5.31 Long-term borrowings

5.31.1 Overview

Type	Year-end balance	Year-begin balance
Mortgage loan (Note)	54,000,000	84,000,000
Debt of honor	500,000,000	
Total	554,000,000	84,000,000

Note: The loan at the end of this period was gained from a mortgage on property with a book value of RMB 126,134,586 Yuan by the Company's subsidiary Neusoft Group (Tianjin) Co., Ltd. ("Neusoft Tianjin"), which was a full discount loan.

Neusoft Tianjin has repaid RMB 12,500,000 Yuan before December 31st, 2013 and will pay RMB 17,500,000 Yuan before December 31st, 2014. Therefore, it was reclassified into "non-current liabilities due within one year" item.

5.31.2 Top five long-term borrowings

Borrowing from	Start date	Expiry date	Currency	Interest rate (%)	Year-end balance		Year-begin balance	
					Foreign currency	Local currency	Foreign currency	Local currency
Tianjin Puji Branch of SPD Bank	May 9 th , 2012	May 8 th , 2017	RMB	8.28		54,000,000		84,000,000
Dalian Branch of the Export-Import Bank of China	March 4 th , 2013	March 3 rd , 2015	RMB	4.20		200,000,000		
Dalian Branch of the Export-Import Bank of China	March 18 th , 2013	March 17 th , 2015	RMB	4.20		300,000,000		
Total						554,000,000		84,000,000

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			72,000,000	(Note 1)
Due payment for buying property		44,850,000			41,437,000	(Note 2)
Total		179,459,431			128,046,431	

Note 1: This fund was borrowed from Administrative Committee of Hunnan New District, Shenyang in preceding year with an amount of RMB 120,000,000 Yuan without paying any interest or any other fee. The Company will repay RMB 48,000,000 Yuan before October 31st, 2014 so it was reclassified into "non-current liabilities due within one year" item.

Note 2: This is the due instalment payment of Neusoft Group (Tianjin) Co., Ltd. to Tianjin Port Free Trade Zone Investment Co., Ltd. for purchasing the use right of the land located within Tianjin Free Trade Zone as well as the ownership of a newly-built R&D office build-

ing 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. paid RMB 3,413,000 Yuan and the remaining will be paid in the coming four years.

5.33 Other current liabilities

Item	Year-end balance	Year-begin balance
Deferred income (Note)	270,190,713	222,597,627
Total	270,190,713	222,597,627

Note: Deferred income refers to income-related subsidy received from the government for compensating for relevant expenses in following years.

Deferred income	Year-end balance	Year-begin balance	Asset-related/income-related
Asset-related scientific research appropriation	16,220,667	16,780,000	Asset-related
Income-related scientific research appropriation	219,366,094	156,368,314	Income-related
Other asset-related government subsidy	21,168,752	18,842,413	Asset-related
Other income-related government subsidy	13,435,200	30,606,900	Income-related
Total	270,190,713	222,597,627	

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							

Continued table

Item	Year-begin balance	Changes (+/-)					Year-end balance
		Newly issued share	Share dividend	Share transferred from surplus reserve	Others	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. Share premium (Note 1)	340,128,038		94,863	340,033,175
2. Other capital reserves (Note 2)	16,161,070	3,317,824		19,478,894
Total	356,289,108	3,317,824	94,863	359,512,069

Note 1: During this reporting period, the Company purchased the minority interest in Neusoft Transportation Information Technology Co., Ltd. The capital reserve increased by RMB 94,863 Yuan for the difference between purchase price and identifiable net assets attributable to the Company which is calculated according to newly increased equity ratio.

Note 2: During this reporting period, RMB 30,000 Yuan of capital surplus was generated for the newly increased registered capital of Beijing Venusource Information Technology Co., Ltd., an associate of the Company's controlled subsidiary Liaoning Neusoft Venture Capital Investment Co., Ltd. ("Neusoft Venture Capital"), which recognized RMB 10,328 Yuan of capital reserve according to its equity ratio. The Company increased RMB 6,197 Yuan of capital reserve based on its equity ratio in Neusoft Venture Capital when consolidating the financial statements.

RMB 5,519,379 Yuan of capital reserve was formed due to the net amount of fair value change in Neusoft Venture Capital's available-for-sale financial asset (after deducting the deferred income tax). The Company increased RMB 3,311,627 Yuan of capital reserve based on its equity ratio in Neusoft Venture Capital when consolidating the financial statements.

5.36 Surplus reserves

Item	Year-begin balance	Increase	Decrease	Year-end balance
Statutory surplus reserve	431,425,557	34,850,153		466,275,710
Arbitrary surplus reserve	235,850,293	17,425,076		253,275,369
Total	667,275,850	52,275,229		719,551,079

5.37 Undistributed profits

Item	Amount	Appropriation/distribution rate
Undistributed profits at the beginning of the year	2,922,439,964	
Add: Net profit attributable to the shareholders of the parent company	410,938,749	
Less: Appropriated statutory surplus reserves	34,850,153	10% of after-tax profits
Appropriated arbitrary surplus reserves	17,425,076	5% after-tax profits
Common stock dividends payable	184,139,137	(Note)
Common stock dividends transferred into capital share		
Others		
Undistributed profit at the end of this period	3,096,964,347	

Note: The Profit Distribution Proposal 2012 was approved at the 2012 Annual Shareholders' Meeting held on April 19th, 2013. Based on the total equity of 1,227,594,245 shares as at December 31st, 2012, the Company decided to distribute cash bonus to all shareholders with a total amount of RMB 184,139,137 Yuan (including tax) on a RMB 1.5 Yuan-for-10 shares basis. The remaining undistributed profit was carried forward to the following year. The related announcement has been published on China Securities Journal and Shanghai Securities News on April 20th, 2013 and the Company has finished the foregoing distribution on June 7th, 2013.

5.38 Operating income and cost

5.38.1 Operating income

Item	Amount in this period	Amount in previous period
Primary business income	7,375,688,797	6,883,891,905
Other business income	77,064,436	76,303,106
Subtotal	7,452,753,233	6,960,195,011

5.38.2 Operating cost

Item	Amount in this period	Amount in previous period
Primary business cost	5,273,376,260	4,686,216,468
Other business cost	35,304,335	43,504,460
Total	5,308,680,595	4,729,720,928

5.38.3 Operating income & cost (by industry):

Industry	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	6,480,628,986	4,782,344,528	5,975,047,991	4,172,158,625
Medical systems	877,664,386	496,725,778	893,617,148	530,343,758
Property management service and rental	86,040,458	23,966,306	82,863,596	21,687,130
Advertising	8,419,403	5,643,983	8,666,276	5,531,415
Total	7,452,753,233	5,308,680,595	6,960,195,011	4,729,720,928

5.38.4 Primary operating income & cost (by industry):

Industry	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	6,477,718,637	4,779,697,752	5,973,700,882	4,170,932,577
Medical systems	812,499,233	466,447,345	824,097,540	489,722,271
Property management service and rental	77,051,524	21,587,180	77,427,207	20,030,205
Advertising	8,419,403	5,643,983	8,666,276	5,531,415
Total	7,375,688,797	5,273,376,260	6,883,891,905	4,686,216,468

5.38.5 Operating income from top 5 customers:

Customer	Operating income	Proportion to the total (%)
Shenyang Neusoft System Integration Engineering Co., Ltd.	317,187,737	4.26
Harman	244,558,733	3.28
Sony	244,036,898	3.27
Toshiba Corporation	228,596,420	3.07
Alpine	200,243,700	2.69
Total	1,234,623,488	16.57

5.39 Business tax and surtaxes

Item	Amount in this period	Amount in previous period	Tax rate (%)
Business tax	39,030,653	82,810,083	5
Urban maintenance and construction tax	15,782,259	16,167,805	1-7
Educational surtax	11,468,658	11,752,517	2、3
Others	937,385	377,981	
Total	67,218,955	111,108,386	

5.40 Sales expense

Item	Amount in this period	Amount in previous period
Employee compensation	399,832,328	358,289,610
Transportation and business travel expenses	69,419,015	70,479,301
Entertainment expense	62,785,305	62,261,694
Office materials	37,283,786	41,326,558
Advertising	36,050,706	41,475,992
Rental and property management fee	11,772,354	8,628,113
Depreciation and amortization	7,195,234	6,983,748
Premium	6,099,076	6,663,142
Others	27,135,244	38,966,628
Total	657,573,048	635,074,786

5.41 Administrative expenses

Item	Amount in this period	Amount in previous period
Employee compensation	754,939,268	627,701,024
Depreciation and amortization	104,100,117	76,393,409
Office materials	71,532,848	65,319,567
Rental and property management fee	58,756,935	41,953,657
Transportation and business travel expenses	44,965,311	48,555,310
Entertainment expense	33,179,561	34,220,589
Local taxes	32,670,876	35,639,885
Training/auditing/consulting expenses	30,837,811	22,630,727
Advertising	5,187,098	4,065,719
Premium	4,565,001	4,211,355
Others	33,262,888	25,253,705
Total	1,173,997,714	985,944,947

5.42 Financial expenses

Type	Amount in this period	Amount in previous period
Interest expenses	60,865,808	59,183,749
Less: Interest income	16,977,451	14,042,444
Cash discount	1,716,983	956,726
Profit or loss on exchange	-11,681,477	26,304,296
Handling fee and other	5,261,430	6,162,740
Total	39,185,293	78,565,067

5.43 Income from changes in fair value

Cause	Amount in this period	Amount in previous period
Trading financial assets	17,332,730	14,054,013
Trading financial liabilities		170,567
Total	17,332,730	14,224,580

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	215,624	11,835
Income from long-term equity investment calculated by equity method	33,813,510	39,038,402
Investment income from disposal of long-term equity investment (Note 1)	12,168,673	52,095,578

Continued table

Item	Amount in this period	Amount in previous period
Investment income obtained during the holding period of held-to-maturity investment	11,201,057	14,780,158
Investment income from disposal of trading financial assets	10,165,745	
Investment income obtained during the holding period of available-for-sale financial assets		
Other (Note 2)	18,364,615	6,198,093
Total	85,929,224	112,124,066

Note 1: This mainly refers to the investment income from selling all the equity in Guangdong Neufashion Digital Technology Co., Ltd.

