

Datang Telecom (H.K.) Limited
Annual Report for 2016

I Company Profile

Datang Telecom (H.K.) Limited (hereinafter referred to as the "Company") is a wholly-owned subsidiary of Datang Telecom Technology Co., Ltd. (hereinafter referred to as "Datang Telecom") incorporated in Hong Kong according to the resolution of the 23rd meeting of the first board of directors and the WJMHH [2002] No.764 approval of the original Ministry of Foreign Trade and Economic Cooperation. Datang Telecom contributed investment by using intangible assets and the Company's registered capital is HKD 100,000.00.

On August 25, 2014, the Company incorporated a wholly-owned subsidiary, Datang Telecom (H.K.) Holding Limited, in the British Virgin Islands with a registered capital of USD 1.00. In December 2014, the Company purchased from Datang Telecom Technology Co., Ltd. 100% shares of Datang Terminal Technology Co., Ltd. with RMB 600 million.

As at December 31, 2016, the Company issued 100,000 shares in total and had a registered capital of HKD 100,000.00. Hong Kong laws do not provide specific descriptions of the Company's business scope. The Company's business operations are limited to electronic and communication equipment; system integration, technological development, technology transfer, technology consulting, technical services, research and development and sales related to electronic computer software and hardware and external devices; and information services. The Company is mainly engaged in research and development, manufacturing and sales of electronic commerce system platform. The Company is registered in Hong Kong, and headquartered in Room D, 11/F, Xiuming Center, No.9-23 Shell Street, North Point, Hong Kong.

II Main Financial Data
1 Financial statements

Datang Telecom (H.K.) Limited
Consolidated Balance Sheet
December 31, 2016

(The monetary unit is RMB unless otherwise specified)

Assets	12/31/2016	12/31/2015
Current assets:		
Cash and cash equivalents	94,008,658.24	110,587,001.12
Settlement provision		
Inter-bank lending		
Financial assets measured at fair value through current profits and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable	383,887,256.91	409,121,778.58
Advances to suppliers	66,280,077.90	125,847,712.46
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Interest receivable		
Dividends receivable		
Other receivables	2,977,767.94	49,534,800.93
Redemptory monetary capital for sale		
Inventories	666,093,114.01	846,060,053.70
Assets divided as assets held for sale		
Non-current assets maturing within one year		
Other current assets	44,333,796.44	47,926,140.06
Total current assets	1,257,580,671.44	1,589,077,486.85
Non-current assets:		
Release of loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables	110,000,000.00	110,000,000.00
Long-term equity investments		
Investment property		
Fixed assets	58,694,447.14	63,575,191.03
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	23,625,961.33	7,687,728.32
Development expenditures		22,993,606.44
Goodwill	49,972,721.22	142,693,892.59
Long-term deferred expenses	403,900.27	1,050,775.31
Deferred income tax assets	1,059,960.63	4,855,653.15
Other non-current assets		
Total non-current assets	243,756,990.59	352,856,846.84
Total assets	1,501,337,662.03	1,941,934,333.69

Datang Telecom (H.K.) Limited
Consolidated Balance Sheet (Continued)
December 31, 2016

(The monetary unit is RMB unless otherwise specified)

