

DATANG TELECOM(H.K.)LIMITED.

Annual Report for 2014

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. Company Limited contributed investment using intangible assets and the Company’s registered capital is HKD100,000.00.

On August 25, 2014, the Company incorporated a wholly-owned subsidiary, Datang Telecom (H.K.) Holding Limited, with a registered capital of USD1.00. In December 2014, the Company purchased from Datang Telecom Technology Co., Ltd 100% share of Datang Terminal Technology Co., Ltd with CNY 600 million..

As at December 31, 2013, the Company issued 100,000 shares in total and had a registered capital of HKD100,000.00. 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 as related to electronic computer software and hardware and external devices; and information service. The Company is mainly engaged in research and development, manufacturing and sales of electronic commerce system platform. The Company is registered and headquartered in Hong Kong.

II Main financial data

1. Financial statements

DATANG TELECOM(H.K.)LIMITED.

Consolidated Balance Sheet

December 31, 2014

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

Assets	Notes 5	12/31/2014	12/31/2013
Current assets:			
Cash and cash equivalents	(1)	117,867,223.41	16,320,908.39
Settlement provision			
Inter-bank lending			

Financial assets at fair value through the profit and loss account			
Derivative financial assets			
Notes receivable	(2)	800,000.00	2,027,900.00
Accounts receivable	(3)	421,072,068.46	537,531,711.38
Prepayments	(4)	89,734,392.45	21,965,552.05
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables	(5)	80,080,744.25	5,290,624.22
Redemptory monetary capital for sale			
Inventories	(6)	555,589,819.59	305,295,820.63
Assets divided as assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,265,144,248.16	888,432,516.67
Non-current assets			
Release of loans and advances			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables	(7)	110,000,000.00	
Long-term equity investments			
Investment properties			
Fixed assets	(8)	64,839,425.74	56,948,964.90
Construction in progress			
Engineering materials			
Disposition of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	(9)	11,271,824.51	18,393,474.63
Development expenditure	(10)	3,813,991.29	
Goodwill	(11)	159,065,937.59	160,065,937.59
Long-term prepaid expenses	(12)	1,055,417.06	1,405,736.91
Deferred tax assets	(13)	1,418,280.87	826,968.81
Other non-current assets			
Total non-current assets		351,464,877.06	237,641,082.84
Total assets		1,616,609,125.22	1,126,073,599.51

DATANG TELECOM(H.K.)LIMITED.

Balance Sheet (Continued)

December 31, 2014

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

Liabilities and owners' equity	Notes 5	12/31/2014	12/31/2013
Current liabilities:			
Short-term borrowings	(14)	197,319,748.58	205,916,597.98
Borrowings from the Central Bank			
Deposits taking and inter-bank placement			
Inter-bank borrowings			
Financial liabilities at fair value through the profit and loss account			
Derivative financial liabilities			
Notes payable	(15)		5,150,000.00
Accounts payable	(16)	223,440,220.11	264,854,992.70

Advance collections	(17)	36,914,639.72	24,027,744.95
Financial assets sold for repurchase			
Commissions and fees payable			
Payroll payable	(18)	220,021.32	1,863,185.47
Taxes payable	(19)	-8,273,390.74	-3,200,046.81
Interest payable	(20)	13,687,367.82	
Dividends payable	(21)	43,000,000.00	113,000,000.00
Other payables	(22)	72,751,505.03	69,235,148.07
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities divided as liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		579,060,111.84	680,847,622.36
Non-current liabilities:			
Long-term borrowings			
Bonds payable	(23)	988,062,220.35	
In which: Preferred shares			
Perpetual capital securities			
Long term payables	(24)	13,000,000.00	
Long-term payroll payable			
Specific payables			
Estimated liabilities			
Deferred revenue	(25)	1,632,001.22	407,928.88
Deferred income tax liabilities	(13)	372,741.54	582,190.11
Other non-current liabilities			
Total non-current liabilities		1,003,066,963.11	990,118.99
Total liabilities		1,582,127,074.95	681,837,741.35
Owners' equities:			
Share capital	(26)	106,101.70	106,101.70
Other equity instruments			
In which: Preferred shares			
Perpetual capital securities			
Capital reserves	(27)	9,265,783.21	186,455,773.42
Less: Treasury stock			
Other comprehensive income	(28)	1,650,501.12	-2,030,754.52
Special reserves			
Surplus reserves	(29)	15,780,781.51	14,628,491.48
General risk preparation			
Undistributed profits	(30)	7,678,882.73	245,076,246.08
Total equities attributable to the equity holders of the parent company		34,482,050.27	444,235,858.16
Minority interests			
Total owner's equity		34,482,050.27	444,235,858.16
Total of liabilities and owners' equity		1,616,609,125.22	1,126,073,599.51