Note 2: This refers to the investment income recognized by re-estimating the fair value of the 49% equity in Neusoft-Philips originally held by Neusoft Medical when buying the 25% equity.

5.44.2 Long-term equity investment income calculated by cost method:

Investment income accounts for above 5% of the total profits or below 5% but ranking at the top 2:

Investee	Amount in this period	Amount in previous period	Cause of change
Tianjin Shenzhen Universal Data Technology Co., Ltd.	199,300		Cash dividend received by Neusoft Group (Tianjin) Co., Ltd.
Lotus Business Consulting Co., Ltd.	16,324	11,835	Cash dividend received by Neusoft (Japan) Co., Ltd.
Total	215,624	11,835	

5.44.3 Long-term equity investment income calculated by equity method:

Investment income accounts for above 5% of the total profits or below 5% but ranking at the top 5:

Investee	Amount in this period	Amount in previous period	Cause of change
Neusoft-Philips Medical Systems Limited Liability Company	30,466,025	39,090,289	Change in net profit of investee
Nokia Neusoft Commtech Company	6,749,192	4,134,373	Change in net profit of investee
Shenyang Neusoft System Integration Engineering Co., Ltd.	3,738,175	2,809,091	Change in net profit of investee
Beijing Venusource Information Technology Co., Ltd.	37,777	635,341	Change in net profit of investee
Chongqing Guo'ao 100 Years Xikang Health Management Co., Ltd.		-212,290	Investment loss is no longer recognized because the book value of long-term equity investment is written down to zero.

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	34,203,058	41,725,790
Inventory write-down	8,851,890	8,473,546
Impairment of long-term equity investment	24,937,106	
Impairment of investment property		
Impairment of fixed assets		

Continued table

Item	Amount in this period	Amount in previous period
Impairment of construction supplies		
Impairment of construction in progress		
Impairment of intangible asset		
Impairment of goodwill		86,432,773
Total	67,992,054	136,632,109

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	11,332,126	1,623,722	11,332,126
Including: Profit from disposal of fixed assets	7,924,384	443,722	7,924,384
Profit from disposal of intangible asset	3,407,742	1,180,000	3,407,742
Government Subsidies	140,953,065	94,363,121	140,953,065
VAT refund	48,616,791	39,349,050	
Others	6,227,429	4,216,234	6,227,429
Total	207,129,411	139,552,127	158,512,620

5.46.2 Government subsidies

Item	Nature/content	Form	Acquisition year	Amount in this period	Amount in previous period
(1) Fund appropriation for scientific research (included in current profit and loss)	For scientific research	Fund	2013	7,900,000	
	For scientific research	Fund	Before 2013	18,768,003	22,987,495
(2) Development fund for service outsourcing business	Service outsourcing business	Fund	2013	45,832,600	
	Service outsourcing business	Fund	Before 2013		36,053,600
(3) Industry supporting fund	Industry support	Fund	2013	23,682,104	
	Industry support	Fund	Before 2013		5,971,024
(4) Fiscally subsidized interest	Fiscally subsidized interest	Fund	2013	9,454,000	
	Fiscally subsidized interest	Fund	Before 2013		2,543,800
(5) Other government subsidies	Other	Fund		35,316,358	26,807,202
Total				140,953,065	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	1,823,907	5,173,148	1,823,907
Including: Loss on disposal of fixed assets	1,809,413	1,825,227	1,809,413
Loss on disposal of intangible asset	14,494	3,347,921	14,494
Donation		689,000	
Others	1,542,858	518,900	1,542,858
Total	3,366,765	6,381,048	3,366,765

5.48 Income tax

Item	Amount in this period	Amount in previous period
Income tax calculated by the Tax Laws and related regulations	69,664,469	126,918,048
Adjustment of deferred income tax	-9,065,709	-20,018,487
Total	60,598,760	106,899,561

5.49 Calculation of Basic EPS and Diluted EPS

Formula:

5.49.1 Basic EPS

Basic EPS= $P_0 \div S$

$S = S_0 + S_1 + S_2 \times M_1 \div M_0 - S_3 \times M_3 \div M_0 - S_k$

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_1 means accumulated number of months from the following month of the share increase to the end of the reporting period; M_3 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= $P_1 / (S_0 + S_1 + S_2 \times M_1 \div M_0 - S_3 \times M_3 \div M_0 - S_k + \text{weighted average number of increased ordinary shares from Warrants, Stock Option and convertible bonds})$

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/share)	
	Basic EPS	Diluted EPS
Net profit attributable to the Company's common shareholders	0.33	0.33
Net profit attributable to Company's common shareholders after deducting non-recurring profit and loss	0.18	0.18

5.49.4 Calculation process of basic EPS:

Item	Formula	Amount in this period
Net profit attributable to the Company's common shareholders	P_0	410,938,749
Non-recurring profit and loss	F	195,266,279
Net profits attributable to Company's common shareholders after deducting non-recurring profit and loss	$P_1 = P_0 - F$	215,672,470
Total shares at year begin	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(Yuan/share)	$EPS = P_1 / S$	0.33
Basic EPS after deducting non-recurring profit and loss(Yuan/share)	$EPS_1 = P_1 / S$	0.18

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	4,415,503	
Less: Related income tax	1,103,876	
Net value previously included in other composite income and transferred into current profit and loss		
Subtotal	3,311,627	
2. Attributable amount in other composite income of the investee calculated by equity method		
Less: Related income tax		

Continued table

Item	Amount in this period	Amount in previous period
Net value previously included in other composite income and transferred into current profit and loss		6,198,093
Subtotal		-6,198,093
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	-19,597,751	-5,695,655
Less: Net value transferred into current profit and loss when disposing overseas operations		
Subtotal	-19,597,751	-5,695,655
5. Other composite income attributable to minority shareholders (translation difference in foreign currency-denominated statements)	2,485,537	40,007
Subtotal	2,485,537	40,007
6. Others		
Less: Related income tax		
Other Net value previously included in other composite income and transferred into current profit and loss		
Subtotal		
Total	-13,800,587	-11,853,741

5.51 Note to the cash flow statement

5.51.1 Other cash receipts relating to operating activities

Item	Amount
Interest income	16,977,451
Scientific research appropriation	163,529,218
Other transactions	144,063,868
Total	324,570,537

5.51.2 Other cash disbursement relating to operating activities

Item	Amount
Transportation and business travel expenses	127,656,284
Office materials	119,711,058
Entertainment expense	98,501,748
Rental and property management expense	63,438,960

Continued table

Item	Amount
Business promotion expense	41,131,512
Training, consulting, seminar expenses	36,427,775
Transportation and property insurance expenses	8,431,765
Other transactions	50,082,087
Total	545,381,189

5.51.3 Other cash receipt relating to investment activities

Item	Amount
Net amount by which the amount of paid cash for acquiring subsidiary deducts the amount of the cash and cash equivalent held by the subsidiary on the acquisition date (Note)	23,307,128
Project deposit	7,036,000
Total	30,343,128

Note: Neusoft-Philips was included in the consolidated financial statement after the acquisition by Neusoft Medical. This net amount was indicated under "Other cash receipt relating to investment activities" when preparing the cash flow statement.

5.51.4 Other cash disbursement relating to investment activities

Item	Amount
Project deposit	5,804,000
Financial support provided by Neusoft (Europe) Co., Ltd. for Aerotel Medical Systems (1998) Ltd.	1,385,685
Other	463,219
Total	7,652,904

5.51.5 Other cash disbursement relating to financing activities

Item	Amount
Underwriting fee for medium-term notes in 2011	1,351,372
Total	1,351,372

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	384,531,414	435,768,952
Add: Provision for asset impairment	67,992,054	136,632,109
Depreciation of fixed assets, oil & gas assets and productive biological assets	142,000,560	118,041,429
Amortization of intangible asset	21,803,077	23,360,280
Amortization of long-term deferred expenses	23,765,732	18,582,416
Loss on disposal of fixed assets, intangible asset and other long-lived assets ("-" for profit)	-9,508,219	3,549,426
Abandonment loss of fixed assets ("-" for profit)		
Loss on change of fair value ("-" for profit)	-17,332,730	-14,224,580
Financial expenses ("-" for profit)	49,184,331	85,488,045
Investment loss ("-" for profit)	-85,929,224	-112,124,066
Decrease of deferred income tax assets ("-" for increase)	-18,418,130	-20,761,981
Increase of deferred income tax liabilities ("-" for decrease)	3,475,529	1,328,712
Decrease of inventories ("-" for increase)	-68,555,989	-245,814,014
Decrease of operating accounts receivable ("-" for increase)	-806,315,158	-310,333,000
Increase of operating accounts payable ("-" for decrease)	617,158,285	197,741,794
Others		
Net value of cash flow from operating activities	303,851,532	317,235,522
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	2,155,127,451	2,088,199,345
Less: Year-begin cash balance	2,088,199,345	1,736,706,930
Add: Year-end cash equivalent balance		
Less: Year-begin cash equivalent balance		
Net increase in cash and cash equivalents	66,928,106	351,492,415

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	107,706,425	38,704,045
2). Cash and cash equivalent paid for the acquisition	107,706,425	38,704,045
Less: Cash and cash equivalent held by subsidiaries and other operating units	116,200,897	204,045
3) Net cash received from subsidiaries and other operating units	-8,494,472	38,500,000
4) Net assets obtained from the subsidiaries	351,212,832	204,045
Current assets	377,954,817	204,045
Non-current assets	109,878,075	
Current liabilities	136,620,060	
Non-current liabilities		
2. Information relating to disposing subsidiaries and other operating units:		
1) Disposal price	22,500,000	444,276,705
2) Cash and cash equivalent received from the disposal	27,820,967	430,115,253
Less: Cash and cash equivalent held by subsidiaries and other operating units	13,930	14,341,392
3) Net cash received from disposal of subsidiaries and other operating units	27,807,037	415,773,861
4) Net assets from disposal of subsidiaries	18,200,520	623,373,173
Current assets	19,456,362	153,816,891
Non-current assets	13,551,280	625,245,672
Current liabilities	14,807,122	51,689,390
Non-current liabilities		104,000,000

Note: Neusoft-Philips was included in the consolidated financial statement after the acquisition by Neusoft Medical. This net amount (-23,307,128 Yuan) was indicated under "Other cash receipt relating to investment activities" when preparing the cash flow statement.