Liabilities and owners' equity	12/31/2016	12/31/2015
Current liabilities:		
Short-term borrowings	268,870,326.04	241,125,267.13
Borrowings from the Central Bank		
Deposits taking and inter-bank placement		
Inter-bank borrowings		
Financial liabilities measured at fair value through current profits and losses		
Derivative financial liabilities		
Notes payable	50,000,000.00	
Accounts payable	362,095,140.06	434,513,156.29
Advances from customers	123,064,627.22	127,426,534.03
Financial assets sold for repurchase		
Commissions and fees payable		
Employee compensation payable	8,756,236.17	386,964.92
Taxes and surcharges payable	2,436,853.34	9,227,204.79
Interest payable	14,775,652.21	15,388,834.44
Dividends payable		
Other payables	86,594,919.66	83,015,267.95
Reinsurance accounts payable		
Provision for insurance contracts		
Acting trading securities		
Acting underwriting securities		
Liabilities divided as liabilities held for sale		
Non-current liabilities maturing within one year	997,443,064.35	
Other current liabilities		
Total current liabilities	1,914,036,819.05	911,083,229.55
Non-current liabilities:		
Long-term borrowings		
Bonds payable		994,883,934.85
Including: preferred shares		
Perpetual capital securities		
Long-term payables	26,500,000.00	21,000,000.00
Long-term employee compensation payable		
Special payables		
Estimated liabilities		
Deferred income	933,916.73	962,073.56
Deferred income tax liabilities		165,222.85
Other non-current liabilities		
Total non-current liabilities	27,433,916.73	1,017,011,231.26
Total liabilities	1,941,470,735.78	1,928,094,460.81
Owners' equity:		
Share capital	106,101.70	106,101.70
Other equity instruments		
Including: preferred shares		
Perpetual capital securities		
Capital reserve	32,665,783.21	32,665,783.21
Less: treasury stock		
Other comprehensive income	-7,527,352.92	-3,646,218.83
Special reserves		
Surplus reserves	15,780,781.51	15,780,781.51

Liabilities and owners' equity	12/31/2016	12/31/2015
General risk reserves		
Retained earnings	-481,158,387.25	-31,066,574.71
Total equities attributable to the owners of the parent company	-440,133,073.75	13,839,872.88
Minority interests		
Total owners' equity	-440,133,073.75	13,839,872.88
Total liabilities and owners' equity	1,501,337,662.03	1,941,934,333.69

Datang Telecom (H.K.) Limited
Balance Sheet
December 31, 2016

(The monetary unit is RMB unless otherwise specified)

Assets	12/31/2016	12/31/2015
Current assets:		
Cash and cash equivalents	40,617,461.88	38,897,749.71
Financial assets measured at fair value through current profits and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable	136,142,444.88	126,436,556.37
Advances to suppliers	29,497,704.18	66,540,720.94
Interest receivable		
Dividends receivable		
Other receivables	29,414,985.84	73,623,190.96
Inventories	154,622,333.64	151,546,914.06
Assets divided as assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	390,294,930.42	457,045,132.04
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables	110,000,000.00	110,000,000.00
Long-term equity investments	624,894,280.84	624,894,280.84
Investment property		
Fixed assets		
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	734,894,280.84	734,894,280.84
Total assets	1,125,189,211.26	1,191,939,412.88

Datang Telecom (H.K.) Limited
Balance Sheet (Continued)
December 31, 2016

(The monetary unit is RMB unless otherwise specified)

Liabilities and owners' equity	12/31/2016	12/31/2015
Current liabilities:		
Short-term borrowings	24,993,808.44	32,453,854.08
Financial liabilities measured at fair value through current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	113,538,393.70	123,173,211.83
Advances from customers	43,442,320.37	34,930,741.63
Employee compensation payable		
Taxes and surcharges payable		
Interest payable	13,599,000.00	13,750,000.00
Dividends payable		
Other payables	203,520.58	190,511.93
Liabilities divided as liabilities held for sale		
Non-current liabilities maturing within one year	997,443,064.35	
Other current liabilities		
Total current liabilities	1,193,220,107.44	204,498,319.47
Non-current liabilities:		
Long-term borrowings		
Bonds payable		994,883,934.85
Including: preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term employee compensation payable		
Special payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		994,883,934.85
Total liabilities	1,193,220,107.44	1,199,382,254.32
Owners' equity:		
Share capital	106,101.70	106,101.70
Other equity instruments		
Including: preferred shares		
Perpetual capital securities		
Capital reserve	24,894,274.69	24,894,274.69
Less: treasury stock		
Other comprehensive income	-7,527,352.92	-3,646,218.83
Special reserves		
Surplus reserves		
Retained earnings	-85,503,919.65	-28,796,999.00
Total owners' equity	-68,030,896.18	-7,442,841.44
Total liabilities and owners' equity	1,125,189,211.26	1,191,939,412.88