DATANG TELECOM(H.K.)LIMITED.

Balance Sheet

December 31, 2014

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

Assets	Notes 13	12/31/2014	12/31/2013
Current assets:			
Cash and cash equivalents		37,130,884.41	4,525,659.31
Financial assets at fair value through the profit and loss account			
Derivative financial assets			
Notes receivable			
Accounts receivable	(1)	135,300,816.08	59,769,918.21

Prepayments		9,680,824.56	2,519,729.66
Interest receivable			
Dividends receivable			
Other receivables	(2)	91,020,086.86	895,309.94
Inventories		131,522,506.70	6,467,297.64
Assets divided as assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		404,655,118.61	74,177,914.76
Non-current assets			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables		110,000,000.00	
Long-term equity investments	(3)	624,894,280.84	
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 tax assets			
Other non-current assets			
Total non-current assets		734,894,280.84	
Total assets		1,139,549,399.45	74,177,914.76

DATANG TELECOM(H.K.)LIMITED.

Balance Sheet (Continued)

December 31, 2014

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

Liabilities and owners' equity	Notes	12/31/2014	12/31/2013
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through the profit and loss account			
Derivative financial liabilities			
Notes payable			
Accounts payable		98,316,380.69	62,033,036.60
Advance collections		3,821,858.56	1,104,851.26
payroll payable			
Taxes payable			

Interest payable		13,687,367.82	
Dividends payable			
Other payables		179,521.76	178,873.38
Liabilities divided as liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		116,005,128.83	63,316,761.24
Non-current liabilities:			
Long-term borrowings			
Bonds payable		988,062,220.35	
In which: Preferred shares			
Perpetual capital securities			
Long term payables			
long-term payroll payable			
Specific payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		988,062,220.35	
Total liabilities		1,104,067,349.18	63,316,761.24
Owners' equities:			
Share capital		106,101.70	106,101.70
Other equity instruments			
In which: Preferred shares			
Perpetual capital securities			
Capital reserves		24,894,274.69	
Less: Treasury stock			
Other comprehensive income		1,650,501.12	-2,030,754.52
Special reserves			
Surplus reserves			
Undistributed profits		8,831,172.76	12,785,806.34
Total owner's equity		35,482,050.27	10,861,153.52
Total of liabilities and owners' equity		1,139,549,399.45	74,177,914.76

DATANG TELECOM(H.K.)LIMITED.

Consolidated income statement

The year of 2014

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

Item	Notes 5	2014	2013
I . Total operating income	(32)	1,883,757,360.47	1,355,906,181.51
In which: Operating income	(32)	1,883,757,360.47	1,355,906,181.51
Interest income			
Premiums earned			
Fee and commission income			
II . Total operating costs		1,795,607,530.43	1,257,535,201.98
In which: Operating costs	(32)	1,662,822,277.22	1,156,427,051.74
Interest expenses			
Fee and commission expenditure			
Surrender value			
Net payment for claims			
Withdrawn net reinsurance contract provision			
Policy bonus expenditure			