5.52.3 Composition of cash and cash equivalent:

Item	Amount in this period	Amount in previous period
1. Cash	2,155,127,451	2,088,199,345
Including: Cash on hand	197,394	139,152
Bank deposit which can be used for payment at anytime	2,154,163,414	2,082,553,193
Other money capital which can be used for payment at anytime	766,643	5,507,000
2. Cash equivalent		
Including: Bond investment due within three months		
3. Ending balance in cash and cash equivalents	2,155,127,451	2,088,199,345

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 and related goods	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
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
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	
Hebei Neusoft Co., Ltd.	Controlled	Limited liability company	Qinhuangdao	Xu Hongji	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/hardware, 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/hardware, 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/hardware, technical consulting and services	200,000,000	100.00	100.00	68095364-8

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Neusoft Group (Chengdu) Co., Ltd.	Wholly owned	Limited liability company	Dujiangyan	Wang Jingxi	Computer software/hardware	1,000,000	100.00	100.00	78812157-9
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	Computer software/hardware development and services.	10,000,000	100.00	100.00	57175470-3
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	100.00	100.00	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	
Neusoft Group (Chongqing) Co., Ltd.	Wholly owned	Limited liability company	Chongqing	Yang Jiwen	Development and sales of computer software/hardware	20,000,000	100.00	100.00	06615648-9
Neusoft Group (Ningbo) Co., Ltd.	Wholly owned	Limited liability company	Ningbo	Xing Bo	Development and sales of computer software/hardware	20,000,000	100.00	100.00	06661847-9

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
Neusoft Group (Xuzhou) Co., Ltd.	Wholly owned	Limited liability company	Xuzhou	Xing Bo	Development and sales of computer software/hardware	10,000,000	100.00	100.00	06952887-4
Neusoft Group (Karamay) Co., Ltd.	Wholly owned	Limited liability company	Karamay	Zhang Dengguo	Design, production and sales of computer software/hardware	20,000,000	100.00	100.00	07220013-2
Neusoft Group (Changchun) Co., Ltd.	Wholly owned	Limited liability company	Changchun	Wang Qi	Development and sales of computer software/hardware and electronic products	30,000,000	100.00	100.00	07362451-9
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
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	77735490-8
Dalian Neusoft Business Process Consulting Co., Ltd.	Wholly owned	Limited liability company	Dalian	Wang Yongfeng	Computer software/hardware	25,000,000		100.00	69600028-6
Beijing Neusoft Huiju Information Technology Co., Ltd.	Controlled	Joint stock company	Beijing	Rong Xinjie	Computer software/hardware, technical service	30,000,000		80.28	66217772-9
Neusoft Capital International Co., Ltd.	Wholly owned	Limited liability company	British Virgin Islands	Liu Jiren	Project investment, asset management and investment consulting	1,000,000 USD		100.00	
Beijing Neusoft Yuetong Software Technology Co., Ltd.	Controlled	Limited liability company	Beijing	Wang Limin	Computer software/hardware/services	15,000,000		70.00	69230700-2
Beijing InBridge Consulting Co., Ltd	Wholly owned	Limited liability company	Beijing	Song Li	Economic information consulting, corporate management service	100,000		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	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	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	
Neusoft Xikang International Co., Ltd.	Wholly owned	Limited liability company	Hong Kong	Zhao Hong	IT and related consulting services	1,000,000 HKD		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	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	76439265-7
Shenyang Neusoft Spectrum MRI Technologies Co., Ltd.	Controlled	Limited liability company	Shenyang	Jiang Genmiao	R&D and manufacturing of Low-filled permanent magnet products, MRI technology development and consulting	10,000,000		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	78005017-1

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
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	12,000,000 USD		100.00	
Neusoft Medical Systems (Middle East) Limited liability company	Wholly owned	Limited liability company	United Arab Emirates	Mohamed Abdelhamid Hassan Elgaby	Medical systems and relevant technical consulting and services	3,500,000 USD		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	
Neusoft-Philips Medical Systems Limited liability company	Controlled	Limited liability company	Shenyang		R&D, manufacturing and sales of CT scanners, MRI, X-ray and US equipment and related parts, technical consulting and support	29,600,000 USD		74.00	760075515
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	
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	
Neusoft EDC SRL	Wholly owned	Limited liability company	Romania	Klaus Michael Zimmer	Computer software/hardware, technical consulting and services	94,000 ROL		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	
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	57515244-3
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	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	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	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	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	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	05454758-9

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
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	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	59454731-X
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	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	10,100,000		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	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	59807150-7
Shenzhen Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Shenzhen	Pan Ningchuan	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	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	05075277-X
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	5,500,000		100.00	05739944-6

Continued table

Subsidiary	Type	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Organization code
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	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	06088014-2
Chongqing Neusoft Xikang Healthcare Co., Ltd.	Wholly owned	Limited liability company	Chongqing	Lu Zhaoxia	Healthcare management, information consulting, medical institution management consulting, healthcare record management; sales and lease of electronic products, computer and communication equipment, engineering and mechanical equipment; technical development, consulting and related service	500,000		100.00	06288300-5
Tianjin Xikang Hospital Management CO., Ltd.	Wholly owned	Limited liability company	Tianjin	Lu Zhaoxia	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	06989656-2
Dalian Yida Xikang Healthcare Management Co., Ltd.	Controlled	Limited liability company	Dalian	Liu Jiren	Health consulting; lease of electronic products, computer and communication equipment, engineering and mechanical equipment; development, consulting and related service of computer software; general trading	10,000,000		60.00	07948041-3

7.2 Joint ventures and associates

Investee	Form	Domicile	Legal representative	Business scope	Registered capital	Equity ratio (%)	Voting share (%)	Relevance	Organization code
1.Joint ventures									
Beijing Huiyuan Xikang Healthcare Technology Co., Ltd.	Limited liability company	Beijing	Jiang Xu	Technical development, consulting, transfer and service; corporate management and consulting; sales of electronic products, computer software; lease of commodities and mechanical equipment	10,000,000	50.00	50.00	Joint venture	05144350-6
Shanghai Shimao Xikang Healthcare Management Co., Ltd.	Limited liability company	Shanghai	Liu Saifei	Healthcare management consulting; corporate management service; data processing; sales of electronic products, computer software/hardware	10,000,000	50.00	50.00	Joint venture	06257733-1
2.Associates									
Nokia Neusoft Commtech Company	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
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

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
Nanghai 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
Harman International Industries, Incorporated and its subsidiaries (collectively referred to as "Harman")	The Company's Chairman and CEO serves as Director at Harman	
Dalian Kangruidao Investment Co., Ltd. ("Dalian Kangruidao")	The Company's Chairman and CEO serves as Director and Chairman at this company	58200763-1
Dalian Neusoft Holding Co., Ltd. ("Dalian Neusoft Holding")	Dalian Kangruidao's controlled subsidiary	58203862-2
Dalian Neusoft Institute of Information Technology	Education institution owned by Dalian Neusoft Holding	42244491-2
Dalian Neusoft Thinking Technology Development Co., Ltd. ("DL Thinking")	Dalian Kangruidao's wholly owned subsidiary	76077566-9
Dalian Neusoft Park Industrial Development Co., Ltd. ("DNPID")	Dalian Neusoft Holding's controlled subsidiary	740920764-4
Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. ("TJ Ruidao")	Dalian Neusoft Holding's controlled subsidiary	59290802X
Chengdu Neusoft Co., Ltd. ("CD Neusoft")	Chengdu Neusoft Institute of Information's wholly owned subsidiary	55643276-5
Shenyang Ruidao House Purchasing Co., Ltd. ("Ruidao House Purchasing")	Dalian Kangruidao's wholly owned subsidiary	06470928-9
Dalian Yunguan Technology Co., Ltd.	Dalian Neusoft Holding's wholly owned subsidiary	05808908-7

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	304,010,440	54.91	393,312,137	69.87
Alpine	Purchase of products	Raw material or finished products	Negotiation based on market price	13,555,934	0.60	17,479,699	0.99
Shenyang Neusoft System Integration Engineering Co., Ltd.	Purchase of products	Raw material or finished products	Negotiation based on market price	13,028,245	0.57	32,483,496	1.83
TJ Ruidao	Purchase of products	Raw material or finished products	Negotiation based on market price	274,800	0.01		
Nokia Neusoft	Purchase of products	Raw material or finished products	Negotiation based on market price			7,609,402	0.43
TJ Ruidao	Labor service	Payment for rental and property management	Negotiation based on market price	118,252,824	13.57	32,500,000	7.04
DL Thinking	Labor service receiving	Payment for rental and property management	Negotiation based on market price	79,051,728	9.07		
Alpine	Labor service receiving	Payment for rental and property management	Negotiation based on market price	7,500,000	0.86		
Shenyang Neusoft System Integration Engineering Co., Ltd.	Labor service receiving	Payment for rental and property management	Negotiation based on market price	7,300,000	0.84	11,520,000	2.49
Beijing Venusource Information Technology Co., Ltd. (Venusource)	Labor service receiving	Payment for rental and property management	Negotiation based on market price	1,980,738	0.23		
CD Neusoft	Labor service receiving	Payment for rental and property management	Negotiation based on market price	1,759,543	0.20	6,617,662	1.43
NEC Neusoft Information Technology Co., Ltd.	Labor service receiving	Payment for rental and property management	Negotiation based on market price	689,623	0.08		
NEU	Labor service receiving	Payment for rental and property management	Negotiation based on market price	344,000	0.04	819,000	0.18
TJ Ruidao	Labor service receiving	Payment for training fee	Negotiation based on market price	2,958,798	8.16		
DNPID	Labor service receiving	Payment for lease and property management fee	Negotiation based on market price	374,055	0.36	423,371	0.49
Total				551,080,728		502,764,767	

