

Datang Telecom (Hong Kong) Holdings Co., Ltd.
Annual Report for 2016

I Company profile

Datang Telecom (Hong Kong) Holdings Co., Ltd (hereinafter referred as "the Company") is a wholly-owned subsidiary of Datang Telecom (H.K.) Limited (hereinafter referred as "Datang HK") incorporated on August 25, 2014 in the British Virgin Islands. The Datang HK contributed USD 1.00 as registered capital of the Company. Registered place: Kingston Chambers, P.O. Box 173, Rhodes Town, the British Virgin Islands

II Main Financial Data

1 Main Financial Data of the Company

Balance Sheet
December 31, 2016

(The monetary unit is Yuan/RMB unless otherwise specified)

Assets	12/31/2016	12/31/2015
Current assets:		
Cash and cash equivalents	29,091,777.10	28,301,404.82
Financial assets measured at fair value through the current profit and loss account		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Prepayments		
Interest receivable		
Dividends receivable		
Other receivables		
Inventories		
Assets divided as assets held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	29,091,777.10	28,301,404.82
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment properties		
Fixed assets		
Construction in progress		
Engineering materials		
Disposition of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term prepaid expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	29,091,777.10	28,301,404.82
Total assets	29,091,777.10	28,301,404.82

Balance Sheet (Continued)

December 31, 2016

(The monetary unit is Yuan/RMB unless otherwise specified)

Liabilities & owner's (shareholders') equities	12/31/2016	12/31/2015
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value through the current profit and loss account		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advance collections		
Employee remuneration payable		
Taxes payable		
Interest payable		
Dividends payable		
Other payables	29,091,770.95	28,301,398.67
Liabilities divided as assets held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	29,091,770.95	28,301,398.67
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
In which: Preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term payroll payable		
Specific payables		
Estimated liabilities		
Deferred revenue		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	29,091,770.95	28,301,398.67
Owner's equity:		
Share capital	6.15	6.15
Other equity instruments		
In which: Preferred shares		
Perpetual capital securities		
Capital reserves		
Less: Treasury stock		
Other comprehensive income		
Special reserves		
Surplus reserves		
Undistributed profits		
Total owner's equity	6.15	6.15
Total of liabilities and owners' equity	29,091,777.10	28,301,404.82

Income Statement
For 2016
(The monetary unit is Yuan/RMB unless otherwise specified)

Item	2016	2015
I. Operating income		
Less: Operating costs		
Business taxes and surcharges		
Selling expenses		
Management expenses		
Financial expenses		
Asset impairment loss		
Plus: Gains on the changes in the fair value (loss expressed with "-")		
Investment income (loss expressed with "-")		
In which: Income from investment in associated enterprise and joint venture		
II. Operating profit (loss expressed with "-")		
Plus: Non-operating income		
In which: Gains from disposal of non-current assets		
Less: Non-operating expenses		
In which: Losses from disposal of non-current assets		
III. Gross profit (total loss expressed with "-")		
Less: Income tax expenses		
IV. Net profit (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified into the profits and losses in the future		
In which: 1. Changes in net liabilities and assets in case of remeasurement & resetting of benefit plan		
2. The share in other comprehensive income that cannot be classified into the profits and losses in the invested company under the equity method		
(II) Other comprehensive income that will be reclassified into the profits and losses in the future		
In which: 1. The share in other comprehensive income that will be re-classified into the profits and losses in the invested company under the equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from re-classification of held-to-maturity investments as available-for-sale financial assets		
4. Effective part of the cash flow hedging gains and losses		
5. Converted difference in Foreign Currency Statements		
6. Others		
VI. Total comprehensive income		
VII. Per-share earnings:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Cash Flow Statement
For 2016

(The monetary unit is Yuan/RMB unless otherwise specified)

Item	2016	2015
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services		
Received tax return		
Other cash receipts related to operating activities		
Subtotal of cash inflows from operating activities		
Cash paid for goods and services		
Cash paid to and on behalf of employees		
Various tax payments		
Other cash payments related to operating activities		
Sub-total of cash outflows from operating activities		
Net cash flows from operating activities		
II. Cash flows from investing activities		
Cash received from investment withdrawal		
Cash from receiving return on investment		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received relating to investing activities		
Subtotal of cash inflow from operating activities		
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		
Payment for investment		
Net cash paid for the acquisition of subsidiaries and other business entities		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities		
Net cash flows from investing activities		
III. Cash flows from financing activities		
Cash from absorbing investment		
Cash received from borrowings		
Cash from issuing bonds		
Cash received relating to other financing activities	55,941,372.28	55,678,464.82
Sub-total of cash inflows from financing activities	55,941,372.28	55,678,464.82
Cash paid for repayments of debts		
Cash paid for distribution of dividends, profits or cash payments for interests	55,151,000.00	55,000,000.00
Cash payments relating to other financing activities		
Sub-total of cash outflows from financing activities	55,151,000.00	55,000,000.00
Net cash flows from financing activities	790,372.28	678,464.82
IV. Foreign exchange rate fluctuation consequences on cash and cash equivalents		
V. Net increase in cash and cash equivalents	790,372.28	678,464.82
Plus: Beginning balance of cash and cash equivalents	28,301,404.82	27,622,940.00
VI. Ending balance of cash and cash equivalent	29,091,777.10	28,301,404.82