Reinsurance expenses			
Business tax and surcharges	(33)	3,682,298.14	3,635,392.74
Selling expenses	(34)	17,600,334.50	14,889,079.19
Management expenses	(35)	81,199,806.54	76,251,361.60
Financial expenses	(36)	25,766,615.27	4,497,848.28
Asset impairment loss	(37)	5,536,198.76	1,834,468.43
Plus: Gains on the changes in the fair value (loss expressed with "-")			
Investment income (loss expressed with "-")			
In which: Income from investment on associated enterprise and joint venture			
Exchange gains/(losses)(loss expressed with "-")			
III. Operating profit (loss expressed with "-")		87,149,830.04	98,370,979.53
Plus:Non-operating income	(38)	17,039,234.76	16,281,727.92
In which: Gains from disposal of non-current assets			
Less: Non-operating expenses	(39)	82.54	2,588.27
In which: Losses from disposal of non-current assets			
IV. Gross profit (total loss expressed with "-")		104,188,982.26	114,650,119.18
Less: Income tax expenses	(40)	17,624,045.79	18,830,356.83
V. Net profit (net loss expressed with "-")		86,564,936.47	95,819,762.35
Net profit attributable to the owners of the parent company		86,564,936.47	95,819,762.35
Profit and loss of minority shareholders			
XI. Net of tax of other comprehensive income		3,681,255.64	-341,729.22
Net of tax of other comprehensive income attributable to the owners of the parent company			
(1) Other comprehensive income that can't be classified into the profits and losses			
1. Changes in net liabilities and capitals in case of remeasurement & resetting of benefit plan			
2.The share in other comprehensive income that can't be classified into the profits and losses in the invested company under the equity method			
(2) Other comprehensive income that will be reclassified into the profits and losses in the future		3,681,255.64	-341,729.22
The share in other comprehensive income that will be 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. Translation differences from foreign currency financial statements		3,681,255.64	-341,729.22
6. Others:			
Net of tax of other comprehensive income attributable to the minority shareholders			
VII. Total comprehensive income		90,246,192.11	95,478,033.13
Total comprehensive income attributable to the owners of the parent company		90,246,192.11	95,478,033.13
Total comprehensive income attributable to minority shareholders			
VIII. Per-share earnings:			
(1) Basic earnings per share(yuan/share)			
(2) Diluted earnings per share(yuan/share)			

DATANG TELECOM(H.K.)LIMITED.

Income statement

for 2014

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

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<u>Item</u>	<u>Notes 13</u>	<u>2014</u>	<u>2013</u>
<u>I. Operating income</u>	<u>(4)</u>	<u>665,970,553.93</u>	<u>499,986,184.56</u>

Less: Operating costs	<u>(4)</u>	<u>659,024,614.20</u>	<u>498,266,568.63</u>
Business tax and surcharges			
Selling expenses		<u>78,202.52</u>	<u>70,356.95</u>
Management expenses		<u>428,568.27</u>	<u>532,761.81</u>
Financial expenses		<u>10,421,045.67</u>	<u>71,382.18</u>
Asset impairment loss		<u>-27,243.15</u>	<u>197,413.95</u>
Plus: Gains on the changes in the fair value (loss expressed with "-")			
Investment income (loss expressed with "-")			
In which: Income from investment on associated enterprise and joint venture			
II. Operating profit (loss expressed with "-")		<u>-3,954,633.58</u>	<u>847,701.04</u>
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 "-")		<u>-3,954,633.58</u>	<u>847,701.04</u>
Less: Income tax expenses			<u>308,496.30</u>
IV. Net profit (net loss expressed with "-")		<u>-3,954,633.58</u>	<u>539,204.74</u>
V. Net of tax of other comprehensive income		<u>3,681,255.64</u>	<u>-341,729.22</u>
(1) Other comprehensive income that can't be reclassified into the profits and losses in the future			
1. Changes in net liabilities and capitals in case of remeasurement & resetting of benefit plan			
2. The share in other comprehensive income that can't be classified into the profits and losses in the invested company under the equity method			
(2) Other comprehensive income that will be reclassified into the profits and losses in the future		<u>3,681,255.64</u>	<u>-341,729.22</u>
1. The share in other comprehensive income that will be classified into the profits and losses in the invested company under the equity method			
2. 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. Foreign currency financial statements convert the difference		<u>3,681,255.64</u>	<u>-341,729.22</u>
6. Others:			
XI. Total comprehensive income		<u>-273,377.94</u>	<u>197,475.52</u>
VII. Per-share earnings:			
(1) Basic earnings per share(yuan/share)			
(2) Diluted earnings per share(yuan/share)			