7.4.3 Related transactions from product sales and provision of labor service

Related party	Related transaction	Content	Pricing	Amount in this period		Amount in this period	
				Amount	Proportion to similar transaction (%)	Amount	Proportion to similar transaction (%)
Shenyang Neusoft System Integration Engineering Co., Ltd. ("SY ESIE")	Sales of products	System integration or software	Negotiation based on market price	316,884,279	4.89	126,199,507	2.11
Harman	Sales of products	System integration or software	Negotiation based on market price	244,558,733	3.77	224,939,395	3.76
Toshiba Neusoft	Sales of products	System integration or software	Negotiation based on market price	228,126,084	3.52	184,356,833	3.09
Alphine	Sales of products	System integration or software	Negotiation based on market price	200,243,700	3.09	184,816,274	3.09
Nokia Neusoft	Sales of products	System integration or software	Negotiation based on market price	80,830,446	1.25	112,600,705	1.88
Baosteel	Sales of products	System integration or software	Negotiation based on market price	8,662,143	0.13	1,324,282	0.02
Shimao Xikang	Sales of products	System integration or software	Negotiation based on market price	1,198,297	0.02		
Venusource	Sales of products	System integration or software	Negotiation based on market price	1,147,500	0.02		
TJ Ruidao	Sales of products	System integration or software	Negotiation based on market price	749,026	0.01	828,499	0.01
NEU	Sales of products	System integration or software	Negotiation based on market price	680,180	0.01	339,000	0.01
DL Yunguan	Sales of products	System integration or software	Negotiation based on market price	673,981	0.01		
NEC Neusoft	Sales of products	System integration or software	Negotiation based on market price	211,379	0.003		
Neusoft Philips	Sales of products	System integration or software	Negotiation based on market price	196,976	0.003	3,464,046	0.06
Huiyuan Xikang	Sales of products	System integration or software	Negotiation based on market price	67,584	0.001	295,727	0.005
Dalian Neusoft Institute of Information Technology	Sales of products	System integration or software	Negotiation based on market price			1,333,333	0.02
Nanhai Neusoft Institute of Information Technology	Sales of products	System integration or software	Negotiation based on market price			1,000,000	0.02
Chengdu Neusoft Institute of Information	Sales of products	System integration or software	Negotiation based on market price			1,000,000	0.02
CD Neusoft	Sales of products	System integration or software	Negotiation based on market price			990,000	0.02

Continued table

Related party	Related transaction	Content	Pricing	Amount in this period		Amount in this period	
				Amount	Proportion to similar transaction (%)	Amount	Proportion to similar transaction (%)
Neusoft Institute of Information	Sales of products	System integration or software	Negotiation based on market price			112,950	0.002
Chongqing Guo'ao 100 Years	Sales of products	System integration or software	Negotiation based on market price			56,906	0.001
Neusoft Philips	Sales of products	Materials and parts	Negotiation based on market price	18,880,982	2.15	13,389,230	1.50
Neusoft Philips	Provision of labor service	Rental and property management income	Negotiation based on market price	12,667,759	14.72	12,330,576	14.88
TJ Ruidao	Provision of labor service	Rental and property management	Negotiation based on market price	4,640,114	5.39	1,697,417	2.05
Toshiba Corporation	Provision of labor service	Rental and property management	Negotiation based on market price	470,336	0.55		
SY ESIE	Provision of labor service	Rental and property management	Negotiation based on market price	303,458	0.35		
NEC Neusoft	Provision of labor service	Rental and property management	Negotiation based on market price	257,831	0.30	616,956	0.74
Alpine	Provision of labor service	Rental and property management	Negotiation based on market price			240	0.0003
Neusoft Philips	Provision of labor service	Management service income	Negotiation based on market price	3,298,643	0.05	538,496	0.01
DL Thinking	Provision of labor service	Management service income	Negotiation based on market price	1,873,585	0.03		
NEC Neusoft	Provision of labor service	Management service income	Negotiation based on market price	300,026	0.005	990,217	0.02
NEU	Provision of labor service	Management service income	Negotiation based on market price	211,321	0.003		
Total				1,127,134,363		873,220,589	

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 (as the lessor)

Leasor	Lessee	Leased asset	Asset amount	Start date	Finish date	Income	Recognized lease income
Neusoft Corporation	Neusoft Philips	Property	37,535,647	2012-9-1	2013-12-31	Lease agreement	8,591,415
Neusoft Corporation	TJ Ruidao	Property	16,390,950	2013-5-16	2015-5-15	Lease agreement	2,042,679
Neusoft Corporation	TJ Ruidao	Property	5,907,731	2013-1-1	2013-12-31	Lease agreement	1,324,067
Neusoft Corporation	Toshiba Corporation	Property	1,611,290	2013-1-1	2013-12-31	Lease agreement	470,336
Neusoft Corporation	NEC Neusoft	Property	1,081,751	2012-12-1	2014-4-30	Lease agreement	257,831
Neusoft Corporation	SY ESIE	Property	1,662,599	2012-3-25	2013-3-24	Lease agreement	42,152
Neusoft Corporation	SY ESIE	Property	2,002,298	2013-2-1	2014-1-31	Lease agreement	261,306
Shenyang Neusoft Medical Systems Co., Ltd.	Neusoft Philips	Property	15,386,017	2012-9-1	2014-8-31	Lease agreement	1,915,849
Neusoft Group (Tianjin) Co., Ltd.	TJ Ruidao	Property	26,414,879	2013-8-1	2014-7-31	Lease agreement	823,996
Neusoft Group (Dalian) Co., Ltd.	TJ Ruidao	Property	2,711,425	2013-1-1	2013-12-31	Lease agreement	362,080
Neusoft Group (Dalian) Co., Ltd.	TJ Ruidao	Property	245,996	2012-7-1	2013-7-1	Lease agreement	16,425
Neusoft Group (Dalian) Co., Ltd.	TJ Ruidao	Property	518,443	2013-7-1	2013-12-31	Lease agreement	33,841
Neusoft Group (Dalian) Co., Ltd.	TJ Ruidao	Property	588,522	2013-1-1	2013-6-30	Lease agreement	37,026
Total							16,179,003

Related leasing (as the lessee)

Leasor	Lessee	Leased asset	Asset amount	Start date	Pricing basis of the rent charge	Rent charge recognized in this period
DNPID	Liaoning Neusoft Venture Capital Investment Co., Ltd.	Property	2013-1-1	2013-12-31	Lease agreement	110,449
DNPID	Neusoft Yuetong Software Technology (Dalian) Co., Ltd.	Property	2013-1-1	2013-12-31	Lease agreement	86,747
DNPID	Dalian Neusoft Business Process Consulting Co., Ltd.	Property	2013-1-1	2014-12-31	Lease agreement	176,859
Total						374,055

7.4.7 Related-party guarantee

Guarantor	Secured party	Secured amount	Start date	Expiry date	The guarantee obligations are closed or not
Neusoft (Europe) Co., Ltd.	Aerotel Medical Systems (1998) Ltd.	210,000 USD	2013-04-24	2014-04-22	No
Neusoft (Europe) Co., Ltd.	Aerotel Medical Systems (1998) Ltd.	127,000 USD	2013-06-06	2014-06-05	No

Remark: These are joint and several liability securities for borrowings from the bank.

7.4.8 Borrowing to related party

Related party	Borrowed amount	Start date	Expiry date
Aerotel Medical Systems (1998) Ltd. (Note)	180,000 USD	2013-10-11	2014-10-10
Aerotel Medical Systems (1998) Ltd. (Note)	50,000 USD	2013-11-8	2014-11-7

Note: During this reporting period, the Company's subsidiary Neusoft (Europe) Co., Ltd. borrowed 230,000 USD to Aerotel Medical Systems (1998) Ltd. with a term of 12 months and annual interest rate at 4.70%; and received the interest with an amount of 1,735 USD in this period.

7.4.9 Asset transfer and debt restructuring of related party

(1) In July 2013, the Company transferred its right to use the land with an area of 35,713 square meters, the ownerships of 1 office building and 2 dormitory buildings as well as the supporting facilities to Shenyang Ruidao House Purchasing Co., Ltd. According to Beijing Zhongtianhe Asset Evaluation Co., Ltd., the evaluated value is RMB 39.9 million Yuan, which is recognized as the transaction price as mutually agreed. The registration of asset transfer has been finished and all due payment for this transfer has been paid by the end of this reporting period. Income from asset transfer with an amount of RMB 2.02 million Yuan was obtained in this reporting period, accordingly, the book value of fixed assets increased by RMB 23.58 million Yuan and intangible asset by RMB 10.3 million Yuan.

(2) In December 2013, the Company transferred its software copyright to Shenyang Neusoft System Integration Engineering Co., Ltd. with a value of RMB 2 million Yuan evaluated by Beijing Zhongtianhe Asset Evaluation Co., Ltd. According to the transfer agreement, the transaction price is the evaluated value. The registration of copyright transfer has been finished and all due payment for this transfer has been paid by the end of this reporting period. Income from asset transfer with an amount of RMB 1.38 million Yuan was obtained.

7.4.10 Other related-party transactions

(1) According to related agreement, Neusoft IT Services transferred its 60% equity in DNPID and the Company's original sponsor investment in Dalian Neusoft Institute of Information, Chengdu Neusoft Institute of Information, Dalian Neusoft Institute of Information Technology and Nanhai Neusoft Institute of Information Technology to Dalian Neusoft Holdings Co., Ltd. In 2012, the Company and Neusoft IT Services have received all the payment for this transfer with an amount of RMB 442,340,000 Yuan and finished the registration of equity change. During this reporting period, the Company has finished the registration of change in sponsor investment in Dalian Neusoft Institute of Information, Dalian Neusoft Institute of Information Technology and Nanhai Neusoft Institute of Information Technology and recognized RMB 590,000 Yuan of income from the transfer. As at the end of the reporting period, the registration of change in sponsor investment in Chengdu Neusoft Institute of Information was still in progress.

(2) In 2013, the Company's indirectly controlled subsidiary Neusoft Xikang Healthcare Technology Co., Ltd. purchased weak current engineering materials valued at RMB 4.07 million Yuan from Shandong Neusoft System Integration Engineering Co., Ltd. for the refurbishment project of Xikang. All the payment for the materials has been paid.