Datang Telecom (H.K.) Limited
Consolidated Income Statement
for 2016

(The monetary unit is RMB unless otherwise specified)

Item	2016	2015
I. Total operating income	2,391,409,796.27	3,161,146,191.42
Including: Operating income	2,391,409,796.27	3,161,146,191.42
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	2,842,113,517.91	3,196,671,351.32
Including: Operating costs	2,403,274,230.81	2,965,098,626.98
Interest expenses		
Fee and commission expenditure		
Surrender value		
Net payment for claims		
Withdrawn net provision for insurance contracts		
Policy bonus expenditure		
Reinsurance expenses		
Business taxes and surcharges	2,427,484.62	2,958,392.42
Selling expenses	19,735,622.18	26,323,634.22
General and administrative expenses	132,192,052.05	98,377,858.78
Financial expenses	63,720,623.92	71,285,630.06
Losses from asset impairment	220,763,504.33	32,627,208.86
Plus: gains on the changes in the fair value ("- " for losses)		
Investment income ("- " for losses)		
Including: income from investment in associated enterprise and joint venture		
Exchange gains ("- " for losses)		
III. Operating profits ("- " for losses)	-450,703,721.64	-35,525,159.90
Plus: non-operating income	8,898,849.04	6,584,770.40
Including: gains from disposal of non-current assets	14,098.86	12,045.00
Less: non-operating expenses	106,491.81	407,646.97
Including: losses from disposal of non-current assets	106,096.13	305,649.82
IV. Total profits ("- " for total losses)	-441,911,364.41	-29,348,036.47
Less: income tax expenses	8,180,448.13	9,397,420.97
V. Net profits ("- " for net losses)	-450,091,812.54	-38,745,457.44
Net profits attributable to the owners of the parent company	-450,091,812.54	-38,745,457.44
Profits and losses of minority shareholders		
VI. Net after-tax other comprehensive income	-3,881,134.09	-5,296,719.95
Net after-tax other comprehensive income attributable to the owners of the parent company		
(I) Other comprehensive income that can't be reclassified into the profits and losses in the future		
1. Changes in net liabilities and net assets in case of remeasurement & resetting of benefit plan		
2. Share in other comprehensive income that can't be reclassified into the profits and losses in the investee under the equity method		
(II) Other comprehensive income that will be reclassified into the profits and losses in the future	-3,881,134.09	-5,296,719.95
1. Share in other comprehensive income that will be reclassified into the profits and losses in the investee under the equity method		
2. Gains and losses from changes in fair value of		

Item	2016	2015
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. Translation differences from foreign currency financial statements	-3,881,134.09	-5,296,719.95
6. Others		
Net after-tax other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-453,972,946.63	-44,042,177.39
Total comprehensive income attributable to the owners of the parent company	-453,972,946.63	-44,042,177.39
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share		
(I) Basic earnings per share (RMB/share)		
(II) Diluted earnings per share (RMB/share)		

Datang Telecom (H.K.) Limited
Income Statement
for 2016

(The monetary unit is RMB unless otherwise specified)