DATANG TELECOM(H.K.)LIMITED.
Consolidated cash flow statement
for 2014

(The monetary unit is Yuan/ unless otherwise specified)

Item	Notes 5	2014	2013
I . Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,115,656,699.13	1,609,358,209.73
Net amount of customer deposits and inter-bank deposits			
Net increase in borrowings from the Central Bank			
Net increase in inter-bank fund from other financial institutions			
Cash from receiving original insurance contract premium			
Net cash from receiving reinsurance business			
Net increase of insured savings and investment fund			
Net increase in disposal of financial assets at fair value through the profit and loss account			
Cash received from interest, fees and commissions			
Net increase in inter-bank borrowings			
Net increase in buy-back business fund			
Received tax return		18,055,751.24	16,179,352.10
Other cash receipts related to operating activities	(41)	5,096,217.56	20,900,406.53
Subtotal of cash inflows from operating activities		2,138,808,667.93	1,646,437,968.36
Cash paid for goods and services		2,060,072,591.06	1,452,558,006.17
Net increase in customer loans and advances to be paid back later			
Net increase in the Central Bank deposits and inter-bank deposits			
Cash paid for indemnity of original insurance contract			
Cash payments for interest, fees and commissions			
Cash paid for bonus of insurance policy			
Cash paid to and on behalf of employees		104,652,039.16	96,827,574.80
Various tax payments		47,407,564.26	57,161,380.50
Other cash payments related to operating activities	(41)	39,363,382.69	45,630,923.87
Subtotal of cash outflows from operating activities		2,251,495,577.17	1,652,177,885.34
Net cash flows from operating activities		-112,686,909.24	-5,739,916.98
II .Cash flows from investing activities			
Cash from investment withdrawal			
Cash from receiving return on investment			
Net cash received from the 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;		19,698,048.30	17,572,469.51
Payment for investment		600,000,000.00	
Net increase in pledge loans			
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		619,698,054.45	17,572,469.51
Net cash flows from investing activities		-619,698,054.45	-17,572,469.51
III.Cash flows from financing activities			
Cash from absorbing investment		100,000,000.00	
In which:Cash from the subsidiary company absorbing investments of minority shareholders			
Cash received from debts		1,364,640,349.04	350,037,646.84
Cash from issuing bond			
Cash received relating to other financing activities	(41)	6,000,000.00	
Subtotal of cash inflows from financing activities		1,470,640,355.19	350,037,646.84
Cash paid for repayments of debts		536,822,006.94	301,844,968.36
Cash paid for distribution of dividends or profits, or cash payments for interests		75,899,276.71	26,240,729.42
In which:Dividend and profit paid to minority shareholders by subsidiary			
Cash payments relating to other financing activities	(41)	27,081,269.56	
Subtotal of cash outflows from financing activities		639,802,553.21	328,085,697.78
Net cash flows from financing activities		830,837,795.83	21,951,949.06
IV.Foreign exchange rate fluctuation consequences on cash and cash equivalents		3,334,457.31	-139,995.60
V .Net increase in cash and cash equivalents		101,787,295.60	-1,500,433.03
Plus:Beginning balance of cash and cash equivalents		16,079,927.81	17,580,360.84
XI.End balance of cash and cash equivalent		117,867,223.41	16,079,927.81

DATANG TELECOM(H.K.)LIMITED.