(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	1,898.04	1,733.58

7.4.11 Related-party accounts receivable and payable

Accounts receivable

Item	Related party	Year-end balance		Year-begin balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	SY ESIE	56,762,767	567,628	1,026,000	20,520
	Harman	48,174,811	562,886	48,629,991	486,300
	Toshiba Corporation	38,657,104	386,571	5,852,557	58,526
	Nokia Neusoft	33,513,720	5,847,628	28,264,043	2,787,316
	Alpine	18,874,252	188,743	3,998,077	39,981
	Baosteel	7,734,608	231,346	563,008	30,130
	DL Thinking	1,986,000	19,860		
	Chongqing Guo'ao 100 Years	320,400	16,020	320,400	6,408
	TJ Ruidao	93,370	934		
	Neusoft Institute of Information	9,425	4,712	9,425	94
	Neusoft-Philips (Note)			2,987,562	29,876
	CD Neusoft			159,995	1,600
	Total	206,126,457	7,826,328	91,811,058	3,460,751
Advance receipts					
	DNPID	218,398			
	Total	218,398			
Other receivable					
	Aerotel Medical Systems (1998) Ltd.	1,415,839	14,158		
	Total	1,415,839	14,158		

Note: During this reporting period, the Company's subsidiary Shenyang Neusoft Medical Systems Co., Ltd. acquired 25% equity in this company and held 74% equity in this subsidiary in total after the acquisition. This company was recorded in the consolidated financial statements at the end of 2013.

Accounts payable

Item	Related party	Year-end balance	Year-begin balance
Accounts payable			
	Neusoft-Philips		114,082,010
	Alpine	6,285,699	518,177
	SY ESIE	1,288,535	31,215
	Total	7,574,234	114,631,402
Note payable			
	TJ Ruidao	244,000	
	Total	244,000	
Prepayment			
	NEU	602,720	
	Toshiba Corporation		919,588
	Neusoft-Philips		12,541
	Venusource	600,000	
	Total	1,202,720	932,129
Other accounts payable			
	NEU	8,531,789	4,783,862
	Dalian Neusoft Holding	3,140,000	16,328,100
	DL Thinking	1,913,368	
	NEC Neusoft	212,868	212,868
	Total	13,798,025	21,324,830

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	Toshiba Corporation	48,762,462
	System integration or software	Alpine	35,981,246
	System integration or software	Harman	27,186,955
	System integration or software	Nokia Neusoft	13,918,101
	System integration or software	TJ Ruidao	1,000,000
		Total	126,848,764
Service provided by the related party	Technical development service	TJ Ruidao	597,600

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 Contingent liability caused by debt guarantee for other company in this period:

Secured party	Secured amount (0,000 USD)	Expiry date	Influence on the Company's financial situation
Related party:			
Aerotel Medical Systems (1998) Ltd.	210,000 USD	2014-4-22	It is estimated that no security loss will occur.
Aerotel Medical Systems (1998) Ltd.	127,000 USD	2014-5-5	It is estimated that no security loss will occur.
Total	337,000 USD		

9.3 Other contingent items

There is no other contingent item required to be disclosed.

Note 10 Commitments

10.1 Investment contract signed but not performed or fully performed yet and relevant expenditure

10.1.1 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. Besides, 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")

10.1.2 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 which expires on July 14th, 2013.

In order to promote further development of Neusoft Xikang, the Company and Neusoft (Hong Kong) Co., Ltd.'s funding support with a total amount of up to RMB 400 million Yuan for Neusoft Xikang and its subsidiary in Cayman Islands was approved at the 16th section of the 6th Meeting of Board of Directors on March 27th, 2013.

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 an amount of RMB 300 million Yuan.

10.1.3 At the 22th section of the 6th Meeting of Board of Directors on October 10th, 2013, the Board of Directors agreed Neusoft (Europe) Co., Ltd. ("Neusoft Europe") to provide financial assistance to Aerotel Medical Systems (1998) Ltd. ("Aerotel Medical") with USD 1 million with a term of 2 years (from October 10th, 2013 to October 9th, 2015) based on local loan interest rate. The fund will be provided based on the financial situation of Neusoft Europe and actual need of Aerotel Medical. As at the approved reporting date of this financial report, USD 230,000 has been provided.

10.2 There is no signed and being performed or to be performed large-amount contract awarded in this period.

10.3 There is no signed and being performed or to be performed large-amount lease contract in this period.

10.4 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 Ningbo Hiker Electric Power Software Technology Co., Ltd. (formerly known as Zhejiang Hiker Electric Power Software Technology Co., Ltd. with total consideration of RMB 23,268,000 Yuan. As at the approved reporting date of this financial report, the Company has paid RMB 23,000,000 Yuan, the remaining due payment of RMB 268,000 Yuan will not be paid as mutually agreed by both sides based on the implementation of this project.

10.5 There is no signed and being performed or to be performed restructuring plan in this reporting period.

10.6 There is no performance of significant financial commitment in this reporting period.

10.7 Other significant financial commitments

10.7.1 As at December 31st, 2013, 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 387,248,219 Yuan; USD 32,206,170.

10.7.2 For underlying security of assets please refer to 5.31.1.

Note 11 Items after the Balance Sheet Date

11.1 Profit distribution

At the 25th section of the 6th Meeting of Board of Directors on March 26th, 2014, 10% statutory surplus reserve and 5% arbitrary surplus reserve was proposed to appropriated based on the parent company's net profit in 2013. 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, 2013, a cash dividend of RMB 1.1 Yuan per 10 shares will be distributed to all shareholders. Total cash dividends amount to RMB 135,035,367 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

Settlement of large-amount accounts payable, advance receipts and other payables with age of over 1 year:

Item	Company	Year-end balance	Settled amount
Accounts payable			
	Shenzhen Eternal Asia Supply Chain Incorporated Company	12,928,534	
	Beijing Ericsson Communication Systems Co., Ltd.	4,694,195	
	SHTECH (Shanghai) Co., Ltd.	3,973,478	
	Hytera Communications Co., Ltd.	2,652,886	
	Guangzhou Victel Technology Co., Ltd.	2,069,918	
Other payables			
	Dalian Neusoft Holding Co., Ltd.	3,140,000	
	NEU	2,304,672	
Advance receipts			
	Qinhuangdao Branch of Agricultural Bank of China	5,807,935	866,766
	Dalian Commodity Exchange	4,628,324	2,473,000
	Bureau of Human Resources and Social Security of Lanzhou	3,550,538	3,550,538
	Subei People's Hospital of Jiangsu Province	2,978,000	
	Gansu Branch of China National Tobacco Corporation	2,347,394	

11.2.1 There is no event the Company shall announce occurring after the balance sheet date.

Note 12 Other Significant Items

12.1 Merger

On the acquisition date December 25th, 2013, the Company's indirectly controlled company Shenyang Neusoft Medical Systems Co., Ltd. ("Neusoft Medical") purchased 25% equity in Neusoft-Philips Medical Systems Limited Liability Company (Neusoft-Philips) According to the asset assessment report (2013 No. 3556) issued by China Enterprise Appraisals Co., Ltd., the acquisition consideration was RMB 92.89 million Yuan as mutually agreed (Please refer to Neusoft Corporation's announcements numbered "L2013-021" and "L2014-002"). The Company held 74% equity in Neusoft-Philips after the acquisition. The business registration of change was finished on December 25th, 2013 and Neusoft-Philips was recorded in the consolidated financial statements at the end of 2013. As at December 31st, 2013, RMB 40.02 million Yuan has been paid; according to applicable regulations of the State Administration of Foreign Exchange of China, the remaining due payment with an amount of RMB 52.88 million Yuan has been transferred to the designated bank-supervised account of Neusoft-Philips and finally paid on January 2014.

12.2 There is no outstanding, convertible-for-share financial instrument in this period

12.3 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	Item
Financial assets						
(1) Financial assets measured at fair value through profit or loss (excluding derivative financial asset)	14,917,183		17,332,730			32,249,913
(2) Derivative financial asset						
(3) Available-for-sale financial assets		19,235,058		7,359,172		26,594,230
Subtotal	14,917,183	19,235,058	17,332,730	7,359,172		58,844,143
Investment property						
Productive biological assets						
Others						
Subtotal	14,917,183	19,235,058	17,332,730	7,359,172		58,844,143
Financial liabilities						

12.4 Foreign currency dominated financial assets and liabilities

Please refer to Note 12.3.

12.5 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.

12.6 Other items

On June 25th, 2013, the Company's indirectly controlled subsidiary Beijing Neusoft Huiju Information Technology Co., Ltd. ("Neusoft

Huiju”) obtained the Approval of Public Transfer of Beijing Neusoft Huiju Information Technology Co., Ltd.’s shares in National SME Equity Transfer System from China Securities Regulatory Commission (License No. [2013]812), under which Neusoft Huiju was supervised as a non-listed public company. The shares of Neusoft Huiju were listed for public transfer in the system on July 3rd, 2013 with an abbreviated name of “Neusoft Huiju” and stock code of 430227. The designated information disclosure platform is www.neeq.com.cn or www.neeq.cc.

12.7 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

Age	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 (%)
Within 1 year (including one year)	791,353,187	79.79	7,913,531	1.00	453,372,870	71.85	4,533,729	1.00
1-2 years (including two years)	127,098,290	12.81	27,301,730	21.48	118,980,309	18.86	25,930,408	21.79
2-3 years (including 3 years)	40,360,439	4.07	9,355,387	23.18	41,635,884	6.60	8,940,203	21.47
3-5 years	27,113,560	2.73	27,113,560	100.00	13,106,813	2.08	13,106,813	100.00
Over 5 years	5,906,352	0.60	5,906,352	100.00	3,878,937	0.61	3,878,937	100.00
Total	991,831,828	100.00	77,590,560		630,974,813	100.00	56,390,090	

13.1.2 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	305,244,525	30.78	47,379,089	15.52	197,551,106	31.31	21,506,203	10.89
Accounts receivable with appropriation of provision for bad debts by portfolio	554,541,032	55.91	8,286,139	1.49	307,212,154	48.69	5,946,397	1.94
Accounts receivable with insignificant single amount but single appropriation of provision for bad debts	132,046,271	13.31	21,925,332	16.60	126,211,553	20.00	28,937,490	22.93
Total	991,831,828	100.00	77,590,560		630,974,813	100.00	56,390,090	