2 Notes to major items of the financial statements

2.1 Cash and cash equivalents

Item	12/31/2016	12/31/2015
Cash in hand		
Bank deposit	29,091,777.10	27,622,940.00
Other cash and cash equivalents		
Total	29,091,777.10	27,622,940.00
Among others: Total amount deposited overseas	29,091,777.10	27,622,940.00

2.2 Other payables

Item	12/31/2016	12/31/2015
Within 1 year (including 1 year)	790,372.28	28,301,398.67
1-2 years (including 2 years)	28,301,398.67	
2-3 years (including 3 years)		
More than 3 years		
Total		

Payables

Item	Related parties	Ending book balance	Beginning book balance
Other payables			
	Datang Telecom (H.K.) Limited	29,091,770.95	28,301,398.67

2.3 Paid-in capital

Name of investor	Beginning balance		Increase during the year	Decrease during the year	Closing balance	
	Investment amount	Proportion (%)			Investment Amount	Proportion (%)
Datang Telecom (H.K.) Limited	6.15	100			6.15	100.00

2.5 Supplemental information of cash flow statements

2.5.1 Supplemental information of cash flow statements

Supplementary information	2016	2015
1. Reconciliation of net profit to cash flows from operating activities		
Net profit		
Plus: Preparation for the impairment of assets		
Depreciation of fixed assets, etc.		
Amortization of intangible assets		
Amortization of long-term prepaid expenses		
Loss of disposing fixed assets, intangible assets and other long-term assets (gains are represented by "-")		
Loss on retirement of fixed assets (gains are represented by "-")		
Losses on the changes in the fair value (gains expressed by "-")		
Financial expenses (gains are represented by "-")		
Investment losses (gains are represented by "-")		
Decrease in deferred income tax assets (increase is expressed with "-")		
Increase in deferred income tax liabilities (decrease is expressed with "-")		
Decrease of inventories (increase is expressed with "-")		
Decrease in operating receivables (increase is expressed with "-")		
Increase in operating payables (decrease is expressed with "-")		

Supplementary information	2016	2015
Others		
Net cash flows from operating activities		
2. Material investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within 1 year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Ending balance of cash	29,091,777.10	28,301,404.82
Less: Cash balance at the beginning of year	28,301,404.82	27,622,940.00
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	790,372.28	678,464.82

2.5.2 Composition of cash and cash equivalents

Item	2016	2015
I. Cash	29,091,777.10	28,301,404.82
In which: Cash in hand		
Bank deposit available for payments at any time	29,091,777.10	28,301,404.82
Other cash and cash equivalents available for payment at any time		
Deposits and required reserve in central bank available for payment		
Deposits in other banks		
Inter-bank loans		
II. Cash equivalents		
In which: Bonds investment matured within three months		
III. End balance of cash and cash equivalents	29,091,777.10	28,301,404.82
In which: Restricted cash and cash equivalents used by the Parent Company or subsidiaries of the Group		

III. Situation of the Company's Parent Company up to the Reporting Period

The Company's parent company is Datang Telecom (H.K.) Limited, and the situation of the parent company up to the reporting period is as follows:

(Monetary unit: RMB)

Name of the Parent Company	Registration place:	Business nature	Registered capital	Shareholding ratio of the Parent Company in the Company (%)	The proportion of voting rights in the Company (%)
Datang Telecom (H.K.) Limited	Hong Kong	State-owned enterprise	106,101.70	100.00	100.00

Note: The Company's ultimate controlling party is China Academy of Telecom Technology (CATT).

IV Description of the Business

The company is an overseas bond issuer which has been specially established without any operational business. Up to September 29, 2014, Datang Telecom (Hong Kong) Holdings Co., Ltd., which is a new wholly owned subsidiary of Datang Telecom (H.K.) Limited (a wholly owned subsidiary of Datang Telecom Technology Co., Ltd) has completed issuing 1 billion Yuan bonds. The bonds have a maturity of three years with a nominal interest rate of 5.50%; moreover, the interest is paid on a semi-annual basis and the bonds are released for public offerings, and the bonds have been listed on the Singapore Stock Exchange. Datang Telecom (Hong Kong) Holdings Co., Ltd. acts as the issuer; Datang Telecom (H.K.) Limited acts as a joint liability guarantor and Datang Telecom Technology Co., Ltd. provides maintenance and liquidity support. The Company strictly abides by the agreements & commitments on the issuance and ensures timely payment of interest on bonds. In the future, the Company will continue abiding by the said agreements & commitments and undertake to pay interest based on principal on time.