**Cash flow statement
for 2014**

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

Item	notes	2014	2013
I . Cash flows from operating activities			
Cash received from sale of goods or rendering of services		593,627,008.98	502,163,346.00
Received tax return		254,056.54	
Other cash receipts related to operating activities		3,360,359.53	385.27
Subtotal of cash inflows from operating activities		597,241,425.05	502,163,731.27
Cash paid for goods and services		755,338,391.21	502,403,123.78
Cash paid to and on behalf of employees			
Various tax payments			308,496.30
Other cash payments related to operating activities		621,907.64	750,551.95
Subtotal of cash outflows from operating activities		755,960,298.85	503,462,172.03
Net cash flows from operating activities		-158,718,873.80	-1,298,440.76
II.Cash flows from investing activities			
Cash from investment withdrawal			
Cash from receiving return on investment			
Net cash received from the 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		600,000,006.15	
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		600,000,006.15	
Net cash flows from investing activities		-600,000,006.15	
III.Cash flows from financing activities			
Cash from absorbing investment			
Cash received from debts		995,444,932.47	
Cash from issuing bond			
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		995,444,932.47	
Cash paid for repayments of debts		171,751,081.39	
Cash paid for distribution of dividends or profits, or cash payments for interests			
Cash payments relating to other financing activities		35,704,203.41	
Subtotal of cash outflows from financing activities		207,455,284.80	
Net cash flows from financing activities		787,989,647.67	
IV.Foreign exchange rate fluctuation consequences on cash and cash equivalents		3,334,457.38	-139,995.60
V .Net increase in cash and cash equivalents		32,605,225.10	-1,438,436.36
Plus:Beginning balance of cash and cash equivalents		4,525,659.31	5,964,095.67

XI.End balance of cash and cash equivalent		37,130,884.41	4,525,659.31
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DATANG TELECOM(H.K.)LIMITED.

Cash flow statement

for 2014

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

Item	Note	2014	2013
I . Cash flows from operating activities			
Cash received from sale of goods or rendering of services		593,627,008.98	502,163,346.00
Received tax return		254,056.54	
Other cash receipts related to operating activities		3,360,359.53	385.27
Subtotal of cash inflows from operating activities		597,241,425.05	502,163,731.27
Cash paid for goods and services		755,338,391.21	502,403,123.78
Cash paid to and on behalf of employees			
Various tax payments			308,496.30
Other cash payments related to operating activities		621,907.64	750,551.95
Subtotal of cash outflows from operating activities		755,960,298.85	503,462,172.03
Net cash flows from operating activities		-158,718,873.80	-1,298,440.76
II . Cash flows from investing activities			
Cash from investment withdrawal			
Cash from receiving return on investment			
Net cash received from the 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		600,000,006.15	
Net cash paid for the acquisition of subsidiaries and other business entities			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		600,000,006.15	
Net cash flows from investing activities		-600,000,006.15	
III.Cash flows from financing activities			
Cash from absorbing investment			
Cash received from debts		995,444,932.47	
Cash from issuing bond			
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities		995,444,932.47	
Cash paid for repayments of debts		171,751,081.39	
Cash paid for distribution of dividends or profits, or cash payments for interests			
Cash payments relating to other financing activities		35,704,203.41	
Subtotal of cash outflows from financing activities		207,455,284.80	
Net cash flows from financing activities		787,989,647.67	
IV.Foreign exchange rate fluctuation consequences on cash and cash equivalents		3,334,457.38	-139,995.60
V .Net increase in cash and cash equivalents		32,605,225.10	-1,438,436.36
Plus:Beginning balance of cash and cash equivalents		4,525,659.31	5,964,095.67

XI.End balance of cash and cash equivalent		37,130,884.41	4,525,659.31
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DATANG TELECOM(H.K.)LIMITED.
Consolidated Owner's Equity Change Table
for 2014