13.1.3 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	95,330,727	27,225,699	28.56	Significant amount with receivable proportion of over 70%
Nokia Neusoft	32,486,985	5,837,360	17.97	Significant amount with receivable proportion of over 80%
Beijing China Power Information Technology Co., Ltd.	33,067,175	3,604,233	10.90	Significant amount with receivable proportion of over 85%
China Telecom	66,270,730	4,487,553	6.77	Significant amount with receivable proportion of over 90%
Shenyang Metro Co., Ltd.	13,741,085	2,147,021	15.62	Significant amount with receivable proportion of over 80%
Yulin Health Bureau	15,000,000	2,096,360	13.98	Significant amount with receivable proportion of over 85%
China Mobile	18,135,366	1,401,642	7.73	Significant amount with receivable proportion of over 90%
State Grid Electric Power of Xinjiang	20,849,208	417,122	2.00	Significant amount with receivable proportion of over 95%
State Grid East Inner Mongolia Electric Power Company Limited	10,363,249	162,099	1.56	Significant amount with receivable proportion of over 95%
Total	305,244,525	47,379,089		

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 balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year	551,772,619	99.50	5,517,726	304,308,845	99.05	3,043,088
1-2 years						
2-3 years						
3-5 years						
Over 5 years	2,768,413	0.50	2,768,413	2,903,309	0.95	2,903,309
Total	554,541,032	100.00	8,286,139	307,212,154	100.00	5,946,397

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

Account receivable for	Book balance	Provision for bad debts	Appropriation ratio (%)	Reason
Contract payment for software and system integration	5,068,145	5,068,145	100.00	Account receivable with long age which is estimatedly unrecoverable
Contract payment for software and system integration	7,759,581	3,518,890	45.35	Account receivable with long age with recoverable proportion of about 50%
Contract payment for software and system integration	119,218,545	13,338,297	11.19	Account receivable with long age with recoverable proportion of about 90%
Total	132,046,271	21,925,332		

13.1.4 Account receivable recovered or received in this period:

Account receivable	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	6,160,600	5,074,766	5,074,766

13.1.5 Actual write-off accounts receivable:

Receivable from	Category	Write-off amount	Reason	Whether caused by related transaction
Development Planning Department, the First Research Institute, China Aerospace Science and Technology Corporation	Sales payment	1,646,000	It is estimatedly unrecoverable	No
Dezhou Power Plant of Shandong Huaneng Power Generation Corporation	Sales payment	1,030,059	It is estimatedly unrecoverable	No
Personnel Training Bureau of the Ministry of Public Security of the PRC	Sales payment	678,000	It is estimatedly unrecoverable	No
Yangzhou Municipal Public Security Bureau	Sales payment	594,000	It is estimatedly unrecoverable	No
Hohehot Municipal Human Resources and Social Security Bureau	Sales payment	480,000	It is estimatedly unrecoverable	No
Shanghai GFC Toshiba Elevator Co.,Ltd.	Sales payment	325,980	It is estimatedly unrecoverable	No
State Grid Shanxi Electric Power Company	Sales payment	313,000	It is estimatedly unrecoverable	No
Guizhou Shuicheng Iron & Steel (Group) Co., Ltd.	Sales payment	300,000	It is estimatedly unrecoverable	No
Others	Sales payment	388,512	It is estimatedly unrecoverable	No
Total		5,755,551		

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

	Year-end balance		Year-begin balance	
	Book balance	Appropriated provision for bad debts	Book balance	Appropriated provision for bad debts
Baosteel	7,734,608	231,346	563,008	30,130
Alpine	401,567	4,016	3,895,227	38,952
Toshiba Corporation	24,762,987	247,630	377,255	3,773

13.1.7 Top 5 debtors of accounts receivable

Debtor	Relationship with the Company	Book balance	Age	Proportion to the total (%)
China Unicom	Non-related party	95,330,727	Within 1 year - over 5 years	9.61
China Telecom	Non-related party	66,270,730	Within 5 years	6.68
Shenyang Neusoft System Integration Engineering Co., Ltd.	Related party	56,762,767	Within 1 year	5.72
Beiche Construction Engineering Limited liability company	Non-related party	38,001,314	Within 1 year	3.83
Beijing Kedong Electric Power Control System Limited liability company	Non-related party	36,296,704	Within 1 year	3.66
Total		292,662,242		29.50

13.1.8 Accounts receivable from related parties

Company	Relationship with the Company	Book balance	Proportion to the total (%)
SY NSIE	Dalian Neusoft Holding's controlled subsidiary	56,762,767	5.72
Nokia Neusoft	The Company's associate	32,486,985	3.28
Neusoft (Japan) Co., Ltd.	The Company's wholly owned subsidiary	30,747,467	3.10
Toshiba Corporation	Shareholder of the Company	24,762,987	2.50
Shenyang Neusoft System Integration Technology Co., Ltd.	The Company's wholly owned subsidiary	8,583,353	0.87
Baosteel	Shareholder of the Company	7,734,608	0.78
Hunan Neusoft Co., Ltd.	The Company's wholly owned subsidiary	6,587,403	0.66
Neusoft Technology Solutions GmbH	The Company's indirectly controlled subsidiary	5,473,969	0.55
Harman	The Company's chairman and CEO serves as director at Harman	1,943,263	0.20
Shenyang Neusoft Xikang Medical Systems Co., Ltd.	The Company's indirectly controlled subsidiary	852,538	0.09
Wuhan Neusoft Information Technology Co., Ltd.	The Company's wholly owned subsidiary	758,310	0.08
Alpine	Shareholder of the Company	401,567	0.04
Tianjin Neusoft Ruidao Education Information Technology Co., Ltd.	The Company's chairman and CEO serves as Chairman and The Company's Vice Chairman and President serves as director at this Company	92,160	0.01
Neusoft Institute of Information	The Company's chairman and CEO serves as President at this institute	9,425	0.001
Total		177,196,802	17.881

13.1.9 There is no account receivable with terminated recognition due to transfer of financial assets in this period.

13.1.10 There is no fully terminated recognition of transferred account receivable in this period.

13.1.11 There is no securitization of accounts receivable as the subject.

13.2 Other receivables

13.2.1 Aging analysis

Age	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 (%)
Within one year (including one year)	152,948,747	73.35	1,529,488	1.00	109,647,648	73.87	1,096,476	1.00
1-2 years (including 2 years)	33,339,791	15.99	3,630,443	10.89	24,903,443	16.78	3,198,053	12.84
2-3 years (including 3 years)	12,126,529	5.82	1,026,754	8.47	8,078,019	5.44	1,632,217	20.21
3-5 years	7,704,316	3.69	971,390	12.61	5,040,999	3.40	574,102	11.39
Over 5 years	2,412,111	1.15	2,412,111	100.00	760,584	0.51	760,584	100.00
Total	208,531,494	100.00	9,570,186		148,430,693	100.00	7,261,432	

13.2.2 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								
Account receivable with appropriation of provision for bad debts by portfolio	201,384,246	96.57	5,845,640	2.90	138,858,944	93.55	3,006,672	2.17
Account receivable with insignificant single amount and single appropriation of provision for bad debts	7,147,248	3.43	3,724,546	52.11	9,571,749	6.45	4,254,760	44.45
Total	208,531,494	100.00	9,570,186		148,430,693	100.00	7,261,432	

13.2.3 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	149,491,472	74.23	1,494,915	105,162,528	75.73	1,051,625
1-2 years	30,315,661	15.05	606,313	22,148,358	15.95	442,968
2-3 years	11,683,974	5.81	584,199	6,545,055	4.71	327,253
3-5 years	7,481,028	3.71	748,102	4,242,419	3.06	424,242
Over 5 years	2,412,111	1.20	2,412,111	760,584	0.55	760,584
Total	201,384,246	100.00	5,845,640	138,858,944	100.00	3,006,672

Other receivables with insignificant single amount but single appropriation of provision for bad debts

Other receivables	Book balance	Provision for bad debts	Appropriation ratio (%)	Reason
Suspense credit	3,895,273	2,311,897	59.35	Recoverable proportion is about 40%
Open credit	3,251,975	1,412,649	43.44	Recoverable proportion is about 60%
Total	7,147,248	3,724,546		

13.2.4 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 receivable	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
Suspense credit	Great effort was made to work off the receivables during the reporting period	Aging analysis method	2,616,808	2,586,028	2,582,008

13.2.5 There is no other actual write-off receivable in this period

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

13.2.7 Top 5 debtors of other receivable:

Debtor	Relationship with the Company	Book balance	Age	Proportion to the total (%)	Nature or content
Neusoft Group (Hainan) Co., Ltd.	The Company's wholly owned subsidiary	63,000,000	Within 1 year	30.21	Open credit
Neusoft Group (Tianjin) Co., Ltd.	The Company's wholly owned subsidiary	10,000,000	Within 1 year	4.80	Open credit
Hebei Anda Investment Consulting Co., Ltd.	Non-related party	5,767,018	1-2 years	2.77	Deposit
Xi'an Neusoft System Integration Co., Ltd.	The Company's wholly owned subsidiary	5,481,926	Within 1 year	2.63	Open credit
Ningbo Traffic Management Bureau	Non-related party	5,104,753	Within 2 years	2.45	Deposit
Total		89,353,697		42.86	

13.2.8 Other accounts receivable from related parties:

Company	Relationship with the Company	Amount	Proportion to the total (%)
Neusoft Group (Hainan) Co., Ltd.	The Company's wholly owned subsidiary	63,000,000	30.21
Neusoft Group (Tianjin) Co., Ltd.	The Company's wholly owned subsidiary	10,000,000	4.80
Xi'an Neusoft System Integration Co., Ltd.	The Company's wholly owned subsidiary	5,481,926	2.63
Neusoft Group (Chengdu) Co., Ltd.	The Company's wholly owned subsidiary	4,474,559	2.15
Hunan Neusoft Co., Ltd.	The Company's wholly owned subsidiary	1,870,000	0.90
Total		84,826,485	40.69

13.2.9 There is no other receivable with terminated recognition due to transfer of financial assets in this period

13.2.10 There is no fully terminated recognition of transferred other receivables in this period

13.2.11 There is no securitization of other receivable as the subject in this period

13.2.12 There is no other government subsidies in this period

13.3 Other current assets

Item	Year-end balance	Year-begin balance
Bank finance product (Note 1)	200,418,904	
Entrusted loan for Neusoft Xikang Healthcare Technology Co., Ltd.	270,000,000	
Deferred business tax	1,403,109	5,345,619
Deferred property tax	454,712	276,220
Other (Note 2)	1,634,456	83,199,624
Total	473,911,181	88,821,463

Note 1: The Company purchased the finance products (that buyers should repay the loan and the accrued interest outright) from bank based on its financial situation. The principal and accrued interest has been recovered at the end of March 2014.