Item	2016	2015
I. Operating income	896,182,549.77	1,293,802,513.95
Less: operating costs	892,603,406.61	1,290,502,501.67
Business taxes and surcharges	456,105.66	409,932.09
Selling expenses	74,177.53	71,883.20
General and administrative expenses	1,524,335.78	1,974,735.31
Financial expenses	35,844,007.65	37,070,993.12
Losses from asset impairment	21,578,169.35	612,790.75
Plus: gains on the changes in the fair value ("-" for losses)		
Investment income ("-" for losses)		
Including: income from investment in associated enterprise and joint venture		
II. Operating profits ("-" for losses)	-55,897,652.81	-36,840,322.19
Plus: non-operating income		
Including: gains from disposal of non-current assets		
Less: non-operating expenses		
Including: losses from disposal of non-current assets		
III. Total profits ("-" for total losses)	-55,897,652.81	-36,840,322.19
Less: income tax expenses	809,267.84	787,849.57
IV. Net profits ("-" for net losses)	-56,706,920.65	-37,628,171.76
V. Net after-tax other comprehensive income	-3,881,134.09	-5,296,719.95
(I) Other comprehensive income that can't be reclassified into the profits and losses in the future		
1. Changes in net liabilities and net assets in case of remeasurement & resetting of benefit plan		
2. Share in other comprehensive income that can't be reclassified into the profits and losses in the investee under the equity method		
(II) Other comprehensive income that will be reclassified into the profits and losses in the future	-3,881,134.09	-5,296,719.95
1. Share in other comprehensive income that will be reclassified into the profits and losses in the investee 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. Translation differences from foreign currency financial statements	-3,881,134.09	-5,296,719.95
6. Others		
VI. Total comprehensive income	-60,588,054.74	-42,924,891.71
VII. Earnings per share		
(I) Basic earnings per share (RMB/share)		
(II) Diluted earnings per share (RMB/share)		

Datang Telecom (H.K.) Limited
Consolidated Statement of Cash Flows
for 2016

(The monetary unit is RMB unless otherwise specified)

Item	2016	2015
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	2,067,523,602.90	3,217,314,733.38
Net increase of customer deposits and inter-bank deposits		
Net increase in borrowings from the Central Bank		
Net increase in inter-bank borrowings from other financial institutions		
Cash from receiving original insurance contract premiums		
Net cash from receiving reinsurance business		
Net increase in insured savings and investments		
Net increase in disposal of financial assets measured at fair value through current profits and losses		
Cash received from interest, fees and commissions		
Net increase in inter-bank borrowings		
Net increase in buy-back business funds		
Refunds of taxes and surcharges	4,976,357.04	4,373,822.34
Cash received from other operating activities	12,637,551.20	161,852,500.46
Sub-total of cash inflows from operating activities	2,085,137,511.14	3,383,541,056.18
Cash paid for goods purchased and services received	1,924,067,324.37	3,015,697,126.64
Net increase in customer loans and advances		
Net increase in the Central Bank deposits and inter-bank deposits		
Cash paid for indemnity under original insurance contracts		
Cash paid for interest, fees and commissions		
Cash paid for bonus of insurance policy		
Cash paid to and on behalf of employees	111,994,790.99	119,334,850.10
Cash paid for taxes and surcharges	26,090,822.41	47,462,702.95
Cash paid for other operating activities	42,069,541.59	198,579,373.22
Sub-total of cash outflows from operating activities	2,104,222,479.36	3,381,074,052.91
Net cash flows from operating activities	-19,084,968.22	2,467,003.27
II. Cash flows from investing activities		
Cash received from sale of investments		
Cash from receiving investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	400,800.00	20,500.00
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	400,800.00	20,500.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	4,400,350.80	7,619,683.62
Cash paid for investments		
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	4,400,350.80	7,619,683.62
Net cash flows from investing activities	-3,999,550.80	-7,599,183.62
III. Cash flows from financing activities		
Cash received from investors		
Including: Cash received from investments of minority shareholders in subsidiaries		

Item	2016	2015
Cash received from borrowings	557,872,029.82	589,272,315.94
Cash received from bonds issue		
Cash received from other financing activities	941,372.28	38,359,704.02
Sub-total of cash inflows from financing activities	558,813,402.10	627,632,019.96
Cash paid for debt repayments	487,756,431.20	534,814,380.39
Cash paid for distribution of dividends and profits or payment of interest	65,236,746.00	81,056,431.43
Including: dividends and profits paid to minority shareholders by subsidiaries		
Cash paid for other financing activities	2,654,143.20	15,600,000.00
Sub-total of cash outflows from financing activities	555,647,320.40	631,470,811.82
Net cash flows from financing activities	3,166,081.70	-3,838,791.86
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	685,951.24	1,690,749.92
V. Net increase in cash and cash equivalents	-19,232,486.08	-7,280,222.29
Plus: Balance of cash and cash equivalents at the beginning of the period	110,587,001.12	117,867,223.41
VI. Balance of cash and cash equivalents at the end of the period	91,354,515.04	110,587,001.12