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

Item	This period												
	Equity attributable to the equity holders of the parent company											Minority interests	Total owner's equities
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profit		
		Preferred shares	Perpetual capital securities	Others:									
I . Ending balance of previous year	106,101.70				186,455,773.42		-2,030,754.52		14,628,491.48		245,076,246.08		444,235,858.16
Plus: Alteration of accounting policy													
Prophase error correction													
Business combination under common control													
Others													
II . Balance at beginning of this year	106,101.70				186,455,773.42		-2,030,754.52		14,628,491.48		245,076,246.08		444,235,858.16
III.Amount of changes in current period(decrease is represented by "-")					-177,189,990.21		3,681,255.64		1,152,290.03		-237,397,363.35		-409,753,807.89
(1)Total comprehensive income							3,681,255.64				86,564,936.47		90,246,192.11
(2)Capital input and reduction by owners					-177,189,990.21						-322,810,009.79		-500,000,000.00
1.Common stock invested by the shareholders													
2. Capital invested by holders of other equity instruments													
3. Payment for amount counted into owner's equity													
4.Others:					-177,189,990.21						-322,810,009.79		-500,000,000.00
(3)Distribution of profits									1,152,290.03		-1,152,290.03		
1. Withdrawal of surplus reserve									1,152,290.03		-1,152,290.03		
Withdrawn general risk provision													
3.Allocation for owners (or shareholders)													
4.Others													
(4)Internal carry-over of owner's equity													
1.Capital surplus conversion into capital (or stock)													
2.Surplus reserve conversion into capital (or stock)													
3.Recovery of loss by surplus reserve													
4.Others													
(5)Special reserves													
1. withdrawal in this period													
2. Use in this period													
(6) Others													
IV. Ending balance of this period	106,101.70				9,265,783.21		1,650,501.12		15,780,781.51		7,678,882.73		34,482,050.27

DATANG TELECOM(H.K.)LIMITED.

Consolidated Owner's Equity Change Table (continued)
(The monetary unit is Yun/ RMB unless otherwise specified)

[illegible]

2.Surplus reserve conversion into capital (or stock)											
3.Recovery of loss by surplus reserve											
4. Others											
(5)Special reserves											
1. Withdrawal in this period											
2. Use in this period											
(6) Others											
IV. Ending balance of this period	106,101.70				24,894,274.69		1,650,501.12			8,831,172.76	35,482,050.27

DATANG TELECOM(H.K.)LIMITED.

Statement of Changes in Owner's Equity (continued)
for 2014

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

[illegible]

1. withdrawal in this period											
2. Use in this period											
(6) Others											
IV. Ending balance of this period	106,101.70						-2,030,754.52			12,785,806.34	10,861,153.52

2 Main business analysis

2.1 Change analysis table for related accounting subjects in income statement and cash flow statement

Unit: yuan Currency:RMB

Accounting subject	2014	2013	Proportion of change
Operating income	1,883,757,360.47	1,355,906,181.51	38.93%
Operating costs	1,662,822,277.22	1,156,427,051.74	43.79%
Selling expenses	17,600,334.50	14,889,079.19	18.21%
Management expenses	81,199,806.54	76,251,361.60	6.49%
Financial expenses	25,766,615.27	4,497,848.28	472.86%
Net cash flows from operating activities	-112,686,909.24	-5,739,916.98	Not applicable
Net cash flows from investing activities	-619,698,048.30	-17,572,469.51	Not applicable
Net cash flows from financing activities	830,837,801.98	21,951,949.06	3684.80%

2.1.1 Revenue cost

Driving factors analysis of changes in the cost of business income

Unit:yuan Currency:RMB

Name of the industry	Main business income		Growth rate (%)
	2014	2013	
Terminal design	1,883,292,824.96	1,355,864,681.51	38.90%
Bank acceptance bill	1,883,292,824.96	1,355,864,681.51	38.90%

Name of the industry	Main business costs		Growth rate (%)
	2014	2013	
Terminal design	1,662,717,803.42	1,156,414,780.59	43.78%
Bank acceptance bill	1,662,717,803.42	1,156,414,780.59	43.78%

During the reporting period, the company has realized 1,883,292,824.96 yuan of main business income and it has a year-on-year increase of 38.90%.Business income has increased by 38.90% in terminal design field, terminal shipments of PCBA/ODM, industrial terminal and data terminal have all achieved good achievements and the income has achieved a remarkable growth. During the reporting period, the company has realized 1,662,717,803.42 yuan of main business costs, it has increased by 43.78%, the main reason is the increase of business in the field of terminal design.

2.1.2 Costs

Unit: yuan Currency: RMB

Item	2014	2013	Proportion of
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			change (%)
Selling expenses	17,600,334.50	14,889,079.19	18.21%
Management expenses	81,199,806.54	76,251,361.60	6.49%
Financial expenses	25,766,615.27	4,497,848.28	472.86%

Selling expenses of current year have increased by 2,711,,255.31 yuan compared with the previous year, the additional proportion is 18.21%, the main reason is increase of selling expenses due to increase of volume of business.