Note 2: This mainly refers to amortized heating expense.

13.4 Long-term equity investment
13.4.1 Details

Unit: RMB

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	Investee
Nokia Neusoft Commtech Company	Equity method	26,713,621	55,044,460	6,749,192		61,793,652	46.00	46.00				
Shenyang CataData Technology Co., Ltd.	Equity method	15,000,000	12,950,050	-1,155,186		11,794,864	16.67	16.67				
Shenyang Toshiba Neusoft Information Systems Co., Ltd.	Equity method	9,051,000	6,354,871	-1,990,069		4,364,802	40.00	40.00				
Subtotal		50,764,621	74,349,381	3,603,937		77,953,318						
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	339,396,361			339,396,361	100.00	100.00				
Shandong Neusoft System Integration Co., Ltd.	Cost method	50,000,000	50,000,000			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	32,502,468	32,502,468			32,502,468	100.00	100.00				
Wuhan Neusoft Information Technology Co., Ltd.	Cost method	25,000,000	25,000,000			25,000,000	100.00	100.00				
Shenyang Neusoft Medical Systems Co., Ltd.	Cost method	387,082,539	387,082,539			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				

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	Investee
Shenyang Neusoft Boan Software Co., Ltd.	Cost method	12,416,895	12,416,895	-12,416,895								
Neusoft (Hong Kong) Co., Ltd.	Cost method	7,037,915	7,037,915			7,037,915	100.00	100.00				
Hebei Neusoft Co., Ltd.	Cost method	8,500,000	8,500,000			8,500,000	85.00	85.00				1,943,991
Shanghai Neufashion Digital Technology Co., Ltd.	Cost method	20,000,000	20,000,000			20,000,000	100.00	100.00				
Neusoft (Japan) Co., Ltd.	Cost method	11,826,900	11,826,900			11,826,900	100.00	100.00				1,248,275
Beijing Lanruisoft Co., Ltd.	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	130,000,000			130,000,000	100.00	100.00				
Neusoft Group (Shanghai) Co., Ltd.	Cost method	200,000,000	200,000,000			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	600,000,000			600,000,000	100.00	100.00				138,000,000
Shenyang Neusoft Information Technology Services Co., Ltd.	Cost method	50,000,000	50,000,000			50,000,000	100.00	100.00				40,000,000
Liaoning Neusoft Venture Capital Investment Co., Ltd.	Cost method	80,552,833	80,552,833			80,552,833	60.00	60.00				
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	94,180,610	63,329,610	30,851,000		94,180,610	100.00	100.00				
Hangzhou Neusoft Co., Ltd.	Cost method	500,000	500,000			500,000	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	Investee
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				
Guangdong Neufashion Digital Technology Co., Ltd.	Cost method	22,500,000	22,500,000	-22,500,000								
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	5,844,950	3,535,000	2,309,950		5,844,950	100.00	100.00				
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	259,661,004	259,661,004			259,661,004	100.00	100.00				
Neusoft Group (Chongqing) Co., Ltd.	Cost method	20,000,000		20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Xuzhou) Co., Ltd.	Cost method	10,000,000		10,000,000		10,000,000	100.00	100.00				
Neusoft Group (Ningbo) Co., Ltd.	Cost method	20,000,000		20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Karamay) Co., Ltd.	Cost method	20,000,000		20,000,000		20,000,000	100.00	100.00				
Neusoft Group (Changchun) Co., Ltd.	Cost method	30,000,000		30,000,000		30,000,000	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	Investee
Beijing Neusoft Viewhigh Technology Co., Ltd.	Cost method	114,101,440		114,101,440		114,101,440	73.14	73.14				
Dongzhong Commtech Co., Ltd.	Cost method	3,000,000	3,000,000	-3,000,000								
Shenyang Torch Incorporated Company	Cost method	100,000	100,000	-100,000								
Dalian Neusoft Institute of Information	Cost method	6,000,000	6,000,000	-6,000,000								
Dalian Neusoft Institute of Information Technology	Cost method	3,600,000	3,600,000	-3,600,000								
Chengdu Neusoft Institute of Information	Cost method	3,000,000	3,000,000			3,000,000	17.47	17.47		1,200,000		
Nanhai Neusoft Institute of Information Technology	Cost method	3,000,000	3,000,000	-3,000,000								
Appconomy, Inc.	Cost method	24,937,106	24,934,400	2,706		24,937,106	15.20	15.20		24,937,106	24,937,106	
Subtotal		2,908,586,116	2,662,196,523	196,648,201		2,858,844,724				26,137,106	24,937,106	181,192,266
Total		2,959,350,737	2,736,545,904	200,252,138		2,936,798,042				26,137,106	24,937,106	181,192,266

13.4.2 There is no sales of long-term equity investment with the price obviously higher than its book value.

13.5 Operating income and cost

13.5.1 Operating income

Item	Amount in this period	Amount in this period
Primary business income	4,327,149,932	3,705,696,757
Other business income		
Total	4,327,149,932	3,705,696,757

13.5.2 Operating cost

Item	Amount in this period	Amount in this period
Primary business cost	3,447,244,092	2,694,231,947
Other business cost		
Total	3,447,244,092	2,694,231,947

13.5.3 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	4,251,904,543	3,422,995,127	3,630,054,355	2,671,162,273
Property management service and rental	75,245,389	24,248,965	75,642,402	23,069,674
Total	4,327,149,932	3,447,244,092	3,705,696,757	2,694,231,947

13.5.4 Primary business income and cost (by industry)

Item	Amount in this period		Amount in this period	
	Income	Cost	Income	Income
System integration, sales of software products, software customization and other labor services	4,251,904,543	3,422,995,127	3,630,054,355	2,671,162,273
Property management service and rental	75,245,389	24,248,965	75,642,402	23,069,674
Total	4,327,149,932	3,447,244,092	3,705,696,757	2,694,231,947

13.5.5 Operating income from top 5 customers:

Customer	Operating income	Proportion to the total (%)
SY NSIE	315,919,318	7.30
Toshiba Corporation	170,059,933	3.93
Neusoft (Japan) Co., Ltd.	159,884,226	3.69
China Unicom	142,962,542	3.30
China Telecom	115,880,706	2.68
Total	904,706,725	20.90

13.6 Investment income

13.6.1 Overview

Item	Amount in this period	Amount in this period
Income from long-term equity investment calculated by cost method	181,192,266	95,553,231
Income from long-term equity investment calculated by equity method	3,603,937	1,448,885
Investment income from disposal of long-term equity investment	-11,468,995	4,703,646
Investment income obtained during the holding period of held-to-maturity investment	10,389,223	14,569,151
Investment income obtained during the holding period of available-for-sale financial assets		
Investment income from disposal of trading financial assets	10,165,745	
Investment income from disposal of available-for-sale financial assets		
Others		
Total	193,882,176	116,274,913

13.6.2 Long-term equity investment income calculated by cost method:

Investment income accounts for above 5% of the total profits or below 5% but ranking at the top 5:

Investee	Amount in this period	Amount in previous period	Cause of change
Neusoft Group (Dalian) Co., Ltd.	138,000,000		Cash dividend received by the Company
Shenyang Neusoft Information Technology Services Co., Ltd.	40,000,000	79,400,000	Cash dividend received by the Company
Hebei Neusoft Co., Ltd.	1,943,991	1,874,427	Cash dividend received by the Company
Neusoft (Japan) Co., Ltd.	1,248,275	1,439,855	Cash dividend received by the Company
Shenyang Zhuri Digital Advertising Communications Co., Ltd.		7,053,235	
Liaoning Neusoft Venture Capital Investment Co., Ltd.		5,785,714	
Total	181,192,266	95,553,231	

13.6.3 Long-term equity investment income calculated by equity method:

Investment income accounts for above 5% of the total profits or below 5% but ranking at the top 3:

Investee	Amount in this period	Amount in previous period	Cause of change
Nokia Neusoft	6,749,192	4,134,373	Change in net profit of investee
Shenyang CataData Technology Co., Ltd.	-1,155,186	-885,611	Change in net profit of investee
Toshiba Neusoft	-1,990,069	-1,799,877	Change in net profit of investee
Total	3,603,937	1,448,885	

13.7 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	348,501,524	470,480,907
Add: Provision for asset impairment	63,254,583	33,446,174
Depreciation of fixed assets, oil & gas assets and productive biological assets	54,446,076	53,126,234
Amortization of intangible asset	6,993,367	7,544,879
Amortization of long-term deferred expenses	5,259,050	3,955,617
Loss on disposal of fixed assets, intangible asset and other long-lived assets ("-" for profit)	-11,021,027	-183,945
Abandonment loss of fixed assets ("-" for profit)		
Loss on change of fair value ("-" for profit)	-5,010,630	-7,645,112
Financial expenses ("-" for profit)	52,075,280	53,938,420
Investment loss ("-" for profit)	-193,882,176	-116,274,913
Decrease of deferred income tax assets ("-" for increase)	-11,622,665	-12,165,049
Increase of deferred income tax liabilities ("-" for decrease)	501,063	747,455
Decrease of inventories ("-" for increase)	-96,929,818	-164,534,714
Decrease of operating accounts receivable ("-" for increase)	-477,264,459	68,368,670
Increase of operating accounts payable ("-" for decrease)	581,201,897	-40,356,758
Others		
Net value of cash flow from operating activities	316,502,065	350,447,865
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	1,199,125,558	1,047,858,225
Less: Year-begin cash balance	1,047,858,225	831,393,669
Add: Year-end cash equivalent balance		
Less: Year-begin cash equivalent balance		
Net increase in cash and cash equivalents	151,267,333	216,464,556

13.8 There is no asset and liability accounted through fair value under reverse acquisition in this period

Note 14 Supplementary Information

(Expressed in Renminbi unless otherwise indicated)

14.1 Current non-recurring profits and losses

Item	Amount in this period	Remarks
Profit/loss on disposal of non-current assets	21,676,892	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)	140,953,065	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		
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	27,498,475	Note 3
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	4,684,571	
Other profit and loss items consistent with the definition of non-recurring profit and loss	18,364,615	Note 4

Continued table

Item	Amount in this period	Remarks
Amount effected by minority interest	-965,077	
Amount effected by income tax	-16,946,262	
Total	195,266,279	

Note1: This is mainly brought by transfer of equity in Guangdong Neufashion Digital Technology Co., Ltd.