Datang Telecom (H.K.) Limited
Statement of Cash Flows
for 2016

(The monetary unit is RMB unless otherwise specified)

Item	2016	2015
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	903,885,083.13	1,357,025,803.35
Refunds of taxes and surcharges	41,838.65	
Cash received from other operating activities	1,492,703.16	901,909.26
Sub-total of cash inflows from operating activities	905,419,624.94	1,357,927,712.61
Cash paid for goods purchased and services received	885,763,310.21	1,356,041,243.66
Cash paid to and on behalf of employees		
Cash paid for taxes and surcharges		337,485.19
Cash paid for other operating activities	2,639,183.68	2,769,996.57
Sub-total of cash outflows from operating activities	888,402,493.89	1,359,148,725.42
Net cash flows from operating activities	17,017,131.05	-1,221,012.81
II. Cash flows from investing activities		
Cash received from sale of investments		
Cash from receiving investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities		
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		
Cash paid for investments		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities		
Net cash flows from investing activities		
III. Cash flows from financing activities		
Cash received from investors		
Cash received from borrowings	204,646,202.96	92,006,185.59
Cash received from bonds issue		
Cash received from other financing activities		7,681,239.20
Sub-total of cash inflows from financing activities	204,646,202.96	99,687,424.79
Cash paid for debt repayments	164,456,431.20	43,208,918.61
Cash paid for distribution of dividends and profits or payment of interest	1,173,063.33	181,199.29
Cash paid for other financing activities	55,000,000.00	55,000,000.00
Sub-total of cash outflows from financing activities	220,629,494.53	98,390,117.90
Net cash flows from financing activities	-15,983,291.57	1,297,306.89
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	685,872.69	1,690,571.22
V. Net increase in cash and cash equivalents	1,719,712.17	1,766,865.30
Plus: balance of cash and cash equivalents at the beginning of the period	38,897,749.71	37,130,884.41
VI. Balance of cash and cash equivalents at the end of the period	40,617,461.88	38,897,749.71

Datang Telecom (H.K.) Limited
Consolidated Statement of Changes in Owners' Equity
for 2016
(The monetary unit is RMB unless otherwise specified)

[illegible]

Item	2016												
	Equities attributable to the owners of the parent company											Equities attributable to minority shareholders	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings		
Preferred shares		Perpetual capital securities	Others										
2. Withdrawal of general risk reserve													
3. Profit distributed to owners (or shareholders)													
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserves into paid-in capital (or share capital)													
2. Conversion of surplus reserves into paid-in capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Others													
(V) Special reserves													
1. Amount withdrawn in the current year													
2. Amount used in the current year													
(VI) Others													
IV. Balance at the end of the current year	106,101.70				32,665,783.21		-7,527,352.92		15,780,781.51		-481,158,387.25		-440,133,073.75

The accompanying notes to the financial statements are integral parts of the financial statements.

(The monetary unit is RMB unless otherwise specified)

[illegible]

Item	2015												
	Equities attributable to the owners of the parent company											Equities attributable to minority shareholders	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings		
Preferred shares		Perpetual capital securities	Others										
2. Withdrawal of general risk reserve													
3. Profit distributed to owners (or shareholders)													
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserves into paid-in capital (or share capital)													
2. Conversion of surplus reserves into paid-in capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Others													
(V) Special reserves													
1. Amount withdrawn in the current year													
2. Amount used in the current year													
(VI) Others													
IV. Balance at the end of the current year	106,101.70				32,665,783.21		-3,646,218.83		15,780,781.51		-31,066,574.71		13,839,872.88

The accompanying notes to the financial statements are integral parts of the financial statements.