Management expenses of current year have increased by 4,948,444.94 yuan compared with the previous year, the additional proportion is 6.49%, the main reason is increase of expenses including employee compensation and office expense, etc. compared with those of last year.

Financial expenses of current year have increased by 21,268,766.99 yuan compared with the previous year, the additional proportion is 472.86%, and the main reason is increase of provision for interest on bonds payable and exchange loss.

Cash flow

Unit: yuan Currency: RMB

Accounting subject	2014	2013	Proportion of change
Net cash flows from operating activities	-112,686,909.24	-5,739,916.98	Not applicable
Net cash flows from investing activities	-619,698,048.30	-17,572,469.51	Not applicable
Net cash flows from financing activities	830,837,801.98	21,951,949.06	3684.80%

(1) Net cash flows from operating activities of current year has decreased by 106,946,992.26 yuan compared with that of the last year, the mainly reason is the increase of cash paid in operating activities

Net cash flows from investing activities of current have decreased by 602,125,578.79 yuan compared that of the previous year, the main reason is the increase of payment for investment on year-on-year base.

Net cash flows from financing activities of current have increased by 808,885,852.92 yuan compared that of the previous year, the main reason is issuing of bonds in the reporting period.

III Investment situation analysis

In 2014, the company has offered a wide range of trade procurement services for terminal design field of the group as a trade platform. In addition, in December 2014, the Company purchased 100% stake of Datang Terminal Technology Co., Ltd. from Datang Telecom Technology Co., Ltd with 600 million yuan RMB. In the field of terminal design, the Company relies on relatively perfect terminal industrial chain, concentrate high value markets and customers. Therefore, it has not only established the dominant position in LTE data terminal field, it has also focused on strengthening of independent development and the promotion of industrial platform and supporting terminals, it has been awarded the POC talkback platform project of China Mobile Government and Enterprise Branch, it has improved the competitiveness of the industrial terminal products in the field of industry terminal, PCBA/ODM business occupies a larger share in LTE products.

1 Situation of the invested company

Unit: yuan Currency: RMB

Name of the invested company	Main business	Percentage of equities in the invested company(%)
Datang Telecom (HongKong) Holdings Co., Ltd.	Bond issuers and the main issue bonds	100.00
Datang Terminal Technology Co., Ltd.	Development, manufacturing and marketing of communication & electronic devices and related products, Mobile telephone, instrument, cultural office equipment, computer software & hardware and external devices, system integration, optical cable, microelectronics devices, industrial electronic module communication equipment and components. Technology development, technology transfer, technical consulting, technology services and business consulting in the field of communication, computer network engineering, and system integration of professional technology; self-management or agency of import and export of goods and technologies; leasing of self-owned machinery and electronic industrial specialized equipment; research and development of Biometric Identification Technology including fingerprint device	100.00

2 Analysis of main subsidiaries

Unit: yuan Currency: RMB

Comp any name	Scope of business	Registered capital	Total assets	Shareholders' equity	Operating income	Net profit
Datang Terminal	(The business which needs to get a permit in accordance to law, we could operate	663,017,700.00	1,208,218,739.80	623,894,274.69	1,507,149,008.63	90,519,570.05

Techn ology Co., Ltd.	it after the approval from relevant department.) Development, manufacturing and marketing of communication & electronic devices and related products, Mobile telephone, instrument, cultural office equipment, computer software & hardware and external devices, system integration, optical cable, microelectronics devices, industrial electronic module and communication equipment and components. Technology development, technology transfer, technical consulting, technology services and business consulting in the field of communication, computer network engineering, and system integration of professional				
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	technology(excluding brokerage);Self-management or agency of import and export of goods and technologies; leasing of self-owned machinery and electronic industrial specialized equipment; research and development of Biometric Identification Technology including fingerprint device					
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IV Situation of the parent company up to the reporting period

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

Unit: yuan Currency: RMB

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