Note 2: This mainly refers to government subsidy for science research projects and investment subsidy.

Note 3: This mainly involves with change in fair value and disposal of trading financial assets and liabilities.

Note 4: This mainly refers to the investment income from the re-estimation on the fair value of the 49% equity in Neusoft-Philips on the acquisition date.

14.2 Net assets' 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	7.88	0.33	0.33
Net profit attributable to the shareholders of the parent company after deducting non-recurring profit and loss	4.14	0.18	0.18

14.3 Main financial items with abnormal change and reasons

Item	Year-end balance (or amount in this period)	Year-begin balance (or amount of previous year)	Change ratio (%)	Reason
Trading financial assets	32,249,913	14,917,183	116.19	(1)
Accounts receivable	1,890,363,626	1,407,087,344	34.35	(2)
Prepayments	227,915,556	118,441,067	92.43	(3)
Other current assets	236,069,531	14,290,515	1,551.93	(4)
Available-for-sale financial assets	26,594,230			(5)
Held-to-maturity investment		403,159,918	-100.00	(6)
Long-term equity investment	177,229,331	390,074,357	-54.57	(7)
Construction in progress	276,749,271	195,555,957	41.52	(8)
Intangible asset	631,665,525	389,276,138	62.27	(9)
Long-term deferred expenses	103,494,600	72,063,173	43.62	(10)
Short-term borrowings	209,139,575	511,312,055	-59.10	(11)
Notes payable	191,495,518	107,630,675	77.92	(12)
Non-current liabilities due within one year	469,158,667			(13)
Other current liabilities	3,664,444	120,743	2,934.91	(14)
Long-term borrowings	554,000,000	84,000,000	559.52	(15)
Bonds payable		403,658,667	-100.00	(16)

Continued table

Item	Year-end balance (or amount in this period)	Year-begin balance (or amount of previous year)	Change ratio (%)	Reason
Deferred tax liabilities	7,214,022	3,738,493	92.97	(17)
Converted difference in foreign currency statements	-73,859,185	-54,261,434	-36.12	(18)
Minority interest	186,301,325	125,641,275	48.28	(19)
Operating income	7,452,753,233	6,960,195,011	7.08	(20)
Operating cost	5,308,680,595	4,729,720,928	12.24	(21)
Business tax and surtaxes	67,218,955	111,108,386	-39.50	(22)
Administrative expenses	1,173,997,714	985,944,947	19.07	(23)
Financial expenses	39,185,293	78,565,067	-50.12	(24)
Impairment loss on assets	67,992,054	136,632,109	-50.24	(25)
Non-operating income	207,129,411	139,552,127	48.42	(26)
Non-operating expense	3,366,765	6,381,048	-47.24	(27)
Income tax expense	60,598,760	106,899,561	-43.31	(28)

Details of changes:

(1) This item increased by RMB 17.33 million Yuan, an increase of 116.19% over the year beginning, which is mainly caused by the Company's foreign exchange forward contracts. At the end of this reporting period, foreign exchange forward contracts were calculated based on exchange rate quoted in the open market by different currencies; estimated floating income increase was included in P&L from change in fair value for increasing trading financial assets.

(2) This item increases by RMB 483.28 million Yuan, an increase of 34.35% over the year beginning, which is mainly caused by the increase of accounts receivable from software and system integration business.

(3) This item increases by RMB 109.47 million Yuan, an increase of 92.43% over the year beginning, which is mainly caused by the increase of contracted prepayment for main suppliers.

(4) This item increases by RMB 221.78 million Yuan, an increase of 1,551.93% over the year beginning, which is mainly caused by the reclassification of bank finance products purchased by the Company and its subsidiaries to other current assets.

(5) This item increases by RMB 26.59 million Yuan over the year beginning, which is mainly caused by the accounting of stocks of other listed companies purchased by Liaoning Neusoft Venture Capital Investment Co., Ltd. as available-for-sale financial assets.

(6) This item reduces by RMB 403.16 million Yuan, a decrease of 100.00% over the year beginning, which is mainly caused by the recovery of the bank finance products purchased by the Company and its subsidiaries.

(7) This item reduces by RMB 212.85 million Yuan, a decrease of 54.57% over the year beginning, which is mainly caused by the acquisition of 25% equity in Neusoft-Philips by Neusoft Medical, which holds 74% equity in total after the acquisition. Neusoft-Philips was included in the consolidated financial statements since the end of 2013. The change of the consolidation results in the decrease of long-term equity investment by equity method by RMB 188.17 million Yuan.

(8) This item increases by RMB 81.19 million Yuan, an increase of 41.52% over the year beginning, which is mainly caused by the increase of investment in the factory and office buildings in the cloud base and additional input in Beijing Software Park project.

(9) This item increases by RMB 242.39 million Yuan, an increase of 62.27% over the year beginning, which is mainly caused by the new right to use the land for Beijing Software Park.

(10) This item increases by RMB 31.43 million Yuan, an increase of 43.62%, which is mainly caused by increase of decoration expense.

(11) This item reduces by RMB 302.17 million Yuan, a decrease of 59.10% over the year beginning, which is mainly caused by the payment for short-term borrowings due in this period.

(12) This item increases by RMB 83.86 million Yuan, an increase of 77.92%, which is mainly caused by contracted settlement with suppliers by notes payable.

(13) This item increases by RMB 469.16 million Yuan over the year beginning, which is mainly caused by the reclassification of the Company's medium-term note with RMB 400 million Yuan due within one year, which was included in the bonds payable item formerly.

(14) This item increases by RMB 3.54 million Yuan, an increase of 2,934.91%, which is mainly caused by the consolidation of Neusoft-Philips since the end of 2013.

(15) This item increases by RMB 470 million Yuan, an increase of 559.52%, which is mainly caused by the new long-term borrowing with 500 million Yuan in this period.

(16) This item reduces by RMB 403.66 million Yuan, a decrease of 100.00% over the year beginning, which is mainly caused by the reclassification of the Company's medium-term note due within one year.

(17) This item increases by RMB 3.48 million Yuan, an increase of 92.97%, which is mainly caused by the increase of taxable temporary difference arising from change in fair value.

(18) This item reduces by RMB 19.6 million Yuan, a decrease of 36.12% over the year beginning, which is mainly caused by the fluctuation of exchange rate.

(19) This item increases by RMB 60.66 million Yuan, an increase of 48.28% over the year beginning, which is mainly caused by the consolidation of Neusoft-Philips since the end of 2013.

(20) This item increases by RMB 492.56 million Yuan, an increase of 7.08% over the same period of the previous year, which is mainly caused by the increase of income from software and system integration business.

(21) This item increases by RMB 578.96 million Yuan, an increase of 12.24% over the same period of the previous year, which is mainly caused by the rise in both operating income and labor cost during the reporting period.

(22) This item reduces by RMB 43.89 million Yuan, a decrease of 39.50% over the same period of the previous year, which is mainly caused by the nationwide pilot change in collection of business tax into VAT since August 1st, 2013, which the Company and its subsidiaries were subject to.

(23) This item increases by RMB 188.05 million Yuan, an increase of 19.07% over the same period of the previous year, which is mainly caused by the rise in labor cost and R&D expenses.

(24) This item reduces by RMB 39.38 million Yuan, a decrease of 50.12% over the same period of the previous year, which is mainly caused by the change in loan structure and P&L on exchange.

(25) This item reduces by RMB 68.64 million Yuan, a decrease of 50.24% over the same period of the previous year, which is mainly caused by appropriated impairment loss on goodwill with an amount of RMB 86.43 million Yuan.

(26) This item increases by RMB 67.58 million Yuan, an increase of 48.42% over the same period of the previous year, which is mainly caused by the increase of government subsidy included in current P&L and the VAT refund.

(27) This item reduces by RMB 3.01 million Yuan, a decrease of 47.24% over the same period of the previous year, which is mainly caused by the decrease of loss on disposal of non-current assets.

(28) This item reduces by RMB 46.3 million Yuan, a decrease of 43.31% over the same period of the previous year, which is mainly caused by the transfer of equity in Dalian Neusoft Park Industrial Development Co., Ltd. by Shenyang Neusoft Information Technology Services Co., Ltd. The taxable income tax for this transfer is RMB 18.92 million Yuan; and the decrease of taxable income amount in the Company and its subsidiaries that make profits in this reporting period.

Note 15 Authorization of Publication of Financial Statements

The Board of Directors has authorized to publicize the financial statements on March 26th, 2014.

Neusoft Corporation
Date: March 26th, 2014

(XI) Documents Available for Inspection

- (1) Annual Report 2013 with signature of Chairman Liu Jiren and seal of the Company;
- (2) 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;
- (3) The original Auditing Report with the seal of the CPA firm and the signature and seal of the certified accountants;
- (4) All the original documents and announcements disclosed in newspapers or magazines designated by CSRC.

Neusoft Corporation
Chairman: Liu Jiren
March 26th, 2014

Board of Directors' Confirmation on Annual Report 2013 of Neusoft Corporation

In accordance with the *Securities Law of the People's Republic of China* and relevant provisions of CSRC, we hereby represent and warrant that the Annual report 2013 contains no false representations, misleading statements or material omissions, and will be individually and jointly reliable for the authenticity, accuracy and integrity of the contents.

Signatures of Board of Directors:

Liu Jiren, Wang Yongfeng, Seizo Ishiguro, Klaus Michael Zimmer, Akira Kasano,
Chen Ximin, Fang Hongxing, Xue Lan, Gao Wen

March 26th, 2014

Senior Managements' Confirmation on Annual Report 2013 of Neusoft Corporation

In accordance with the *Securities Law of the People's Republic of China* and relevant provisions of CSRC, we hereby represent and warrant that the Annual report 2013 contains no false representations, misleading statements or material omissions, and will be individually and jointly reliable for the authenticity, accuracy and integrity of the contents.

Signatures of senior managements:

Liu Jiren, Wang Yongfeng, Chen Ximin, Lu Zhaoxia, Zhang Xia, Wang Jingxi,
Zhang Xiao'ou, Li Jun, Klaus Michael Zimmer, Wang Nan

March 26th, 2014

Neusoft Corporation

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