Datang Telecom (H.K.) Limited
Statement of Changes in Owners' Equity
for 2016
(The monetary unit is RMB unless otherwise specified)

Item	(The monetary unit is RMB unless otherwise specified)										
	2016										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
	Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of the previous year	106,101.70				24,894,274.69		-3,646,218.83			-28,796,999.00	-7,442,841.44
Plus: changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. Balance at the beginning of the current year	106,101.70				24,894,274.69		-3,646,218.83			-28,796,999.00	-7,442,841.44
III. Increases/decreases in the current year ("-" for decreases)							-3,881,134.09			-56,706,920.65	-60,588,054.74
(I) Total comprehensive income							-3,881,134.09			-56,706,920.65	-60,588,054.74
(II) Capital contributed or reduced by owners											
1. Ordinary shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
3.Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Others											
(V) Special reserves											
1. Amount withdrawn in the current year											
2. Amount used in the current year											
(VI) Others											
IV. Balance at the end of the current year	106,101.70				24,894,274.69		-7,527,352.92			-85,503,919.65	-68,030,896.18

The accompanying notes to the financial statements are integral parts of the financial statements.

Datang Telecom (H.K.) Limited
Statement of Changes in Owners' Equity (Continued)
for 2016
(The monetary unit is RMB unless otherwise specified)

Item	2015										
	Share capital	Other equity instruments	Perpetual capital securities	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
I. Balance at the end of the previous year	106,101.70				24,894,274.69		1,650,501.12			8,831,172.76	35,482,050.27
Plus: changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. Balance at the beginning of the current year	106,101.70				24,894,274.69		1,650,501.12			8,831,172.76	35,482,050.27
III. Increases/decreases in the current year ("-" for decreases)							-5,296,719.95			-37,628,171.76	-42,924,891.71
(I) Total comprehensive income							-5,296,719.95			-37,628,171.76	-42,924,891.71
(II) Capital contributed or reduced by owners											
1. Ordinary shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Others											
(V) Special reserves											
1. Amount withdrawn in the current year											
2. Amount used in the current year											
(VI) Others											
IV. Balance at the end of the current year	106,101.70				24,894,274.69		-3,646,218.83			-28,796,999.00	-7,442,841.44

The accompanying notes to the financial statements are integral parts of the financial statements.

2 Analysis on primary business

2.1 Analysis statement for changes on the relevant items in the income statement and statement of cash flows

		Unit: Yuan	Currency: RMB
Item	2016	2015	Amount of change
Operating income	2,391,409,796.27	3,161,146,191.42	-769,736,395.15
Operating costs	2,403,274,230.81	2,965,098,626.98	-561,824,396.17
Selling expenses	19,735,622.18	26,323,634.22	-6,588,012.04
General and administrative expenses	132,192,052.05	98,377,858.78	33,814,193.27
Financial expenses	63,720,623.92	71,285,630.06	-7,565,006.14
Net cash flows from operating activities	-19,084,968.22	2,467,003.27	-21,551,971.49
Net cash flows from investing activities	-3,999,550.80	-7,599,183.62	3,599,632.82
Net cash flows from financing activities	3,166,081.70	-3,838,791.86	7,004,873.56

2.1.1 Income and costs

Analysis on driving factors for changes in business income and costs

		Unit: Yuan	Currency: RMB
Industry name	Main business income		Growth rate (%)
	2016	2015	
Terminal design	2,391,409,796.27	3,161,146,191.42	-24.35%
Total	2,391,409,796.27	3,161,146,191.42	

Industry name	Main business costs		Growth rate (%)
	2016	2015	
Terminal design	2,403,274,230.81	2,965,098,626.98	-18.95%
Total	2,403,274,230.81	2,965,098,626.98	

During the reporting period, the Company has realized the main business income of RMB 2,391,409,796.27, down 24.35% from a year earlier. The business income in the field of terminal design has decreased by 24.35%. During the reporting period, the Company has realized the main business costs of RMB 2,403,274,230.81, down 18.95% from a year earlier, which is mainly attributed to the decrease of business in the field of terminal design.

2.1.2 Expenses

		Unit: Yuan	Currency: RMB
Item	2016	2015	Change ratio (%)
Selling expenses	19,735,622.18	26,323,634.22	-25.03%
General and administrative expenses	132,192,052.05	98,377,858.78	34.37%
Financial expenses	63,720,623.92	71,285,630.06	-10.61%

- (1) Selling expenses in 2016 have decreased by 25.03%, equal to RMB 6,588,012.04, compared with that in 2015, which is mainly attributed to the strict control over expenses by the Company in 2016 and the decrease of volume of business.
- (2) General and administrative expenses in 2016 have increased by 34.37%, equal to RMB 33,814,193.27, compared with that in 2015, which is mainly attributed to the sharp increase of research and development expenses included in general and administrative expenses by the Company compared with that in 2015.
- (3) Financial expenses in 2016 have decreased by 10.61%, equal to RMB 7,565,006.14, compared with that in 2015, which is mainly attributed to the decrease of the average size of annual borrowings and the average interest rate on borrowings lower than that in 2015.

2.1.3 Cash flows

Item	2016	2015	Amount of change
Net cash flows from operating activities	-19,084,968.22	2,467,003.27	-21,551,971.49
Net cash flows from investing activities	-3,999,550.80	-7,599,183.62	3,599,632.82
Net cash flows from financing activities	3,166,081.70	-3,838,791.86	7,004,873.56

- (1) Net cash flows from operating activities in 2016 decreased by RMB 21,551,971.49 over 2015, mainly due to the decline in the scale of operation and payback received in 2016;
- (2) Net cash flows from investing activities in 2016 increased by RMB 3,599,632.82 over 2015, mainly due to the year-on-year decrease of cash paid for large-amount investments in 2016;
- (3) Net cash flows from financing activities in 2016 increased by RMB 7,004,873.56 over 2015, mainly due to the increase in borrowings in the reporting period.

III Situation of the Parent Company at the End of the Reporting Period

The Company's parent company is Datang Telecom Technology Co., Ltd. whose situation at the end of the reporting period is as follows:

Company name	Registration place	Business nature	Registered capital	Shareholding ratio of the parent company in the Company (%)	Proportion of voting rights to the Company (%)
Datang Telecom Technology Co., Ltd.	No.6 Yongjia North Road, Haidian District, Beijing	State-owned enterprise	882,108,472.00	100.00	100.00

IV Significant Matters

1. According to the Proposal for the Purchase of 100% Equities of Datang Terminal Technology Co., Ltd. by Datang Telecom Technology Co., Ltd. from Datang Telecom (H.K.) Limited adopted upon deliberation by the directors of the Company and at the third meeting of the seventh board of directors of Datang Telecom as the parent company controlling the Company, it is agreed that Datang Telecom purchases 100% equities of Datang Terminal Technology Co., Ltd. from the Company at the price of RMB 600 million. The Company has received the payment of RMB 600 million for the said equities on March 17 and March 28, and will use the payment to return matured overseas bonds.
2. According to the Proposal for Capital Increase in Datang Telecom (H.K.) Limited adopted upon deliberation by the directors of the Company and at the sixth meeting of the seventh board of directors of Datang Telecom as the parent company controlling the Company, it is agreed that Datang Telecom increases capital of RMB 310 million to the Company. The Company has received the payment for capital increase on March 24, and will use the payment to develop overseas business and return matured overseas bonds.

V Future Development

In 2016, the Company has offered a lot of trade and procurement services for terminal design of the group as a trade platform of the group. In 2017, the Company will continue to give play to the advantage as an international trade platform and offer trade, procurement and sales services to the group. The Company will, under the strategic guidance of the group, continue to reduce management grades and improve management efficiency; carry out the concept of product line management, and take the profitability and per capita benefit as the main bases for the investment and adjustment of product line resources; regard the comprehensive budget management as the core, enhance the efficiency of capital allocation and utilization, and continue to strengthen the scientific control over accounts receivable and inventories; exchange the improvement of management for the improvement of benefits.